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EDITORIAL

As We See It

"Clearly the most critical economic problem now facing this country is that of inflation, or put in the terms of the man on the street, it is the rising cost of living.

"This problem is far different from the one that beset us during the depressed 1930's, and left an indelible impression on our thinking. The problem then was one of drastic deflation with widespread unemployment, both of men and material resources. Today's problem has persisted through the years since World War II. It consists of inflationary price increases and the economic imbalances that have resulted.

"This is the overriding problem that faces the Federal Reserve System today, for a spiral of mounting prices and wages seeks more and more financing. It creates demands for funds in excess of savings, and since these demands can not be satisfied in full, the result is mounting interest rates and a condition of so-called tight money. If the gap between investment demands and available savings should be filled by creating additional bank money, the spiral of inflation which tends to become cumulative and self-perpetuating would be given further impetus. If the Federal Reserve System were a party to that process, it would betray its trust."

In these words the Chairman of the Board of Governors of the Federal Reserve System sets forth aptly, and we think on the whole accurately, the nature of the financial situation by which this country is faced. There may be and doubtless there are understandable differences of opinion about the proximate cause of the various pressures to which the economy is subjected today,

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Latin-American Financial And Economic Questions

By HONORABLE ROBERT B. ANDERSON*
Secretary of the Treasury

Treasurer Anderson tells Latin-American finance ministers existing public credit institutions can meet needs of sound development "as far as we can see ahead." Advises fuller utilization of existing capital supply resources; recommends removal of tax and other obstacles to private investment-flow; and stresses importance of "individual efforts of each people and their dedication to a program of work and savings, and orderly management of their own government and economic affairs" in order to achieve a still higher rate of economic development. The new U. S. Treasury head expresses his convictions, points out progress stems from day-to-day events and cumulative effect of specific decisions, and shows the extent to which total investment and managerial wealth is not indicated in balance of payments.

This Conference follows in logical succession from the Conference at Quitandinha in 1954. I was deeply impressed by the enthusiasm with which my predecessor, Secretary Humphrey, wieved the Quitandinha meeting. He was convinced at that meeting that there was unanimity among the delegates as to the great and inspiring objectives which we seek in this hemisphere. These objectives are clear and can be defined simply: We want our people all around the Americas to live better, we want them to pursue more healthful lives, we want their lives filled with hope, enriched with progress, and inspired toward the improvement of standards of well being. Above all we seek these goals while preserving the freedom of our peoples. It was most encouraging to me that in this eloquent address inaugurating this Conference, President

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*An address by Mr. Anderson before the 1st Plenary Session of the Economic Conference of the Organization of American States, Buenos Aires, Argentina, Aug. 19, 1957.

Investment Challenge of Technology in Electronics

By WILLIAM R. HEWLETT*
Hewlett-Packard Company, Palo Alto, Calif.

An insight is provided by Mr. Hewlett in the spending trends for defense and non-defense electronics equipment. In citing data appraising the electronics industry's future, the Californian executive shows that this "research and development oriented industry" expects its defense sales to increase 50% by 1961 even though total U. S. defense spending is only expected to increase by 10%. Turning to non-defense sales, he describes encouraging prospects for computers, automation and control, and medical electronics. Warns that the technological challenge in electronics will be "new" technology which manufacturers and buyers must keep abreast of to insure maximum investment return.

If I were to give a somewhat flip definition of electronics I would say that it covers all fields of electrical engineering which have not already been claimed by other disciples plus most of those that have. A more usable definition, however, would be anything that has in it a vacuum tube, or its counterpart, a solid state device such as a transistor. In discussing the electronics industry I don't intend this to be a sales talk for electronics. There has been too much of that already. The fact that many stocks are selling for 30 to 40 to 50 times earnings is proof enough of that.

Wm. R. Hewlett

Considering all aspects of the industry, electronics represented in 1956 about $11½ billion worth of business—of which about 55% was represented by manufacturing, and 45% by the non-manufacturing fields such as broadcasting, distribution

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*An address by Mr. Hewlett before the Stamford Business Conference, Stamford University.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 34.

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

Ero Manufacturing Co. — S. G. Eisenstadt, Partner, Straus, Blosser & McDowell, Chicago, Ill. (Page 2)

Harbor Plywood Corp.—Harry S. Grande, President, Grande & Co., Inc., Seattle, Wash. (Page 2)

S. G. EISENSTADT

Partner, Statistical Department
Straus, Blosser & McDowell
Chicago, Ill.

Ero Manufacturing Company

The resurgence of the automobile seat cover industry, which now grosses about $300,000,000 a year, continued through 1956 and is expected to continue during 1957 as well. Indications are that the gain could continue at the rate of about 10% per year as it has for the past two years.

Sam Eisenstadt

This projection is based on expectations of more car registrations—now up to 65,000,000—and on the increasing use of seat covers by both used and new car owners.

Ero Manufacturing Co., Chicago, a leader in the industry is a case in point. The company, which was established in 1911, and which has grown with the automobile industry, enjoyed a good sales year in fiscal 1956 with net sales of $9,956,216 compared with $9,135,143 for fiscal 1955.

At the same time, the company showed a slight drop in net profits as a result of the price-cost squeeze being felt by a large proportion of American industry today. Net income for fiscal 1956 was $293,023 compared with $313,621 for fiscal 1955. Per share earnings in 1955 were $.90 compared with $.82 for 1956.

The comparative figures are for two different fiscal years, since the company changed its fiscal year in 1956 to end henceforth on Jan. 31 instead of Aug. 31 as previously. The sales rise is significant, however, since it is part of a steady 10% rise per year since 1953.

The company has 358,500 shares of common stock outstanding which is listed on the American Stock Exchange. Ero has no funded debt and no preferred stock outstanding.

The Jan. 31, 1957 balance sheet shows total current assets of $3,890,202 including cash and equivalent of $433,708 and total current liabilities of only $805,446 for net working capital of $3,084,756.

On that date net working capital was equal to $8.05 a share and book value was $10.88 a share.

On June 19, 1957, Ero paid its 41st consecutive quarterly 12½ cent dividend, the 10th consecutive year it has done so. The company has also paid yearly extra dividends of 25 cents or more during this period.

Two developments during 1956 are of particular significance.

A new stretchable seat cover material first introduced in 1955 by Ero has enabled the company to reduce its variety of pattern sizes by as much as 60%. Because each size will fit a number of different automobiles, precluding the necessity for a great number of made-to-measure sizes, Ero has been able to lower its investment in inventory by about $1,000,000.

Ero also, during 1956, began to utilize air freight delivery for its custom-made seat covers which represent an important part of the firm's business. This move has enabled the company to eliminate its custom seat cover operations at outlying plants and to centralize the entire department in its principal Chicago facility, resulting in considerable savings in labor and other operating expenses. Air freight has made it possible to assure the same prompt delivery from the central plant in Chicago as was formerly made from local plants. The savings in production costs more than makes up for the increased freight charges.

Ero also made excellent progress in development of its other product lines which include hassocks, safety belts, metal furniture, automotive luggage carriers, cushions and insect screens. As a result of national safety programs, sales of seat belts are on the up-grade, and hassock sales are rising in proportion to the emphasis on comfort and convenience in designing of modern homes.

Still another Ero product, a rowing machine, is showing an increase in sales through intensified promotional activities and a greater public interest in physical fitness.

Seat covers make up the bulk of the company's sales, but these other Ero products now represent 25% of the company's total sales.

As to the future, Howard F. Leopold, President, is predicting a 10% increase in seat cover sales for Ero in 1957. He bases his optimism on the fact that there are some 65 million cars now on the road and that 60% of these are in the three-to-nine-year-old age bracket, the most favorable age for seat cover replacement business.

Additional impetus is being given to seat covers generally by an intensive advertising-promotional program undertaken for the first time by the Automobile Seat Cover Manufacturers Association (ASCMA) of which Ero is a member. The industry is spending $150,000 this year in national advertising and publicity to make the motorist as conscious of the appearance of his car's interior as he is of his living room's.

New types of seat covers developed in recent years . . . chiefly slip-on terry cloth covers and those of clear plastic which protect, but do not hide, the upholstery . . . also are bolstering the sales picture.

Imaginative sales campaigns, such as Ero's Seat Cover caravan in which seat covers are sold from trailers located in parking lots of major retail chains, have helped keep Ero one of the top three in the seat cover industry.

Leopold also sees a bright future for the company's secondary line of products for the home. "We expect to enjoy the results of the continuing home construction boom and are widening our sales outlets for these products," he said.

The combination of the growing number of automobiles on the road, more new homes going up, and the country's growing population, all will contribute to Ero's future success.

HARRY S. GRANDE

President, Grande & Co., Inc.
Seattle, Wash.

Harbor Plywood Corporation

The security that I like best is Harbor Plywood Corp. which is listed on the American Stock Exchange, because of a great many factors. First, during the 11 years that I have been a director of the company I have seen many things happen to that company and most of these have been on the favorable side.

Harry S. Grande

Each year the working capital of the company has grown steadily so that it is now in excess of $10 million, and taking into account the number of shares outstanding which is 1,024,216, it currently figures in excess of $10 per share. This working capital is largely invested in short-term government bonds and convertible industrial issues; and a very substantial amount is invested in the highly desirable asset in the plywood industry, namely: peeler logs made from Douglas Fir, and about 30% of the working capital is in inventory.

The stock offers an appeal as an inflation hedge because of the fact that Harbor owns one of the most desirable tracts of timber in the Northwest and it is conservatively estimated that this timber after allowing for the cutting contract price to the Northern Pacific Railway, has a value well in excess of $20 per share at today's stumpage values.

The company has confined its production to premium products such as Super-Harbord and Harborite; and therefore, does not compete in the highly vulnerable three-eighths interior product which has been a depressant in the plywood industry. The access roads owned by Harbor in the Lewis River area are another valuable asset of the company.

The company is paying a nominal dividend of 40 cents per share and the current market on the stock is 11½ at 12 per share which is very close to the working capital position of the company and any mild upturn in the economy which would carry through to the building industry could favorably affect the earnings of this well integrated and soundly financed unit in the forest products industry.

The company is controlled by Hunts Foods and Industries, Inc. in that they own in excess of 30% of the outstanding stock and they have six members on the 11 man board of directors and it could be that that substantial ownership will find it feasible or advisable at some future date to unite with some other company so as to provide broad diversification and utilize the warehouse and other facilities of Harbor, such as sales organization, in the key spots of the country, namely: San Francisco and Los Angeles, Calif. Dallas and Houston, Tex.; Atlanta, Ga.; Chicago, Ill.; Cincinnati Ohio; Tampa and Jacksonville, Fla., and Indianapolis, Ind.

It is very easy to figure out what is behind each share of stock considering the roughly one million shares outstanding; and with no bonds, preferred stock or bank loans the common stock is in first position for any slight improvement which might redound to the benefit of the company.

World Inflationary Conditions

By SEYMOUR E. HARRIS*
Chairman, Department of Economics, Harvard University

Prominent economist reviews inflationary conditions, here and abroad; singles out such contributing factors as: war, wages exceeding productivity, pressure of money, limited supplies, and depreciation or devaluation of currency; discusses whether inflation is the price paid for rising output; and prescribes therapy to combat inflation. Dr. Harris believes our failure to treat inflation is due to fear of upsetting the economy, the inadequacy of limited Federal Reserve general control, and our failure to recognize inflationary pressures. Though inflation erodes insurance and savings, finds that in non-galloping inflationary countries insurance growth exceeds price inflation, and that private insurance in force has declined vis-a-vis G.N.P. and, so too, private insurance per family in relation to growth of disposable income. Believes price stability is compatible with full employment and notes public savings affect private savings adversely.

(1) Inflation of Recent Years

Inflation is the economic disease of the last 15 years. In the planning for the postwar, the assumption was that the threat would be deflation, not inflation. Hence the carefully thought out provisions for justifiable devaluations and the emphasis on the responsibilities of creditor nations to provide adequate exchange through imports and credits. But in a world where inflation is the danger, the emphasis should not, for example, be on devaluations, for they tend to aggravate inflationary pressures.

Dr. S. E. Harris

How much inflation? Here are the trends from high to low for a number of countries. I am not mentioning Hungary, for example, which is supposed to have had an inflation of 10—17 times, surely a world's record, which makes the classic Assignat experience with a rise of the price of gold of 190 times seem like a mild experience indeed, and even the German postwar experience with the dollar rising 1,000 billion times and German prices 779 billion times as much as United States prices seems like a relatively restrained movement compared to the record established by Hungary.

Rise of Prices* (Cost of Living)

	1948 / 1937		1956 / 1948
Japan	168	times	59%
Italy	51	times	29%
Chile	3½	times	11 times
France	13	times	72%
Brazil	3½	times	†219%
India	187%		12%
U. K.	75%		47%
U. S.	67%		13%
Switzerland	63%		7%
Germany	50%		13%

*In order of largest % rise in 1937 to 1956. †Late 1956.

The brief statistical summary above suggests that the concentration of demand in war times had much to do with inflation. Japan, France, and Italy reflect the damage done by war, though their inflation also reflects to some extent the inadequacy of their monetary and fiscal policies. But Germany, the defeated country, showed the best record of all on the inflation front. This reflects to some extent the failure of the Germans to carry through an all-out mobilization—as was revealed after the war. But the remarkable record after the war reflects restrictive monetary and fiscal policies and anti-wage inflation policies which were all the more successful because competitors indulged in inflationary policies. The Germans could improve their competitive position because other countries accepted inflationary pressures. The British, on the other hand, have been especially concerned with the inflation of recent years because of the effects upon her competitive position in foreign markets.

(2) Wages, Productivity, and Prices

The above table gives the trends of inflation for major countries. But it should be noted that in 1955-56 the pressure for wage increases with threat to the price level became irresistible. Austria, Denmark, Finland, the Netherlands, Norway, Sweden, the United Kingdom, and even Germany felt the demands of workers who were outraged because of the concessions made to farmers and the increased evidence that the government, through its programs, could not hold the price level.[1] The attempts to keep wages in check in many countries with wage control were unsuccessful in part because employers and employees evaded the regulations in various ways, for example, through increased fringe benefits.[2]

In most European countries wages in 1956 rose more than man-hour output—Italy was a notable exception. In 1956, the cost of living increased in all 17 countries, with the largest rise in

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*An address by Prof. Harris before the International Insurance Conference, Wharton School of Finance and Commerce, University of Pennsylvania.

1 See especially "Wage Pressures and Inflation Controls in Europe," *Monthly Labor Review*, June, 1956.

2 See B. C. Roberts, "Towards a Rational Wage Structure," *Lloyd's Bank Review*, April, 1957.

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Filtered Profits

By DR. IRA U. COBLEIGH

Enterprise Economist

A report on the rising trend of profitability of P. Lorillard Company, due to its pioneering in smoke filtration.

Ever since good old Sir Walter Raleigh brought back to Merrie England the custom of smoking tobacco, some 300 years ago, the use of tobacco has broadened and spread to all the countries and climes of the world and a great industry has been created. While there are millions who chew, millions more who smoke cigars, or contentedly puff on pipes, the cigarette is the big industry product. But it has not been without its detractors. Youths were long enjoined against embarking on the custom of cigarette smoking (even after a suitable apprenticeship with corn silks) and it took years for cigarette smoking to become regarded as "lady-like." And recurrently, in recent years there have been allegations, more statistical than clinical in nature, that cigarettes are injurious to health. As a result, some have stopped smoking altogether; millions have continued to smoke their favorite brands with sustained and unruffled zest and nonchalance; while millions of others have seen, in filtration, the happy medium permitting them to continue smoking, comfortably insulated from any disturbing impurities.

Ira U. Cobleigh

Now this last group, namely, the devotees of filtration, is growing rapidly, so that today over 40% of all cigarettes sold in the United States are filter-tip. But not all cigarette filters are equal in their efficiency. Some do the job better, and the P. Lorillard Company, which pioneered in research in filtration, is currently being credited with producing the best filter, attached to its Kent cigarette. While nearly all filters are made from cellulose acetate (Tennessee Eastman, subsidiary of Eastman Kodak Co., is the major producer) Kent has added, in a special trade-secret manner, minute natural fibers to the tow (trade name for the cellulose acetate material used). The public has eagerly accepted this Kent filter, and Kent sales recently have been soaring. All of which is a very good thing for P. Lorillard Company and its stockholders.

Now the present pre-eminence of the Lorillard Company in the filter field is no happenstance. Back in 1951 there were only two filtered cigarettes on the market. Their screeing ingredients were of either cotton or crepe paper, and their sales weren't even making a ripple on the industry total. The managemnt at Lorillard felt, however, even then, that filters were the coming thing, and, after extensive research, the Kent brand with its "Micronite" filter was introduced in 1952 when, totally, filter tips were accounting for but 1% of all cigarette sales.

By research, testing and close observation of consumer tastes and preferences, the Lorillard Company has constantly improved its filtration; and its most advanced filter was presented for use in the Kent cigarette on July 9th of this year. Kent was a premium priced item till 1956. Since then it has been standard-priced and its sales have shown a dramatic gain so that, today, over 54% of Lorillard's sales volume is in filter tips.

Perhaps we have over-stressed the Kent brand because of its more exciting advance. Lorillard, however, is a multiple product company, with its most famous standard brand, Old Gold, ranking ninth in industry sales for 1956. Old Gold now comes in regular and king-size (non-filtered), a long edition in a crush-proof box, and in the "Filter King" with its smart white, red and gold packaging. There is also the youngster, "Newport," a cigarettee "with a hint of mint" in an attractive new easy-opening aqua box.

Traditionals in the Lorillard line include Murad, Helmar and the king-sized Embassy; Union Leader, Friends, India House and Briggs smoking tobacco; and for those who chew (baseball players, et al) there is Havana, Bagpipe, Beech-Nut and Blossom chewing tobacco. (The cigar business of Lorillard, including the "Muriel" brand, and with the exception of Between the Acts (small cigars), was sold in March of 1956 to Consolidated Cigar Corp.)

After years of manufacturing at Jersey City, N. J., operation of the plant there was suspended in 1956; and the headquarters of the company for warehousing, production and distribution are now located in more efficient new plant facilities in Greensboro, N. C. The economies of this plant, the posted increase on non-filter brands of 35 cents per thousand, wholesale, effective June 17, 1957, and the great enthusiasm for filters—all these things augur well for the prospects at Lorillard.

While Lorillard has ranked fifth among the major cigarette producers, its results have been a bit spotty. Total sales have ranged, in the past decade, from a low of $128 million, in 1947, to a high of almost $254 million in 1953. For 1956 the sales total was $203 million and the net per share was down 31% from the preceding year.

This year, however, the story is quite different. Lorillard, which has been doing about 5½% of the total cigarette business, is believed to be improving its percentage of sales, and gross this year should show sizable improvement over last year's results. Net earnings, however, are moving ahead at an even more rapid rate with the first six months of 1957 racking up a gross of $104,641,649, which converted to 83 cents per share on the common, against only 69 cents for the similar period of 1956. The last half gains should be even more impressive.

About finances, the company is in excellent shape with net working capital running in the order of $110 million. Capitalization consists of $57,333,334 in long term debt, $9,800,000 in non-callable 7% cumulative preferred stock selling at around 118 to yield 6%, and 2,852,584 common shares listed on the New York Stock Exchange and currently selling at 21. This stock has had an amazingly steady market ranging, in the last 10 years, from a low of 15⅛ (last year) to a high of 30½ in 1953.

About dividends, there was a lapse between 1927 and 1931. Since then, cash distributions have been made in each year, current practice being to pay out, in cash, about three-fourths of net earnings.

Present dividend of $1.20 is comfortably earned and earnings prospects suggest the possibility of a year-end extra, or perhaps a rise in the regular rate.

The cigarette business is, admittedly, highly competitive and has been beset by an unusual number of problems. But no satisfactory substitute has yet been found for tobacco, and of all the big companies Lorillard seems to be making the most significant current progress in catering to the rising public demand for screened smoking.

Management is energetic and forward looking, led by Mr. Lewis Gruber, who became President last year, and was General Sales Manager at the time the big decision was made to go all-out for filtration.

There are 5,000 employees and 29,000 stockholders who take a lively interest in the fortunes of Lorillard. They should have more reason to be enthusiastic about their enterprise than for some years.

Mr. Gruber set the tempo of company progress in his letter to stockholders of July 23, 1957, when he said, "there is no more devastating commercial missile than complacency" and — "in our determined drive to recapture position and markets, both Kent and Old Gold filters are responding exceptionally well to the promotional strategy designed by the present regime."

Here then is a company quite certain to show major improvement, in all departments, over last year. It should expand per share earnings from $1.34 in 1956 to above $1.75 for 1957. On that basis, a new look at LL common at current levels by sensible investors is indicated. The makers of Old Gold appear to have found a source of new gold!

Form First International

DENVER, Colo.—The First International Corporation has been formed with offices in the Denham Building to engage in a securities business. Officers are Robert C. Avrett, Jr., President; David L. Mosconi, Secretary; Stanley E. Greenblatt, Treasurer.

Observations . . .

By A. WILFRED MAY

THE WORLDWIDE TREND OF RELATIVE BOND AND STOCK YIELDS

Accompanying our current stock market breaks, as has been pointed out in our preceding columns much concern is being evinced over the narrowing of the spread between the traditionally higher yield of stocks relative to bonds—with the present practical complete erasure of the differential at the 4% level. But it is not realized that this trend has been going on for many years abroad. In the nineteen twenties and thirties the ratios of government bond to common stock yields in Great Britain, France, Italy, Austria, and the Netherlands typically ruled consistently higher than in the United States. In some years that ratio abroad was double the figure here.**

A. Wilfred May

Continuing to the present, with the single exception of Great Britain, in all the European countries surveyed, namely Germany, Switzerland, Italy, Sweden, and France, bond yields exceed those in stocks. And in England the excess of share over bond yields is at an all-time low.

In Strong-Currency Germany

In Germany, **the yield on stocks** has been rising in recent years, as follows:

	Basic Indus.	Metals	Mfg.	Miscel.	All Grps.
1953	2.06%	3.86%	2.78%	3.86%	2.85%
1954	1.81	3.24	2.92	3.26	2.65
1955	2.92	3.17	3.18	3.23	3.10
1956	4.24	4.25	4.33	4.13	4.24

But even in that non-inflationary country these returns on equities have been consistently exceeded by **the yield on bonds**, as follows:

	4% Mtgc. Bds.	High-Gr. Indus.	Mcpls.
1953	5.4%	5.6%	5.0%
1954	4.6	5.3	5.0
1955	4.6	5.4	5.2
1956	5.5	5.9	5.3

(There is no representative Government Bond market in Germany.)

Switzerland

In Switzerland the yield on Government Bonds has since 1953 risen from 2.50% to 3.77% at the end of 1956, when the yield on a group of 17 leading industrial shares was but 2.9%.

Italy

In Italy the yield on shares ever since 1938 has at nearly all times been exceeded by that on bonds. In the interval since 1950 the yield on stocks has been lower than that on Government Bonds in each year excepting 1952; and by industrial bonds every year. At the end of 1956, stocks yielded 5.07%, Government Bonds 6.90% and Industrial Bonds 6.48%; which compared with 1950 manifested a marked rise in the differential favoring Government Bonds but a practically unchanged ratio in the case of common stock yields related to Industrial Bonds.

Inflation-Motivated France

In France, where the bond-stock yield ratio has understandably almost constantly stood at the comparative maximum, the return on equities since 1954 has declined from 3.96% to 2.88%; while the returns on the 5% Perpetual Rentes and on Industrial Bonds have risen respectively from 5.38% to 6.05% and from 7.33% to 8.44%.

Sweden

In socialist Sweden the yield on 33 leading common stocks is 3.8%. This is exceeded by the 4.24% (up from 3.36% in 1954) on Government Bonds without fixed maturity, and the 4.96% (up from 3.81% in 1954) on Industrial Bonds.

The Trend Confirmed in England

In England, exceptionally, shares have constantly yielded more than bonds, but even here the gap has been sharply narrowing. On the basis of the comprehensive group of shares in the London & Cambridge Economic Index, based on 2½% Consols, the bond-stock ratio since 1939 has risen from 57 to 65%. On the basis of the leading shares represented in the Financial Times the differential between the dividend yield and that on the lower-yielding Consols is at an all-time minimum, as follows:

	Yield on Ord. Shares	On 2½% Consols
Aug. 20, 1957	5.56%	5.14%
1 Year Ago	5.80	4.67
5 Years Ago	5.88	4.22

The Situation in Latin America

As in Europe, excess of bond over stock yields obtains in this hemisphere.

This is so even in Venezuela, land of balanced budget, hard currency with three bolivars to the dollar, and a 150% gold cover. The yield on government-sponsored fixed-interest obligations is 18-19%, 12% on prime mortgages, and 9% on bank discounts. Contrastingly, on equities the yield ranges from 8-9% down to 3% on some capital gains-pointed stocks.

In Brazil the rate on fixed-interest obligations varies from 15% on prime risks to 25% on medium grades; which exceed equity yields materially.

In Chile a government-guaranteed mortgage bond yields 12%, and corporate bonds 15-20%; while common stocks return but 8-9%.

In Peru 10 to 14% is obtainable on good bond risks; with many stock issues yielding from 9% down to 3%.

* * *

Thus we see that excess of bond over stock yields has been world-wide and long-existing, and with the ratio rising. In this context, can we blandly assume that our own trend in that direction is merely temporary, and that we are really in for a reversal whose effect will be destructive to the stock market?

**Sources. For pre-War yields: *Valuation of Equity Capital; A Comparison*, by A. Wilfred May, in American Economic Review, Dec. 1939. Thereafter: Germany, Dresdner Bank Annual Market Survey, and Bank Deutsche Laender, Monthly Review. Switzerland, Credit Suisse and Swiss National Bank, Monthly Reviews. Italy, Banco d'Italia Bulletin. Sweden, Godesburg Bank, Swedish Economic Survey, and Institute of Economic Affairs, Monthly Review. France, Institut National de la Statistique et des Etudes Economiques. Gt. Britain, London and Cambridge Economic Bulletin, and the Economist. For Latin American countries, on-the-spot inquiry and correspondence.

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The State of Trade and Industry

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

Industrial activity last week gave some indications of stirring itself as steel operations moved ahead somewhat and this week show further signs of expansion. In the past week electric kilowatt output registered an increase of 6% over 1956 and the automotive industry reflected a gain of 5% over that of the week before with operations placed at 5.7% or 270,000 vehicles above the 1956 pace.

Latest available figures on the employment situation reveal that the number of newly laid-off workers seeking unemployment insurance dropped to a new low for the year during the week ended Aug. 17, according to the Bureau of Employment Security.

The number of new claims shown by state reports dropped by 22,900 to a total of 190,900, the agency noted. This was the lowest volume reported since late October of 1956, the Bureau added, but was still above the total for like week last year, when the figure stood at 182,400.

Insured unemployment, the agency observed, approached the year's low, dropping by 12,300 to a total of 1,192,700 for the week ended Aug. 10. The low for 1957 came during the week ended June 29, when insured unemployment totaled 1,176,300. However, both figures were above the total for the like August week of 1956, when insured unemployment was 1,094,600.

Fewer new plant shutdowns resulted in a 5% decrease in unemployment claims, but a year-to-year increase of 9% was reported. Claims fell most noticeably in New Jersey, California and Pennsylvania offsetting increases in Illinois, Michigan and Kentucky, where there was some new unemployment in the food processing, electrical equipment and automotive industries.

In the steel industry this week, it is reported that automakers are starting to order flat-rolled steel products for the 1958 model runs, according to "The Iron Age," national metalworking weekly.

Mills are moderately concerned about their big customers' reluctance to provide much lead-time in their ordering pattern, since a slight squeeze in cold-rolled sheet may develop in October if big tonnage orders start to flood steel sales offices.

There is still open space on the books for most steel products and September tonnage will be an improvement over August, but some mills are admitting a moderate disappointment over late-summer and early fall ordering.

First half reports from steel warehouses indicate business is off nearly 20% from the record rate of 1956. In spite of the decline, warehouses continue to take 20% of all finished steel shipments and lead as the steel industry's biggest customers. Automotive consumers bought steel in the first six months of the year at the rate of 17.4% of all steel shipments, with the construction industry taking 15.6%.

"The Iron Age" reports that railroad passenger car producers see four indications of better business in this somewhat depressed metalworking area. These are easier equipment financing, leveling off of air travel, increased railroad coach travel and railroad enthusiasm for new equipment offered by the car builders.

The average age of passenger cars, 28 years, combined with cost-saving new car developments, will bring railroads into the passenger car market, the metalworking weekly predicts.

New orders for metal cutting tools in July took a slight upturn. Orders for the month exceeded $56,000,000, compared with $43,000,000 in June. Because of vacation slowdowns, shipments dropped from $83,000,000 in June to $59,000,000 in July.

The Gross National Product, at a higher level than anticipated, reached a record rate of $434,400,000,000 in the second quarter of this year, according to the Department of Commerce. This compared with $429,200,000,000 in the first quarter of 1957 and $410,800,000,000 in the second quarter of 1956.

Personal income in July rose fractionally to an annual rate of $345,500,000,000 in July. Most of the increase was attributed to gains in wage and salary disbursements in non-manufacturing industries, particularly trade and services. There was a slight decrease in payrolls among manufacturers of transportation equipment, food and apparel. For the first seven months of this year personal income was at an annual rate of $341,000,000,000, up 6% over that of the comparable 1956 period.

In the automotive industry United States assembly plants

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Why Is the Market Acting the Way It Does?

By WILLIAM H. GUMPEL
Financial Writer, New York City

Wall Street observer fathoms present market trends and previews the longer-range outlook. Mr. Gumpel concludes that the changed stock-bond yields may have induced a shift in the composition of institutional investors' portfolios from stocks to bonds and, in turn, caused the severe D-J industrial average reaction. Suspects another test of the recent lows in middle of September, and a possible halt to downward trend by a reversal of the present trend in the yield-proportion between bonds and stocks.

The disappointing performance of the stock market at this writing (Aug. 24, 1957) keeps insiders and the public worried. Two questions are asked again and again:

William H. Gumpel

(1) How could the market recede almost without interruption on small volume, indicating lack of selling pressure?

(2) Why are the "big interests" standing on the sidelines?

I believe that the market decline reflects a number of valid reasons: Homebuilding remains still close to a nine-year low. Auto production did not come up to expectations. Aircraft makers have been hit by cancellations and stretch-out of defense contracts. Oversupply is responsible for a steady weakening of nonferrous metal prices and accelerated reduction of stockpiling. The railroads' reduced carloadings and the freight-raise increases were disappointing. The airlines did not receive a passenger fare rise. Oils were adversely affected by the President's request for a 10% reduction in imports of crude oil, and the narrow profit margin between refined products and crude oil prices. Tobacco issues were out of favor by further surveys linking cigarette smoking to lung cancer. Still all these factors do not seem to fully account for the poor behavior of the market.

Other Visible Adverse Factors

There are "cracks in the global boom." France, England and Japan are fighting prolonged inflation and right here, according to the Federal Reserve Board's Chairman, William McChesney Martin Jr., "inflation is the most critical economic problem facing the country" and "stabilization of the cost of living is a primary aim of Federal economic policy." The increase in the discount rate brought it to the highest level in 23 years. Those who contend that creeping inflation is a good thing or that inflation must go hand in hand with full employment, are violently opposed by the Chairman of the Federal Reserve Board. The old world-wide experience that tight money and monetary curbs are definitely slowing down a boom, got full recognition at last here too. Some economic experts consider the inventory build-up during the second quarter of this year a sign that consumers are more reluctant to spend their dollars despite rising personal income. Leveling off of the boom in capital goods is marked by a down-trend of orders in machinery, tools and structural steel. Many industries are finding the squeeze on profit margins greater than expected a short time ago. The cost of living has risen continuously for 11 months.

Invisible Adverse Influences

It was the ever growing investment demand that enabled the stock market's most popular barometer — the Dow-Jones Industrial Average — to rise to a high of 520.77 on July 12, though a general feeling of uneasiness started growing with respect to the near-term economic conditions. More and more people felt deeply disappointed over the failure of the much too bullish predictions for the economic outlook in 1957 to materialize. When the "blue chips," eagerly picked up until recently by investment trusts and big portfolios, as well as by thousands of odd-lot buyers, began their downward move it became generally recognized that yields of 1½% to 2½% are not attractive in times when tax-free bonds offer 4-5½% yields. Not only a steady decline in the spread between yields of stocks and bonds exists, but also the phenomenon that a great number of common stocks of leading corporations show yields which are below the yields of Senior Securities of the same enterprise. This development may have induced many of the "big interests" in making a change in their common stock investment policy. It looks as if a number of institutional investors may have decided to cut their investments in common stocks to 50% (from the past 75% to 90%) and invest the bulk of the remaining 50% in corporate and municipal bonds and preferred stocks. Such an attitude, coupled with staying on the sidelines and not adding to the supply of high-grade, low-yielding "blue chips," may be one of the keys to the market's steady decline and account for the action of the Dow-Jones Industrial Average.

Another interesting factor: The Federal Housing Administration has made a change in its regulations, to allow Pension Funds to invest in Government-insured mortgages. It is to be expected that some income of these enormous Funds will be channeled into these insured mortgages, at least for the duration of the tight money market. Still another factor, adding to a "wait and see" policy, is the outcome of the election in West Germany on Sept. 15. A defeat of Chancellor Adenauer and his party might repudiate Germany's present alliance with the West in favor of the Socialists' drive for accommodation with the Soviets at the expense of the Western alliance. An appraisal of the market can not be completed without taking a look into the world's political situation. The events in Syria have, no doubt, contributed to a renewed feeling of uneasiness about the Middle East. The situation remains cloudy, slowing down investors' interest for the stock market.

Conclusion and Outlook

The stock market is reflecting the psychological reaction of investors' over-optimism which was based upon predictions for a growing economy in 1957. Moreover, tight money and the much greater yields offered by corporate bonds and tax-free Municipals as compared with highest-grade common stocks, may well, as stated earlier, have led to a changed policy of institutional

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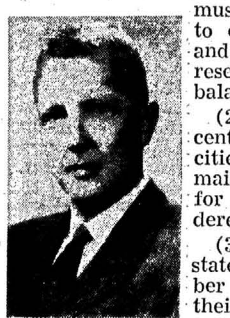
Differential Versus Uniform Bank Reserve Requirements

By CLIFTON H. KREPS, JR.*
Wachovia Associate Professor of Banking
University of North Carolina, Chapel Hill, N. C.

Banking economist turns to the problem of bank reserves, and plumbs the arguments of differential versus uniform bank reserve requirements. Though finding no adequate justification for differentials on the basis of liquidity or equity, Professor Kreps does favor reserve requirement differentiation on the grounds of monetary control; i. e., the desirability at—not all—times to affect bank lending and investing policies. Admits open market operations can achieve equally effective control, but contends the power to vary reserve requirements differentially is a necessary substitute or supplemental tool. Would remove geographic classification and group banks, instead, on basis of type of business conducted (central money market prime movers, regional financial satellites, and local peripheral banks), and would leave determination of actual liquidity needs to individual banks.

From time to time, proposals are advanced for abandoning the present system of differential reserve requirements for member banks of the Federal Reserve System in favor of a system of geographically uniform requirements. Most recently, for example, in January of this year (1957), the Economic Policy Commission of the American Bankers Association recommended the adoption of a program of reduction and reform in member bank reserve requirements that would, among other things, eliminate geographical differences in requirements.[1]



Clifton H. Kreps, Jr.

The uniform reserve proposal dates at least as far back as 1912, however, when it was advanced by Professor William A. Scott, of the University of Wisconsin.[2] Subsequently, it was suggested both by the Federal Advisory Council to the Federal Reserve Board, in 1919, and by the Committee on Bank Reserves of the Federal Reserve System, in 1931. And in 1948, a uniform reserve plan was presented to the Congressional Joint Committee on the Economic Report by a staff group of Federal Reserve Bank and Board of Governors economists.[3]

In view of this current and continuing interest in the topic of differential *versus* uniform reserve requirements, a brief discussion of major arguments favoring the adoption of uniform reserve requirements, and a consideration of the case for retaining a differential set of requirements, would seem to be warranted.

The Present System of Requirements

The present system of differential reserve requirements dates back to the National Banking Act, when it was justified on the grounds that central reserve city and reserve city banks, especially the former, were substantial holders of the banking system's legal reserves. But under the Federal Reserve System, this is no longer true to the same extent. The Federal Reserve Banks are the holders of the legal reserves of their member banks. However, central reserve city and reserve city banks are still substantial holders of individual banks' *primary* reserves, including the legal reserves of non-member banks. That is, they are large net holders of interbank demand deposits.[4] There are several reasons for this:

(1) As an incident of effective banking operations, country banks must either have or have access to demand balances in national and regional financial centers, and reserve city banks need similar balances in central reserve cities.

(2) Correspondent banks in central reserve cities and reserve cities require country banks to maintain balances as a requisite for correspondent services rendered.

(3) The banking laws of most states permit or require non-member banks to hold part or all of their legal reserves in the form of balances with other banks.

The existence of this state of affairs raises a number of questions. For example, should the fact that central reserve and reserve city banks hold substantial amounts of individual banks' primary reserves (in the form of net interbank demand deposits) serve as a justification for continued higher legal reserve requirement against demand deposits in those banks than in "country" banks, though these deposits are no longer significant for legal reserve purposes? And as a corollary, does the fact that central reserve city banks have much higher ratios of net interbank to total demand deposits than reserve city banks justify higher legal reserve requirements against demand deposits in central reserve city banks than in reserve city banks? Finally, can valid justifying arguments be based on a greater need for liquidity in central reserve and reserve city banks than in country banks? Or on grounds of equity? Or must some other justifying principle be sought?

Required Reserves and Liquidity

A bank's reserves, whether they consist of vault cash, deposit balances with the central bank or with commercial banks, or some other equivalent of cash, have traditionally been considered a liquidity cushion enabling the bank to meet its customers' demand for currency and to pay checks drawn by its depositors. And unquestionably a bank's reserves do provide liquid assets with which withdrawals of deposits can be met. But the actual degree of liquidity provided by the "legal" or required component of a bank's reserves is largely illusory.[5] If specified amounts of reserves must be maintained as a matter of law, any sustained decline in legal reserves below statutory levels requires prompt action to replenish the legal reserves.

In practice, then, whatever degree of liquidity a bank deems appropriate must be maintained in other components of primary reserves than required reserves, and in secondary reserves. The required reserve does not contribute directly to liquidity in any important sense. Nor is that its purpose. Its purpose is instead to impose a limit on the potential growth of bank credit and deposits, thus providing an effective basis for the regulation of the credit and money supply through open market operations and other credit control actions designed to alter the size of the reserve base itself.

Thus there does not seem to be a case, on grounds of greater needs for liquidity, for higher required reserves against demand deposits in central reserve city banks than in reserve city banks, and in reserve city banks than in country banks. And this is so even if we concede that (1) central reserve city banks have substantially higher proportions of net interbank to total demand deposits than reserve city banks; (2) reserve city banks have substantially higher proportions of net interbank to total demand deposits than country banks; (3) interbank demand deposits are considerably more volatile than other demand deposits. For these concessions can at most merely establish different (and greater) liquidity needs for central reserve city banks than for reserve city banks, and for reserve city banks than for country banks. But they do not show that higher required reserves provide higher liquidity.

Higher Required Reserves Lowers Liquidity Needs

In fact, the most that higher required reserves seem to be able to do in this respect is to reduce liquidity needs somewhat. For example, suppose a central reserve city bank loses $100,000 of its demand deposits (and reserves) through adverse clearing balances. If it has no excess reserves, this results in a deficiency in required reserves of $80,000 ($100,000 total reserve loss less $20,000 reduction in total required reserves), which must be made up by reducing other primary reserve components (cash in vault, balances with other banks), by liquidating earning assets, or by borrowing. For a reserve city bank in similar circumstances, the net deficiency in required reserves would be ($100,000 less $18,000, or) $82,000, while for a country bank it would be ($100,000 less $12,000, or) $88,000.

The reduction of liquidity needs has apparently never been advanced as a reason for differential and higher legal reserve requirements for some classes of banks, possibly because it does not seem to be much of a reason. The concept of liquidity needs is a fuzzy one at best, but even if wide differences in these average needs could be demonstrated between classes of banks (central, reserve, reserve city, country), it seems likely that differences in needs would be just as wide within groups as between them, so that any calculated "average" needs would be both arbitrary and meaningless.

Consequently, it seems the more discreet course to leave the determination of actual liquidity needs to the individual bankers in the individual banks, and not to try to take account of differences in these needs in setting reserve requirements. This course of action has two additional advantages. (1) It does not subject the monetary authorities to the charge of claiming to know more about the individual banker's business than he does; and (2) it does not confuse the reserve requirements issue by perpetuating the illusion that liquidity and legal reserve requirements are linked together.

Required Reserves and Equity

If it does not appear that differential reserve requirements can or should be justified on the grounds of differences in bank liquidity positions, are there other possible grounds, such as equity, that might provide the requisite justification? We have noticed earlier, for example, that as an incident to effective banking operations, country banks must either have or have access to demand balances in national and regional financial centers. Similarly, reserve city banks need such balances in central reserve cities. And also, correspondent banks in central reserve cities and reserve cities frequently require the maintenance of balances with them as a requisite for correspondent services rendered.

But central reserve city banks do not maintain similar balances in reserve city and country banks. Thus there is a significant concentration of net interbank demand deposits in reserve cities and, especially, in central reserve cities.[6]

This pattern of net interbank desposit distribution has developed as a result of regional trade patterns, and though these net interbank deposits are part of the *primary* reserves of the banks owning them, they are not part of the *legal* (or required) reserves of member banks. Thus it may be argued that, if some banks feel compelled to keep balances in other banks, either for operational reasons or to guarantee the availability of needed correspondent services, the banks owning the balances suffer a differential disadvantage, as compared with the banks owing them, in terms of the total percentage of deposits required for primary reserve purposes. And one way to eliminate this disadvantage is to require the (central reserve and reserve city) banks that hold the net interbank deposits to maintain higher legal reserves. By an extension of the same proposition, since central reserve city banks hold higher proportions of net interbank to total demand deposits than reserve city banks, higher reserve requirements might equitably be required of the central reserve than of the reserve city banks.

Whatever may be the merits in equity of this line of reasoning, however, it possesses one seemingly fatal weakness. This arises out of the fact that it would require that higher percentage reserve requirements, determined for some banks on the basis of their holding high proportions of net interbank to total demand deposits, be applied to the *total* demand deposits subject to reserve of those banks. This process might well create more ineauity in the application of the higher reserve requirements than would be eliminated by the new method of determining them. And in any event it would certainly be most difficult to derive any rational and logically defensible "magic formula" for relating varying percentage reserve requirements against total demand deposits to varying ratios of net interbank to total demand deposits.

Is There a Justifying Principle?

It does not appear, then, that higher reserve requirements against demand deposits for central reserve city than for reserve city banks, and for reserve city than for country banks, can be adequately justified on grounds either of liquidity or equity. Are there other grounds to explore?

The one other ground that seems most nearly adequate is that of *control*. That is, there may be times when the monetary authorities wish to influence the lending and investing activities of different groups of banks in different degrees, or even in different ways.

One way to do this is through the power to impose differential reserve requirements. The power to differentiate in reserve requirements between central reserve city, reserve city, and country banks now exists, and these three existing groupings of banks are roughly similar to what we might call the "prime mover," "satellite," and "peripheral" banks of the country, between which reserve requirement differentiation might at times be appropriate. (In brief, "prime mover" banks are the central money market banks; "satellite" banks are in regional financial centers and maintain close correspondent relationships with "prime mover" banks, on the one hand, and with "peripheral" banks on the other; "peripheral" banks do a banking business dominantly local in character.)

If we are willing to grant that it might sometimes be desirable as an incident of national credit policy to affect the lending and investing policies of prime mover, satellite, and peripheral banks in different degrees, we have made the strongest case it now seems possible to make in favor of differential reserve requirements. And the merits of this case would become more evident if the monetary authorities had the power (which they do not now fully possess) to group banks into categories on the basis of the characteristic type of banking business conducted — "local," "regional," or "national," for example, to correspond to peripheral, satellite, and prime mover banks—instead of on the basis largely of geographical considerations, as at present.[7]

In a sense, however, the greatest strength of the case lies in its modesty. For it does not imply that reserve requirements for different groups of banks need be different all the time, but only that they should *possibly* be different *some* of the time.

Useful Substitute

In opposition to this case, it might be argued that nothing

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*An address by Prof. Kreps before the Mid-Management Group of the Carolinas Bankers Conference.

1 See *Member Bank Reserve Requirements*, the Commission's complete study, or *A Plan for Member Bank Reserve Requirements*, the Commission's summary report (both published by the Economic Policy Commission, American Bankers Association). See also "Revisions Urged in Bank System," New York *Times*, Jan. 27, 1957, III, 1, 7.

2 In a letter of Dec. 31, 1912, to the Honorable Carter Glass. See H. Parker Willis, *The Federal Reserve System*. New York, 1923, p. 447.

3 Karl R. Bopp, Winfield W. Riefler, and Woodlief Thomas. See *Credit Policies*, Hearings before the Joint Committee on the Economic Report, 80th Congress, 2nd session, April 13, 16, May 12, 13, 27, 1948, pp. 131-52.

4 Out of $11,820 million of net domestic interbank deposits held by all commercial banks as of Sept. 26, 1956, for example, $11,400 million was held by Federal Reserve member banks; of this total, $3,982 million was held by central reserve city banks ($2,813 million in New York City and $1,169 million in Chicago) and $6,175 million by reserve city banks. Country member banks held only $1,243 million of net domestic interbank deposits.

5 See A. J. R. Smith, "The Functions of Reserve Requirements," in *Bank Reserves, Some Major Factors Affecting Them*. Federal Reserve Bank of New York: November 1953. pp. 8-11.

6 See note 4.

7 Something along these lines was suggested in Chairman Martin's reply to the Patman Questionnaire question on advantages and disadvantages of basing reserve requirements on types of deposits irrespective of the geographical location of banks. (*Monetary Policy and the Management of the Public Dept.* Replies to questions and other material for the use of the Subcommittee on General Credit Control and Dept. Management of the Joint Committee on the Economic Report, Part I. 82nd. Congress, 2nd session, 1952.)

Chairman Martin stated (at pp. 476-7): "A more modest alternative to the uniform reserve proposal, which might be explored, would be to amend Section 19 of the Federal Reserve Act (1) by eliminating the present requirement that, to be eligible for permission to carry reduced reserves, a central reserve or reserve city bank must be located in an outlying district, and (2) authorizing the Federal Reserve Board of Governors to permit any bank in a reserve city or central reserve city to carry lower reserves, by means of a general formula or otherwise, where the nature of the bank's business justifies it (such as a relatively insignificant volume of deposits due to other banks). This change would make it possible to accomplish some of the major objectives of the uniform reserve proposal, by eliminating or reducing some of the inequities and administrative problems; in effect it would permit the designation of individual central reserve and reserve city banks, rather than central reserve and reserve cities as at present."

could be accomplished through differentiation in reserve requirements among groups of banks—however those banks might be grouped — that could not be achieved with equal effectiveness through open market operations. This is probably true, but it does not negate the proposition that it is desirable to have more than one string to one's bow. That is, the power to vary reserve requirements differentially, like the power to engage in open market operations, already resides in the monetary authorities. With some amendment to permit more precise classification of banks into groups, it may at some times and in some circumstances serve as a useful supplement to open market operations or as a needed substitute for them.

Summary

Differential reserve requirements do not reflect differential liquidity needs of banks, though they may serve to reduce liquidity needs somewhat. And they cannot be justified on grounds of equity.[8]

On the other hand, though, the power to vary reserve requirements differentially has resided with the monetary authorities for many years, and the banking system is accustomed to operating with and under it. With minor amendment, this power may be used effectively for purposes of monetary control — as a supplement to open market operations or as a substitute for them. Possibly these advantages of a system of differential requirements outweigh the objections noted to such a system. At least they should be carefully considered before differential requirements are abandoned for uniform ones.

8 Furthermore, though less significant than the two major shortcomings cited above, with differential reserve requirements the decisions of member banks to change the form in which they keep the bulk of their cash assets (legal reserves and interbank deposits) affect the total excess reserves of the banking system. With uniform requirements this would not be true. See *Monetary Policy and the Management of the Public Debt*. Part I, p. 475. See also William R. Allen, "Interbank Deposits and Excess Reserves," *Journal of Finance*, XI (March 1956), 68-73, esp. 68.

J. Wood Rutter

Joseph Wood Rutter, partner in Rutter & Co., members of the New York Stock Exchange, passed away Aug. 22 at the age of 74 following an extended illness.

Hemphill, Noyes Branch

NEWARK, N. J. — Hemphill, Noyes & Co. have opened a branch office at 744 Broad Street under the management of Roland H. Hill.

Shuman, Agnew Branch

OAKLAND, Calif. — Shuman, Agnew & Co. have opened a branch office at 360 Twenty-Second Street under the management of Clinton E. Paine.

Underwood, Neuhaus Branch

MIDLAND, Texas—Underwood, Neuhaus & Co., Incorporated have opened a branch office at 205 West Wall Street under the management of Thomas J. Barnicle. Mr. Barnicle was formerly local manager for Kramer & Company Incorporated.

Walston Opens New Branch

MEDFORD, Ore. — Walston & Co., Inc. have opened a branch office at 127 East Sixth Street under the management of James M. Lynch.

Winslow, Cohu Branch

ELMIRA, N. Y.—Winslow, Cohu & Stetson have opened an office at 125 Wall street with Gerald L. Pierce as representative.

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Why Is the Market Acting the Way It Does?

investors by diminishing their investments in common stocks in favor of bonds and by standing on the sidelines marketwise until the effects of the Reserve's tight money policies become more apparent. Whether or not these policies are effective in the long run, they are nevertheless likely to be pursued. Apart from many other factors the tight money situation, the leveling off of the economy, the clouded international political situation, may well motivate the present action of the stock market. Much of its future trend will depend on the action of the long-term money market. Should the fight against inflation be effective, the stock market will greatly benefit later on, and so will the whole economy. The longer-range market outlook will be subject to the outcome of the German elections and the results of our foreign policy in the Middle East. Both factors in my opinion, will exert greatest long-range influence upon our economy and the stock market.

According to the majority of experts there is a broad trading area between this year's closing low of 454.82 and its high of 520.77. The market's downward tendency may get checked by a reversal of the present trend in the yield-relationship between bonds and stocks. Until then continued interest for "blue chips" and low-yielding "growth stocks" may be lacking, but sound equities, offering good yields and capable management will come to the fore as well as "special situations" which will from time to time attract people, seeking quick profits.

Having receded 50 points from its high, the market offers a possibility for technical rallies. However, renewed reactions on the downside are likely; even a testing of the 1956-1957 lows can not be ruled out. Mid-September could be the crucial period.

Installs Wire to Reinholdt & Gardner

G. A. Saxton & Co., Inc., 52 Wall Street, New York City, have installed a direct wire to Reinholdt & Gardner, 400 Locust Street, St. Louis, Mo., members of the New York and Midwest Stock Exchanges.

Daniel Rice Wire To Wm. C. Roney

CHICAGO, Ill. — Daniel F. Rice and Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges, announce the installation of a direct private wire to Wm. C. Roney & Company, Detroit, members of the New York Stock Exchange.

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.

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

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.**

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

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.

Research—Discussion of outlook and list of companies strong in research—In current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a study of **Department Store** stocks **Ethical Drugs,** and **Utilities,** with lists of **"Sheltered" Stocks, Bonds for Income,** and issues expected to earn more in 1957.

Socony Mobil Research & Development—Information—Socony Mobil Oil Company, Inc. 150 East 42nd Street, Rm. 2400, New York 17, N. Y.

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Aluminum Co. of America—Memorandum—Freehling, Meyerhoff & Co., 120 South La Salle Street, Chicago 3, Ill.

American Agricultural Chemical Co.—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a list of securities suggested for investment.

American Gas & Electric — Data — Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also available in the same bulletin are data on **Columbia Gas System.**

Arkansas Western Gas Company—Analysis—A. G. Becker & Co. Incorporated, 60 Broadway, New York 4, N. Y.

British Columbia Power Corporation, Limited — Review — James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, and Royal Bank Building, Toronto, Canada.

Chrysler Corporation—Analysis—Vilas & Hickey, 26 Broadway, New York 4, N. Y. Also available is an analysis of **Westinghouse Electric Corporation,** a comparison of **Railroad Income Bonds,** and a circular on "Bargains" in better railroad bonds.

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

Commonwealth Life Insurance Co. — Memorandum — J. J. B. Hilliard & Son, 419 West Jefferson Street, Louisville 2, Ky.

Continental Illinois National Bank & Trust Co. of Chicago—Memorandum—Lamson Bros. & Co., 141 West Jackson Boulevard, Chicago 4, Ill.

Detroit Harvester Company — Analysis — New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Federal National Mortgage Association—Analysis—Rodman & Renshaw, 209 South La Salle Street, Chicago 4, Ill.

General Cable Corporation—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

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

Maine Turnpike—Bulletin—Tripp & Co., Inc., 40 Wall Street, New York 5, N. Y.

Midwestern Instruments — Analysis — Underwood, Neuhaus & Co., Incorporated, 724 Travis Street, Houston 2, Tex. Also available is an analysis of **Topp Industries.**

National Starch Products, Inc. — Bulletin — De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

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

Puerto Rico—Quarterly Report to investors in Puerto Rican securities—Government Development Bank for Puerto Rico, San Juan, Puerto Rico.

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NSTA Notes

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York will hold its stag week-end at the Dune Deck, West Hampton Beach, Long Island, beginning Friday afternoon, Sept. 20. Tariff approximately $50.

The annual Dinner Dance will be held at the Commodore Hotel, Saturday evening, Oct. 12. The probable cost per couple will be $30, including cocktails.

Reservations may be made with Arnold J. Wechsler, Ogden & Wechsler.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The annual meeting and election of officers of the Investment Traders Association of Philadelphia will be held on Tuesday, Sept. 24, 1957 in the Ballroom of the Warwick Hotel.

James G. Mundy

James B. McFarland

Rubin Hardy

Willard F. Rice

John E. Knob

The Nominees for Office for the year 1957-58 are: President, James G. Mundy, Suplee, Yeatman, Mosley & Co.; First Vice-President, James B. McFarland, Stroud & Co.; Second Vice-President, Rubin Hardy, The First Boston Corp.; Secretary, John E. Knob, Drexel & Co.; Treasurer, Willard F. Rice, Eastman Dillon, Union Securities & Co.

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. 19, 1957 (Chicago, Ill.)
Investment Analysts Society of Chicago 2nd annual golf outing at Medina Country Club.

Sept. 20, 1957 (New York City)
Security Traders Association of New York stag week-end at The Dune Deck, Westhampton Beach, L. I., N. Y.

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.

Oct. 12, 1957 (New York City)
Security Traders Association of New York annual dinner dance at the Commodore 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.

Morality of Money Management

By HOWARD E. ISHAM*
Vice-President and Treasurer
United States Steel Corporation

Noting that "the history of the nation is a history of the management of money," Mr. Isham demands we "cultivate the morality of money." He calls for financial stewardship on the part of both lenders and borrowers, mortgage bankers, industrial and instalment credit managers, and warns of the consequences resulting from abuse of credit principles and neglect of productive planning. Claims the moral force in the management of money is the "integrity of money managers." Charges financial managers with having community responsibilities as well as the traditional responsibilities of producing goods and services at a profit.

Today, as we examine the broad economic problems affecting the general welfare of the country, we are compelled to define more and more of the principles of the Free Enterprise System. We have to superimpose the practical upon theoretical. In doing so, we are tending to resolve an ever present problem of the educator and the businessman. The educator has said to business, "Tell us what we should teach — give us practical ideas."

Howard E. Isham

The businessman has said, "Teach more practice, and less theory."

I should like to present a few practical approaches to the responsibility of money management, of which credit is a most important facet. The basic principles were set forth in the Parable of the Talents by The Teacher many years ago.

Recall the parable—how a rich man faced with a long journey—probably for business purposes, called in three associates and entrusted to them his property. To one he gave five talents, to another two, to another, one, to each he gave according to his ability. Years ago the value of a talent was approximated at $30,000. Valued in terms of today's dollars, it would of course be substantially more. So these men were money managers in the fullest sense of the word.

And, "He who had received the five talents went at once and traded with them; and he made five talents more. So too, he who had the two talents made two talents more. But he who had received the one talent, went and dug in the ground and hid his master's money."

Recall also that on his return, the rich man called for an accounting or audit of his money, and praised and punished according to the stewardship exercised.

It is this accounting that strikes home to us as modern money managers—how will our stewardship in today's chaotic market be appraised tomorrow by our stockholders, customers, associates and the general public.

Cultivating Money's Morality

If our stewardship is one in which we can take pride, the seeds of accomplishment must be sown and nurtured daily. I will go a step further and say we must cultivate the morality of money. By this I do not mean that money itself has character, or that the spending of money through something like gambling gives it unfavorable character, but rather I mean the most gainful use to the greatest number.

Let us look at our activity in the field of money management and appraise the manner in which we invest our "talents."

First of all, we must recognize that our individual interests and experiences vary widely. Additionally, no discussion of money management is complete unless it comprehends the most prominent sources of credit, namely, banking, insurance, government, industrial and lately pension funds. However, althoug he field is broad and our interest varies widely, the common effect of money management joins us together at both the philosophical and moral level.

In our daily business life we must honestly face the fact that stewardship has a very selfish aspect. Those in commercial banking know that stewardship by the lender must meet comparable stewardship on the part of the borrower—and must be matched by the mortgage banker and the industrial and installment credit man. The principle of planned amortization of debt was a stewardship lesson we learned at such a high cost in the 1930's. Are we, in today's money market, finding too many reasons to violate this principle?

Condemns Overtrading

Boom conditions prompt all of us — government, federal, state and local—industry, utilities, institutions and individuals, to want to do more and more. This natural desire for betterment is essential to growth—and, we "just have to have" more automobiles, shopping centers, housing, highways, banking and industrial facilities, schools and churches — in short, more of everything to satisfy the wants of the community. This growth phenomena leads us to the point where in some places living beyond our income is even classed as a virtue. In business parlance, living beyond one's income is overtrading, and overtrading is poor stewardship with all its attendant ills.

Financial stewardship takes on ever greater importance in today's money market. The lending officer could quickly exhaust a bank's lending capacity but his judgment compels him to recognize the obligation to the long time customer, and reserve funds for projects of broad benefit to the community.

Dilemma of the Credit Man

Likewise, the industrial credit man is in a dilemma. He also is impelled to balance the financial needs of his customers against the needs of his own company. This area of balance is often obscured by pressures which insist that the satisfying of the customer's every need is all important. Essentially this is a matter of expediency rather than principle and such unplanned reactions often bring unhappy results. Broadening of terms of payment or accepting settlements after maturity dates of invoices can often bring about an impairment in the affairs of the credit granting company and may afford the customer a crutch which, in the long run, will perform a disservice. Today there are too many illustrations of poor practice in the administration of terms of payment.

In the parable, you recall that one of the stewards buried his talent in the ground and his stewardship, or lack of it, prompted the comment that minimum accomplishment would have been the return of the talent with interest. The failure of this steward centered in his neglect of productive planning. Today, there are substantial sums invested in business enterprises, where the return falls short of the prevailing interest rate to say nothing of a return commensurate with the risk. These companies must reevaluate the policies and practices which have resulted in such poor stewardship.

An area where each of us can make a contribution to improved financial stability and profits, and certainly we are qualified to do so, is in the administration of terms of payment. To be sure, credit terms are an assist to merchandising. However, the abuse of terms of payment is a price concession whether chronic or occasional and results in a loss of profit. In addition to reducing the seller's opportunity for added investment in inventory or facilities, the abuse of terms is a disservice to the customer who is encouraged, in turn, to extend too much credit, overtrade, and lean upon suppliers to the point where he is unable to perfect necessary credit arrangements, through proper channels, when needed.

Rigid Credit Terms

In our own selfish interest, and in the interest of the customer, we are compelled to establish and administer our terms of payment in more rigid fashion. The laxness in this area has proven costly to both buyer and seller.

The most prominent role in the management of money is played by the Federal Government. Much of this prominence is derived from a divided attitude on stewardship —on the one hand we find government engaged in the role of spending a substantial part of the nation's income—on the other, we find the Federal Reserve practicing conservative money management. Although we admit the complexity of the job of government stewardship, we cannot deny its impact on our position as financial stewards with the common responsibility of economic stability.

The moral force, in the management of money, is the integrity of money managers. The lending officer, the industrial credit man, or the manager of the budget, must first be a professional, a constant performer with high standards and high objectives. He must first be possessed of all the facts necessary to make the proper, intelligent, constructive decisions. Lack of basic information leads to faulty conclusions which are a disservice to both borrower and lender, and frequently to the community at large.

Additionally, financial support has been available to certain empire builders, whose objective has been to racketeer, dissipate and liquidate. Our free enterprise system was built and is maintained, not by liquidations, but by men of foresight and ambition who want to build a business, develop products, establish a list of satisfied, continuing customers and provide income in the community. Without such demonstrated purpose, few applicants can qualify for credit accommodation in this economy.

In describing the responsibility of the Financial Manager, I have made frequent references to planning, selection, customer development and continuing relationships. Large scale capital investments, which characterize much of American industry, require constant volume to assure continuity of operations and the ultimate recovery of the facility investment.

Service to the Community

Moreover, reference has been made to "the service to the community." As we find it unwise to embrace casual sales or spotty production, so we find it unwise to endorse casual employment or spotty income. As American manpower, ingenuity and industry have contributed substantially to our physical standards, so it has improved our total standards of living. The corporate managements of successful ennterprises are concerned, not alone with producing goods and services at a profit; they are truly substantial members of the community, concerned with all activities contributing to the well-being of the public. The activities of today's corporate leaders far transcend yesterday's limitations. Historically, matters pertaining to liberty and authority have been the concern of religious and political leaders and institutions and not the business man. Currently problems involving our social wellbeing, our economic philosophy and aspirations have become an important factor and problem of business management. While these activities have served to broaden the horizons of general management, of which financial management is an important part, they also serve to increase responsibilities. As we administer our financial affairs with character, we help to achieve our broadened horizons.

The history of the nations is a history of the mismanagement of money. Since time began, country after country has risen to a pinnacle of military and economic greatness and then stumbled on the inability to manage its prosperity. If this historical precedent is to be avoided in the United States, we need great character and purpose in the men who direct the use of both public and private funds.

Those who direct the great credit flows of this land face a great challenge. It is to help fashion the history of our land, to the end that misfortunes of the past will be escaped and new goals of satisfaction achieved. The reward for such statesmanship and stewardship is commensurate with the manner in which this responsibility is discharged.

*An address by Mr. Isham before the Graduate School of Credit and Financial Management, Dartmouth College, Hanover, N. H.

Reversing 'Big Government' Trend

By PHILIP M. TALBOTT*

President, Chamber of Commerce of the United States
Senior Vice-President, Woodward & Lothrop, Washington, D. C.

Businessmen's Association head presents a program to reverse "big government" trend, and charges President Eisenhower with having a "deceptive" philosophy of the Federal Government's responsibilities when he "implied . . . that if state and local governments did not fully meet the presumed Governmental needs or demands of their people, there was a standing invitation for the national Government to intervene. . . ." Mr. Talbott questions assumptions on which this is said to be based by pointing out that the people's desires may be in excess of private or Governmental ability to fulfill them, and that not all needs can be met at one time. Declares the Chamber advocates transfering all Federal estate and gift taxes, and possibly other taxes, to the states as a "minimum first step in decentralizing government and permitting states to undertake local responsibility for Federal programs. Proposes guide lines to allocate local, state and Federal responsibility.

First, I would like to say that the Chamber, through its committee and departmental structures, is engaged in an evaluation of the problems of federalism and we expect to have a well organized, forthright, and comprehensive position by the end of this year. I would like to submit our more detailed findings and conclusions when these efforts have been completed.

Philip M. Talbott

Therefore, I would like to discuss primarily our evaluation of the report of the Kestnbaum Commission and our general philosophy with respect to areas and problems of intergovernmental relations. In this connection, I will refer to specific functional areas and our reactions to intergovernmental problems within them as seems fitting.

The efforts of the Kestnbaum Commission to probe the depth of the problems of federalism were historic and notable. The research and the numerous reports that this Commission produced will prove valuable in future efforts to maintain a workable and cooperative federal system. Generally speaking, we are in accord with most of the underlying philosophy of the report, and, although I feel certain that the National Chamber would agree with most of its specific recommendations, there has been no formal or conclusive action on every one of the Commission's proposals. Of course, several of these recommendations have already been implemented or action has been taken to implement them. Finally, the Kestnbaum Commission has given an excellent basis for improving the operation of our federal system, but the National Chamber does not believe that it should be conceived as the full program which will insure rehabilitation of these parts of federalism which have deteriorated over the years.

As for the specific questions regarding the Kestnbaum Commission's work, which you sent to me, I have prepared a formal written statement on them. If satisfactory with the Committee, I will merely present this to you for insertion into the record rather than read it.

Certainly there is nothing more basic to the preservation of the gains that this nation has made in growth and prosperity over the years than a system of government which can be strong, fulfill the needs of the people, and yet not become tyrannical in its use of power. We of the National Chamber firmly believe that the principle of federalism, whereby governmental power over the people is divided territorially by our Constitution between the national and state levels of government, is the proper means for pursuing the general interest.

Indeed, we have a unique history of having made a federal system workable. This, undoubtedly, stems from the deep understanding of the nature of the governmental power which the people of this nation have had since its beginning. Recognition of the inherent tendency of political power to grow at the expense of individual freedom has been a mainstay in building the strong character of our nation. We know conclusively that the diffusion of political and governmental power is the essence of liberty. We sincerely believe in the preservation, not only in form, but in substance, of the dispersion and diffusion of governmental power set forth in our Constitution. Direct specification of power by the people through the Constitution to the national government and the reservation to the states of all other governmental power stands as a hallmark to the creative genius of its writers.

With the constant growth of the nation and the attendant growth of the national government, practical difficulties are highlighted in the everyday activities of Congress as it deals with the problems of government. Congressional committees are overloaded with items bearing an urgent label. This growing burden has become of such a magnitude that Congressmen and Senators must spread themselves all too thinly. The small attendance at some committee hearings stands as prime evidence of the inability of legislators to give adequate consideration to the measures coming before them. The tendency to further centralize problems and their attempted solutions in the national government rather than to leave them to proper state and local treatment simply aggravates this situation.

There is hardly anyone who will not agree that the basic intent of the founders of the Constitution regarding federalism has been distorted over the years. In fact, for the most part, changes in the division of power between the states and national government have been wrought by other than Constitutional amendment.

National power has increased at the expense of the states with serious consequences. State and local incentive has diminished. In this regard, it was most disturbing to read the replies to questionnaires which your subcommittee dispatched to state and local leaders. Many appear to be completely reliant for solution of their state and local problems upon the central government. It seems imperative to me that if we are to make gains in this field, political leaders who formulate and execute policy must be well endowed with the philosophical tenets of federalism. Their prevailing disposition must be to foster and enhance the solution of governmental problems at the state and local levels wherever possible. This is equally true of national, as well as state and local leaders.

If these individuals manifest a tendency to push the solution of problems to the central government because of political fortunes or consequences or a lack of willingness to solve their own problems, there is little hope for the preservation of our federal system in more than mere form. Federalism, as embodied in our Constitution, must be supported both in form and in spirit. We cannot continue to laud this traditional principle of government and at the same time take actions that will weaken its strength.

This leads me to a distinction between problems or issues which are national and those which are merely nationwide. The tendency to centralize power at the national level stems to a great extent from the inability or lack of desire by our policy-makers to make a distinction between these two types of activities. Most certainly, not all problems which are nationwide in character are necessarily proper subjects for the exercise of power of the national government. For example, juvenile delinquency may be a nationwide problem, yet its solution falls within the province of the individual, the family, local private groups or state and local governments. Defense of the nation, on the other hand, is properly a responsibility of the national government. School policy and the operation of the educational system present problems which are nationwide in character, but are not proper subjects of interference by the national government. Such a distinction should be a first consideration in the deliberations of the Congress as it takes up the so-called "demands" for increased action by the central government.

There is a line of thinking which is closely allied with those who would make all nationwide problems the concern of the national government. It is a theory which has been expounded in many quarters recently and has received wide publicity. This theory assumes that jurisdiction of the national government can be advanced whenever there appears to be a void in the fulfillment of governmental functions regardless of the character of the problem.

Charges Deception in President's Speech

Indeed, although the Chamber was greatly encouraged by the President's speech to the Governor's Conference at Williamsburg, we were not wholly in agreement. There was an implied conclusion that if state and local governments did not fully meet the presumed governmental needs or demands of their people, there was a standing invitation for the national government to intervene and, furthermore, that it would probably do so.

Such a philosophy is based upon questionable assumptions and is deceptive. It tacitly ignores the fact that the desires of the people may be in excess of either the ability of the private economy or governmental action to fulfill them. Equally, it ignores the time factor in the fulfillment of such desires. Everything cannot be and should not be fulfilled immediately. Each demand must be considered as a part of an entire program to improve our standard of living and the general welfare through private initiative and governmental action. Proper priorities must be established.

Now all of this is not to say that the weaknesses of the states are not recognized. We recognize the difficulties in state constitutions, state legislation, and administrative actions. However, the wholesome cure to such problems is not reached by a constant threat of Federal intervention into problem areas primarily of concern to state and local jurisdictions. A lasting solution can only be achieved through encouragement, patience, and faith in the philosophy that that government which is best for the people is that which is closest to them.

A great deal has been said in the last six to eight months about the "demands" which the "people" presumably make upon the national government for the provision of certain types of aids or services. Although these "demands" are usually precise, in most cases the "people" who supposedly insisted upon them are not the mass of Americans. Generally speaking, these "people" are well-organized pressure groups representing special interests.

This was pointed out extremely well in the case of grants-in-aid for the construction of municipal sewage treatment plants. Several states and municipalities, failing to solve their problems at home, took them to Congress with a demand for grants-in-aid. It was insisted by the President and the Administration in general that such problems, although they may be nationwide in character, certainly were not within the proper exercise of power by the national government. Nevertheless, legislation was enacted and funds appropriated. The detrimental effect of this distortion of national power was noted most recently in a statement by Congressman Johansen on the floor of the House of Representatives. He pointed out how the officials of the State of Michigan have neglected to perform their responsibilities locally so long as the glimmer of hope of free handouts from the national government was a possibility.

Another prime example of these abortive attempts by the national government to delve into problems primarily state and local in character is seen in the Federal grant program for rural library services. Advocated as an emergency program, it now appears in its second year to be well established and its costs have almost doubled. This creeping invasion of state and local power should be curtailed and reversed wherever possible.

Grants-in-aid many times have been a useful device in a system of cooperative federalism. Certainly no one would deny the value which they have had in the solution of state and national problems. Similarly, I believe most would agree that along with their benefits there have been many disadvantages unfavorable to federalism.

I have pointed out that grants-in-aid have a strong tendency to weaken initiative in the states and have detracted from the state and local governments' incentive to solve their own problems. State and local officials, in many cases, when faced with tough problems, have visualized their roles as super-salesmen primarily concerned with selling the necessity for Federal subsidy rather than with rolling up their sleeves and getting the job done with their own resources. It is this conspicuous sapping of strength and incentive that I consider the most destructive feature of grants-in-aid.

There is one other aspect which I feel merits noting. The use of grant programs by Congress in many cases forces an over-emphasis on the programs at the state or local level. This, in turn, may cause a de-emphasis of programs which, from the state and local standpoint, seem more worth while. The rush of the states to get their shares of Federal monies distorts the judgment of those who should be considering the states' total needs and responsibilities in proper perspective.

Since there is a need for the grant-in-aid device, the character of its administration is of prime importance. Although, as I indicated earlier, we expect to present more detailed views on this whole subject at a later time, there are certain rules or guidelines which I would like to mention now. Adherence to them by the national government in administering grant programs will do much to lessen the adverse impact of this type of assistance upon the states.

First, it seems imperative that states, and particularly those officials who represent the general interest of the states such as governors and state legislators, should be consulted before a proposal for a grant-in-aid is made. Such inquiries should be devoid of the persuasion and salesmanship which can be exercised by a Federal bureaucracy interested in expanding its realm of authority. Such surveys should not take the form which was used by the national government in determining the need for so-called Federal aid to education. Inquiries of only interested parties should be avoided wherever possible. Their views, when given, should be evaluated in proper perspective. The sewage treatment plant aid program in municipalities and the rural library services program mentioned earlier constitute examples of such programs advanced by special interest groups. For although dealing with problems nationwide in character, they should not be considered problems for the national government.

Second, no new grant programs should be undertaken by the Federal Government, including school construction, unless there is an imperative national emergency, or it can be conclusively demonstrated that they fall within the powers of the national government as set forth in the Constitution.

Third, where new grant programs are undertaken, terminal dates and specific expenditure ceiling amounts should be established. Vague and highly elastic formulae should be avoided.

Fourth, existing grant programs should be given a comprehensive review periodically in order to determine whether the need still exists, whether the problem dealt with continues to be one for the national government, and whether the level of the grant is still a proper one. The establishment of fixed terminal dates for such programs would do much to require an automatic review.

When funds are granted to a state to accomplish a truly national purpose, it is recommended that the funds be transferred to the overall state government and not to a specific department. Thus, funds which might, for example, ordinarily flow to land grant colleges or some other specific operation within the state, would flow through the normal budget and funding operations of the state government.

Improvement of intergovernmental relations in our Federal system requires forthright action by state and local governments, as well as the national government. In many respects, the power shift from the state and local level to the national government has been because of state and local deficiences. States must be equipped to meet modern needs. The need for Constitutional reform has long been recognized in many states, particularly with respect to the form and structure of state governments.

The problems of metropolitan areas are in critical need of solu-

*Statement by Mr. Talbot before the House Government Operations Subcommittee.

tion. The drift of people to the suburbs and the development of new units of government stress the need for the exercise of more responsibility by the state government and a shifting of local powers to larger governmental units such as the county.

Certainly the revenue system of many of the states need a complete revamping. Solution of the problem of determining the proper allocation of revenue sources between the national and state governments is a prime necessity. Such revisions as are developed or contemplated should be made in coordination with actions currently being undertaken by the new special committee of the Conference of Governors and the Executive Branch of the national government.

There is strong evidence that there must be an abdication of certain revenue sources by the national government and their assumption by the states. The states must be given the wherewithal to exercise their responsibilities. The pre-emption of revenue sources by the national government has severely limited the capability of the states to develop. We recommend that gift and estate taxation as a minimum, be turned over completely to the state governments. It is also suggested that study and consideration be given to other tax sources which may be readily transferable.

With the building first of an adequate financial structure to permit the restoration and assumption of proper state and local responsibilities, there are many current programs which could be turned back to the states. For example, in the field of natural resources, the National Chamber believes that the primary responsibility for pollution control, drainage, water supply and recreation belongs to the states, or the subdivisions of government which they might create.

Another step which might be taken immediately would be to rescind the legislation providing grants for the construction of sewage treatment plants, under Public Law 660 of the 84th Congress. Similarly, grants under Section 4 of the Clarke-McNary Act, providing for reforestation aid, are not necessary. State and private nurseries are fully capable of producing and distributing forest seeds and plants for the purposes provided in the Act.

Another effort to aid the decentralization of governmental power should be directed at national welfare and social security type programs. For example, the time has arrived when the national government can turn over to each state the responsibility for providing Old Age Assistance to all new aged persons seeking relief in the future. The national government under this proposal would continue grants-in-aid only for those persons now receiving Old Age Assistance.

When Title I of the Social Security Act was passed in 1935, it was designed to deal with a large problem existing at that time—namely, many persons no longer able to support themselves by working, because of age, and in dire need. The second part of Congress' over-all program was a permanent one now known as Federal Old Age and Survivors' Insurance Benefits. Congress was told by spokesmen of the President's Committee on Economic Security that as the permanent program, OASI, was expanded to virtually universal coverage of all working, the relief program, Title I (Old Age Assistance), would progressively become smaller and smaller. The need for national grants would gradually diminish until they were virtually nonexistent.

Congress, however, has not adhered to the original concept. In 1946, it abandoned the original matching formula for grants-in-aid and adopted a participation formula involving a relatively larger national grant. In 1948, Congress increased the national share without requiring additional participation by the states. Again in 1952, it increased the national share with no additional participation from the states. In 1956, Congress amended Title I again increasing the national share by $4 per recipient and the state requirement by only $1.

It should be noted that prior to the last three amendments, Congress held no public hearings to determine whether or not states were able to increase their financial support of Old Age Assistance.

Our recommendations would involve no reductions in federal grants-in-aid for those now getting Old Age Assistance, whether or not they are receiving OASI benefits in addition. Thus, our proposal would shift no part of the present financial burden of the national government to the states. It would merely leave to the states full responsibility of caring for the future needy aged.

In the field of labor-management relations, the National Chamber also feels that certain efforts might be immediately initiated to help restore the states to their proper role in handling those functions.

In recent years, state governments have lost to the national government much of their authority to act in the field of labor-management relations. This has resulted in large part from the questionable theory developed by the Federal courts that, when Congress enacts legislation, it pre-empts the field so that state laws on the same subject are nullified. Further, the National Labor Management Relations Act of 1947, the most comprehensive labor statute of national government, has been interpreted to extend to the full reach of national government's power under the commerce clause of the Constitution. As a result, in only the relatively small area of purely intrastate matters is there any labor law jurisdiction left to the states.

What is urgently needed, in our opinion, is a clearly-stated assignment of authority to the states, so that maximum freedom may be exercised by the states to establish and maintain a body of effective labor laws. Congress should enact legislation to provide that a Congressional Act shall not supersede state laws on the same subject, unless such intent is expressly stated.

Further, we wish to call attention to two specific recommendations on the subject of state powers which President Eisenhower made, by letter dated March 26, 1954, to Senator H. Alexander Smith, a member of the Senate Labor and Public Welfare Committee.

". . . Whether the governor of a State determines that a labor dispute is endangering, or will endanger, the health and safety of the citizens of that State, certainly nothing in the Federal law should have the effect of preventing the State from dealing with that dispute. This was covered specifically in my message of January 11.

". . . Where the National Board has refused to assert jurisdiction on the ground that it would not effectuate the policies of the act for it to do so, it should be made clear by legislation that the States are free to act."

There are also some observations I would like to make with respect to minimum wage legislation. The Federal Wage and Hour law establishes minimum wage and overtime regulations for workers engaged in, or producing goods for, interstate commerce.

Since the law's inception, employees of retail and service establishments—strictly local operations—have been exempt from coverage of the law. Currently, though, there are numerous proposals before Congress to amend the law so as to cover several million retail and service employees.

The point I wish to make is this: It seems rather ridiculous to me for Congress to attempt to classify retail and service establishments as interstate competitors—and thereby proper targets for regulation by the national government. Whether these firms are large or small, chain or independent, they all compete at the local level. That's where the customer enters the store and decides whether or not to make a purchase. Classifying these stores as interstate operations would be tantamount to saying that a store here in Washington competes with a store in Kansas City. And you know that is not true.

Currently, 22 states and the District of Columbia have some form of minimum wage legislation on their books for retail employees. Granted, some people may criticize some of these laws, but who is a better judge of the legislation needed in a given state than the legislators of that state?

Proposals to extend national regulations to these employees merely represent another legislative area in which there is no sound justification for intervention by the central government. At the same time, we should recognize that extension of the law to several million more employees would add materially to the cost of administering the law. Obviously, additional investigators would have to be hired by the national government to police the newly-covered establishments.

In civil defense, both the national and state governments and their local subdivisions must exercise a joint responsibility. And in order to achieve effectiveness, national pre-emption of civil defense must be avoided.

These constitute but a few of the specific areas in which the National Chamber thinks some action might be started in the immediate future in order to help bring about a restoration of vitality to state and local governments so that they might better perform their proper roles under the Constitution. The statement which we shall submit later in the year will deal with these and other subjects in more detail.

In summary, I want to stress that under our concept of Federalism, both the states and the national government derive their powers directly from the people through the Constitution. Each must play a strong and vital role within the spheres of responsibility which have been carved out for them.

Second, there must be a strong effort to decentralize the numerous powers and responsibilities which have been assumed by the national government at the expense of state and local governments through other than the formal means prescribed by the Constitution for altering the division of governmental power contained in it.

Third, our political leaders must be imbued with the belief in Federalism and must actively seek to make it a workable principle. Such a belief automatically carries with it a predisposition to allow the states and local governments to handle their own problems, and leave them sources of taxation to carry on their responsibilities.

Fourth, problems, the solutions for which are developed by the national government, should be only those which fall clearly within the prescribed power of the national government in the Constitution. This means the avoidance of broad, liberal interpretations under the elastic clause of Article I, Section 8.

Fifth, the grant-in-aid device, although recognized as a useful tool in a system of cooperative Federalism, should be used sparingly. The tendency of the national government to hold out to the states promises of broad grants of money to solve problems which are primarily state and local in character tends to sap the strength and initiative of our state and local governments.

Sixth, any system of grant-in-aid administration should be accompanied by certain adequate safeguards. A valid determination of need, establishment of terminal dates and specific expenditure ceilings, and a periodic review of grant programs constitute a minimum.

Seventh, state and local governments must also do some soul-searching and strengthen those parts of their governmental structure which are weak.

Eighth, there must be a thorough reevaluation of fiscal sources and the restoration of adequate revenue sources to the states unless some means are produced to give the states the ability to meet their own problems, it is little more than an academic exercise to talk of transferring functions and responsibilities.

And finally, there are certain aspects of current national programs in the field of natural resources, social security and welfare, labor legislation and civil defense in which remedial action could be undertaken immediately in the interest of strengthening our Federal system.

William E. Lucas With A. G. Becker & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—William E. Lucas has become associated with A. G. Becker & Co. Incorporated, 120 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Lucas was previously with McDonnell & Co. and in the past was a partner in Baxter, Williams & Co.

A. M. Kidder Adds

(Special to The Financial Chronicle)

CLEARWATER, Fla. — William L. Pollard is now connected with A. M. Kidder & Co., Inc., 300 South Garden Avenue.

Now R. J. Colbert Co.

LEXINGTON, Ky. — The firm name of Colbert and Maury, Bank of Commerce Building, has been changed to R. J. Colbert & Co.

Mergers and Acquisitions— A Government Lawyer's Views

By ROBERT A. BICKS*

First Assistant, Antitrust Division, Department of Justice

Antitrust officer discusses pertinency of the pending *Continental Can-Hazel Atlas* complaints and Clayton Act Section 7's possible scope to judicial guidance offered in the two recent *American Crystal* and *GM-du Pont* cases. According to Mr. Bicks: (1) The law is clear that the new Section 7 applies to "'all types of mergers and acquisitions, vertical and conglomerate as well as horizontal, which have the specified effects'"; (2) the Court held that the old Section 7 was not limited to "horizontal" acquisitions; (3) the Government can act if there is a threat of restraint or monopoly even if the purchase is solely for investment; and (4) retroactive application of Section 7 has its real limitations. Analyzes the legal definition of "interchangeable" products, and the broader concept of "market" as compared to the more narrow definition in the *GM-du Pont* case, and applicability of Sherman Act, Section 2.

My plan is to focus on two decisions (**General Motors - du Pont**[1] and the New York District Court's opinion in **American Crystal Sugar**),[2] both quite recent and one, for Section 7 discussion at least, quite unanticipated. Viewed together then, what light do these decisions cast on problems of defining relevant market and measuring competitive injury under amended Section 7?

I

Broader Market and Increased Concentration

First, **American Crystal Sugar.** There, American whose "principal business," according to the court, was "the manufacture of sugar from sugar beets and the sale of such sugar"[3] sought a disgorging of past, and to enjoin future, purchases of its stock by Cuban-American, a holding company with a subsidiary, Colonial, "which imports raw cane sugar" and "markets" same in this country.[4]

As a first step the court found that "the relevant product [or line of commerce] is refined sugar."[5] For, "The evidence clearly establishes the high degree of interchangeability between beet and cane sugar."[6]

On the one hand, the court agreed that, "To some extent cane sugar has a higher degree of consumer acceptance";[7] that "for certain cane specialties, such as brown sugar, there are no beet counterparts";[8] and that, between the two products, there has prevailed an "historic difference in list prices."[9]

On the other hand, the court emphasized "that in those cases in which a determined effort has been made to market beet sugar, consumer acceptance has been forthcoming and as a result cane has been partly displaced."[10] Supporting this parity of acceptance, the court stressed that "at the present time there is no quality difference between the two."[11] As a result, "certainly as far as most industrial buyers are concerned cane and beet are interchangeable."[12] And, even though "certain purchasers who buy for resale to consumers . . . specify . . . quotations on either beet or cane," the court stressed "that both products are often stocked side by side in the same store, so that it is natural for a grocer to replenish his supply of one or the other as it is diminished."[13]

Interchangeable

Viewing this pattern of market operation, the court concluded that defendant had failed to make the "necessary" showing "that within a given range of prices consumers would not shift from one to the other."[14] Accordingly, the court found "that cane and beet are sufficiently interchangeable to be classified within the same market for the purposes of determining the competitive effects of a merger between a beet and cane refiner."[15]

The relevant "line of commerce" determined, the court turned next to question of whether, within the "several relevant [market] arenas,"[16] the merger threatened those competitive effects Section 7 proscribes. Here the court's beginning point was that the merging companies, unlike the bulk of their major competitors, were "hard sellers, undercutting prices were necessary to get desirable business," and that "Colonial has evidenced increasing tendencies to further penetrate into Crystal's local selling area."[17] Against this market background, the court cushioned its finding of illegality primarily on analysis of changes in market shares the merger would bring about. Though the court made no findings of competition in any national market, it stated that "Crystal and Colonial . . . on a national basis, rank eighth and eleventh, respectively, and . . . if combined, would be about the fourth ranking unit in the whole industry."[18]

Moving then to the merging companies status within the relevant markets, the court noted, "The evidence establishes that a union of Crystal and Colonial would produce a combination ranking second in the ten state River Territory. Great Western, the largest beet sugar refiner, would still rank first. In the three state Iowa-Wisconsin-Illinois territory a combination of Crystal and Colonial would have about the third largest share of the market."[19]

To excuse these market facts, defendant had urged that, instead of decreasing competition, "competition will be increased because Crystal and Colonial combined will be better able to compete with"[20] their three remaining larger national competitors. Conceding "that the new firm would be a greater rival of other sugar refiners," the court emphasized that "It does not follow, however, that competition in the industry would thereby be increased."[21] For, as the court put it "A union of two units of economic significance . . . in the abstract . . . is inimical to independent pricing policies, price flexibility and the dispersion of market power."[22] And the court went on, "certainly to the extent that a reduction in the number of significant firms . . ., reduces the incentive to reap a short-term advantage by independent action, economic analysis indicates that increased concentration is detrimental to competition."[23]

Though I rest assured these phrases will be much used by future Section 7 plaintiffs, let me caution againt their controlling significance when ripped from the context of this case. For sugar marketing, and therefore, in effect, entry into business of the sugar refining and marketing, is subject to "extensive regulation" by the Federal Government.

Sugar Entry Is Licensed

This factor the court stressed. Thus, the court emphasized that "the evidence indicates that no new sugar refiners can be anticipated"; that "In the last 30 years no new firms have entered the industry"; and that "Currently the quota system is a staunch barrier to new entry."[24] Accordingly, the court concluded that "thus the over-all picture is of an industry tending toward increased concentration with no significant countervailing pressures."[25] From all this followed a finding of violation.

Viewed in perspective, this decision stands as the first judicial application of **Cellophane's**[26] reasonable interchangeability rationale to Section 7's "line of commerce" phrasing. Indeed, the court's weighing of, on the one hand, quality differences, against, on the other, competing end uses and shifts in consumer acceptance with price differences bears closely on **Cellophane's** analysis. In the process **American Sugar's** rationale touches upon those criteria emphasized in this Department's pending **Continental Can-Hazel Atlas** complaint.[27]

Application of **Cellophane** here, however, highlights that its rationale is no unmixed blessing for Section 7 plaintiffs; thus, inclusion of Crystal's beet activities with Colonial's cane operations in the same market could cut both ways. On the one hand, inclusion of both in the same market enables the finding that Colonial, or its parent—Cuban-American—by this merger acquires a substantial competitor, and thus substantially lessens competition in "sale of refined sugar." By broadening the market to include both beet and cane sales, on the other hand, each company's percentage of sales in the enlarged market is necessarily diminished. And so you see that under Section 7 the very market analysis which enables a finding of violation could complicate the task of plaintiffs' proof.

II

Market Defined Narrowly

Not so easily gauged is the significance of **United States v. General Motors-du Pont.**[28] About one month ago, the Supreme Court held that du Pont's acquisition (during the period 1917-1919) of 23% of General Motors' outstanding common stock violated Section 7. Section 7 had been only a subsidiary ground for the Government's appeal: the court below had treated hardly at all Section 7 issues; indeed, Section 7 took up but seven of the sixty-four pages of argument in the Government's Supreme Court Brief, and an even lesser portion of time on oral argument. By resting its decision on Section 7, the Court found it unnecessary to consider whether the relation between du Pont and General Motors, involving not only du Pont's stockholdings, but also allegedly close personal and operating ties, transgressed Sherman Act Section 1. Nor did the court detail required relief, but—instead—remanded the case, for "whatever relief would be "necessary and appropriate in the public interest to eliminate the effects of the acquisition offensive to the statute."[29]

General Motors-du Pont, bear in mind, was decided under Section 7 before its 1950 amendments. With one exception, however, the Court's grounds for decision apply equally to the present statute.

An acquisition would violate old Section 7,[30] you may recall, if its effect might be (1) to substantially lessen competition between the acquired and the acquiring company, (2) to restrain commerce in any section or community, or (3) tend to create a monopoly in any line of commerce. Since the **du Pont** complaint alleged that du Pont's acquisition might "tend to create a monopoly in particular lines of commerce," the Court's decision apparently rested on the third subdivision of old Section 7. And the phrasing of that former subdivision, I emphasize, tracks almost word for word Section 7 today.

Old and New Section 7

Construing that provision, four aspects of the Court's opinion seem ripe for discussion now. First, the Court held that old Section 7 was not limited to so-called "horizontal" acquisitions, that is, acquisition by one company of a competitor, but also covered "vertical" acquisitions, that is, acquisition by one company of a concern to whom it sells or from whom it buys.[31] While this was a question of first impression for the Court, it is not likely to be of any real future significance. For the 1950 amendments eliminated, as a test of legality, whether an acquisition would substantially lessen competition between the acquiring and the acquired corporations. Even without **GM-du Pont,** therefore, the law would be clear that, as the House Committee Report on the 1950 amendments put it, new Section 7 applies to "all types of mergers and acquisitions, vertical and conglomerate as well as horizontal, which have the specified effects."[32]

Of more practical significance today is a second element of the Court's decision delimiting that market in which the effect of du Pont's acquisitions was to be gauged. Du Pont and General Motors contended before the Supreme Court that the "relevant market" was the total market for finishes and fabrics, and that du Pont's sales to General Motors constituted only "a negligible percentage" of that total market—3.5% in the case of finishes, and 1.6% in the case of fabrics.

Narrow Market Defined

Rejecting this contention, the Supreme Court held that the "relevant market" encompassed, not finishes and fabrics generally, but only the narrower area of **automobile finishes and fabrics.**[33] It ruled that the record showed that "automobile finishes and fabrics have sufficient peculiar characteristics and uses to constitute them products sufficiently distinct from all other finishes and fabrics to make them a 'line of commerce' within the meaning of the Clayton Act."[34]

The relevant market of "line of commerce" determined, still remaining was the Court's fashioning of the standard for measuring competitive effects within that market. Closely related to this task, it seems clear, was the Court's decision as to when this standard may be applied.

Catch Incipient Activity

Treating the latter issue first, the Court held the relevant issue under Section 7 to be, not whether the prohibited anticompetitive effects existed **at "the time the stock was acquired"**[35] but whether at **the time of suit** there is a reasonable probability that the acquisition is likely to result in the condemned restraints."[36] (Emphasis added). The argument that Section 7 applies "only to the acquisition of stock and not to . . . [its] holding or subsequent use,"[37] to the Court's view, "misconceives the objective toward which Section 7 is directed."[38] The aim of the Clayton Act, as the Court put it, "was primarily to arrest apprehended consequences of intercorporate relationships before those relationships could work their evil, which may be at or any time after the acquisition, depending on the circumstances of the particular case."[39] From this purpose followed the ruling that "the Government may proceed at any time that an acquisition may be said with reasonable probability to contain a threat that it may lead to a restraint of commerce or tend to create a monopoly of a line of commerce." By way of dictum, the Court added that "[e]ven when the purchase is solely for investment," suit under Section 7 may be brought "at any time the stock is used to bring about or in attempting to bring about the substantial lessening of competition."[40]

Remaining finally, then, was the question whether du Pont's acquisition of General Motors' stock did, at the time of suit, threaten those effects Section 7 proscribes. Beginning with a bit of history, the Court noted that du Pont's "commanding position as a General Motors supplier was not achieved until shortly after it purchased a sizable block of General Motors' stock in 1917";[41] that "immediately after the acquisition, du Pont's influence growing out of it was brought to bear within General Motors to achieve primacy for du Pont as General Motors' supplier of automotive fabrics and finishes";[42] and that thus "sprung from the barrier, du Pont quickly swept into a commanding lead over its competitors who were never afterwards in serious contention."[43]

Overwhelming Inference Found

From this and more the Court concluded that the record "plainly revealed" that "du Pont purposely employed its stock to pry open the General Motors market to entrench itself as the primary supplier of General Motors' requirements for automotive finishes and fabrics";[44] that (in phrasing more emotive than analytical) the "fire that was kindled in 1917 continues to smoulder"; that it "burned briskly to forge the ties that bind the General Motors market to du Pont"; and that "if it has quieted down, it remains hot, and, from past performance, is likely at any time to blaze and make the fusion complete."[45] In sum, therefore, the Court held that du Pont had purchased stock as an entering

Continued on page 23

*An address by Mr. Bicks before the Antitrust Section of the American Bar Association, New York City, July 13, 1957.

1 77 S. Ct. 872 (1957).
2 *American Crystal Sugar Co. v. The Cuban-American Sugar Co.*, Civil No. 108-55, S. D. N. Y., decided June 6, 1957 by Dawson, D. J.
3 Mimeo. Findings and Opinion, *Id.* at p. 3.
4 *Id.* at 4.
5 *Id.* at 4, 23.
6 *Id.* at 23.
7 *Ibid.*
8 *Ibid.*
9 *Id.* at 24.
10 *Ibid.*
11 *Ibid.*
12 *Ibid.*
13 *Ibid.*
14 *Id.* at 24-25.
15 *Id.* at 25.
16 *Id.* at 22.
17 *Id.* at 25.
18 *Id.* at 21.
19 *Id.* at 23.
20 *Id.* at 26.
21 *Id.* at 27.
22 *Ibid.*
23 *Ibid.*
24 *Id.*
25 *Ibid.*
26 *United States v. E. I. du Pont de Nemours & Co.*, 351 U. S. 377.
27 *United States v. Continental Can Co., Inc., et al.*, Civil 112-387 (Sept. 10, 1957).
28 *United States v. E. I. du Pont de Nemours & Company, et al.*, 77 S. Ct. 872 (1957).
29 *Id.* at 885.
30 Old Section 7, in relevant part, read: No corporation engaged in commerce shall acquire . . . any part of the stock . . . of another corporation engaged also in commerce, where the effect of such acquisition may be to substantially lessen competition between the corporation whose stock is so acquired and the corporation making the acquisition or to restrain such commerce in any section or community, or tend to create a monopoly in any line of commerce.
31 77, S. Ct. 872, 875-876.
32 See H. Rept. No. 1191, 81st Cong., 1st Sess., p. 11 (1949).
33 *Id.* at 878.
34 *Id.* at 877-878.
35 77 S. Ct. 872, 879 (1957).
36 *Id.* at 884 (emphasis added).
37 *Id.* at 879.
38 *Id.* at 879.
39 *Id.* at 879.
40 *Id.* at 879.
41 *Id.* at 880.
42 *Id.* at 882.
43 *Ibid.*
44 *Id.* at 884.
45 *Ibid.*

From Washington Ahead of the News

By CARLISLE BARGERON

As I have heard it from the pulpits, the rostrums and the press, the civil rights fight has been one of the finest manifestations of humankind that the world has ever known. It has been an effort, as I have read and heard, on the part of a democratic and free people to show the world, particularly the Kremlin for which we seem to be shaping most of our financial and moral way of living, how decent we are. If we should do anything wrong in our way of living the Russians would make capital out of it with the Indonesians, the Syrians and other unlettered and undeveloped people whom most of our people have never heard about and still don't care about.

Carlisle Bargeron

After all, it is pretty hard to convince the ordinary American businessman or the American worker, having a life span of 70 years, we will say, with his problem of achieving comfort and security for the family he has reared, that in addition to wanting to join a country club and providing a swimming pool for his kids and to have a place to play golf himself, that he must worry about the livelihoods of people millions of miles away.

But be that as it may be, the civil rights parade which he has been witnessing as something that he should beat his breast about and show how clean he is and how much for constitutional rights he is, as something, indeed, that will excite the admiration of the Indonesians, the Syrians, the Russians, Chinese, et al—frankly there has never been so much political skullduggery in all our time.

First, we accept the widely publicized proposition that nuts to the proposition of what is wrong, it is a question of which political party will capture the Negro vote. There have been reams in the press as to which party should do so, reams about whether it means our next President will be Dick Nixon or Lyndon Johnson. It has been pretty disgusting anyway you want to look at it.

I have in mind one high Republican Senator who says he can't understand the attitude of the South. "Why, in my state," he says, "we don't try to keep the Negroes from voting. We pay them to vote."

But I hadn't intended to get into this. I am referring to the political maneuvering in the last days of the fight in the Congress just adjourning. The Republicans had been trying to make the civil rights legislation so unpalatable that it would hold up until the Wisconsin election whereupon they fully expected to elect a Republican, Walter Kohler, to replace the late Joe McCarthy. But much to the amazement of the GOP, Kohler was defeated by the Democratic candidate, William Proxmire. Then there is no secret in official Washington that Democrat Senator Neely of West Virginia, in his eighties, is dying of cancer of the prostate. A Republican West Virginia Governor would appoint a Republican successor. That (assuming Kohler had been elected) would have given the Republicans a tie vote in the Senate which would be broken by Republican Vice-President Nixon.

Well just what would such a situation imply? The Republicans would be in control of the Senate. They would reorganize the present committees which have Democratic Chairmen.

It would mean, to no disinterest of the country's economy, that some presently constituted muckraking committees, one headed by Kefauver on anti-trust practices and another by O'Mahoney of Wyoming, on a fairly similar bent, would be out of business. Both are designed to show that the Republican Administration has being playing ball with the big bankers to the detriment of the small businessman and average American citizen. They hope to build up a case against the Republican Administration during the recess of Congress. Then there is the investigation of monetary policies by the Senate Finance Committee under the chairmanship of Senator Harry Byrd.

This committee hasn't done so well in exposing the inequities of the Eisenhower Administration so far. It spent considerable time with former Secretary of the Treasury George Humphrey as a witness and latterly, the Under-Secretary Mr. Burgess. But the impression around Washington is that it intends to go back to its work during the Congressional recess and build up some politically Democratic capital.

Brady Named Publicity Director of National Ind. Conference Board

Joseph J. Brady has been appointed Director of Public Information of the National Industrial Conference Board according to John S. Sinclair, Board president. Mr. Brady, who joined the Board in 1952, has been Assistant Director of Public Information for the past three years.

A. B. Hogan Officers

HOLLYWOOD, Calif. — Burton M. St. John has become Vice-President and June Jardine Assistant Secretary of Arthur B. Hogan, Inc., 6705 Sunset Blvd., members of the Pacific Coast Stock Exchange.

With J. Barth Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Samuel C. Myer has been added to the staff of J. Barth & Co., 404 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

With Taylor & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Frederick N. Scatena, Jr., has joined the staff of Taylor & Company of Beverly Hills. Mr. Scatena was formerly with R. H. Moulton & Co. and Davies & Co.

Two With Western Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert W. Hansen and John H. Schultz have become connected with Western Securities Corporation, U. S. National Bank Building.

Three With Brown & Stark

ST. PETERSBURG, Fla.—Percy Brown, Roger H. Debien and Wilbur C. Sievers are with Brown & Stark, Inc., 3024 Central Avenue.

The Future of Shopping Centers

By ROGER W. BABSON

Mr. Babson examines the economic future of shopping centers and what even small cities should do to prevent their rise. Offers such suggestions as: town fathers should solve the parking problem or give relief from taxation; vacant stores should have their taxes increased; and stores should be encouraged to keep open longer and provide better lighting and service.

Merchants ask me as to the future of Shopping Centers. My answer is that each must be judged on its own possibilities according to location, surroundings, and "backbone." They also ask whether we are facing either World War III or Disarmament.

Roger W. Babson

The first requirement is that each one must have a strong backbone or core in the form of a large, successful, and well-known department store or supermarket. The second requirement is that each Shopping Center should be able to support itself on suburban development surrounding it. The third requirement is that it must be well financed.

Certainly the well-established downtown stores of nearby cities must wakeup. These new Shopping Centers are started and operated by active young men. Too many of the leading stores in adjoining cities are coasting on the past work and policies of a father or grandfather. These older "Main Street" stores are also now benefiting from valuable locations selected years ago. But good locations are not permanent. Every city is slowly growing in some one direction. The most valuable downtwon "four corners" is gradually moving. Even good will is temporary. The founder of the business could always be found (excuse the pun) at his store, but his children and grandchildren have too often "gone out to lunch" or are at some cocktail party.

City and Town Governments

Some Shopping Centers are profitable because of the jealousies, stupidities, and shortsightedness of the nearby local city governments. Different councilmen selfishly favor different sections. As a result, nothing is done until the Shopping Center draws business away from all sections.

As all merchants are dependent upon the production of the consumers of their community, so every consumer is dependent upon these merchants. These merchants are the life blood of all. If the stores are profitable, every citizen should be prosperous. If there are many vacant stores, then the entire community will suffer. I hope that no newspaper editor will say: "But this does not apply to us. We are too small." Let me reply that my comments are more important to the small communities because they can now avoid the trouble from which the larger cities are suffering, plus possible Fallout threats.

Parking Is the Great Problem

The automobiles may be robbing your city of money be sending away so much money collected for cars and gasoline. These automobiles demand parking privileges. If parking space is not provided, they can block traffic, handicap productive industry, and choke every other business. Small cities and towns have not yet suffered from this economic blight; but it is on its way. Every community will some day surely suffer from lack of parking space unless a courageous and farsighted local government now grapples with the problem.

Until the parking problem is solved, merchants should be given some relief from taxation. Merchants are the veins through which the blood of the city flows from producer to consumer. When merchants are not prosperous, the community suffers from "high blood pressure." Instead of reducing taxes on vacant stores, the taxes thereon should be increased until the owner gets them rented. Every merchant should buy the building which he successful occupies.

Capitalizing the Evenings

The most practical way for communities to lick Shopping Centers is to capitalize the evenings and encourage stores to keep open longer. Every live merchant should keep his store fully lighted throughout the evening. Next to good newspaper advertising, bright lights are the best "fertilizer" for merchants to use.

Some readers believe that old-fashioned two-and-three-story office buildings may be demolished and our business streets may consist only of modern, one-story buildings without a basement. I don't believe this. I believe that the second and third stories will be developed into apartments for ambitious clerks who work in the stores below or nearby. These clerks will be responsible for their respective stores of the evening, perhaps up to midnight. In Europe many successful bankers and merchants themselves live over their stores and are available at any time, day or night.

Harris, Upham & Co. To Admit New Partner

Harris, Upham & Co., 120 Broadway, New York City, members of the New York Stock Exchange on Sept. 5 will admit Clifford E. Fitzgerald to partnership. Mr. Fitzgerald will acquire a membership in the New York Stock Exchange.

Columbine Secs. Add

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Lawrence W. Whitlock has been added to the staff of Columbine Securities Corp., 1730 South Broadway.

Joins E. M. Scanlan Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Michael B. Katis has joined the staff of Earl M. Scanlan & Co., Colorado National Bank Building, members of the Midwest Stock Exchange.

Should Britain Sit Back and Await American Action?

By PAUL EINZIG

Is it, Dr. Einzig asks, a pathological fear of the return of a deflationary slump that prevents American authorities and businessmen from resisting more firmly high-wage-induced price inflation, and to prefer, instead, the relatively ineffective dear money policy? The eminent British economist contends we have not learned British mistakes, and believes Britain and other principal European countries should not sit back and await decisive American action.

LONDON, England—Recent increases in bank rates in the United States has given people on this side of the Atlantic an unwelcome reminder of the fact that resistance to wages inflation is not a British problem but a world problem. Any widespread realization of this fact is liable to make resistance to inflation in Britain even more difficult.

Paul Einzig

For one thing, since the world-wide character of the rise in costs tends to lessen pressure on the British balance of payments, it mitigates the urgency of disinflationary measures. Notwithstanding the weakness of sterling that followed the devaluation of the franc, there is nobody in London who seriously expects a devaluation this year.

Inflation in the free world in general and in the United States in particular is expected to enable Britain to inflate to some degree without having to pay immediate penalty in the form of a grave deterioration of the balance of payments position. If there were indications of such a deterioration, the Government would have taken firm action to check domestic consumption. As it is, no such action was considered necessary beyond maintaining the ineffective measures already in force. The rise in domestic wages and prices is allowed to continue.

So much for the material effect of international inflation on the sterling position. But, in addition, the realization that we are more or less all in the same boat tends to produce a demoralizing psychological effect. Those against firm action have now an additional excuse in support of their attitude. They argue that it would be useless for Britain alone to try to stem the world-wide trend. In spite of London's international position, Britain is they say, no longer of sufficient importance in world economy to be able to save the world either with her example or with her exertions. Even though the Sterling Area is liable to be influenced by Britain's action or inaction, the decisive influence is that of the United States as far as world economic trends are concerned.

The outcome of the American effort to resist inflation is awaited in London, as indeed in other capitals, with anxious interest. If the United States should succeed in breaking the inflationary spiral, Britain would come under strong pressure to follow the example, for stability of prices in the United States and rising prices in Britain would necessarily mean a grave balance of payments crises through the increased competition of American goods and through the effect on sterling of a world-wide scarcity of dollars.

Repeating British Mistakes

Unfortunately, in so far as it is possible to judge from a distance, the prospects in the United States are far from promising. It seems that the United States authorities have not learnt from the mistakes of the British authorities. They have embarked on a course which indicates that they will make the same mistakes, and instead of learning their lesson at the expense of Britain they will have to learn it at their own expense.

Dear money was an unmitigated failure in Britain. It was unable to check the rise in wages. Indeed it was even unable to check the expansion of credit, although it is of course always arguable that, but for the 5% bank rate, credit would have expanded to an even larger degree. The Government itself is paying a heavy price in the form of additional interest charges on the floating debt and on funded maturing loans. Its prestige as a debtor has suffered as a result of the basic weakness of the gilt-edged market. Institutional and individual holders of Government loans—the most valuable section of the community—have suffered undeserved punishment in the form of capital depreciation. The burden of mortgages and other debts has increased considerably. The result was certainly not worth the sacrifice involved.

There appears to be no reason why the result should be materially different as far as the United States are concerned. Indeed there are ample indications that the high cost of the dear money policy and its negative result is already becoming evident. The difference between British and American conditions seems to be merely one of degree. We on this side are inclined to assume that all is well in the United States, because their difficulties are not as acute as ours, and because they have a superior economic strength enabling them to withstand these difficulties more easily. But the difficulties are there all the same. Some of the articles written on the subject in the American Press recently, and some of the speeches made by American statesmen, bankers and businessmen, might have been written or made in Britain. Indeed, even allowing for the British national characteristic of understatement and the American national characteristic of overstatement, it is difficult to see much actual difference between the conditions described.

A Puzzling Situation

What is puzzling most people on this side is why the United States are not resisting more firmly to wage pressure by means more effective than higher interest rates. After all, there is no overfull employment in the United States, nor is there Socialist political resistance to effective disinflation. The bargaining position of the American industrial worker cannot be nearly as strong as that of his British opposite number, having regard to the degree of unemployment in the two countries. Why is it then than American employers cannot make a stand? Is it because of their pathological fear of a return of a deflationary slump? Admittedly, it is well worth while to pay an insurance premium against it in the form of a very moderate rise in prices. But the present rise in prices is too steep even if it did constitute an insurance against mass unemployment. As a matter of fact, so far from being the case, the accelerated pace of inflation tends to aggravate the risk of a slump rather than mitigate it.

If only the American authorities and businessmen realized this they might muster up the necessary determination to resist wages inflation even at the cost of major strikes and a minor depression. The United States are in an infinitely better position that Britain to have a showdown. In Britain a prolonged major strike would lead to the disappearance of the gold reserve. There is no such danger in the United States. In Britain even a minor depression might result in the advent of a Socialist Government after the next general election. In the United States Socialism is virtually unknown.

Britain is strongly tempted, therefore, to sit back and await American action. But if only Britain, or any of the principal European industrial countries were to take the lead, it might influence the attitude of the United States. It is of not the slightest use to keep eyeing each other to see which of us is going to act first. Yet this is what seems to be happening.

Whitehead to Conduct Course in Investments

Dr. Edward Davison, Director of the Hunter College School of General Studies, has announced that Louis H. Whitehead has joined the staff to conduct a course in investments beginning Sept. 17. The course will meet one evening a week for a total of 15 sessions.

Louis H. Whitehead

Formerly a member of the faculty of Syracuse University, and a lecturer for the American Institute of Banking, Mr. Whitehead is a partner of Cosgrove, Whitehead & Gammack, members of the New York and American Stock Exchanges.

Mr. Whitehead has had more than 30 years of experience in investment research and advisory work and is in charge of his firm's investment counseling department. He is a graduate of the Wharton School of Finance & Commerce at the University of Pennsylvania. Since 1942 Mr. Whitehead has been a member of the faculty of the New York Institute of Finance, successor to the New York Stock Exchange Institute where he conducted courses in Economics and Current Investments.

Form Corey Nelson Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Corey-Nelson Investment Co. has been formed with offices in the Farmers Union Building to engage in a securities business. Officers are Harold W. Corey, President; Elmer W. Nelson, Vice-President; M. D. Corey, Treasurer, and M. E. Nelson, Secretary. Mr. Nelson was formerly with Olympian Securities, Inc.

Two Kinnard Branches

MINNEAPOLIS, Minn. — John G. Kinnard & Co. has opened a branch office at 305½ East Broadway, Bismarck, N. D., under the direction of Roy S. Towne, and in the Syndicate Building, Sioux Falls, S. D., under the management of Edward C. Danielson.

Current Nuclear Power Issues in the United States

By W. KENNETH DAVIS*

Director, Division of Reactor Development
United States Atomic Energy Commission

AEC reactor development head reviews the crucial problems that are the crux of the recent debates on the government-pirvate partnership power reactor development program. Mr. Davis projects for the U. S. A. in 20 years from now nuclear power equal to our present total generating capacity which, however, will still be only about one-quarter of total capacity then. In comparing our broad problems and transition from a government development to a going industry with Britain and Russia, the author reveals "drastic reductions" made in U. S. S. R. "grandiose plans" for nuclear power and, while conceding U. K.'s excellent progress, denied we are losing "some kind of hypothetical 'nuclear kilowatt race.'". Warns that our nuclear plants must be more economic than the ones in Britain or we will not have economic nuclear power in the U. S. A.

Nuclear electric power appears to be the first large scale civilian application of nuclear energy and as such will open the door to the other applications. It is thus deserving of first attention.

W. Kenneth Davis

Nuclear Reactors

It may be helpful for some if I review briefly what a nuclear reactor is and what it does.

The most significant characteristic of the fission nuclear reaction is that it produces heat and radioactivity. The amount of heat produced is very large, as much as three million times as much as is produced by burning the same weight of coal. This heat is produced in the fuel material itself, and must be removed by a coolant. The coolant must be heated to a high temperature if power is to be generated. Common coolants in nuclear reactors are water (which may either be allowed to boil or may be kept liquid under high pressure), various gases, liquid metals such as sodium or bismuth, or certain organic oils. Reactors are often characterized by the coolant used; for example, the pressurized water reactor, the boiling water reactor, etc.

Power is generated as in a conventional power plant, either by using the steam direct from the reactor or a boiler heated by the high temperature coolant to drive a turbine-generator. We do not know of any practical way of producing electricity directly from reactors and thus bypassing the intermediate fluid cycle. The nuclear reactor along with any necessary intermediate heat exchangers may then be considered the equivalent of the boiler in a conventional power plant.

The radioactivity accompanying the fission reaction necessitates very heavy shielding around the reactor. The principle shielding effect is simply from the mass of shielding. No way is known to substantially reduce shield weights. Further, any materials exposed to the neutrons involved in the fission reaction are made radioactive and must be shielded. This applies to coolants passing through the reactor and any materials removed from the reactor. Further, the waste products (called fission products) from the nuclear reaction itself are particularly radioactive. These materials will not in turn induce radioactivity in other materials exposed to them but must be shielded to prevent injury to personnel near them and any operations with them must be carried out by remote control.

The basic nuclear fuel is an isotope of uranium, U-235, which is present to the extent of one part in 140 in naturally occurring uranium. Natural uranium can be used in some reactors though considerably cheaper and more efficient reactors can be built by concentrating the U-235 isotope. The fuel material, uranium, is generally put into a reactor in the form of metallic fuel elements or as an oxide of uranium. Since the uranium is easily corroded and it is desirable to keep the fission products confined the uranium is enclosed in a metal can.

A certain amount of the nuclear fuel is needed to keep the reaction going. The reactor power level can be controlled by either removing nuclear fuel or by adding some material which poisons the reaction by capturing the neutrons. Elaborate control mechanisms and circuits are used to insure the safe operation of reactors.

Another important feature of reactors, at least to the physicists, is the use of materials in the reactor which will slow down the neutrons which actually effect the reaction to a point where they are most effective. These unique materials are called "moderators" and are materials like ordinary water, heavy water, graphite, or beryllium. Some reactors, the so-called "fast" reactors do not use any moderator at all. This aspect of reactors is so important that reactors are often characterized by the type of moderator utilized, for example, the sodium (cooled) graphite (moderated) reactor, the water (cooled) graphite (moderated) reactor, etc.

When a fraction of the fuel material has been consumed by the nuclear reaction the accumulated fission products interfere with the reaction and, in addition, the amount of fissionable fuel remaining will not be sufficient to provide for a self-sustaining reaction. It is then necessary to remove the fuel material from the reactor, to process it to recover the unburnt fuel, and to concentrate and dispose of the radioactive waste products. These operations are rather difficult and expensive for such highly radioactive materials. They may be carried out at a location some distance from the reactor.

Self-Feeding Aspect

Another interesting aspect of nuclear reactors is that it is possible to make additional nuclear fuel in such a reactor. Excess neutrons made during the fission reaction can be captured in nonfissionable uranium or in thorium to produce the fissionable isotopes plutonium and uranium - 233. These materials may be recovered in the chemical reprocessing and used in reactors as fuel. This is

Continued on page 24

*An address by Mr. Davis before the Midwest Regional Conference of the Council of State Governments, Cleveland.

Public Utility Securities

By OWEN ELY

Public Service Electric & Gas Company

Public Service Electric & Gas is one of the top utility operating companies in size, with annual revenues approximating $312 million. About 68% of revenues are derived from electric operations and 32% from gas. Analyzing the electric revenues, residential customers contributed 34%, commercial 30%, and industrial 32%, with 4% derived from miscellaneous sources. About 75% of gas revenues were obtained from residential customers (including house-heating) while 15% were commercial, 9% industrial and 1% miscellaneous.

Natural gas supply is obtained from Transcontinential Gas Pipe Line, Texas Eastern Transmission, and Tennessee Gas Transmission under long-term contracts. The company has also continued to buy some coke oven gas from Koppers. Natural gas has been supplied only in fringe areas (about 20% of total sales) and mixed or reformed gas of low btu has been supplied in the major areas. Btu content of mixed gas has been raised moderately from the old level of about 540 btu.

The company owns all the capital stock of Public Service Coordinated Transit, but the operations of that company (a very large bus system) are not included in the published earnings statement, except as the subsidiary's earnings affect the parent's income taxes. The bus company had deficits in 1952, 1954 and 1955, but reported net income in 1953, 1956, and in the 12 months ended June 30, 1957.

"PEG" serves a population of about 3,194,000 including most of the larger cities in New Jersey—Newark, Jersey City, Paterson, Trenton, Camden, Elizabeth, Hoboken. The economy is widely diversified, New Jersey being one of the mostly highly industrialized states in the country, while it is also a leader in the growing of truck crops. Important manufactures include chemicals and related products, apparel, instruments, rubber products, electrical machinery, glass, food, etc. The list of companies served would include such well-known names as General Motors, Westinghouse, Standard Oil, Union Carbide, Curtis Wright, RCA, Ford, General Electric, American Tel. & Tel., du Pont, Continental Can, U. S. Rubber, U. S. Steel, Campbell Soup, General Foods, Aluminum Company of America, etc. It has been estimated that 15% of all research in the United States is done in New Jersey, including the Bell Telephone Laboratories, the du Pont and Edison research plants, and many others.

Public Service Electric & Gas has been enjoying rapid growth, the current revenues of $312 million comparing with $214 million in 1952. During this period electric revenues increased 35% and gas 74%. The company in recent years has had a heavy construction program. Gross additions in the five and a half years ended June 30, 1957, were $527 million less retirements of $43 million. The current construction program running from June 30, 1957 through 1960 approximates $271 million, of which $247 million is for electric facilities and $24 million for gas. Steam generating plants with a total capacity of 1,330,000 kw are under construction or planned, for anticipated completion as follows: 450,000 kw in 1957, 290,000 late in 1958, 290,000 in early 1959 and 300,000 in 1960. Looking further ahead, the company has projected a peak load of 4.2 million kw by 1966, or double the load of last January.

Capitalization on a pro forma basis (including $60 million 1st and refunding mortgage bonds being sold currently) is approximately as follows:

	Millions	Percent
Mortgage Bonds	$387	39
Unsecured Debt	182	18
Preferred Stock	75	8
Common Stock Equity*	324	33
Restricted Surplus	17	2
	$985	100

*Includes $1.40 dividend preference common stock.

The stock of Public Service E. & G. has been in the hands of the public since 1948, and including one year of the holding company regime, the record has been approximately as follows, using data as reported by Standard & Poor's:

	Total Invested Capital (Millions)	Percent Earns. on Invested Capital	Share Earnings	Dividends Paid	Approximate Price Range	Equity Ratio*
†1957	$936	5.0	----	----	33-28	37%
1956	880	5.2	$2.10	$1.80	36-31	38
1955	790	5.4	2.26	1.65	34-29	37
1954	723	5.5	1.96	1.60	30-26	39
1953	672	5.3	1.80	1.60	27-25	42
1952	601	5.6	1.93	1.60	28-24	30
1951	552	6.1	2.13	1.60	24-21	39
1950	518	6.1	2.06	1.60	27-21	40
1949	516	6.2	2.25	1.60	26-20	40
1948	472	6.1	1.97	0.80	25-20	43
1947	418	7.5	----	----	----	43

*As of March 31. †Includes $1.40 preference common stock, also restricted surplus.

According to Standard & Poor's figures the return on invested capital has declined one-third since 1947—from 7.5% to 5%. The latter return is based on invested capital of $936 million as of March 31, 1957. But using an average (mid-year) estimated rate base in 1956 of $814 million, and adding the interest on construction credit to net from operations, the return for the calendar year 1956 works out at 6.03%. In a recent 12-months period the company earned about 7% on the investment in electric plant and 4% on gas, or an average of 6%, according to Chairman Lyle McDonald.

"PEG's" handicap seems to have been that it started out with rather high earnings and rates following the dissolution of the holding company, Public Service Corp. of N. J. Residential rates (as reflected in revenues per kwh) have declined about 21% since 1947 compared with 14% for other investor-owned electric utilities. The retarding effect on share earnings of this attrition in rates has been partially offset by permitting the equity ratio to drop from 43% to 33%. From here on, the company may be able to gain some benefits for stockholders, from further growth.

The stock has been selling recently around 30 to yield 6%. The price-earnings ratio is 14.5 based on earnings of $2.07 on the shares outstanding June 30; or 12.9 if the figure of $2.35, based on the average shares, is used.

Bank Installment Credit Still Creates Good Returns

By JOHN W. JONES*

Vice-President, The Lancaster County National Bank, Lancaster, Pennsylvania

Pennsylvania banker offers encouraging remarks about the profitability of bank instalment lending, in spite of present day obstacles, and suggests methods to cope with rising "past due ratios."

The rapid growth in consumer indebtedness experienced during the past decade is now leveling off but installment lending is still a vital factor in the creation of bank profits. The properly staffed and operated installment loan activity will continue to create good returns on invested funds and will be a strong public relations factor, bringing many customers into the bank for the first time. The high level of bank loans has caused many bankers to sharply curtail all lending activities. While greater selectivity is desirable in such times as these we should not relax in our efforts to attract and take care of the needs of these good risks.

*From a talk by Mr. Jones before the Sixth Annual Pennsylvania Bankers Association Summer School, Bucknell University, Lewisburg, Pa., Aug. 18, 1957.

The dealer's need for assistance in moving the increasingly large volume of consumer goods involved in our rising standard of living keeps indirect lending an attractive source of loans. In spite of the highly publicized ills of the automobile industry banks can still do an excellent volume of highly profitable business in this field. Better lending techniques and realistic rates are of greater importance than at any time since World War II, but banks who persevere in these efforts find the rewards still to be there.

Past Due Accounts

Reports of rising delinquences and losses on repossessions have caused some concern among installment lenders. It is important that collection procedures and practices be reviewed in light of today's conditions and that any complacencies be removed. Prompt, positive and realistic collection techniques at all levels of the activity will combat the trends toward rising past due ratios before it becomes a major factor and adversely effects profits.

The lack of adequate records is still a glaring fault in many installment loan operations. It is important that costs be known, so that realistic rates can be set; that the profitibility of dealer accounts be known and that losses in them be recognized. Income from installment lending can be quickly depleted through unrecognized leaks in these structures if proper accounting and statistical records are not kept. We can no longer depend upon volume for profits but must price our services, so that every loan pays its way.

C. J. McCloy Joins Eastman Dillon Firm

CINCINNATI, Ohio — C. James McCloy has become associated with Eastman Dillon, Union Securities & Co. Mr. McCloy was formerly local manager for Fahey, Clark & Co. and prior thereto was with Weil, Roth & Irving Co.

Joins Kidder Staff

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—William J. Eggleston, Jr. is now with A. M. Kidder & Co., Inc., 207 East Las Olas Boulevard.

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued to bounce from dispirited sinking spells to technical rallies for the fourth straight week. In the process, the list this week set some reaction lows among the industrials while the rails subsided, on the average, to the poorest posting in a couple of years to chill what bullish sentiment that might be around over the carriers.

So far the signs didn't confirm any vigorous upturn in business generally for the third quarter and increased buying by the auto titans as they prepared for their new model season was greeted calmly by the followers of the steels.

Aircrafts, after being rather thoroughly deflated by disarmament talk and stretch-outs of existing work by an economy-minded Congress, were able to stage something of a rally. Russia's refusal to go along with proposals to ban atomic energy tests was the spark that generated at least temporary strength in the defense section.

Excessive Pessimism on Aircrafts

Aircrafts are about the leading example of the fact that the market goes in far more for excessive optimism, or pessimism, than for the middle-of-the-road approach. No one expects total disarmament, an end to missile and plane work, and heavy red ink reports from the aircrafts. Yet some have been marked down rather drastically by between 20 and 30 points recently.

The office equipment field has shown a different problem — with all the emphasis by investors on the leaders in the field although some attractive situations are around elsewhere. Smith-Corona, for instance, posted a new high in sales for the second year in a row and its profit for the fiscal period also was a record. The stock has had a mundane market life, however, ranging over a 20-point scale and lately available at around the middle of the range. Even a stock split proposal, usually sure fire in spurring an issue to spirited action, was greeted calmly by the issue.

Alleghany Awaiting Court Action

Investment companies with wide diversification have been having trouble in tune with the rest of the market. Alleghany Corp., however, has been more buoyant than many of the others and, at times, able to run counter to the market trend. The big hope in this issue is dissolution of the court injunction against completing distribution of the 6% preferred to eliminate arrears. This court release is slated for early September.

Once the financial contretemps is straightened out, the common of Allegheny, now available at a sizable discount from asset value, ought to have a much better investment status. Its large bundle of Missouri Pacific should build up additional value as the carrier, only recently discharged from receivership, starts to show substantial earnings. In addition it has important holdings in a subsidiary investment group handling assets of around $2 billion.

Good News a Dud

Newport News Ship fared far more happily when hopes were high, but when the company actually received a contract for an atomic-powered aircraft carrier there was little left to celebrate. It did push the company's backlog across the half-billion mark which, in turn, assures capacity operations through 1960.

American Electronics reported sales for the first half more than 150% above last year and earnings expanded comfortably.

In neither the case of Newport nor of American Electronics were the issues able to move decisively despite news that in a better market climate would almost guarantee better action.

Similarly Columbia Gas, which has a long record of investor neglect, reported sharply higher earnings last year and expectations are that it will turn in comparable results this year. Its yield that approaches 6% is both above average and even stands out in the utility group despite a rather drastic case of "tight money" jitters elsewhere in division.

Oils Undistinguished

The oil section was far from distinguished. Restrictions on imports, plus increased production allowances domestically did little to solve the problem of scattered oil gluts and kept investor interest restrained. The 10% cut in imports below a base period actually runs to around 22% of the level that the importing companies had planned. The chief importers of oil are Texas, Gulf, California Standard and Atlantic Refining. Conversely, the domestic producers that will have to step up output include Seaboard Oil, Amerada, Texas Gulf Producing and high-priced Superior Oil.

Johns-Manville, a prime investment grade issue, has shown little life even after a merger was agreed upon with Bestwall Gypsum, the pinch in home building presumably keeping both restrained and Johns-Manville definitely easy at times, including appearances on the new lows list. The latter hasn't fared too well profitwise but by sagging moved its yield well into the 5% bracket.

Gamble-Skogmo at the low-priced end of the list has been neglected enough marketwise so that, despite its low price tag, it has merely wandered over a range of less than 1½ points for the year. Yet its business is fully up to last year's level, as a slight increase in net income for the first half indicated. The 60-cent dividend, covered twice over in 1955 and 1956, will be backed by the same margin this year on present earnings projections. This makes it a candidate for some sort of dividend bounty in the future. It has consolidated its appliance merchandising stores and has been meeting keen competition successfully.

Appliance Outlook Brightens

Appliance makers generally have been forecasting a turn in their fortunes and second-half prospects are far brighter. Some in the industry have even been on record as saying "the worst is over." Heavy inventories have been worked off in specific cases and even in the summer doldrums some new steel buying by appliance makers was noted. The giants like General Electric and Westinghouse because of their varied activities have held up marketwise a bit better than the smaller outfits. Westinghouse, for one, will supply the propulsion mechanism for Newport News' atomic carrier. The smaller organizations, like Whirlpool and Borg-Warner, consequently were in the relatively higher yield brackets, both indicating above 6% at recent levels.

International Silver is a case where the stock is well deflated and even backed down to a new low again this week for the poorest standing pricewise since 1954. The book value of nearly $94 against a market price below $40 makes it a case where pessimism seems to be rampant. Caterpillar Tractor is also down sharply from its peak of nearly $100 although the benefits of the highway building program have yet to make their weight felt.

[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.]

Are We Too Complacent?

By T. ALLEN GLENN, JR.*

President, The Peoples National Bank of Norristown, Pa.

Pennsylvania banker wonders how appreciative and mindful Americans are of the great privileges that belong to them and the sacrifices made by others. Mr. Glenn recounts the personal price paid at one time to gain these privileges and asks whether we have lost our sense of values regarding the things that are really worth while.

We Americans have grown too complacent. We accept all of the privileges that are ours without remembering the price that was paid for these privileges in the form of hardships and sacrifice on the part of someone who obtained them for us. If it had not been for such patriots as George Washington, Thomas Jefferson, John Hancock, Benjamin Franklin, and scores and scores of others in the colonial days of our country, who had been willing to stake not only their fortunes but also their lives in order to achieve freedom for the people of the colonies and those who came after them, we would not be a free nation today. The patriots who suffered with General Washington at Valley Forge, and on the many battlefields of the Revolutionary War, knew the value of freedom, and they were willing to pay the price so that such freedom could be achieved for themselves, their children, and their children's children. To them, patriotism meant more than mere lip service. The singing of patriotic songs was done with reverence and respect because they had risked their lives for the privilege of singing such songs of freedom. Even prior to the days of the Revolutionary War there were those people who came to the shores of America in order to have the right to worship God as they pleased. We are all familiar with the story of the pilgrims and the earlier settlers of this country. These people, too, risked their lives in order to obtain this great privilege for themselves and their posterity. Their attendance at their places of worship was often achieved by great hardships and often by the use of firearms to defend themselves from the savages.

T. Allen Glenn, Jr.

Just Too Complacent?

But today, we Americans don't really appreciate the value of what we have in this country, and we forget the price that was paid for the great privileges that belong to us. We accept these privileges in a light spirit. We sing our national anthem in a perfunctory sort of way when a prize fight is starting, or a baseball game begins, or upon some other occasion. But we do not really know the words nor fully understand the significance of them. And then, to many of us the right to worship as we please means the right to stay home from church if we please. Because we have not had to fight—to pay a tremendous price—for the privilege of going to church, or for the privilege of singing a song of freedom, we have forgotten the value of these great privileges.

To put it briefly, we Americans are just too complacent about what we have, and we accept our privileges without realizing their great value.

I would like to review with you some of the other privileges that an individual has in this great country of ours. Most of these privileges are not available in any other country of the world, and yet we Americans take these privileges for granted. The way that we treat them indicates that we have probably lost our sense of values and forgotten the price that was paid in order that we and our children might have these privileges. It is my belief that Americans should be more appreciative of the privileges so that they might not wither up and die.

Free Man

First of all, I want to mention the privilege that is ours of being a free man. It is only less than 100 years ago in this country when there were some people who were slaves. About the only thing that they could call their own was their souls. Their bodies and any worldly possessions they might have had belonged to someone else. They were bought and sold in the public markets the same as cattle. Today we have no slavery in this country, and every man is free. He is free to do as he pleases so long as he does not infringe upon the rights of anyone else to a free and happy life. Truly, this country is free and everyone has an equal right to life, liberty, and the pursuit of happiness. Such freedom is not found, for instance, in Russia or the countries known as the satellite states of the Soviet Union. Such freedom is not found in China or in any other parts of Europe, Asia, and the Americas. In those countries, while there may not be actual slavery by ownership of the body of a man, there is a total lack of freedom of the individual of life, liberty, and pursuit of happiness as we know it in this country. And so, the first privilege that we Americans have and for which we should eternally thank God is the privilege of being a free man.

Free From Fear

The second privilege that we have is that of being free from fear. I recall looking at a television program last Fall—it was one of the numerous "quiz" programs that are typically American. The contestants were a refugee couple from Hungary. The master of ceremonies, in questioning these people, asked them what was their greatest impression of America. And the answer was instantaneous —"No one in America is afraid." How significant this was. This couple had fled from Hungary, had journeyed all night on foot carrying their children, had forded a river and had been shot as they did so. The woman was a writer for a newspaper, and the man was a medical student. They related how the woman had been seized and dragged off to prision, how they lived in fear of a knock on the door in the middle of the night, how they were afraid to talk to their neighbors or even their closest friends for fear of what they said would be reported to the Secret Police. But, in this country, they could talk to whom they pleased, say what they pleased without fear that they would be dragged off to prison for doing so. It is only slightly less than 200 years ago when similar conditions prevailed in this country, when the colonists were

Continued on page 33

*From a talk by Mr. Glenn before the Sixth Annual Pennsylvania Bankers Association Summer School, Bucknell University, Lewisburg, Pa., Aug. 22, 1957.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The **Chase Manhattan Bank, New York**, opened for business on Aug. 26 in its new quarters at 33 East 23rd Street in Manhattan.

A stainless steel mural, one of the few of its kind in the world and the only one to adorn a bank, will cover 51 feet by 14 feet of the northern wall of the banking floor. Executed by the well-known artist Buell Mullen, the mural depicts the role of banking in civilization's progress.

Chase Manhattan is resuming operations on the corner of 23rd Street and Fourth Avenue after a three-year interval.

* * *

W. Brewster Winton has been elected Vice-President of **Chemical Corn Exchange Bank, New York**, it was announced on Aug. 26 by Harold H. Helm, Chairman, Mr. Winton joined Chemical in 1933. He is a member of the bank's Investment Division, in charge of trust investments, at 30 Broad Street where he has been Assistant Vice-President since 1952.

W. Brewster Winton

* * *

Chemical Corn Exchange Bank, New York on Aug. 22 increased its quarterly dividend to 57½c, payable Oct. 1 to shareholders of record at the close of business Sept. 13. This in effect increases the annual rate from $2 to $2.30 per share. Directors also voted to ask shareholders for authority to increase the bank's capital stock by 1,062,765 shares to a total of 6,376,950 of $10 par value.

Harold H. Helm, Chairman, said the proposed increase in capitalization will be submitted to shareholders at a special meeting on Sept. 17. If the proposal is authorized at the meeting and approved by the State Superintendent of Banks, shareholders will be offered the right to subscribe to new stock in the ratio of one-for-five, at a price and at a time to be determined subsequently by the board of directors. It is expected that the offering will be underwritten by an investment banking group to be headed by Kuhn, Loeb & Co.; The First Boston Corporation; Hemphill, Noyes & Co. and W. C. Langley & Co.

* * *

Following a meeting of the Board of Directors of **The New York Trust Company, New York**, Adrian M. Massie, Chairman of the Board and Hulbert S. Aldrich, President, announced on Aug. 21 that George E. Brewer was promoted from Assistant Vice-President to Vice-President in charge of the Personnel Division.

* * *

J. Bertram Kelly, President of the **City Savings Bank of Brooklyn, N. Y.**, announced the election of Harry S. Springsteen as a Trustee. Mr. Springsteen is also Vice-President and Secretary of the bank.

* * *

The Long Island Trust Company, Garden City, N. Y., is proposing a further increase in its capital stock and total number of shares. Frederick Hainfeld, Jr., President, stated that the Board of Directors, at its meeting on Aug. 21, voted to recommend the issuance of 26,320 new shares of capital stock.

Subject to the approval of the stockholders at a special meeting to be held at 8 p.m. on Tuesday, Sept. 10, the shares will be offered to stockholders of record at the close of business on Aug. 30, at $32 per share, one share of new stock for each seven shares of stock held.

The new stock issue will bring the capital of the Trust Company to $2,105,600 and the surplus to $2,617,040. It is estimated that by Sept. 30, the total capital, including undivided profits and reserves, will exceed $6,000,000.

For the first six months of 1957, net earnings after taxes and before reserves amounted to $227,133 or $1.77 per share on 128,240 shares outstanding. This compares with $159,295 for the same period in 1956 or a rate of $1.42 per share on 112,000 shares.

* * *

By a stock dividend **The Canandaigua National Bank and Trust Company, Canandaigua, N. Y.**, increased its common capital stock from $250,000 to $500,000 effective Aug. 12 (number of shares outstanding—5,000 shares, par value $100).

* * *

Merger certificate was issued on Aug. 15 by the Office of the Comptroller of the Currency approving and making effective as of the close of business Aug. 15, the merger of **The First National Bank of Marathon, Marathon, N. Y.** with common stock of $50,000, into **First National Bank of Cortland, Cortland, N. Y.**, with common stock of $700,000. The merger was effected under the charter and title of "First National Bank of Cortland."

At the effective date of the merger the receiving association will have capital stock of $700,000, divided into 14,000 shares of common stock of the par value of $50 each; surplus of $800,000; and undivided profits of not less than $332,399.

* * *

The First National Bank of Des Plaines, Ill. increased its common capital stock, from $400,000 to $450,000 by a stock dividend and from $450,000 to $500,000 b ythe sale of new stock, effective Aug. 14 (number of shares outstanding—10,000 shares, par value $50).

* * *

The common capital stock of **The Wyoming National Bank of Casper, Wyo.** was increased from $300,000 to $450,000 by a stock dividend effective Aug. 12 (number of shares outstanding—18,000 shares, par value $25).

* * *

Westminster Bank Limited, London, Eng. announces that the Secretary, Mr. W. A. Dry, will retire on the 6th of Sept., after 47 years of service.

Mr. L. R. Murray has been appointed to succeed him.

* * *

The Board of Directors of the **Bank of Hawaii, Honolulu, Hawaii** have voted a common stock dividend of 55,000 shares (one for three) to stockholders of record at the close of business Aug. 22. The Board has also voted a subscription offering of 55,000 shares of common stock (one for three) at the subscription price of $37.50 per share to holders of record at the close of business Aug. 22, of the 165,000 shares of common stock presently outstanding.

Both the stock dividend and the subscription offering were authorized by the stockholders on Aug. 8 and were reported in these columns Aug. 22, page 797. Subscription warrants will be issued on or about Aug. 26, and the right to subscribe will expire at noon Sept. 26.

Full shares, representing fractional interests resulting from the declaration of the stock dividend and the subscription offering, will be sold at public auction by the bank; and the proceeds of the sale after the costs of sales have been deducted will be paid to the stockholders whose fractional interests are disposed of.

The new stock certificates for both the dividend and the subscription stock will be issued as soon as practical after Sept. 26. At the conclusion of this dividend and subscription, Bank of Hawaii will have increased its capital stock by 110,000 shares from the 165,000 now outstanding to 275,000. This will increase the bank's capital stock from $3,300,000 to $5,000,000.

Study Finds Corporate Profits Higher and Economic Outlook Uncertain

First National City Bank's study reveals a good showing in first half year's corporate earnings and, looking ahead, an indeterminate outlook for the economy in the last quarter of 1957. Notes such conflicting influences as: inventory accumulation rise and increasing industrial capacity, on the one hand, and, on the other, persistent demand for business capital and present total business activity holding to record levels with "little evidence of any shift in current thinking sufficient to cause modification of long-range investment programs."

The August, 1957, *Monthly Bank Letter* of the First National City Bank of New York showed three out of five firms earned more in the first half of 1957, as against the 1956 comparable period, and opines that a change in the business cycle, up, down, or stable, "may not become clear for another couple of months."

The *Letter* points out that an analysis of manufacturing trends indicates profit-gains during the second quarter were smaller than the first quarter in most cases.

"Expecting no marked change in business before fall, if then, businessmen are now trying to appraise the outlook for the late months of the year. Latest available figures indicate that, while new orders are in good volume, they are not equal to shipments. Backlogs therefore are declining. This may be only a lull; in any case it is not decisive, for unfilled orders are large even in industries where the trend has been downward for some time. By early fall, however, a pickup will be needed in many lines if output is to be sustained. Meanwhile industrial capacity is increasing. The prospect for more than seasonal improvement in operations is weakened by the change from inventory liquidation to accumulation already noted. If the fall upturn is disappointing, doubts may arise as to the size of plant and equipment expenditures in 1958.

"On the other hand, the business changes are moderate, activity in the aggregate holds at or close to record levels, and there is little evidence of any shift in current thinking sufficient to cause modification of long-range investment programs. The backlog of corporate financing which will come either to the public market or to the banks in the fall is enormous. This persistent demand for business capital, despite higher interest rates, is one of the best indications that plans for expansion and modernization are being carried through. Adding the continuous strength in the service industries and the requirements for highways, schools, and other local government projects, it seems plain that business will have strong support. Moreover, a fourth quarter stimulus from the automobile industry is probable. Competition is acute, new model changes will be substantial and selling efforts vigorous, and more of the people who bought new cars during the 1955 boom should be in the market again."

How Will It Balance Out?

"How these conflicting influences may balance out—in terms of upturn, stability, or downtrend—is not likely to become clear for another couple of months. Another big question is whether rising costs and prices can be passed on, or whether they will limit markets. The anomaly of the present situation is that while there are fewer scarcities of goods and materials and less complete utilization of productive capacity in over-all terms, there is nevertheless steady upward pressure upon costs and prices, and a continuing intense demand for money. The rise in costs and prices has become dangerous both to present economic stability and to future growth. The need of restraint is to be read in the action of the price indexes already cited. If it becomes more difficult to pass on increased costs through higher prices, the result will be fewer jobs. Yet abandonment of restraint would all too probably start the boom going again, with more of the evils and inequities of inflation, and the inevitable reaction to follow. The solution of the dilemma can be found in increased productivity and moderation of wage demands forcing up costs."

Half Year Corporate Earnings

"Reports for the first half year issued to date by 741 companies show combined net income after taxes of approximately $6.2 billion, an increase of 6% over the same period of 1956. About three out of five reporting companies in our tabluation scored gains. The good showing reflects high levels of production, distribution, employment, national income, and other over-all measures of economic activity.

"In manufacturing, a majority of the industry groups showed increases in both sales and net income. In some lines, however, the rise in operating expenses and taxes absorbed practically all of the increased revenue from sales. A few lines experienced fairly substantial declines in net earnings as a result of the rise in their costs, often combined with a lag in sales.

"In fields other than manufacturing, there were half-year increases in net income by the wholesale and retail trade, and the service and amusement industry groups. Continued growth was achieved by the electric, gas, and telephone utilities, but railroads and mining companies showed declines.

"The accompanying summary shows by major industry groups the changes for the quarter and half year."

"For the second quarter alone, net income of all reporting companies was down 5% from the preceding quarter, but up 3% from the second quarter of 1956. The number of companies showing decreases from the preceding quarter exceeded slightly the number with increases, but as compared with the second quarter of last year the increases outnumbered the decreases."

Trends in Manufacturing

"For the manufacturing groups together the net income for the half year was up 7%, but for the second quarter alone it was up only 5%. Among the industry groups showing better than average gains in half year net income—usually accompanied by increases in dollar sales billed—were petroleum, drugs, foods, to-

Net Income of Leading Corporations for the Second Quarter and First Half Year

(In Thousands of Dollars)

No. of Cos.	Industrial Groups	Reported Net Income Second Quarter 1956	Reported Net Income Second Quarter 1957	Per Cent Change	Reported Net Income Half Year 1956	Reported Net Income Half Year 1957	Per Cent Change
44	Food products and beverages	$82.440	$86,186	+ 5	$149,784	$162,896	+ 9
9	Tobacco products	28,990	33,709	+16	53,515	60.039	+12
20	Textiles and apparel	11,938	8,639	—28	29,814	23,300	—22
28	Paper and allied products	64,787	51,028	—21	128,194	104,858	—18
31	Chemical products	186,299	188,392	+ 1	374,656	372.735	— 1
19	Drugs, soap, cosmetics	49.657	53,703	+ 8	102.620	116.291	+13
34	Petroleum producing and refining	607,076	714,372	+18	1,259,232	1,486.706	+18
48	Cement, glass, and stone	107,400	98,783	— 8	193.065	173,515	—10
35	Iron and steel	300,450	292,551	— 3	581,077	595,025	+ 2
29	Electrical equip., radio & television	79,699	85,063	+ 7	164,973	179,185	+ 9
49	Machinery	86,598	87,626	+ 1	157,965	170.978	+ 8
93	Other metal products	210,203	172,165	—18	409,899	341.037	—17
35	Automobiles and parts	322,767	375,737	+16	729,618	826,908	+13
28	Other transportation equipment	53,571	58,534	+ 9	99,010	111,416	+13
44	Miscellaneous manufacturing	59,852	62,427	+ 4	109,628	115,183	+ 5
546	Total manufacturing	2,251,727	2,368,915	+ 5	4,543,050	4,840,072	+ 7
19	Mining and quarrying	42,764	37,942	—11	77,939	74,474	— 4
29	Trade (retail and wholesale)	25,309	27,866	+10	48,183	55.304	+15
21	Service and amusement industries	13,581	15,573	+15	26,532	30.245	+14
54	Railroads	210,581	154,903	—26	367,135	319,583	—13
68	Electric power, gas, etc.	163,583	172,737	+ 6	376,100	395,081	+ 5
4	Telephone and telegraph	195,387	217,560	+11	381,467	435,624	+14
741	Total	$2,902,932	$2,995,496	+ 3	$5,820,406	$6,150,383	+ 6

bacco, machinery, electrical apparatus, automobiles and other transportation equipment. During the second quarter, however, the gains as shown in the table were smaller in most cases.

"Rising costs and taxes, often combined with lagging sales, held down the half year gains in several other major lines, while actual declines in half year net income, accompanied in some cases by a falling off in sales billed, were experienced by five groups — textile and apparel, paper, chemicals, cement-glass-stone, and miscellaneous metal products.

"While current reports afford numerous examples of the 'profit squeeze' now being commented upon widely, they reveal also that many companies are attaining new high records this year. On the basis of those companies for which comparable sales figures are now available, eight of the industry groups had narrower margins of net income after taxes to sales, three had wider margins, and four were practically unchanged. The offsetting effects of combining increases and decreases is to give an over-all average margin that declined slightly from 7.5 to 7.2 cents per sales dollar.

"Publicly reported cash dividend payments during the first six months were, according to the U. S. Commerce Department, 4% higher than a year earlier. This against a 16% increase in the first half of 1956 over 1955."

Profit Margins in Steel

"Reports issued to date by 35 iron and steel producers have attracted more than the usual interest because that industry increased wages and prices last month. The number of steel companies having decreases in net income for the half year exceeded slightly the number with increases. Combined net income of the group was up only slightly (2%) despite that industry's peak expenditures of $1.3 billion last year for enlarging plant capacity in order to meet the nation's growing demand for steel products.

"Net income of the reporting steel companies in the first half year represented an average margin of 7.9 cents per dollar of sales and other revenues, the same as in the first half of 1956. This compares with 7.2 cents for the full year 1956, pulled down by the steel strike in the third quarter. Such margins are in line with those realized in other periods of active steel production.

"The 7.9 cents margin per sales dollar in the first half of this year compares with previous peaks of 7.5 in the full year 1937, 8.1 cents in both 1940 and 1950, and 7.8 cents in 1955.

"During the World War II years 1942-45, when steel earnings were held down more than industrial earnings as a whole by rising costs, fixed selling prices, and high taxes, the steel average declined to under 3 cents per sales dollar.

"For the entire 24-year period 1933-56 covered by our tabulations, the steel industry margin averaged only 4.5 cents per sales dollar, with three years of net deficit—1933, 1934, and 1938. In 16 of the 24 years, the steel ratio ran below total manufacturing, averaging over the same period 5.6 cents. Excluding the generally depressed 1930's and taking the 17-year period 1940-56, the average margins for steel was 5.7 cents and for total manufacturing 5.9 cents per sales dollar."

With Merrill Lynch

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Louis E. Bartolini has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 301 Montgomery Street.

Halsey Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co., Inc., and associates on Aug. 27 offered $3,555,000 of New York Central RR. 5% equipment trust certificates, maturing annually Sept. 16, 1958 to 1972, inclusive.

The certificates are scaled to yield from 4.75% to 5.25%, according to maturity. Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The issue is to be secured by 665 all steel self-clearing hopper cars, estimated to cost $4,555,250.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Company; New York Hanseatic Corp.; Wm. E. Pollock & Co., Inc.; Shearson, Hammill & Co.; and McMaster Hutchinson & Co.

Wulff Hansen Adds

SAN FRANCISCO, Calif. — Nicholas S. Rizzolo is with Wulff, Hansen & Co., Russ Building.

Joins Sutro & Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Austin F. Roberts has become connected with Sutro & Co., 460 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Roberts was formerly with Walter C. Gorey Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

There was a time, in the roaring 1920's, when some insurance companies seemed to stress their investment operations and to consider them more important than underwriting when, actually, they should rate as the appendage to underwriting functions. Happily, today, no company of consequence is so investment conscious as to neglect its underwriting. But while the investment division of the business is secondary, it is vitally important to the shareholder. This is true even if only because his dividends come from this part of the business. But there is more to it, for a capably handled investment portfolio is reflected in a company's build-up of surplus funds, and these with capital are the "policyholder's surplus."

To appraise properly the handling of an insurance company portfolio one should go back a number of years in order to obtain a good view under all economic conditions. In this week's study we have gone back for 20 years, as the management that has acquitted itself well in that period is likely to be able to meet all manner of economic ups and downs. And it quite well proves out that where a company shows a good underwriting record long-term, it somehow manages to come by capable investment personnel too.

In the accompanying table is given the 20-year change in the value of the assets of a group of leading fire-casualty companies. This includes, besides the annual mark-up or mark-down to market (or to convention values, where these are used) of the company's assets, plus any realized profits or losses in the period. Of course, the dollar change by itself has no great significance as from company to company there can be a great difference in financial size.

But what does have meaning as far as concerns investment growth over a period is the ratio of the per-share change to invested assets at the start of the period. The invested assets figure, of course per share, is adjusted for whatever changes took place in the period in the way of stock dividends, splits and rights, it being assumed that rights were exercised. Equity holders have some advantage over those that are somewhat heavy in bond holdings, although this is not borne out by Continental Casualty, whose lines of business require that a substantial proportion of assets be carried as cash and marketable bonds. In the ratio of gain to invested assets at the start of the period Continental Casualty was one of the better performers.

Twenty-Year Increase in Value of Assets

	Dollar Increase	Per Share	Ratio to Invest. Assets at Start of Period
Aetna Insurance	$12,478,000	$12.48	22%
Agricultural	5,731,000	14.33	37
American Insurance	30,308,000	12.63	81
Bankers & Ship	3,767,000	25.11	58
Boston Insurance	20,648,000	20.65	71
Continental Insurance	194,464,000	38.89	190
Federal Insurance	21,636,000	8.01	65
Fidelity Phenix	199,044,000	49.76	244
Fire Association	18,453,000	24.22	49
Fireman's Fund	45,180,000	15.06	60
Firemen's	42,942,000	21.47	73
Glens Falls	10,766,000	8.28	44
Great American	72,292,000	25.20	130
Hanover Insurance	11,383,000	22.77	53
Hartford Fire	62,429,000	24.97	69
Home Insurance	124,999,000	31.25	75
Ins. Co. North American	248,455,000	46.63	206
National Fire	18,111,000	36.22	37
National Union	4,511,000	7.52	13
New Hampshire	10,624,000	26.56	53
Northern Insurance	11,372,000	39.21	110
North River	12,987,000	16.23	54
Pacific	6,568,000	32.84	90
Phoenix	50,553,000	50.55	87
Providence Washington	1,926,000	4.82	11
St. Paul	37,711,000	11.78	104
Security	3,799,000	12.26	26
Springfield	13,436,000	19.19	36
U. S. Fire	19,367,000	9.22	49
Westchester	13,403,000	13.40	57
Aetna Casualty	56,963,000	40.69	92
American Re Ins.	9,569,000	11.96	37
American Surety	1,284,000	1.07	6
Continental Casualty	51,981,000	20.79	162
Fid. & Dep.	5,517,000	13.79	28
Mass. Bond	—929,000	----	---
Seaboard Surety	3,961,000	19.80	113
U. S. Fid. & Gty	17,903,000	9.71	39

The important question at this point, of course, is what will happen if we go into a sustained bear market. Obviously there could never be wholesale liquidation of large holdings. A bear market of importance would play havoc with portfolio holdings, especially for the holders of large blocks of equities.

Continued from first page

Latin-American Financial And Economic Questions

Aramburu strongly reaffirmed the validity of these views. As practical men with responsibility for helping to shape our nations' economic policies, we shall try to see our tasks as they really are, and not as we might wish them to be. They are many, they are difficult, and they are continuing. They are not to be dealt with by words alone, nor can they be laid to rest once and for all by some dramatic pronouncement at this or any other conference. Patience, persistence, and goodwill are the qualities of mind and heart which we must bring to cur tasks.

I have talked at length with President Eisenhower about these matters. He shares the conviction that direct personal contacts and intimate exchanges between those of us who carry public responsibilities are the surest guarantee that our efforts will be successful and our objectives transformed into practical and satisfactory realities.

You will all recall the unprecedented meeting of the chiefs of state of the American Republics which took place in Panama in July, 1956, and the Inter-American Committee of Presidential Representatives which developed from it to consider ways of strengthening the Organization of American States in fields of cooperative effort which directly affect the welfare of the individual. As a result of the committee's deliberations, a series of recommendations was drawn up and submitted to the various chiefs of state. President Eisenhower on May 26 publicly expressed his hope that many of the recommendations would be put into effect as promtly as possible.

We should not regard the meeting in Quitandinha, the Conference in Panama, or this Conference as ends in themselves. Rather, each Conference evidences greater strides forward to our common objectives. What is really important is the fact that we continue to demonstrate that 21 nations collectively, forming one of the world's most important communities, have come to the same conviction that the welfare and progress of each member is related to the welfare and progress of each other member. Our approach has been, and will continue to be, that of good partners.

How then shall the ministers of finance or economy of our governments go about the task of increasing the effectiveness of their cooperative efforts? It would be presumptous for me, one of the newest members of the group, to claim extensive personal familiarity with the details of the questions which we shall discuss. The delegation of the United States will express its views on the matters of our agenda, and I earnestly hope you will find them forward looking and constructive.

Economic Role

Before we came here, my government reviewed and considered carefully the views that were expressed by the delegations in 1954 and weighed them in the light of the progress we have made in the interval of nearly three years since that meeting. We welcome this opportunity, indeed, we feel it a responsibility, to express to you the fundamental approach which we bring to the questions before us. This Conference represents another important step in the continuing evolution of a long history of economic cooperation and business partnership. We are dealing with fundamental and long range questions on which we can take stock and fruitfully exchange thoughts and points of view. But we recognize that in the economic field the march of day-to-day events and the cumulative effect of specific decisions in business and in government play the major role.

A country achieves material progress by developing its human and material resources. There is no other way to do it. The question that faces this conference, therefore, is how can our countries most effectively develop their resources? At inter-American meetings of this kind, when we consider economic development we sometimes tend to talk as though Latin America were one great homogeneous area. In fact, economic development of Latin America is the sum total of the economic development of each of the individual countries in the area.

When we examine the economic characteristics of the Latin American countries one by one we find a natural diversity. Some countries have limited natural resources. Others are among the most favored nations in the world in this respect. Some countries are almost entirely producers of raw materials. Others produce not only raw materials but also a wide variety of manufactured goods. But admidst this diversity let there be this unity: However we develop our economies, however we use our resources or make our goods, or provide opportunities for work, let us above all else guard freedom in all its aspects, for freedom is indivisible.

Political and Economic Freedom

There are certain profound convictions with which I come to our meeting. They are convictions which I have held throughout a lifetime. The first conviction is this: No difference exists between us as to the objectives we seek. They are objectives that can be defined only in terms of human well-being and progress. We all agree that man does not exist to enhance the importance and power of the State, as the Communists would have us believe. The State exists for man to respect his dignity as a child of God, to preserve his rights as an individual, and to provide opportunities which will enable him to develop, freely and fully, in all the ways that enrich human life and exalt its spiritual meaning and dignity. And this is what we mean when we speak of promoting commerce, industry, agriculture, and development of all our resources. We promote them because they make for the better employment of our citizens, better homes for our families, better education for our children, greater satisfaction of our aspirations, in short, a better America for all of us.

History has demonstrated the vital role of the competitive enterprise system in the economic life of our hemisphere. Its promise for the future is even greater. Just as truth flourishes best in the climate of political freedom, so in the economic field the system of competitive enterprise promises to yield most in the satisfaction of man's material needs. This system produces most of what people want most.

I hope that at this conference we can contribute to the growth and strengthening of this system. It is wholesome that we should explore the various ideas presented to us. No one knows better than a minister of finance or economy how difficult it is to choose between alternative measures. No one knows better than we that the fields of economy and finance are not exact sciences. Let us, therefore, approach our discussions with the hope that from a sincere and thoughtful exchange of views will come ways of doing things which are perhaps better than those which any of us alone might have brought to this conference.

Resolving Differences

This leads me to a second conviction which I hold strongly and which has been susbtantiated in actual experience. This is that there is no question incapable of resolution if we, as reasonable men of good will, and as the representatives of our respective peoples, bring to bear on it the best and united effort of all of our people.

President Eisenhower has characterized the Organization of American States and its predecessors as "the most successfully sustained adventure in international community living the world has ever known." In this hemisphere we have had the courage to approach openly many problems for which solutions had not been found in inter-national society. Some of these problems have found their first solution in the Americas. On other problems we have made the greatest progress toward an eventual solution that has yet been achieved. Why is this true? I believe that it is because we do not let differences of opinion divide us or breed distrust among us. When we encounter a new problem or engage in a new field of discussion we seek a road we can all follow and which will ultimately bring us to our common objective.

This method of approach has been a salient part of our cooperative effort during the past 50 years and against the background of history has been little short of remarkable. For example, we developed in the Americas a hemispheric approach to security which was sealed in the Rio Treaty of 1947. We unanimously agreed that an attack on any one State would be considered an attack on all. This concept of collective security has served as a pattern for the strengthening of the entire free world. Our purpose is peace, both with the rest of the world and among ourselves. The repeatedly successful application of the Rio Treaty, to settle disputes between American States and the outstanding services of the Inter-American Peace Committee for peaceful settlement have established beyond doubt the desire and ability of the countries of the Americas to live peacefully together.

This fact has great economic significance. The assurances now provided by our common defense system offer us a dramatic opportunity to give greater emphasis to those economic activities that can better the lot of our peoples.

Military expenditures, by their very nature, act as a brake on rising living standards, and for that reason they should be held to a level that will provide an adequate posture of defnse. All of us in the Americas look forward to the day when a changed world situation will permit a substantial reduction of our large military expenditures. In the meantime, however, we must all do everything we can to control reasonably our expenditures in this area. All of us, I am confident, will continue to scrutinize our military budgets in an effort to accomplish savings that would make resources available in each of our economies for the kind of constructive development that advances economic well being.

No Diversity in Progress

My third great conviction is that the progress and welfare of every American State is directly related to the progress and welfare of each. None of us can ever be indifferent to the problems and the suffering of another. Each of us has a personal and strong interest in the welfare of each of our partners. Often in the economic fields our problems are particularly subtle and stubborn. Our best interests as members of this great American community clearly lie in pursuing a policy of cooperation.

A basic aspect of this policy of cooperation is a firm determination on the part of my country to preserve a climate that will lead to the maintenance of a growing prosperity in the United States, which continues to represent the largest, most stable, and expanding market for the increasing production of the hemisphere. To seek to avoid any return to the depressed conditions of an earlier decade with the costly shrinkage it meant in our own economy and with the harmful reduction of your markets is a fixed point in the policy of my government and of our whole people.

A further aspect of this policy of cooperation relates to the important areas of trade and investment. Needless to say, each of us occasionally is compelled to take action on the basis of important domestic considerations. Such departures from the general policy should be held to an inescapable minimum and should be justified by rigorous standards of necessity. In that way we can maintain our basic course with respect to international economic cooperation and maintain as well the integrity of those occasional departures from it which legitimate national considerations require.

Rate of Growth

What are the results of our cooperative efforts during the past four years? Today, the people of the American States are contributing more to the economic progress and well-being of the world than at any previous time in our history. The output of goods and services is rising continuously at the rate of about 3% a year in the United States and at even higher rates in other American republics. The average annual increase in the real gross national product for Latin America, as a whole, is estimated by the Economic Commission for Latin America, at 4.3% for the four years 1953 through 1956. In several countries the rate of growth has been even higher.

Rarely, if ever, in history have we witnessed such a sustained and vigorous level of prosperity as we have been enjoying recently in the free world. Indeed in this decade we find we have a striking contrast to the world of 20 years ago. Then trade had shrunk, prices were depressed, and economic activity was feeble and discouraging. Today there is an increasing concern of an opposite character. In country after country, the pressure of monetary demand is so great that inflation is either an unpleasant reality or a constant threat.

Fighting Inflation

In my country we are well aware of this fact. We are exerting our best efforts to keep our prosperity healthy, and to avoid the adverse effects of inflation fever. Many of you have experienced the effects of this economic illness, and as Finance Ministers know all too well what it brings. You know how it not only complicates the task of the finance minister, but enters as a disturbing factor into all the operations of business and the affairs of everyday life. You know how it can lead a whole people into competitive efforts to seek protection of their assets rather than employing them for the benefit of the community. You know how difficult it is for domestic and foreign capital to play an effective role in productive investment when there is continual worry and preoccupation with the dangers of a depreciating currency. You are familiar with the exchange difficulties and the constant tendency to excessive imports which inflation brings in its train. You know how exports may be discouraged when price relationships become distorted.

The United States applauds the efforts that are being made in many of the other American Republics to deal with this menace and to achieve greater financial stability and realistic and freer rates of exchange. We are happy that the International Monetary Fund has supported well conceived programs for combatting inflation in a number of these countries. The Treasury Department and other agencies of my government have also supported these efforts. We recognize that foreign trade and foreign investments is only one limited aspect of this broad program of economic development. Inter-American transactions are themselves a segment of the broader fabric of economic relations in the free world.

Trade and Investments

Let me speak briefly, however, of the trade and investment transactions between my own country and the other American Republics. Through these transactions dollars become available to be effectively used by our sister Republics. The flow of these dollars is generated first, by our imports from the rest of the American States; second, by our investments; and third, by our loans for economic development. In each of these categories we have in recent years reached the highest levels yet recorded.

When we met at Quitandinha in 1954, imports into the United States from Latin America had reached the impressive annual rate of pesos 3.5 billion. In 1956, they reached the record level of pesos 3.8 billion. About 30% of our total imports of goods from foreign countries are shipped from Latin America.

The increase of United States and other foreign private investment in Latin America has been most impressive. The flow of private investment from the United States, as shown by our balance of payments, has greatly increased in the past five years. During the first 2¼ years following our meeting at Quitandinha, the figure amounts to about pesos 1.4 billion, or more than three times the corresponding rate during a comparable period preceding the meeting at Quitandinha. This is largely due to very sharp expansion in direct investments, particularly in 1956. In that year direct investments exceeded pesos 600 million, and total private investment amounted to more than pesos 800 million.

I should like to refer to some

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aspects of the role of private enterprise and private capital in the development of the American Republics. It is reasonable that the governments and people of Latin America should expect our United States investors to whom they extend a hospitable welcome, to be constructive members of the communities in which they operate. It is our earnest desire that they shall be. These same investors, we believe, are susbtantially determined that they shall be a factor toward progress in human welfare.

In the field of foreign investment we think there is a danger that undue attention may be given to the very partial figures which appear in balance of payments statements. From these figures it might be inferred that the investment of foreign capital brings no advantage, no balance, to the international accounts of the country receiving such investment. We believe such a conclusion would be incorrect for several reasons.

Pictures Real Investment

First, the balance of payments data do not show the complete picture. They do not show, for example, the total amount of new investment which has taken place on behalf of private investors. The Department of Commerce of my government made a special study of the operations of a large group of United States enterprises operating in Latin America. The study covered the year 1955 and included companies holding nearly pesos 6 billion of assets in Latin America. These companies represent about 85% of all United States operations in Latin America. The study showed that whereas the net capital these companies received from the United States amounted to pesos 129 million, their total investment expenditures were about four times that amount, or pesos 570 million. The difference between two figures was financed out of retained earnings, depreciation, and other sources of funds.

The study showed further that the operations of these companies resulted in direct foreign exchange income to Latin America of pesos 2.3 billion, or pesos 1 billion more than the total exchange required by these companies for their operations and remittances.

This pesos one billion remained in Latin American countries for other exchange purposes. In connection with their total sales of nearly pesos five billion, wages and salaries were paid by these companies to 600,000 employees. Moreover, approximately pesos one billion was paid to Latin American Governments in various forms of taxation. The revenue derived from this source became available for the financing of highways, ports and other activities which the governments have undertaken.

This special study, we believe, helped to correct one misconception about the effect of foreign investment upon the financial position of recipient countries; it does not, however, tell the whole story. The advantages of foreign investment do not end with their final effect upon the balance of payments position. Chief value of the investment, whether it be domestic or foreign, lies in its capacity to increase the total national production of the country in which it was made. This comes through increased productivity.

Capital Is Not Enough

We believe in my country that technical improvements and managerial knowledge which lead to increased productivity may be even more important to rising standards of living than growth in the stock of capital. The shortage of managerial skills and technical knowledge may be more real and more pressing than any shortage of capital.

Private investment carries with it the most highly developed technical and managerial skill. It brings to bear on the development process this essential and dynamic influence to which we attribute so much of our own growth. The managerial experience and knowledge of techniques and skills required for the successful development of resources is a prerequisite to the most effective use of increased capital funds. The technical knowledge and managerial skill acquired by citizens of Latin America, both on-the-job in plants and enterprises financed by foreign capital as well as through the quite remarkable number of visits to the United States sponsored by both private enterprise and our technical cooperation programs, represent for this hemisphere an ever expanding fund of what might be called managerial wealth — an asset of incalculable value.

As we all realize, the movement of private capital cannot be forced. Private investment flows only where the situation is attractive. Investment opportunities throughout the free world are so numerous that all who seek investment capital must compete for it. Even in the most highly-developed countries there is a shortage of savings for investment. Nevertheless, as the figures demonstrate, the Latin American Republics have been successfully competing and obtaining a sharply expanded flow of new capital funds. In this they have been more fortunate than many other areas which have not been able to devote their resources so fully to peaceful and constructive purposes.

Tax Obstacles

The process of private capital investment can, of course, be facilitated. As you know, my government believes that toward this end, governments should remove tax obstacles that lie in the way of capital formation and private investment. This can be done both through unilateral measures, which would remove unsound tax policies and administrative practices, and through international tax agreements.

We have been engaged in the negotiation of broad tax agreements with a number of countries. In addition to establishing rules in these agreements by which to assure fair tax treatment, we have sought to give recognition to so-called tax sparing laws which seek to encourage the inflow of capital by granting tax reduction for limited periods of time.

The executive departments of our government are trying to devise a formula by which a credit would be allowed under our laws for the taxes given up by a country seeking to attract capital, in the same way as a credit is given for taxes actually collected by that country.

Tax agreements are, of course, a matter for negotiating between the executive branches of the governments. Like all treaties, they must, in the United States as in many other countries, obtain the approval of the legislative branches of government before they can become effective. We now have several prospective treaties in varying stages of the procedure. One, which includes a credit for tax sparing, is now under review by the legislative bodies of the signatory countries.

Role of Public Credit

We realize that much is to be done toward economic development in Latin America. In addition to private capital, credits by public institutions are important sources of capital. Many hundreds of millions of dollars will be involved. We feel a sense of responsibility and will participate in this development. The extent of our effort will be determined by careful planning, by the ability of countries to absorb capital, and by the assurance of realistic benefits of the economy and the people of the Republics involved.

Here my country acts directly through the Export-Import Bank. You will recall the policy of the Export-Import Bank, first announced at the Caracas Conference, and reaffirmed at the Quitandinha conference. Our government indicated that our country would be prepared to encourage the financing of all sound economic development projects, including loans in the private sector, in the best interest of the countries involved, and for which private capital was not available. This policy has, I believe, produced impressive results.

In the three year period ending June 30, 1957 the Bank has authorized credits of some pesos 840 million to Latin America. It is significant that more than 40% of the Bank's total authorizations in all countries during the last 10 years have been made in the Latin American Republics. Since the Quitandinha conference, the Bank has extended in Latin America almost 2½ times as much in development loans as it had extended in the similar period before that Conference. During the last fiscal year, indeed, the Export-Import Bank concentrated even more on its development lending in Latin America. Leaving aside its loans for the purchase of agricultural commodities and livestock, and the special loan to the United Kingdom which was made on a secured basis, the Bank's total of development loans throughout the world was pesos 482 million during the year. Of this amount no less than pesos 354 million, or 73% of the total, was extended in Latin America. As more and more economic projects are developed, the participation of the Export-Import Bank will be intensified so as to meet expanding needs.

No New Bank Needed

The International Bank for Reconstruction and Development is also an important source of development loans, and the International Finance Corporation is becoming an additional significant source. As far as we can see ahead, we believe that the adequacy of capital to meet the needs of sound development is not a question of additional institutions but the fuller utilization of those in being so as to keep pace with the expanding needs of constructive projects as they develop.

We are, as well, providing important credits to our Latin American neighbors, through the so-called public law 480 agreements, under which our government sells quantities of our agricultural reserves to foreign governments for local currencies. Under these agreements, substantial portions of the sales proceeds are lent to the purchasing governments as additional sources of economic development capital. Thus far the amounts allocated for loans, or actually lent, to Latin American countries through this arrangement total about pesos 250 million.

In addition to the expansion of the technical cooperation program in Latin America, which was announced by the United States delegation at the Quitandinha conference in 1954, the United States through the International Cooperation Administration continued its program of emergency economic assistance to Latin America to help resolve problems which were beyond the resources of the individual countries. During the last year, a special regional fund authorized by the Congress of the United States was the source of grants amounting to pesos two million to the Organization of American States for Malaria eradication and for improved research facilities at the Inter-American Institute of Agricultural Sciences in Costa Rica. This fund was also the source of loans totalling nearly pesos 13 million to seven countries for projects in the fields of education, health and sanitation, and land settlement.

Recommends Program for Growth

All of these are encouraging developments. They are further evidence of a wholesome trend in inter-American cooperation. But let us always remember that economic development in a large and complex area cannot be reduced to easy simplicity. More important than any other factor will be the individual efforts of each people and their dedication to a program of work and savings, and the orderly management of their own government and economic affairs.

Heartening as the flow of foreign capital into Latin America may be, we are all fully aware that such capital can, at the best, make only a partial contribution to the total investment requirements of an expanding economy. The accumulation of domestic savings and the application of those savings in productive activity are essential to sound economic progress. We must not lose sight of this important fact. We should study with great care the general conditions which are necessary to encourage domestic private savings and to insure that these are used productively in the domestic economy.

You and I, as ministers bearing the principal responsibility for our governments in this field, can find real encouragement in the curent rate of development in our countries, but we must ask ourselves, are we justified in complacency and satisfaction? We are not. The energetic and far sighted peoples of all of our Republics demand that we find effective ways to bring to more and more millions of people throughout the hemisphere those standards of living which are attainable if we make the best use of our human and natural resources and our capital.

It is to consider ways of meeting this challenge that we are here. It will never be simple to put together our natural resources, labor, and capital so as to produce the requirements of a rapidly growing population and, at the same time, raise per capita standards. It will always be a challenging task. It requires unrelenting effort to improve technology. It requires improvement in organization and skills. It will depend upon the people and the leaders of each of our countries and their willingness to work, and save, and encourage efficiency.

The delegation from my country will approach this challenge with sincerity. We shall not underestimate the problems of the future. None of us wishes to encourage unreasonable or impractical expectations. But I hope that we all share the conviction that when the time comes for us to return to our respective countries it will be with the knowledge that each of us has made a contribution to the discharge of our historic responsibility to make of these lands a better home for all of our citizens and for our children, and a better heritage for other generations of Americans.

El Paso Natural Gas Debentures & Preferred Offers Underwritten

El Paso Natural Gas Co. is offering to holders of its outstanding common stock (including common B stock) rights to subscribe for $60,000,000 of 5¼% convertible debentures due Sept. 1, 1977 at a subscription price of 100% of principal amount and on the basis of $100 principal amount of debentures for each 29 shares of common stock held of record on Aug. 26, 1957. Rights to subscribe will expire at 3:30 p.m. (EDT) on Sept. 11, 1957. White, Weld & Co. is manager of an investment banking syndicate which will underwrite the offering.

Simultaneously, public offering of 100,000 shares of El Paso Natural Gas Co. 6.40% cumulative preferred stock, second series of 1957, at a price of $100 per share was made on Aug. 28 by White, Weld & Co. and associates.

Net proceeds from the sale of the debentures and the preferred stock will be added to the general funds of the company and used with other funds to enlarge the capacity of El Paso's pipeline system, including the payment of bank loans in the amount of $60,000,000 incurred in substantial part in connection with the construction program.

The debentures will be convertible into common stock through Aug. 31, 1967, unless called for previous redemption, at a conversion price of $35 per share of common stock, subject to adjustment in certain events. The debentures will be redeemable at optional redemption prices ranging from 105¼% to par plus accrued interest. They will also have the benefit of a sinking fund designed to retire on each March 1, and Sept. 1 beginning March 1, 1968, at par plus accrued interest, 5% of the principal amount of debentures outstanding at Aug. 31, 1967.

The new first preferred stock will be redeemable for the sinking fund, beginning June 1, 1963, at $100 per share, and will also be redeemable at optional redemption prices ranging from $115 per share to $100 per share, plus accrued dividends in each case.

El Paso Natural Gas Co. transports natural gas over its own pipeline system of approximately 7,000 miles for sale to customers in west Texas, New Mexico, Arizona, and for delivery at the Arizona-California border to distributing companies in California.

Pacific Northwest Pipeline Corp., of which El Paso owns 99.8% of the common stock, transports natural gas from New Mexico, Colorado, Utah and Wyoming for deliveries to customers in Colorado, Utah, Wyoming and Idaho and in Oregon and Washington, including the Portland and Seattle-Tacoma areas. At May 31, 1957, the combined delivery capacity of El Paso and Pacific Northwest systems was placed at approximately 2,875,000,000 cubic feet of natural gas per day.

For the five months ended May 31, 1957, El Paso Natural Gas Co. and its subsidiaries had consolidated operating revenues of $117,385,000 and consolidated net income of $15,502,000.

With Paine, Webber

PHILADELPHIA, Pa. — Paine, Webber, Jackson & Curtis, members of the New York Stock Exchange and other leading exchanges, announces that James E. Wolfbrandt is now associated with them as a registered representative in their Philadelphia office, Girard Trust Company Building.

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Mergers and Acquisitions— A Government Lawyer's Views

wedge into the market, and that the "inference is overwhelming that du Pont's commanding position was promoted by its stock interest and was not gained solely on competitive merit." [46]

Moreover, the market of sales to General Motors into which du Pont stock purchases had been the beginning wedge, the Court found, was beyond doubt "substantial."[47] For the "substantiality of a relevant market comprising the automobile industry is undisputed." [48] And of that "substantial" market for auto paints and fabrics, du Pont's stock purchases had, in turn, spelled a "substantial share." [49] Thus in 1946 and 1947, respectively, du Pont supplied 67 and 68% of General Motors' auto finish demand as well as 52.3 and 38.5% of its auto fabric needs. Since General Motors accounts for almost one-half of auto sales, "its requirements for automotive finishes and fabrics must represent approximately one-half of the relevant market for these materials." [50] This evidence, the Court concluded, evidences a likelihood that, as a result of the acquisitions, "competition may be 'foreclosed in a substantial share' of the relevant market. [51] From this followed the Court's finding of violation.

The rationale which underpins this holding has inspired at least two basic issues. First, does the backward sweep the Court specified for Section 7 mean that every supplier that has acquired since 1914 a controlling stock interest in a major customer may now be held to have violated Section 7? Equally important, second, does this backward sweep, when coupled with the possibly narrower definition of relevant market the Court fashioned for Section 7, mean that **Cellophane** has for practical purposes been rendered a mere vestigial remnant?

Retroactiveness of Section 7

Analysis of both issues turns in part, at least, on the scope of Section 7's backward sweep. Relevant at the outset are a few caveats regarding what the Dissent termed the "sleeping giant" [52] aspects of Section 7. On the one hand, even before **GM-duPont**, no one had ever seriously contended that the Government could not move under Section 7 against acquisitions already consummated. Indeed, the great bulk of proceedings filed thus far have involved acquisitions consummated in the more or less recent past. Nor—again, even before **GM-duPont**—had anyone urged that appraising the effects of an acquisition already consummated, a plaintiff could not, as the Court in **GM-du Pont** did, gauge future market consequences, in part, at least, from the pattern of market happenings since the acquisition.

Equally true, on the other hand, the Antitrust Division has not, since **GM-du Pont**, re-searched recorded stock acquisitions since 1914 to determine whether now—40 or more years later—competition **may**—still further in the future—be substantially lessened. For Section 7's backward sweep always was, and indeed still is, subject to very real limitations.

Initially, not subject to challenge under Section 7 today is any asset acquisition consummated prior to Dec. 29, 1950 (the effective date of Section 7's 1950 amendments). Unamended Section 7 did not cover mergers consummated by other than stock acquisition. And the 1950 amendments to Section 7 specify that "Nothing contained in this section shall be held to affect or impair any right heretofore legally acquired. * * *."

Not only are pre-1950 asset acquisitions immunized by law, but equally important, enforcement practicalities may complicate seriously any move, even after the 1950 amendments, against stock or asset acquisitions consummated since then. The power to sue under Section 7 cannot be divorced from the ability to secure effective relief. And the likelihood may well be that, not too long after a merger has been consummated, the assets of the merged companies may be so scrambled that effective divestiture may be unfeasible. At least in terms of the feasibility of effective relief in cases involving long consummated acquisitions, then **GM-du Pont** may be more the exception than the rule.

46 *Ibid.*
47 *Id.* at 878.
48 *Ibid.*
49 *Id.* at 879.
50 *Ibid.*
51 *Id.* at 878.
52 *Id.* at 886.

Purpose of Stock Acquisition

Finally, limiting **GM-du Pont's** effect on long-existing buyer-seller stock ties is the Court's holding regarding the effect of du Pont's stock holdings on GM buying practices. The heart of du Pont's argument before the Court was that "The findings . . . that . . . [its] stock ownership has not . . . influenced General Motors' purchasing policies are supported by the evidence." [53] Rejecting this contention, however, the Court found that the "inference is overwhelming that du Pont's commanding position was promoted by its stock interest and was not gained solely on competitive merit." [54]

From this reasoning emerges a final, perhaps appropriate, limitation on Section 7's backward sweep. **Du Pont-GM**, after all involved—not a complete buying-out of one competitor by another—but instead an acquisition by one seller of part of one customer's stock. It may be reasonable, on the one hand, to require the Government to put at issue the market consequences of a complete merger between two significant competitors appropriately soon after its consummation—or at least much sooner than the 30 years or so involved in **du Pont-GM**. In the case of a less than complete vertical stock acquisition, on the other hand, competitive consequences may be much more ambiguous at the time of purchase. Only after a passage of years may they emerge sufficiently clearly to warrant any responsible judgment regarding the acquisition's probable effects. So much for some quite basic limitations on Section 7's reach into the past.

Applicability of Section 7

For like reasons, the effect of **GM-du Pont** on **Cellophane** may easily be over-stated. At issue here is whether **GM-du Pont** discourages this Department's proceedings against alleged monopolization under Sherman Act, Section 2 with its required proof of purpose, existing market effects and potential substitute product issues; instead will this Department now proceed under Section 7 and secure much the same divestiture by proving simply that, as a result of some prior acquisition competition may—in the future—be lessened in some narrowly defined relevant market?

Apart from divestiture difficulties that come with time, still not firmly set is just how much more narrowly relevant market will be defined under Section 7 than it has been for monopolization purposes under Sherman Act Section 2. The **General Motors** test under Section 7, to repeat, is whether the products comprising the "line of commerce" have "sufficient peculiar characteristics and uses to constitute them products sufficiently distinct from all other" similar products.[55] In **Cellophane,**[56] recall, the Supreme Court held that in a monopolization case under Section 2 of the Sherman Act, the test for determining the "relevant market" is whether the commodities are "reasonably interchangeable by consumers for the same purposes"[57] or are "functionally interchangeable."[58] Under that standard, the Supreme Court upheld the trial court's findings that the relevant market for determining whether du Pont had monopolized cellophane was not cellophane itself, but the broader market of flexible packaging materials, in which du Pont did not have a dominant position. In short, products which are "functionally interchangeable" or "reasonably interchangeable by consumers for the same purpose" within **Cellophane**, nevertheless may now have "sufficient peculiar characteristics and uses to constitute them products sufficiently distinct" from other related products to make them a "line of commerce" under Section 7.

53 Du Pont Supreme Court Brief (p. 35).
54 Du Pont Supreme Court Opinion *supra* (pp. 118-884).

Interchangeability, Again

It is by no means clear, however, that the **GM-du Pont** holding points such tighter bounds. On the one hand, it may be true, that products which are "functionally interchangeable" or "reasonably interchangeable by consumers for the same purpose," in the words of **Cellophane**, nonetheless may have "sufficient peculiar characteristics and uses to constitute these products sufficiently distinct," as **GM-du Pont** puts it, from other products to make them a "line of commerce" under Section 7. Arguing for such difference is the fact that the Court apparently deemed it unnecessary to buttress its "line of commerce" conclusion with analysis paralleling **Cellophane's**, of for example, the extent to which producers of auto fabrics and finishes would switch to non-auto alternatives with changes in price.

On the other hand, the record was replete with evidence, largely du Pont's, of the tremendous financial and inventive efforts required to produce finishes suitable for auto, as distinct from other uses.[59] Similar evidence regarding auto fabrics was introduced, again, by du Pont to show its sales to GM stemmed solely from merit.[60] All this might have supported an analysis, analogous to, though not paralleling, **Cellophane's**, that by reason of the required special expertise and resultant high entry cost, manufacture and sale of fabrics and finishes for auto uses should be deemed a separate market. Since the Court spoke only in conclusions, however, far from clear is whether or not such evidence, and the analysis it might have enabled, was necessary to the Court's decision on relevant market.

Professor Turner

Apart from the facts of **GM-du Pont** a strong argument can be made from Clayton Act goals for stricter market definition under Section 7. As Professor Turner put it in a recent article:[61]

"I think it is clear from the Court's opinion in **Cellophane** and from the presumed fact that the Clayton Act requires less of a showing of probable harm than does the Sherman Act that definition of the market in 'monopolizing' cases is not appropriate for most merger cases. . . . A merger 'he goes on' may affect more than one market and have different effects in each. It would seem that no single definition of market would be appropriate for all cases, nor even for a single case in some instances. Assume, for instance, that there were three Cellophane producers and three Glassine producers in this country, and no other close substitutes. It would seem appropriate to test a merger of two cellophane producers for its effect on the cellophane market (competition among producers of cellophane) as well as for its effect on the broader flexible-packaging-materials market and to make the merger illegal if there were probable ill effects on either market. . . . [For, Professor Turner concludes,] both intra-product and interproduct competition may be important and either may be substantially lessened."

55 *Id.* at 877.
56 *United States v. E. I. du Pont de Nemours & Co.,* 351 U. S. 377.
57 *Id.* at 395.
58 *Id.* at 400.
59 See e. g. Record Citations du Pont Supreme Court Brief, pp. 48-49.
60 See e. g. Record Citation, Brief pp. 61-84.
61 Turner, *Antitrust Policy and the Cellophane Case,* 70 Harv. 281, 375, fin. 80 (1956).

Possibly relevant precedent for this narrower Clayton Act market definition may be found in combination cases decided under Sherman Act Section 2. Compare, if you will, judicial definitions of market in monopolization cases, like **Cellophane**, with the classic combination case, like **Standard Oil**,[62] and **Corn Products**,[63] involving Section 7's most direct Section 2 analogue, permanent combination by merger. After **Cellophane**, at least, "market" for monopolization purposes, on the one hand, may include "qualitatively distinct substitutes . . . once it is shown that they are reasonably interchangeable."[64] From the definition of market in combination cases, on the other hand, it may be fair to say that "qualitatively distinct substitutes are *prima facie* (and possibly conclusively) excluded."[65]

Disparate Market Definition

"The reasons" for such disparate market definition in cases involving the different Section 2 offenses, again to return to Professor Turner, "must stem from differences in the element of conduct involved in each offense." . . . "Voluntary combination," he agrees, "will not always give rise to an unambiguous inference of bad intent or bad results. . . ."[66] He concludes, "it is nevertheless appropriate to exclude qualitatively distinct products from the market in such cases because a wide combination is not likely to have economic justification and because competition among producers of the same product is important."[67]

Market definition in such combination cases, and the economic justification for such stricter bounds, may bear closely on Section 7 today. So much for **GM-du Pont** and the problems of Section 7 market definition it raises.

III

Conclusion

Viewed in perspective, then, **American Crystal** and **GM-du Pont** offer some judicial guidance for construction of Section 7. As the oftquoted language in the Senate Report on the 1950 amendments puts it,[68] Section 7's aim "is to cope with monopolistic tendencies in their incipiency and well before they have attained such effects as would justify Sherman Act proceedings."

Effectuating this task, courts face the alternative of focusing primarily on one of two closely related issues: definition of market; and appraisal of present market evidence to gauge future competitive effects within that market. The results in both **American Crystal** and **GM-du Pont**, I suggest, follow closely on the heels of that market definition each court espoused.

In the case of **American Crystal's** horizontal merger, the market was defined broadly to include beet and cane. Once this was done, the merged companies' market importance (measured largely by market shares), the present heated competition between them and the extreme unlikelihood of future market entrants, all enabled a finding of violation.

In **GM-du Pont's** vertical acquisition, however, the market was defined more narrowly (to include solely sales for auto uses). Again, once the market was so defined, the Court could exclude from consideration, du Pont's production and sales for non-auto uses. When this was done, violation, in like fashion, followed from the percentage share of du Pont's protected market of sales to GM, which the Record suggested, but the Court did not mention, made up a market of present prime importance, if not to du Pont, then certainly to its smaller competitors.

Taken together, these cases offer some insight into Section 7's possible scope. To the extent this scope is broad, I conclude, tremendous responsibility is placed on enforcement officials. Section 7's tools must be used carefully to build toward, rather than frustrate, antitrust goals. Of this responsibility, let me assure you, this Department is keenly aware.

62 *Standard Oil Co. v. United States,* 221 U. S. 1, 62, 75 (1911).
63 *United States v. Corn Products Refining Co.,* 234 Fed. 964, 975-976 (S. D. N. Y. 1916) appeal dismissed, 249 U. S. 261 (1918).
64 Turner, *Antitrust Policy and the Cellophane Case,* 70 Harv. 281, 304 (1957).
65 *Ibid.*
66 *Id.* at 305-306.
67 *Id.* at 307.
68 Sen. Rept. 1775, 81st Cong., 2nd Sess. (1950), pp. 4-5.

Halsey, Stuart Group Offers So. Calif. Edison Co. 4 7/8% Bonds

Halsey, Stuart & Co. Inc. headed an underwriting group which on Aug. 27 won award of $40,000,000 Southern California Edison Co. first and refunding mortgage bonds, series J, due 1982, 4 7/8%, on its bid of 100.385%. Reoffering of the bonds is being made at 101.085% and accrued interest, yielding approximately 4.80%.

Net proceeds from the sale of the new bonds will be used in the company's continuing expansion program.

Prior to Sept. 1, 1962, the new bonds will not be redeemable for refunding at a lower effective interest cost. Aside from this limitation the bonds may be redeemed at prices ranging from 106.09% to 100%, plus accrued interest.

Southern California Edison Co. supplies electricity to a population estimated to be about 4,370,000 in portions of central and southern California, excluding Los Angeles.

Reynolds Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—John R. Cronan has been added to the staff of Reynolds & Co., 425 Montgomery Street.

With Walston & Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Norman A. Zipser has joined the staff of Walston & Co., Inc., 550 South Spring Street. He was formerly with J. Logan & Co.

With Sincere & Co.

(Special to The Financial Chronicle)

CLEARWATER, Fla. — Clifford M. Peale has become affiliated with Sincere and Company, 601 South Fort Harrison. He was previously with A. M. Kidder & Co., Inc.

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Current Nuclear Power Issues in the United States

not a form of perpetual notice since uranium or thorium is simply being converted to a more useful form and eventually is consumed.

I shall not attempt to describe the manifold technical problems involved in developing of these rather complex machines. It should be clear that there are a large number of different possibilities for reactors and that the development of any particular concept involves many new areas of research and development.

Transition Problems

The United States nuclear power program is unique in many ways. One of its most unusual aspects is that in this program the government has committed itself as a matter of national policy to develop a whole new industrial technology which (a) does not have an immediate economic requirement to justify it, (b) will be utilized primarily by privately and publicly - owned utilities already in existence, and (c) must be provided for and supplied by private industrial enterprises. There has been little real understanding of this rather complex situation and its consequences: let us review it for a moment.

During the early years when nuclear power stations are still experimental in nature utilities may form groups, as many of them already have, to carry out nuclear power projects. In some unusual circumstances, typified best by the Power Reactor Development Company and the Atomic Power Development Associates, various types of companies including utilities, contractors, suppliers, manufacturers, etc., may bank together to carry out several phases of a nuclear power project. However, when the development has reached a more nearly commercial stage it seems apparent that nuclear power stations will be treated in most respects just as conventional power plants are today. Individual utilities will have to finance, contract for, operate and maintain the nuclear power stations. There will of course be problems of operation and maintenance which will necessitate procedures new to the utilities and will require some people with different backgrounds from those of their present employees. During the early years these requirements may be fairly formidable, but in the long run they will become standard.

Firms Will Be Private

The utilities will not actually build the plants nor will they do the development leading to their construction. Rather, they will purchase the plants through enterprises which will become established in the business. Some of the old patterns for supplying power plants may be changed and there may be new companies or groups of companies in the business but the essential fact is that they will all be private industrial enterprises, such as architect-engineers, construction companies, equipment suppliers and manufacturers. This pattern of normal business operation is already becoming established in the nuclear power business. This will apply not only to the design, construction, and operation of nuclear power plants but also to the services required for their operation, such as fuel element fabrication, chemical processing of irradiated fuel, and perhaps other specialized services such as radiation control, and analytical work.

The various industrial suppliers, engineers, constructors, processors, and manufacturers will be in competition with one another, and in addition will have pressure from their customers, the utilities, to reduce construction and operation costs. In order to meet these pressures and in order to give the assurances and guarantees customary in normal business relations they will need to have the basic knowledge of engineering and costs which can come only from actual experience with full-scale plants. In most cases, indirect information and experience will not suffice. There is, as you are all aware, a vast amount of difference between simply having information available and actually having the experience and know-how.

Position of Suppliers

The problem of how the suppliers are to acquire the knowledge and know-how to proceed on a commercial basis with the nuclear power plants being developed by the government is a serious one. These suppliers will **not** be the National Laboratories who are doing much of the development work for the Commission. Nor will they be generally the contractors doing power reactor development work for the Commission. Even when they are engaged in such work the contractors are usually required to use entirely separate staffs and facilities for Commission and commercial work. While the Commission is obtaining services and components on a competitive industrial basis, as much as possible, this still does not provide the experience necessary in many important areas, particularly that of the over-all physical plant design and construction.

The suppliers could, of course, obtain the necessary experience by developing technology for a given reactor type from the ground up and then building their own reactor experiments and prototype power plants. However, investment of very large sums of money in such developmental and experimental programs would be difficult, if not impossible, to justify in the United States where conventional power plants are cheap and efficient, and where conventional fuels are relatively cheap and in adequate supply—and will continue to be for a very considerable time in the future.

However, some utilities and suppliers have felt that they could afford to carry forward some government-developed technology by building modest size prototype or demonstration reactors of a semi-commercial type on a limited scale. Usually this is done with extensive cooperation among several companies, even though the plants probably would not be wholly economic, at least during their early years of operation. They are counting on their engineering and management abilities to reduce costs over the lifetime of these plants and to provide a basis for later improved plants which, it is hoped, may be fully competitive.

The development of large new devices such as electric power reactors proceeds through a series of stages which cannot be clearly defined but which follow a general pattern. One starts with basic physics data, fundamental engineering considerations, and conceptual ideas. Then there follow stages of exploratory research and development on materials, physics, design, and the like. After this come component development and testing, critical experiments and mechanical mock-ups and tests, reactor experiments and, finally, prototype reactors. There are similar stages for the ancillary activities such as fuel element fabrication and chemical processing. These are expensive research and development programs demanding expensive facilities, the highest quality scientific and engineering personnel, and considerable time.

The early stages of development can be carried on by the Commission with rather little participation by industry. However, as one gets into the stage where reactor experiments are built and ancillary services provided for them, one gets into areas where, if industry does not carry out the work for the Commission, it may later have to reproduce portions of the work to achieve necessary know-how.

Prototype Stage

While the stages up through the reactor experiment are largely concerned with establishing technical feasibility and assessing economic promise the emphasis changes in the next stage, the prototype. This step is essential not only for **determining** the economic feasibility but in actually **attaining** it. Unit capital costs will be established in this stage and then lowered during the life of the plant to the extent that its capacity can be increased and the plant simplified. Operating costs will be established which may then be reduced by increases in fuel life and reductions in fuel preparation costs. It is most important that prototype plants not be built **prematurely** in the development process. It is also important to recognize that only very limited advantages are to be obtained by building multiple prototypes of the same type of reactor. To confuse the real objectives at this stage with that of obtaining a large number of nuclear kilowatts is a hazard particularly to be avoided.

Prototype reactors are expensive and must, of necessity, produce substantial amounts of electric power. They should be operated for a period of years, and by capable and knowledgeable people, to obtain the know-how and information desired from them. The construction of prototypes generally requires the repetition of many of the earlier development stages to extend the information to that required for a large-scale plant. Thus expensive additional development work may have to be done even though the development work up to that time has been of the most orderly kind. It seems clear that the industrial concerns which will supply these reactor types commercially must undertake and be fully responsible for this development work if progress is to be made at the maximum rate and if costly duplication of effort is to be avoided. For the program to be truly effective, moreover, the industrial organizations should also select the types of reactors for prototype construction.

From the foregoing, you can see what some of the questions are concerning the building of prototype reactors. How are they to be selected and who is to decide when they are to be built? How can they be built with the maximum incentive for achieving low costs and high performance? How can they be built so as to provide industry with the experience and know-how necessary for ultimate commercial use (the Commission's own objective) without providing those participating in the program with undue advantage? These are most crucial problems and are at the core of most of the debates on the power reactor development program.

Growth of Nuclear Power Industry

The rate of growth of a nuclear power industry depends on several factors; the rate of prosecution of the development work and its success, the transition to private industry under favorable circumstances, and the eventual economics of nuclear power as compared with conventional sources of power. It should be pointed out that the sale, construction, and operation abroad of types of reactors developed in the United States is an important method of obtaining experience and improvements which will facilitate the success of the program for economic use in the United States.

We have recently made an attempt to estimate the rate of growth of the nuclear power industry in the United States based upon favorable assumptions with respect to the foregoing. This projection suggests that there will be about one million electrical kilowatts of nuclear power stations in operation five years from now, about 7½ million in 10 years, 43 million in 15 years, and 133 million in 20 years—about the same capacity as the total electric generating capacity in the United States at the present time. However, by that time, 1977, the nuclear capacity will still only be about one quarter of the total electric generating capacity.

While estimates such as these must be treated with extreme caution they do lead to the conviction that nuclear electric power is destined to be a large and rapidly expanding business during the next two decades. Such a change will bring with it many problems which must be faced at all levels both in government and industry.

Russian Power Reactor Program

There has been a great deal of discussion about the position of the United States in some kind of a hypothetical "nuclear kilowatt race" as well as with respect to the stage of development of nuclear power technology in the United States as compared with the United Kingdom and the Soviet Union. Only a year ago much was being made of the announced plans of the U.S.S.R. to have 2 to 2½ million nuclear electrical kilowatts of capacity in operation by 1960. The Commission, and particularly Chairman Strauss, were criticized for expressing doubt that such a program could and would be accomplished by the Soviets.

Recently we have received confirmation that our doubts of a year ago were quite justified. This is in an official U.S.S.R. reply to a United Nations questionnaire and in a series of papers presented at the Belgrade meeting of the World Power Conference. While it would be a mistake to discount the ability of the Russians too far it is clearly apparent from the information now available that the U.S.S.R. program is actually of about the magnitude and character which would seem to be reasonable as compared with the highly exaggerated claims that were made last year.

One interesting feature of the U.S.S.R. program is that it looks more and more like the U. S. program. It now appears that the Russians are lagging in technology and may hope to obtain guidance through U. S. advances which, of course, are available throughout the world. It is also significant to note that their judgment has not led them to other types of reactors or to greater emphasis on natural uranium for power reactors.

The U.S.S.R. program as now described includes full-scale power reactors of the pressurized water and water cooled graphite types with reactor experiments for four other types; aqueous homogeneous, fast breeder, sodium graphite, and boiling water. The Russian water cooled graphite reactors are somewhat similar to the Hanford production reactors which have been in operation for many years. The other five types are identical with those selected three years ago for the United States Atomic Energy Commission Civilian Power Reactor Program.

The proposed Russian pressurized water reactor is very interesting. Its design is remarkably similar to that of our Shippingport PWR in about every respect. The Russians are, however, planning for a turbogenerator capacity of 210,000 electrical kilowatts per reactor as compared with 100,000 kilowatts for our reactor. This is being done with three 70,000 kilowatt turbogenerators, however, which may indicate the Russians only plan to install all three if the reactor can, in fact, be operated at that high a power level.

The total capacity of the planned plants is difficult to determine from the available information. In fact, it seems purposely vague. However, it is clear that the total capacity is not substantially over one million electrical kilowatts. This is to be compared with the 2 to 2½ million kilowatts claimed only a year ago—when it was said that all then scheduled would be in operation by 1960.

The present information is also vague about schedules. Completion of one large pressurized water plant is claimed for 1960 (versus 1957 for our Shippingport PWR) but the completion dates for the remainder of the program are strangely missing.

As you may recall, Malenkov claimed that the U.S.S.R. would have the world's first full-scale nuclear power plant—before either the British Calder Hall or our Shippingport PWR. In August, 1955 at the Geneva Conference Blokhintsev was questioned about this by Dr. Dunworth of the United Kingdom. Blokhintsev said that Malenkov's statements were indeed correct and that the 100,000 kilowatt water cooled graphite nuclear power station would be in operation in a year's time. This station is apparently not a complete figment of the imagination but still appears in the U.S.S.R. plans — with completion not promised now even by 1960!

Absent Reactor Development

Another interesting aspect is that the gas cooled, deuterium moderated reactor is missing from any definitive listing though it is still mentioned in a general way. A great deal of emphasis has been placed on this type of reactor by the Russians and it was claimed to be one type which would soon be built in full scale. No such plans are now presented and it is not even included in the list of reactor experiments.

It could be speculated that this situation might arise from dissention and feuding between the Ministry of Power Stations (formerly headed by Malenkov) which is carrying on much of the U. S. S. R. reactor program and the Academy of Sciences which appears to be supporting other types of reactors and their development including the gas cooled, deuterium moderated reactor. Apparently we are not unique in our debates over what types of reactors should be built!

What is the source of these drastic reductions in the scope of the nuclear power program in the Sixth Five Year Plan? The Soviets must be most reluctant to have to admit that their grandiose plans of last year are unlikely of fulfillment, at least with any reasonable proportion of effort.

There seems to be good reason to believe that these changes arose because in 1956 the Russians had not gotten far enough into their program to even realize what the difficulties in development and manufacture really would be. In other words they were naive about their proposed program. It seems likely that during the past year the Russians have come face to face with the real difficulties of their announced programs and have had to revise its size downwards, extend its schedule, and even drop some of the proposed types of reactors. It should be kept in mind that although the situation with respect to cost and availability of conventional fuels is quite similar to that in the United States their programs can be much more independent of honest economics than our own—and that these have still been their decisions.

The Russians must be finding that there are very formidable technical difficulties in building even the simplest of nuclear power plants—that it is not sufficient to announce plans or to make simple flow diagrams of power reactors. They are doubtless discovering that this is a very difficult business, that it takes time, that it takes intensive effort, that it takes facilities which themselves take time to construct and put into operation, and, perhaps most important of all, that it takes the very best scientists and engineers—and in large numbers.

It has been our experience and observation that the reactor development business looks simple and easy until you really get into it. Learing that is, in itself, an important step forward and one which one must conclude that the Soviets have learned—though at a somewhat late date.

It should not be concluded from the foregoing that one can be complacent about the activities of the U.S.S.R. in any field — far from it. However, it does indicate that a rational estimate of their capabilities is likely to be correct in the long run and that we would be silly indeed to let unsupported and irrational claims as to their capabilities distort and warp sound United States policies and programs.

U. K. Power Reactor Program

There has been some misunderstanding about our opinion of the United Kingdom power reactor program. In view of their circumstances and their capabilities there is no question but they are pursuing what for them is a very sound and necessary course.

Difficulties arise because there are people who seem to believe that what is a good program for the United Kingdom must be a good program for the United States. They choose to ignore the differences in our needs, our economies and economics, and our backgrounds in nuclear energy. We are charged with being backward because we are not following the United Kingdom pattern and because we do not have plans for as much or more nuclear power by any given date.

Excellent Job

The British have done a very excellent job in developing the gas cooled, graphite moderated reactor and are exploiting its capabilities to a very high degree in the Central Electricity Authority reactors to be completed in 1961 and thereafter. The principal exponent of this approach has been Sir Christopher Hinton who is Managing Director of the Industrial Group of the United Kingdom Atomic Energy Authority.

Recently Sir Christopher gave a paper which was considered to be very optimistic with respect to further development of gas cooled reactors and their eventual economics. A fact that is not generally appreciated is that Sir Christopher's own figures can easily be utilized to show the lack of promise of such reactors for use in the United States.

If one accepts all of the United Kingdom figures at face value and only makes a change in the financing costs to bring them into line with U. S. industrial practice we find that according to Sir Christopher's projections power from extremely large gas cooled reactors will cost more than power from conventional U. S. power plants in 1980 and will only drop below this cost by 1990. This comparison ignores the fact that these gas cooled reactors would probably cost 50 to 60% more if actually built in the United States and that other United States costs such as fuel inventory are not included to the same extent.

The blunt fact of the matter is that we have got to develop reactors which are more economic than the gas cooled graphite reactor or we are not going to have economic nuclear power in the United States. Such reactors, on the other hand, can be available at an early date in the United Kingdom and can compete economically under their financing and in competition with fuel that is not only scarce but two to three times as expensive as in the United States.

Another factor of interest is that although the British are heavily committed to the gas cooled graphite reactor they are very interested in other types of reactors which they still seem to feel may be more useful and economic in the long run even in the United Kingdom. These types include the fast reactor, the aqueous homogeneous reactor, the sodium graphite reactor, and the liquid bismuth-uranium fueled reactor.

Conclusion

I have endeavored to present a breif summary of some of the pertinent aspects of power reactors and their development. I have tried to point out that, in addition to the many technical and cost problems, there are broad problems in the transition from a government development to a going industry; an industry which can be expected to expand remarkably during the coming 20 years.

The comparison of this program with those of Soviet Russia and the United Kingdom may provide some perspective on our program in relation to two of the other principal power reactor development programs in the world.

I believe that we can only assume that nuclear power is going to be one of the facts of life during the coming years. It gives promise of making contribution to our economy and well being which will far outweigh the difficulties which we must all face in attaining it.

205 Industrial Concerns Optimistic On Business Activity This Fall

More than half of the firms forecast a better pre-tax profits in second half than in first half of 1957, according to National Industrial Conference Board survey.

Business this Fall looks good to most of the 205 industrial concerns reporting in the National Industrial Conference Board's survey on the business outlook. The majority are optimistic regarding prospective new orders and dollar billings; many are planning to boost their rates of production and look forward to improvement in before-tax profits during the remainder of the year.

Manufacturers of electrical industrial equipment, hardware, general industrial machinery instruments, controls and apparatus, nonferrous metals and office equipment are particularly cheerful. Producers of apparel and related products, construction materials, paper and allied products also see a bright second half.

Some Soft Spots

Despite confidence in the general outlook, there are some indications of spottiness in business conditions, according to several respondents. One petroleum executive cited weaknesses in steel production, but felt that these factors were outweighed by "full employment, a high level of buying power, and sustained consumption." He noted that "while 1957 may not be the record year that 1956 was, we certainly feel it will be a profitable year for the economy as a whole."

The squeeze on profit margins is still the most troublesome problem for a number of companies surveyed by the Board. Also, several firms reported price-cutting on the increase as a result of keen competitive conditions. Another feature of the business outlook that bears watching, according to the president of a food company, is overproduction. The tight money situation is an additional area that continues to worry several company executives.

Orders Gain, Billings Up

More than one-half of the firms in the Conference Board survey expect the dollar value of new orders in the Fall to be higher than a year earlier, while a little less than half the companies think new orders will come in at a faster rate than in the first half of 1957.

Prospects for dollar billings are even more encouraging. Almost two out of three reporting concerns foresee a rise over year-earlier figures. More than one-half expect second-half-1957 dollar billings to increase over the levels of the preceding half year. Among the reasons cited for higher dollar billings are "price increases," the "non-occurrence of the adverse effects of the 1956 steel strike," and "increased plant capacity."

Production Hikes

Dollar value of production in the second half will top the level of a year ago in about three out of five cooperating companies, and more than two out of five plan to boost second half output above the level of the first half.

As in the case of new orders and billings estimates, one reason offered for lifting output levels is "enlarged manufacturing facilities."

Capital Expenditures Head Up

Over two-fifths of reporting companies are planning higher second-half-1957 rates of capital expenditure than prevailed in the six months just ended. But almost three out of 10 companies expect to decrease their capital outlays in the latter half of this year, while a similar proportion intend to continue spending at the first-half-1957 rates.

In many cases, the anticipated increase is the result of "an expansion program that is just getting underway" or "a more-than-normal replacement and modernization program."

Plumper Profits

The outlook for profits among most companies is generally good. More than half the firms forecast better profits before taxes in the second half of 1957 than in the first half. However, 23% expect second-half pretax profits to be lower, while another 24% will maintain their income at the first-half-1957 levels.

Slightly less optimistic earning estimates are made for the entire year. Fifty per cent of The Conference Board's survey participants see 1957 profits before taxes rising above the results attained in 1956; 33% predict smaller earnings and 17% expect to equal their 1956 profits performance.

Alfred Laurence Adds

FT. LAUDERDALE, Fla.—Jack O. Cuthrell has become connected with Alfred D. Laurence & Co., 148 East Las Olas Boulevard.

LETTER TO THE EDITOR:

Revaluation of Deutsche Mark Opposed

George F. Bauer maintains action proposed in some quarters would disrupt quality of fixity as highly desired quality in a sound money unit. Envisages full convertibility.

Editor, Commercial and Financial Chronicle:

There have been repeated statements by persons outside of Germany that the DM (Deutsche Mark) is overvalued and consequently should be adjusted to bring it in alignment with inferior currencies.

George F. Bauer

There appears no suggestion in them that the currencies made inferior because of excessive spending, tax burdens, thrusts against private enterprise and reckless expansion of socialistic ventures, should be cleansed of these festers and brought up to the level of superior currencies.

It is like recommending that the legs of a giant be cut off in order that a dwarf made a dwarf by his own dissipations appear taller.

After destruction of great wealth in World War II, and subsequent depreciation of the mark of the preceding period, a courageous step was taken to fix the new DM on the basis of 211 milligrams of gold.

It is to the credit of Chancellor Konrad Adenauer and members of his Cabinet that valiant actions were consistently taken to maintain the new currency unit in a healthy condition.

Full Convertibility Envisaged

While the DM is not yet on a fully gold-convertible basis for individuals but only for central banks and governments, that step would make it an even better money unit in which to specify investment of long range character and international commerce.

There is need for an international money unit of a sound type such as the gold standard provides. Switzerland has been moving in the direction of providing one. Germany with its vaster resources and attractive gold reserve to money and deposits could take the lead. Once Germany proclaims that its DM is going to be absolutely sound for short and long-term transactions in domestic and world trade by becoming a title to 211 milligrams of gold for any holder and not only for central banks or governments, the favorable effects would soon become evident and stimulate other nations, including the United States to take similar steps. Gold, then, would again become the common denominator by which one currency is compared with another.

In striving for that perfection, it would be foolhardy to suggest that Germany and Switzerland undo their excellent work and forego the major quality of fixity so essential to a money standard, be it for distances, weights, or values, supposedly for the purpose of bringing their currencies in alignment with inferior currencies.

It is surprising that proponents of a revaluation upward of the DM, unmindful of benefit of fixity in a money standard, do not urge its devaluation downward into the financial mires in which other nations recklessly allowed themselves to sink. That would be like suggesting that Germany throw away its restraints, engage in reckless spending, incur vast sums of debt and shower insupportable tax burdens on its people. In that way the DM would also be put in alignment with inferior currencies.

Advocating "Katzenjammer"

After all, such an alignment is the underlying objective of the revaluationists. Its disastrous effects, however, would be more distinctly revealed with devaluation. It would be like saying Germany should go on an inebriate spree and wake up with a hangover, or Katzenjammer, as the Germans call it, just because other nations have been on such destructive sprees, and, suffering from the resulting hangover, are crying out for company in their misery rather than attempting to reform.

GEORGE F. BAUER
International Trade
Consulant

Carmel, New York
Aug. 26, 1957

Walt Disney Stock Offer Underwritten

A nationwide group of underwriters headed by Goldman, Sachs & Co., Lehman Brothers and Kidder, Peabody & Co. on Aug. 28 offered 400,000 shares of common stock of Walt Disney Productions at a price of $21.75 per share.

The shares are being sold for the account of Atlas Corp. and do not represent company financing.

The offering is expected to considerably broaden public ownership of the common stock, and the company has stated that it intends to apply for listing of its shares on the New York and Pacific Stock Exchanges.

Floyd B. Odlum, President of Atlas Corp., and a director of Walt Disney Productions, has indicated that Atlas presently intends to remain the largest stockholder of the company next to the Disney family, through the exercise of warrants to purchase 153,553 additional shares of common stock prior to Oct. 31, 1957.

Walt Disney Productions, pioneers in the development of the animated cartoon, produces and distributes motion pictures for worldwide exhibition in theatres and for television exhibition, exploits and markets characters and music arising from its motion pictures, and owns a 65½% interest in Disneyland, and exhibition and amusement park located near Los Angeles, Calif. The company is currently producing three or four feature length action or nature films annually and one feature length animated cartoon every three to four years. Many of the 497 theatrical motion pictures in the company's library have fresh interest to each succeeding generation and continue to have a substantial value. The company plans to reissue Show White and the Seven Dwarfs for the third time in early 1958.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — George F. Samson has joined the staff of Goodbody & Co., 14 Northeast First Avenue.

Two With Alfred Laurence

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — Edward Crump III and Louis L. Traina are now affiliated with Alfred D. Laurence & Co., 316 Madison Street.

Continued from first page

As We See It

but to our mind there is no good reason to doubt the general proposition that we are demanding more goods and services than we can or are willing to produce and are much inclined to try to get that which does not exist by use of bank credit.

What to Do

Chairman Martin has his own ideas as to how the situation could and should be dealt with, too. "The Executive and Legislative branches of Government, in conjunction, can," he says, "assure adjustment of Federal revenues and expenditures so that, in times when total spending threatens to burst the bounds of capacity and drive up the cost of living, the Federal Government will set an example of restraint in outlays and at the same time produce a surplus to counter inflationary pressures from any quarter.

"The Congress and the Executive can take steps to assure that free and vigorous competition is maintained in all segments of the economy as the bedrock of our free enterprise system.

"The Federal Reserve System, itself a creation of the Congress can—and I assure you that it will—make every effort to check excesses in the field of money and credit that threaten the cost of living and thus undermine sustained prosperity and growth of our economy."

At or about the same time that Chairman Martin was thus addressing the Senate Finance Committee, Richard Ruggles, Professor of Economics at Yale University, presented his views on current conditions before a Senate Antitrust and Monopoly Subcommittee, in the course of which he expresses doubt whether monetary controls can be relied upon in this inflationary situation which he agrees now exists. "In the present situation," he says, "such policies (monetary restraint) can only succeed in stopping the price rise if they prevent wages from continuing to rise faster than productivity. In a situation where businessmen expect good profits, are making investments that will yield increases in productivity, and generally believe in expanding markets, they are apt to give into labor's demand for wage increases. Labor, similarly, is likely to make significant demands, on the ground that such wage increases are justified given the level of profits and the optimistic expectations of the future. To stop the wage rise by monetary means, it is necessary to reverse these expectations, to make businessmen hesitant about giving wage increases and labor less insistent about asking for them. But such a result is not healthy for the economy either. It not only will retard wage increases, but because it makes businessmen pessimistic about the future, they will be unwilling to undertake investments to increase productivity and provide for growth.

"When a price rise is not accompanied by excessive demand (which the Professor does not think exists now), tight money can achieve stability of prices only at the cost of reducing the rate of growth of the economy and perhaps risking stagnation."

There are a good many who, whether or not they agree with Professor Ruggles in all his reasoning, are much inclined to believe with him that the sort of program outlined by Chairman Martin could or would put a halt to the present boom only at a serious risk of causing a depression. There have been outcries to a similar effect every time the Reserve authorities have placed a restraining hand upon borrowers since the end of World War II —and there were certainly a great many who would have raised a similar hue and cry had there been any evidence of such a course of action by the Reserve authorities in the New Deal days prior to that conflict.

Why the Present Impasse

Just what the degree of danger is today of a serious depression resulting from any given line of government or Federal Reserve policy, we do not feel qualified to say. What we are quite certain of is that we are today in the situation aptly described by Chairman Martin, and are confronted with the problems, psychological and other, listed by Professor Ruggles, precisely because in years past we were not at pains to pursue the policies now advocated by Chairman Martin. The New Deal idea was to create funds to replace those which owners would not spend, and to supply them in such abundance that greatly increased buying would occur. We should doubtless have lived to pay the piper handsomely for this folly had we not become involved in a war that reduced these earlier New Deal antics to the proportions of peccadilloes.

During the war years demand in any event quickly rose to proportions far in excess of savings, and the government resorted — as government always has done in major wars — to the creation of funds to fill the gap, which is, of course, precisely what Chairman Martin rightly says would be disastrous if now undertaken or encouraged by the Federal Reserve System. When the war was over, instead of looking around for some means of correcting the dangerous financial situation that had come into existence, we under the influence of a morbid dread of a depression applied a hair of the dog that did the biting.

If we take into account the more active use of funds during the past year or two, it may be said that the economy of this country has been under the influence in substantial degree of inflationary monetary factors of the sort described by Chairman Martin for some quarter of a century. Small wonder, then, that doubts and fears arise when effort is made to reverse this trend. The fact of the matter is that history amply demonstrates the necessity of nipping inflation in the bud, and the danger of trying to nip it after it has reached full flower.

Continued from page 3

World Inflationary Conditions

Finland (17%), Spain (7%), and the smallest in France and Greece (1%). The increase for the United Kingdom was 3%; for Western Germany, 2%.[3]

Perhaps more than anything the explanation of the rise of prices was excessive demand at home. Increased prices of imports contributed little in this year. Increased wages, higher indirect taxes, and removal of subsidies had much to do with the rise of prices.

Over a longer period—1946 to 1955—the British Government associated the rise of prices especially with income policy and notably with wage policy. Tax and subsidy policies were also a factor. Despite the importance of trade, the British Government held that higher prices of imports were not a major factor. Money incomes per unit of output had risen by about 45%, and prices of imported goods and services by 70%. But in the whole economy, the rise of British costs of production, as measured by money incomes per unit of output, was 4-5 times as important as import prices in the effects on final prices.

Above all, the government stressed the rise of wages and salaries of 255% from 1938 to 1955 as against 80% in dividends. In the United States, the trends were somewhat similar.[4]

Percentage Rise, 1938 to 1955

Labor Income	399
Dividends	250
Personal Interest	178

The contribution of higher basic pay as well as fringe benefits in the United States is suggested by a rise of gross hourly earnings of manufacturing by 197% from 1939 to 1955 and a rise of other compensation (fringes of various kinds) by 10 times. In this period, labor income rose from \$47 to \$217 billion, or by 2⅔ times. This is explained by a rise of a little over 200% in annual income (\$1,264 to \$3,830) and a rise of employment of 40% (45.2 to 63.2 million).[6]

Professor Slichter has also emphasized the greater recourse to fringe benefits, escalator clauses, the need of larger differentiation for skills and shifts as factors bringing higher wages.[7]

Excesses of demand over supply tend to stimulate wage demands and in turn high prices by producers. As the British Prime Minister put it:[8]

The level of incomes depends on the balance of supply and demand throughout the economic system as a whole. If demand is significantly in excess of the supplies available to meet it, the pressure of demand will itself contribute to forcing up prices. Prices can also be forced up by pressure for higher incomes even when the level of demand is not excessive. But, generally speaking, the higher the level of demand in relation to supply, the easier it becomes to obtain larger money incomes and to pass on any resultant increases in costs in the form of higher prices.

In the United States, the tendency has been for wage earners in growing and highly productive industries to take the gains of increased productivity in higher incomes and more leisure. In steel, for example, the major gains were thus accounted for, and consumers did not benefit from reduced prices. Particularly since 1940 wages rose more than productivity. Profits in relation to sales declined but in relation to net worth rose from 1929 to 1955.

For 34 manufacturing industries (based on Garbarino), the reduction of prices is largest in the highly productive industries, and a correlation is found between productivity and earnings. With an average gain of output of 88% per hour, real wages per hour advanced an average of just over 55%. Part of the gains went to individual industries and especially oligopolistic ones with strong unionization (productive ones) and part in lower prices.[9]

(3) The Contribution of War

War and its aftermath are the most important causes of inflation. Yet we have learned much about tax, monetary, and other stabilization policies. In World War II, the inflation in the United States on the basis of the proportion of resources going to war was only 1/14th as great as in the Civil War and 1/4th as much as in World War I.

(4) Post-Demobilization Inflation

In the post-war the inflation has continued and notably in Latin America. By 1948 it may be assumed that the immediate effects of the aftermath of the war had been exhausted, and yet the average percentage rise of prices per year was as follows for the years 1948 to 1956:

Chile	138
Brazil	27
France	9
Japan	7
U. K.	6
Italy	4
U. S.	1½
India	1½
Germany	1½
Switzerland	1

Even a 1½% rise of prices per year is too much coming after the war experience. Yet in some respects the record has been better than might have been anticipated. From 1951 to 1956, the U. S. price level rose 4.6%, or an average of less than 1% per year. This is not a bad record, especially when it is considered that unemployment averaged only 2½ million, or about 3½%. This amount of unemployment is not much in excess of the minimum to be associated with frictional element. At least the theory is exploded that full employment and stable prices are incompatible objectives.

But the British standards of 2% of unemployment are higher than ours, and hence the British economy is more sensitive to small inflationary pressures. That prices rose four times as much in the United Kingdom as in the United States may be associated in part with the objectives of unemployment of 2% in the United Kingdom and an acquiescence to 4% in this country. A small excess of demand or miscalculation is more likely to bring inflation in the British than in the American economy.[10]

(5) Inflation and Output

In the views of many, inflation is the price that has to be paid for rising output. Once our objective becomes one of full employment, maximum growth, etc., then concessions have to be made to instability, it is held. With full employment, the worker can ask for and demand ever increasing wages with the result that wages rise beyond the level given by productivity. In the face of a less than robust monetary and fiscal policy, the ensuing rise of wages, insofar as not related to rising productivity, is translated into a corresponding increase of prices.

The worker in the highly productive industry, and especially those subject to the inroads of automation, may gauge his pay demands more or less to rising productivity, though even here the question arises of the proportion to go to the worker, to management, and to capital. In the service industries, however, where productivity does not rise 2½% per year, as it has in the American economy over 50 years, the workers demand pay rises equal to those obtained by the factory worker. Hence, average wage rates rise more than average gains in productivity. (Though the less productive industries, whether the explanation is absence of auto-

3 Especially UN, *Economic Survey of Europe in 1956*, Ch. 3.

4 Source: H.M.G., *The Economic Implication of Full Employment*, Cmd. 9725, 1956, pp. 5-7, and *Economic Report of the President*, January, 1957.

6 *Economic Report of the President*, 1957 (my calculations).

7 "Current Business Trends and the Wage Outlook," *The Commercial and Financial Chronicle*, March 7, 1957.

8 Cmd. 9725, p. 8.

9 *Ibid.*

10 Cf. I. M. D. Little, "The Economists in Whitehall," *Lloyd's Bank Review*, April, 1957.

Productivity in Steel and Its Distribution

Year	Productivity Per Hour (1920=100)	Real Wages Per Hour (1920=100)	Real Wages Per Week (1947-1949=100)	Hours Per Week	Iron and Steel Prices (Deflated) (1920=100)
1913	87	73	41	68.9	86
1940	185	184	55	36.7	106
1955	255	296	90	37.5	106

SOURCE: M. Ezekiel, "Distribution of Gains from Rising Technical Efficiency in Progressive Economies," American Economic Association Proceedings, 1957 (Mimeographed version).

mation or declining markets, will lag behind the highly productive ones in the rise of wages.) The excess of wage over productivity rise is reflected in an increase in prices.

Perhaps this explains a point made by Mr. Edwin Dale, Jr. to the **New York "Times"** that the price rise of recent years (1952 to 1956) has been especially marked for "non-things." Productivity in services rises less than in goods, and the prices of services reflect also the tax component heavily. State and local expenditures have risen from $16 to $48 billion in 10 years, and these taxes make an impression on prices. But as Mr. Dale observes, in part the recent rise in services reflects a catching-up of prices and wages to the rise of prices of goods since 1939.[11]

While I am dealing with this point, I should note the following.

Productivity in service industries does not rise greatly, though automation is beginning to make an impression.

Thus one insurance company establishing an electronics installation had this experience:

The computer installation will reduce the number of punched-card machines within the sections from 125 to 21 with an accompanying decrease in annual machine rentals from $235,000 to $19,000. Wage and employee-benefit costs will also be substantially reduced by the cut in personnel from 198 to 85 persons. It will free more than 15,000 square feet of floor space for other activities. The principal saving in supplies is the reduction of monthly punchcard requirements by nearly 2½ million. (The reduction in the number of punchcards required the purchase of 1,000 reels of magnetic tape, which, however, unlike the punchcards, may be erased and reused.)

These savings are partially offset by the amortization charges against the computer, the regular maintenance fees paid to the computer manufacturer, and the costs incident to the about 4% "down time" of the computer because of mechanical failure.

The net effect of the computer on the classification sections is expected to be a 50% saving in the section's budgets. Related to the cost of operating division X, it amounts to about a 9% saving for the division as a whole.

In the telegraph industries the gain of man-hour productivity over 20 years was but 30%; in telephone services, but 18%. In education, it is difficult to measure the change of productivity; but the following figures are of some interest.

Education and general expenditures per resident student in higher education rose from $382 in 1939-40 to $979 in 1953-54. In stable dollars this is a rise of one-third. (This large rise is not revealed in our index numbers of prices.) Since enrollment rose by one million or two-thirds in these years, without a roughly corresponding rise of faculty (capital costs are not included in these figures) and since there is no evidence of any large rise in the quality of the service, we may safely conclude that this service did not share in the 50% rise of productivity for the economy in this period. In the public schools, total expenditures (per day pupil per day in average attendance) rose by 57% as against a rise of prices of 87%. But even this does not suggest large gains in productivity given the backlog of school rooms, the shortage of teachers, etc.[12]

11 *New York Times*, March 10, 1957.

12 H. E. W. *Statistical Summary of Education, 1951-52*, and *Summary of Current Statistics of Institutions of Higher Education*, 1956; and *Economic Report of the President*, 1957.

(6) A Comparison of Price and Output Rises and Wage and Price Rises

What of the rise of output and the rise of prices? Obviously if output rises 10% per year and prices 1%, the average economist at least would be pleased. Some would lose, i.e., those on fixed incomes or with wages that respond slowly. But the vast majority would gain.

Percentage Rise of Output, Prices, and the Ratio of Percentage Rise of Prices and Output and Wages and Prices*

(1948 to 1956)

In Order Price Rise, 1948 to 1956	Output	Prices	Ratio of Price to Output Rise	Wages	Ratio of Wage to Price Rise
1. Chile (Sept. 1956)	41—	1104	27	---	---
2. Brazil (2nd Qu. '56)	59	219	4	---	---
3. France (1955)	33	72	2	198	7.8
4. Japan	327	59	0.2	279(1955)	4.7
5. United Kingdom	36	47	1.3	54	1.1
6. Italy	105	29	0.3	61	2.1
7. United States	36—	13	0.4	47	3.6
8. India (1955)	71—	12	0.2	---	---
9. Germany (1955)	108—	11	0.1	13	1.2

SOURCE: Computed from International Monetary Statistics.

***National income figures were not available in all instances. We had to use industrial output for Brazil, Chile, Japan, Italy, and India, and the GNP figures were deflated.**

The best record was made by Germany with a rise of output about 10 times that of prices; the worst by Chile, with a rise of prices 27 times that of output, or a record 270 times as bad as Germany's. The performances of Brazil and France were not good, and that of Japan, Italy, and the United States not bad.

A rise of wages does not bring a corresponding increase of prices, though there is no doubt but that the pressure of rising wages helps explain inflation. That wage rises differ in their effect on prices is evident in the ratio of wage rises to price rises: At one extreme is Japan, with a ratio of wage rise to price rise of 4.7, and at the other is the United Kingdom, with a ratio of 1.1. The United States figure is 3.6. Where productivity rises greatly, the ratio of wage increase to price increase is likely to be high. An increase of wages offset by rising productivity yields a relatively small increase in prices. Also where monetary policy is restrictive one might expect that the ratio of wage increase to price increase would be small. Rather unexpected is the low ratio of wage to price rise for Germany. But it should be noted that the increase of both wages and prices was small. The high ratio of wage to price increase for Japan may be explained by the large rise of productivity that followed upon the great economic decline during the war and early postwar.

(7) The Excess of Demand

What are the major causes of inflation? Obviously the pressure of money upon limited supplies must be a crucial factor. When, given the supplies of labor, of management, of plant and raw materials, the purchasing power exceeds the flow of these resources, the effects must be felt in higher prices. Once excess capacity is reduced to a low level, the continued growth of purchasing power is found to be reflected in rising prices. In Western Europe, the reduction of excess capacity inclusive of manpower contributed to the slowing down of the rise of output and high prices in 1956.[13]

Countries devastated by war and revolution and in some instances threatened by Communism try to telescope vast investment programs in brief periods as a means of raising standards of living. Their savings are often inadequate, given the scope of their programs. They seek not only increased investments but also maintenance and even improvement of living standards. Consumers spend more; investors spend more, and governments, both as investor and provider of public consumption, expand their outlays. To some extent, many of the countries ease the inflationary pressures by borrowing and particularly from the United States.

13 Cf. *Economic Survey of Europe in 1956*, Ch. 3.

14 U. S. Government, *Foreign Grants and Credits, Dec. 1955 Quarter*.

Approximately $50 billion of foreign credit and grants in the first postwar decade[14] provided imports without corresponding expansion of purchasing power for the non-dollar world; the result is anti-inflationary in the recipient countries but inflationary in the credit or granting countries where goods are given up.

This excess of demand is fed by government deficits (whether below or above the line as in the British case), by the creation of bank credit, and also by inflow of reserves as reflecting expansion elsewhere. Consider, for example, the table below for six Latin American countries. In the war period all three factors contributed. In the postwar expansion of bank credit, first, and rise of government debt, second, were the important factors.

(8) Depreciation of Exchange and Inflation

For many countries, the devaluation or depreciation of the currency is an inflationary factor. I estimate that the average depreciation for 41 countries from 1938 to 1954 against the dollar was no less than 87-91% (weighted by trade), or a rise in the price of dollars of 673 to 1014%, depending on the weights used; and note that the dollar itself has lost about ½ of its purchasing power in domestic commodities and services.

For individual countries the rise of prices and exchanges from 1937 to 1956 (or 1955) was as follows. Since prices rose by about 100% in the United States, from the roughest kind of guide of appropriate exchange rates (and one does not allow for the relative changes in fundamental economic conditions, for example, the relative changes in productivity and bargaining power), we conclude that, when prices rise by more than twice as much as the price of the dollar, the exchanges have not been adjusted adequately—Chile, Brazil, Italy, Japan, and India. In the German and Swiss cases, the exchanges seem to have become undervalued (cheap).

Rise of Prices and Exchanges, 1937 to 1956 (1955), No. of Times

	Prices	Exchanges
Chile	60	22
Brazil	14	3*
U. K.	3	0.69
France	25	12
Germany	1.7	1.7
Italy	78	33
Switzerland	0.70	0.01
Japan	269	105
India	3.2	0.86

*Expense transactions average.

A devaluation pushed prices up for the following reasons. Exports are stimulated (each dollar yields more pesos, say, and peso prices do not rise correspondingly). Imports are discouraged since foreign currencies become more expensive without corresponding concessions of prices. More exports and less imports mean less goods and higher prices. The higher prices of exports and imports through changes in exchange rates affect the general price level to a degree determined by the relative importance of international and domestic commodities.

In one sense the price in countries resorting to exchange depreciation are much higher than they seem to be. These countries frequently have recourse to overvalued currencies, that is, they do not allow their currencies to depreciate as much as they would under the pressure of free markets in response to trade, service, and capital transactions. By maintaining their exchanges at an artificially high level, they keep prices down. But a cost is involved: interference with the free market through controls of exports and imports results in uneconomic production. Hence these countries experience a price rise which is contained by irritating and costly controls. Prices are in fact higher than they seem to be, or better expressed, the apparent moderation of price rise conceals unavailability of goods which would have been had under higher prices and freedom of market forces.

(9) Failure to Treat Inflation

Why has inflation not been treated more effectively in the United States and elsewhere?

One reason is, of course, a reluctance to attack the disease on the grounds that an anti-inflationary policy would upset the economy. The weapons are not too sharp, and an attempt to deal with the problem might bring a deflation and unemployment, not stability. This fear results in much political opposition to restrictive measures.

A second relevant point is the inadequacy of the weapons available. The approach has to be largely general, not specific. Control of consumer credit, for example, is not had in this country, though it is elsewhere. The Federal Reserve has only limited control over financial intermediaries other than commercial banks. Yet the intermediaries are of increasing importance, and they often operate counter to the manner in which the commercial banks pressed by the Federal Reserve operate.[15]

The proportions of the problem are suggested by the following: % rise 1952 to 1956—gross national product=19; adjusted demand deposits and currency=7; banking debits=34; insurance company assets=28; savings and loan associations assets (1955)=67; Federal credit agencies (FY 1956)=74; mortgage debts=52; **ibid.**, commercial banks=33.[16]

15 I have discussed these problems fully in Joint Committee on the Economic Report, Hearings, *Monetary Policy and the Management of the Public Debt*, 1952, pp. 380-388; United States *Monetary Policy and Recent Thinking and Experience*, 1954, pp. 54-59; *January 1957 Economic Report of the President*, pp. 476-494; and Senate Finance Committee Hearings, *Savings Bond Interest Rate Increase*, 1957, pp. 67-92.

The point to be stressed is the large rise of acquisition of assets by lenders other than commercial banks, and even the government merrily pushes ahead in loans and guarantees even as the Federal Reserve hesitates and restricts greater lending by non-commercial lenders.

Because the approach to restriction by the Federal Reserve is general, the potential borrowers who are injured by restrictive policies are outraged. The farmer, the small business men, and state and local governments all express their grievances. Thus government officials charge that their rates (local) are up by 70% in five years: they are either excluded from markets or are forced to pay higher rates without the privilege of corporations of being able to put perhaps ¾ of the cost on tax bills (inclusive of savings on individual income tax), and most of the remainder on the consumer. Without a doubt a system of priorities, voluntary if possible, inclusive of consumer credit control by the monetary authority, when dear money is required to deal with the inflationary forces, would greatly reduce the opposition to these policies.

On the issue of the potency of weapons, the following is of some interest:[17]

In the British crisis of 1955-1956, the authorities relied heavily on monetary policy, bringing the Bank Rate up to 5½%. What is more, this policy was strengthened by the use of large direct pressures on banks and borrowers. Yet the Governor of the Bank of England, in an unprecedented statement, complained that the scope of monetary policy in the postwar had been greatly restricted. In the view of the Governor, the direct impact of monetary policy falls on a smaller proportion of the economy than formerly and the impact on borrowing and spending can be outweighed by Public Authority and the impact on consumption offset by the level of earnings and fiscal policy. Moreover, higher taxes also dull the effects of monetary policy.

Not only impotency but also failure to integrate available weapons contribute towards failure. Many in 1954-55 complained of Britain's failure to depend more on fiscal policy. In the United States, we have had two periods of dear money in the last five years. Yet even as these policies are being pursued, the government credit agencies were expanding their loans and guarantees at generous rates. In the fiscal years 1953 to 1958, government credit rose from 40 to $85 billion. Apparently, the Housing Administration and the V. A. were not on speaking terms with Messrs. Humphrey, Burgess, and Martin. In order to keep the budget in bounds, the government increasingly had recourse to guarantees and insurance rather than loans, for the former were kept out of the budget.

Another difficulty stems from the failure to recognize inflationary pressures. In 1953, despite stable prices, the Administration seemed to sense inflationary pressures and hence the introduction of a vigorous dear money policy. In the 1950's, declining agricultural prices concealed rising industrial and service prices. Under conditions of control, most non-dollar countries were deprived of the usual symptoms of declining reserves and weakening of the exchanges. Not that losses of reserves and weakening of exchanges were not problems. But it was not easy to differentiate between deterioration of exchanges

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16 *January 1957 Economic Report of the President*, p. 477.

17 International Monetary Fund, *International News Survey*, Oct. 14, 1955; cf. *The Economist*, Jan. 10 and Apr. 14, 1956.

Percentage Contribution to Inflation, 1941 to 1945 and the Postwar Period 1946 to 1948 or 1946 to 1949

	1941-1945			1946-1948 or 1946-1949		
	Govt.	Bank Credit	Foreign Exchange Reserves	Govt.	Bank Credit	Foreign Exchange Reserves
Brazil	37	39	24	16*	51*	23*
Chile	23	61	16	—26	125	
Columbia	18	29	53	47	79	—25
Cuba	0	6	94	1	20	79
Mexico	12	65	22	65	118	—83
Peru	52	33	15	21	78	½
Arithmetic mean of six countries	24	39	37	21	80	— 1

*1946 only.

SOURCE: Calculated from materials in J. Keith Horsefield, "Inflation in Latin America," **International Monetary Fund Staff Papers**, September, 1950, pp. 175-202.

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World Inflationary Conditions

and loss of reserves related to domestic inflationary forces, speculative capital movements (relative in part to above) on the one hand and administrative variations in the degree of controls. In many countries (e.g., Brazil), it was next to impossible to know what the movements in exchanges were. Rates were numerous; the proportion of transactions at different rates was not known frequently, and actual rates would often be changed by reclassification of official rates for different classes of commodities. Even for Western Europe, official and free rates often diverged, and the appropriate weighting was unknown because the transactions at each rate were not known.

(10) Therapy

What can be done to control inflation better? Several of the improvements are suggested by what has gone before.

It is necessary to integrate policies of all departments and agencies that contribute towards increases in monetary supplies and their more intensive use.

A better understanding of the possibilities of using fiscal policy would help greatly. That does not mean that understanding alone is enough. It is, of course, absurd to suggest, as Secretary Humphrey has, that the appropriate policy is tax cuts at the top of a boom. That is just when tax cutting would contribute so much to inflation. A rise of tax rates, which might conceivably be supported as a facet of anti-inflationary policy, is almost impossible to sell to the politician and public in 1956 or 1957.

Again, anti-inflationary policies might suggest cuts in public expenditures. But here the issue of appropriate price policy conflicts with other objectives; adequate defense, required social services inclusive of highways and schools. Often these outlays are not easily adjusted to the needs of a stabilization policy.

The government might keep expenditures from rising too much with an improved pattern of spending. For example, more might be spent on schools and considerably less on highways. A proposal to spend $100 billion on highways and to spend nothing on schools seems rather out of proportion for the Federal Government. Outlays of $6 billion per year largely to keep farm income up and farm production down seems a little silly when at the same time the government proposes and Congress accepts a $700 million program for the Colorado River Project, which would put poor land into cultivation at great expense.[18]

The following is germane.

Chairman Douglas [Senator Paul Douglas]. Now, Mr. Chapman, I want to ask you another question. I do not want to browbeat you, but I want to ask another question.

You spoke in glowing terms of the upper Colorado project, I believe.

Mr. Chapman [Oscar Chapman, Secretary of the Interior]. Yes.

Chairman Douglas. Are you acquainted with what the acreage costs of irrigation are in the upper Colorado?

Mr. Chapman. Yes; I am.

Chairman Douglas. Including interest, they range from $800 an acre in some cases to $2,300 an acre.

Mr. Chapman. That is right.

Chairman Douglas. Now, the richest land in the country, which is just north of Bloomington, Ill., at the time we started to make these appropriations, came to $650 an acre. And here we were spending from $800 to $2,300 an acre on land from 5,000 to 8,000 feet in altitude, where the growing season is limited to not more than 90 days, and where the chief crops will be hay and apples.

Now, do you think this is an economic use of resources?

Mr. Chapman. Senator, you are coming to this point, that the most feasible and the most profitable projects have obviously been already appropriated and developed. You are coming close to the margin. . . .

Chairman Douglas. Yes. But the acreage costs of the irrigation features of this project are fantastic. And for the expenditure of one-tenth the amount per acre in added water for the lands of the Middle West, we could get four to five times the crop.

Mr. Chapman. If that were the only factor that was considered on this project, I would say that obviously you should not do it. You should go back to the land you are talking about. But that is not the only consideration. You have to consider the whole development of the area as a whole.

Chairman Douglas. Well, the question is whether that is an economic application of capital and labor.

Mr. Chapman. By the time you get the next 40 million people in the United States, as I told you, 166 million now and 200 million within less than 20 years, you have got to put them somewhere. That will be feasible then.

Chairman Douglas. I love the Rockies and I like the desert. They are very pleasant places. But I had not thought that we should so arrange the economy of the country that we would settle large numbers of people on top of Pikes Peak or that we should engage in the growing of bananas in the valley of the upper Colorado River.

It would seem to me that by increasing the yields per acre in the already fertile sections of the country we would support the increased population better than by consigning them to the arid deserts of the midmountain region.

Mr. Chapman. I think, Senator, by the time this increased population that I speak of arrives, your 20-year program will not have been finished, in the first place, and by that time your acreage costs will be more reasonable in your mind.

Chairman Douglas. I do not expect to see land in the Bloomington area go up to $2,300 an acre.

Mr. Chapman. No.

Chairman Douglas. And if it did, it would be more fertile than the land in the upper Colorado. I am also struck with that fact that on the one hand here we are proposing to withdraw 40 million acres from cultivation in the soil bank, and yet the irrigation enthusiasts are constantly pressing us to put more land in cultivation in the West. We are going to have our acreage in Illinois reduced by a tenth, probably, and this is better land than the land in the upper Colorado. And yet we are putting land in the upper Colorado into cultivation and withdrawing it in Illinois, Iowa, Indiana, Wisconsin, Missouri, and Alabama, and so forth, and so on.

Do you think that we should form a group of States to protect ourselves from the power of these irrigation States which have dominated the Congress and the Senate for so long?

Another suggestion is that the budget be presented clearly and honestly. Keeping large outlays out of the budget—as the $1.7 billion of highway outlays—gives a misleading impression of Federal contributions to spending, as does the gradual transfer of budget financing (loans and investments) to extra budget financing (insurance and guarantees).

On this score, it would also be well to consider the size of the budget in relation to the size of the economy. Emphasis on the dollar rise without relating it to the size of the economy frightens people and adds to the distrust in the dollar. This is one problem and should be distinguished from the problem of over-all demand and supply, the focal point of the inflation problem.

So long as the inflationary pressures continue, the encouragement of savings is all to the good. In this connection the insurance companies make an important contribution. The growth of insurance and the almost universal interest in the long-run stability of the dollar related to private and public insurance point towards a rising political movement on behalf of a stable dollar. This movement should be sparked.

One of the important causes of inflation is the large and ambitious investment programs of many countries, often rising to 20 or more per cent of GNP. The objective of accelerated investment as a means of raising standards of living is a worthy one. But the expansion should be related to the volume of savings and the excess of imports. Investment beyond the levels set by saving and the excess of imports brings inflation. When savings cannot be forced as in the USSR, a compromise must be made between additional investment and additional inflation and also between government deficits often related to these programs, and inflation.

The Prime Minister in Great Britain had this to say:[19]

"Full employment has, in fact, been maintained in most parts of the country over practically the whole of the past 10 years, and we are today consuming more as a nation than we have ever done before. But full employment has brought with it one problem to which we have not yet found a satisfactory solution; yet, unless we do find the solution, it will be more difficult to achieve a further advance in living standards, and full employment itself may be threatened. The problem is that of continually rising prices. It affects everyone, and everyone must contribute if it is to be solved.

"The government is pledged to foster conditions in which the nation can, if it so wills, realize its full potentialities for growth in terms of production and living standards. But the government must no less seek to ensure that the pressure of domestic demand does not reach a level at which it threatens price stability and endangers the balance of payments. To maintain full employment without inflation necessarily involves continual adjustments. At times the pressure of demand will grow too strong and will need curbing; at other times this pressure will be weak, and the economy will need a stimulus. It is the government's job to keep the pressure right, and adjustments will have to be made from time to time in fiscal, monetary and social policies in order to achieve this result. But the ultimate aim will always remain essentially the same—the encouragement, by all the means which the government commands, of the general climate most favorable to the maximum development of a balanced economy. This demands continuing attention to the problems discussed in Section V; as a nation whose lasting prosperity depends on a high level of overseas trade, we simply cannot afford to allow excessive demand at home to undermine our competitiveness in world markets or to take too much of the output that we need to sell abroad to secure our essential imports. We must guard against the false sense of internal prosperity that can be given by continually rising money incomes unaccompanied by the necessary levels of output and exports, which cannot last and must ultimately endanger our long-term prosperity, and with it the whole ideal of full employment as a feature of our national economy.

"In order to maintain full employment the government must ensure that the level of demand for goods and services is high and rises steadily as productive capacity grows. This means a strong demand for labor, and good opportunities to sell goods and services profitably. In these conditions it is open to employees to insist on large wage increases, and it is often possible for employers to grant them and pass on the cost to the consumer, so maintaining their profit margins. This is the dilemma which confronts the country. If the prosperous economic conditions necessary to maintain full employment are exploited by trade unions and business men, price stability and full employment become incompatible. The solution lies in self-restraint in making wage claims and fixing profit margins and prices, so that total money income rises no faster than total output. In the absence of such self-restraint, it may seem that the country can make a choice—albeit a painful one—between full employment and continually rising prices, or price stability secured with some danger to the level of employment that might otherwise have been achieved. But soon looms up the grim danger that the first of these apparent alternatives will turn out to have been no alternative at all, because we may fail to secure sufficient imports to maintain full employment and our present standard of living."

(11) Inflation and Insurance

Obviously inflation erodes insurance. A policy contracted in 1938 yields about half as many dollars of stable purchasing power as the dollars on the face value at time of contract. There is some offset in that earnings rise to some extent and dividends may be increased and rates on future policies cut to some extent. But here any reduction in interest rates and higher costs of operation are also relevant.

A steady inflation might be assumed to be injurious to insurance and to savings. The rate of depreciation has been substantial but not enough to discredit savings.

Here are some relevant figures for the United States:

	1938	1955	% Rise
GNP $ B.	85.2	390.9	360
Life Ins. in Force $ B.	111	389	250
Purch. of Insur. in U. S. $ B.	10.7('40)	48.4	352
Family Dispos. Inc. $	1,600	5,000	212
Insur. per Family $	2,600	6,900	165

SOURCE: 1956 Life Insurance Fact Book in Economic Report of the President.

In general the rise of insurance in force has fallen behind that of GNP and the insurance per family behind the rise of disposable income per family. Thus, insurance per family rose only 79% as much as disposable income per family.

But when allowance is made for the rise of public insurance, the net results are not discouraging.

In 1955, benefits under Old Age and Survivors Insurance amounted to almost $5 billion. In the same year the benefits under life insurance amounted to $5.4 billion. Again, by 1955 veterans insurance in force had risen to $43 billion.[20]

What of the relation of price movements and the gains of insurance?

	Life Insurance in Force, 1955 (1937=100)	Prices (1937=100)
Brazil	2,880	1,017
Chile	647	3,443
Japan	10,811	26,666
France	3,370	2,365
U. K.	233(1954)	241
U. S.	345	185

SOURCE: 1956 Life Insurance Fact Book, and IMF, International Financial Statistics.

In this table, I have compared the rise of prices and insurance in force for six countries with varying degrees of inflation. It might be expected that with a galloping inflation, the people would lose some confidence in savings and therefore in insurance. This clearly seems to have been the case in Chile, with a rise of prices of 33-34 times, and Japan, with a rise of 265 times. Insurance in force in dollars of stable purchasing power has fallen greatly in both instances and even more in relation to the size of the economy. In Brazil, however, with a rise of price of nine times, insurance has increased by 27 times. In France, despite a rise of prices of 22-23 times, insurance rose by 32-37 times and roughly maintained its position in the economy. In the United Kingdom, insurance rose slightly less than prices and substantially less than income; but here the explanation is in part the dominant part played by the new Beveridge program. Finally, the rise of insurance in this country was about three times as great as prices but substantially less than the increase of output. Here again the growth of the social security program is relevant. In general, the effects of inflation on insurance seem to be great only when inflation proceeds at a fairly devastating rate—e.g., an average rise of 200% per year.

(12) Insurance and Savings

The growth of savings in the years of high activity since 1938 have cut down the rate of inflation.

In the years 1938 to 1956, gross private savings rose from 8.9 to $61.7 billion, a relative increase 1.5 times that of the gross product. By 1955, private insurance accounted for $4.66 billion of savings as compared with $1.54 billion in 1938. Relative to all savings this contribution declined to some extent. In part the explanation is the competition of social security and private pension funds—the latter alone accounted for $3.38 billion of savings in 1955—and in part the competition of other alternative investments. For example, in 1938 there were dissavings in securities, but by 1955 savings channelled into security markets amounted to $7.5 billion. Similarly, in 1938 only $0.40 billion of savings went into currency and deposits, but in 1955, $3.93 billion (the 1954 figures was $6.7 billion).

18 Joint Committee on Economic Report, *January 1956 Economic Report of the President*, pp. 419-420.

19 Cmd. 9725, pp. 2, 10-11.

20 *Ibid.*

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(Special to THE FINANCIAL CHRONICLE)

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Securities Salesman's Corner

By JOHN DUTTON

Finding People To See

"If you feel any reticence about discussing securities, forget it! Most people are interested in talking about saving money and protecting their families. **Give them a chance to talk to you.**" This is the advice of a young man who entered the life insurance business in 1955 and who last year wrote over $1,000,000 of ordinary life insurance. Only he used the words life insurance instead of securities.

Start With the Right Mental Attitude

The first step in finding customers is to believe in your mission. If you are convinced that your firm can offer methods and ways of helping people to increase their income and their capital you will desire to talk with as many people as you can about this subject. If you can go out each day with the resolve that yours is a mission to help your clients build a sound investment program, your creative abilities will be energized and your efforts will be directed along constructive lines. First of all then, **believe in your mission.**

Use a Prospecting Plan

One of the reasons some men can build a clientele from direct mail, or through newspaper advertising, or a combination of both, is that they find a workable idea and they stick to it. They give it a chance to work. If you are going to try direct mail, compile a list of prospects from sources that are logical suspects and offer them a SPECIFIC idea. Let us be specific ourselves and bring this down to cases.

Today, tax free bonds are available on a yield basis that offer investors an income that is in many instances above that received on savings accounts. The savings account income is subject to Federal income tax; the income from tax free bonds is not. What an advantage to the saver and the conservative investor. Think of this for a moment and the possibilities for capitalizing on this situation are extremely interesting.

So let us give our young insurance man's idea a trial. "Give people a chance to talk with you." For instance, if we wish to try direct mail, we have to start with a list. Let us assume that we have to start from scratch and we have no available list at hand of people who might be interested in improving their income via tax free bonds. In many larger communities there are sections where people live who have a higher income and larger savings than the average. A list of people in above average income sections is available to you through the cross-reference telephone books usually published by your telephone company which gives the listings of telephone subscribers by streets and avenues. This is one way of compiling a mailing list that has a better possibility of producing qualified replies.

Our telephone book will also supply us with names from the classified section of those in occupational groups that should be above average in income production and therefore more interested in our proposals. These groups are doctors, dentists, engineers, architects, attorneys, oculists, insurance men, manufacturers, accountants, builders, and also some in the highly paid service trades such as electricians and plumbers.

Next there are the bank directors, the officers of corporations and those connected with your public utilities and municipal and county government. In my county, no one thought about calling on the sheriff until one of our partners met him at a "crime commission" hearing and discovered that he had some savings and was interested in acquiring some securities that would assist him in building up his capital for purposes of eventual retirement.

There are other lists that can be purchased from reputable list firms. Your advertising agency can supply you with the names of list publishers of people in almost every community of any substantial size, who have above average incomes.

Quoting our successful second year life insurance agent again: "In 1956 I mailed out 5,066 letters and used a follow-up on about half. I wrote over a million in business last year and 70% was traceable to Direct Mail. You can see that the money I spent was well invested."

Next Week A Specific Letter Using Tax Free Bonds as an Attractive Investment Idea!

N. Y. Savings Bankers Endorse Proposed Washington Office of Bank Supervisors

Territorial and state bank supervisors' plan to establish a permanent "listening post" and service agency in Washington, D. C., is advanced by New York Savings Bankers' endorsement

The Council of Administration of The Savings Banks Association of the State of New York has endorsed, "in principle," a proposal by the National Association of Supervisors of State Banks to establish a permanent office in Washington, D. C., it was announced Aug. 22 by Daniel T. Rowe, President of the Savings Banks Association.

The Council is the top governing body of the savings bankers' trade group. Under the plan it endorsed, state-chartered banks could become associate members of the association, at nominal dues, for which they would avail themselves of services they might not otherwise be able to obtain.

The Council's action, Mr. Rowe explained, was based on a report of a special committee to study the proposal, headed by Edward J. Pierce, Executive Vice-President of the Harlem Savings Bank. The committee's report recommended, in part, as follows:

Committee's Report

"We recommend that the savings banks give strong support to the suggestion that a Washington office of the NASSB be established.

"Our savings banks have a particular interest in supporting the dual banking system. The NASSB is, by the very nature of its membership, strongly committed to the dual banking system concept and it is assumed that this will continue to be such organization policy in the future. We have witnessed the unfavorable competitive condition which developed when Federal legislative acts are extended by administrative rule to create areas of activity for Federal instrumentalities which are denied to state-chartered organizations. Some of these disadvantages result from the failure of our Legislatures to act, but in other cases, they represent an intrusion in the area of State rights. Among the easily recalled examples of such a development are the branch powers given to Federal savings and loan associations in this state and elsewhere.

"The organization can function effectively only when it remains completely impartial and independent and acts at all times in the interest of a stable banking system without preference for any group. In this respect it would be somewhat different from other organizations to which we gladly give support and it is possible that this line of demarcation between the organization and its financial supporters would increase its effectiveness."

Principle Always Supported

"The savings banks in New York State have always supported the principle of a strong, impartial and effective system of bank supervision much of which in its relationship to us is centered in our New York State Banking Department. This agency, along with the Supervisors in the 50 jurisdictions that comprise the NASSB membership, should derive many advantages from the existence of a central service agency for all member supervisors; as a clearing house for information regarding examination and supervisory practices; as a coordinator of data on bank practices and problems throughout the country; and in related services to the membership. Your Committee believes that aside from any direct use that member banks may make of the proposed office, its potential for strengthening standards and methods of bank supervision warrant our earnest support.

"We have suggested that the continuing support of the organization would necessarily be predicated upon a broad base of membership, since, if the NASSB spoke for only a small part of the state-chartered institutions we would not be very hopeful of materials accomplishments. This matter is related to the dues schedule about which a number of banks have raised a question, feeling that the indicated scale of dues jumping from $100 to $500 when resources exceed $100,000,000 should be modified to provide for a more smoothly accelerated scale. It was also noted that the broader the base of membership the more reasonable the actual dues would become and we felt that our banks would prefer to participate in an undertaking that was broadly accepted and had the further advantage of nominal costs."

Since its establishment in 1902, the NASSB has been a loosely knit confederation of state bank supervisors. Its membership numbers 50, representing the bank supervisors of the 48 states and the territories of Hawaii and Puerto Rico. It is now proposed to establish a "listening post" and service agency in the nation's capital.

With Marshall Company

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Burton E. Jaeger is now connected with The Marshall Company, 765 Water Street, North.

With Clement A. Evans

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Imogene M. Barrier is now connected with Clement A. Evans & Company, Inc., Rutland Building.

John Harrison Adds

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla. — Fred H. Sorrow, Jr. is now affiliated with John H. Harrison & Company, Florida National Bank Building.

Railroad Securities

Baltimore & Ohio Railroad

The yield on Baltimore & Ohio common is quite low in comparison to the general run of rail stocks. However, $2.50 is not a reasonable measure of the probable payout over the next 12 months. Last year Baltimore & Ohio made a year-end distribution of $2.50 a share, the only dividend paid in 1956, and this year the stock was put on a regular quarterly basis of a $2.00 annual rate for the first time since the early 1930's. It is expected that this will be augmented by a year-end extra and that the regular rate will be increased in the first quarter of 1958.

Over a period of years, Baltimore & Ohio has enjoyed more favorable traffic and revenue trends than its major competitors and has been getting an increasing share of the freight tonnage of the Central Eastern Region in which it operates. One important factor in these favorable trends was the opening of the Gauley coal field in West Virginia in 1941 and its subsequent intensive exploitation. Reflecting this development, the road last year handled more than 11% of all the bituminous coal produced in the United States compared with less than 8.5% in 1941. Another influence has been the growing importance of the Port of Baltimore in international trade, particularly with respect to import ores and export coal. Finally, the road's lines are strategically located in the Ohio River Valley, an area of substantial and consistent industrial expansion. It is indicated that none of these favorable influences has as yet run its full course, and that, therefore, Baltimore & Ohio's revenue trends will continue strong.

Another favorable phase of the Baltimore & Ohio picture has been the streamlining of the debt structure in recent years and the consequent sharp reduction in interest charges. Total fixed charges and contingent interest last year amounted to less than $20.4 million compared with approximately $31.6 million at the outbreak of World War II. Just as important has been the realistic spacing of bond maturities. The company has a serial note issue of $33 million running to 1965 and has created one blanket mortgage on the property which is outstanding in three series maturing in 1970, 1980 and 1995. This mortgage has the benefit of a generous sinking fund. The rest of the debt is represented by the convertible debenture 4½s which are not due until 2010. It is virtually impossible to conceive of Baltimore & Ohio running into maturity difficulties in the future as it has in the past.

With the favorable traffic background, and operating efficiency enhanced by complete dieselization, mechanization of maintenance, modern signaling and communications, and roadway and yard improvements, earning power of the road has been expanding consistently and rapidly. In the period since the opening of the Gauley coal field, net income has more than doubled and share earnings on the highly leveraged common stock have increased from $1.25 in 1940 to $10.85 last year. Last year's earnings are before allowance for funds still required to be set aside under the old voluntary debt readjustment plan. Deducting these funds, the 1956 earnings would have amounted to $7.50 a share. Earnings this year should at least equal 1956.

Despite the general letdown in railroad traffic during the first half of the current year, Baltimore & Ohio's gross revenues for the six months were just about equal to those of a year earlier. With wages higher, the transportation ratio was up somewhat from last year, and Federal income taxes jumped by more than $3.7 million. As a result, common share earnings dipped from $5.03 to $4.38. Comparisons from here on, however, should be considerably better and the management has stated that it expects earnings for the full year to match those of 1956. Estimates are that results will be better than that, with the possibility that earnings per common share could approach $12.00, before funds. The road stands to benefit substantially from the anticipated freight rate increase with each 1% increase in freight rates equivalent to approximately $0.78 a share, after Federal income taxes.

Baltimore & Ohio has reduced its bad order cars to 4% of the total. The road does not intend to further reduce this percentage but instead has switched employees formerly on maintenance work to their car shops for the construction of new cars. In this way, they believe that new, more efficient and modernized cars can be produced with the same work force. It may be noted that maintenance of equipment expenses in the first half of this year were down some $7 million from a year ago.

Armstrong, Jones, Lawson & White Open

DETROIT, Mich. — Armstrong, Jones, Lawson & White, Inc., has been formed with offices in the Penobscot Building, to engage in a securities business, as successor to Charles P. White Company. Officers are Vinton E. Jones, Theodore E. Armstrong, Seward N. Lawson, and Charles P. White. All were formerly associated with Carr & Company of which Mr. Jones was a partner. The new firm will hold membership in the Detroit Stock Exchange.

Chicago Bond Club Outing Sept. 12-13

CHICAGO, Ill.—The Municipal Bond Club of Chicago will hold its 21st annual field day Sept. 12th and 13th. Cocktails and dinner are scheduled for Thursday night, September 12th, at the University Club; the field day will be on Friday, September 13th at the Medinah Country Club. Scheduled for the day are golf, baseball, horseshoes, tennis, soft ball, etc.

First Southern Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Nick J. Soublis has been added to the staff of The First Southern Corp. Peachtree at Ponce de Leon.

Joins R. S. Dickson

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Thomas H. Herndon has joined the staff of R. S. Dickson & Co., Inc., Grant Building.

With Richard J. Buck

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Paul Lee has become connected with Richard J. Buck & Co., Statler Office Building.

First Boston Group Offers Public Service Electric & Gas Bonds

The First Boston Corp. and associates are offering publicly today (Aug. 29) an issue of $60,000,000 in Public Service Electric & Gas Co. first and refunding mortgage bonds, 4⅝% series due 1987, at a price of 101.026% to yield 4.81%. The group was awarded the bonds at competitive bidding at 100.27999% for the indicated coupon.

Net proceeds from the sale of the bonds will be used by the company for payment before maturity of $60,000,000 of unsecured short-term bank loans incurred in June, 1957 primarily for construction purposes. The company's current construction program approximates $271,000,000, of which approximately $70,000,000 has been or will be expended in the last six months of 1957, and the remainder in subsequent years. As of June 30, 1957, the company had construction commitments aggregating about $87,000,000. It is anticipated that in order to finance its current construction program the company will sell $25,000,000 par value of its cumulative preferred stock in the Fall of 1957 or in 1958, if market conditions are considered satisfactory, as well as other securities in 1958 and subsequently.

The bonds will not be redeemable prior to Sept. 1, 1962 out of proceeds of any refunding operation involving a cost of money in excess of the company's annual cost of money for these bonds, but are otherwise redeemable at the option of the company at regular redemption prices ranging from 106.03% for those redeemed prior to Sept. 1, 1958, to 100% for those redeemed after Aug. 31, 1986; and at special redemption prices ranging from 101.03% for those redeemed prior to Sept. 1, 1958, to 100% for those redeemed on or after Aug. 31, 1986.

Public Service Electric & Gas Co. is an operating public utility company engaged in the electric and gas business in New Jersey. In addition, it owns all the outstanding capital stock of Public Service Coordinated Transport which operates a comprehensive mass bus transportation system that serves areas in New Jersey and extends into New York City, Philadelphia and Wilmington.

For the 12 months ended June 30, 1957, total operating revenues of the company amounted to $311,671,345 and net income to $33,498,285. This compares with total operating revenues of $299,884,485 and net income of $32,035,326 for the calendar year 1956.

Offer Bondmen 8th Annual Pick-Me-Up

CHICAGO, Ill. — Ken Eaton, A. C. Allyn and Company, Incorporated, and Jos. Condon, McDougal and Condon, Inc., will be hosts at the eighth annual informal breakfast or brunch to be held September 12th from 8:30 to 11 a.m. for out of town visitors attending the Municipal Bond Club outing (September 12th and 13th) and Chicago members wishing to visit with their friends. The breakfast will be held at the Marine Grill and Cocktail Bar of Welty's Restaurant, 135 South La Salle Street.

Sanford With Bache

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Stephen J. Sanford has become associated with Bache & Co., 96 Northeast 2nd Avenue. In the past he was manager of the research department of Amott, Baker & Co., Incorporated in New York.

Morton M. Allen has also joined the firm's staff.

Continued from page 5

The State of Trade and Industry

built their 5,000,000th car or truck of the year on Friday of last week.

"Ward's Automotive Reports" stated that the milestone vehicle came on the heels of a bright 5% rise in weekly production and found the industry operating 5.7%, or 270,000 vehicles, ahead of the year-ago pace.

The statistical agency counted an eight-week high of 123,006 car and 21,969 truck completions for the past week compared with 117,598 and 20,001, respectively, the week before.

It added that Chrysler Corporation thus far in 1957 has topped its entire 1956 car output of 870,261 units for United States plants. The corporation's year-to-date count is 909,700 and finds Ford Motor Co. operating at 77.8% of the entire 1956 level, General Motors Corp. 63.9% and "all others" 54.7%.

Boosting operations the past week, "Ward's" said, was the inauguration of 1958 model American Motors car output, return to five-day schedules at two Mercury plants, plus normal programming at the Detroit factories of Chrysler Division after two weeks of sporadic labor interruptions.

Production of the 1958 Edsel cars also showed another increase last week, offsetting a shutdown by Studebaker-Packard for model changeover.

"Ward's" said that United States plans did not reach their 5,000,000th car or truck completion in 1956 until Sept. 17 to 22, putting this year's operations one month ahead of the 1956 pace.

On the truck front last week, Willys resumed operations after a three-week annual vacation-inventory adjustment shutdown, "Ward's" added.

There was a 37% drop in total heavy civil engineering construction contracts from the high level of the previous week and awards were 20% less than a year ago. Declines occurred in both public and private construction, despite increases in earthwork and waterways awards. The total dollar volume of contracts for the first thirty-four weeks of this year was 14% below that of the corresponding 1956 period, according to the "Engineering News Record."

Steel Operations This Week Stepped Up to Yield 83.3% of Ingot Capacity

In the steel trade the current week some steel companies are advising their customers to place orders now for cold-rolled, hot-rolled and silicon sheets to insure orderly delivery in the fourth quarter, "Steel" magazine stated on Monday last.

The national metalworking weekly said some customers are taking the advice. Steelworks operations, it further notes, are inching up, even without much automotive ordering, reflecting strength across the board.

Ingot output was at 82% of capacity in the week ended Aug. 25, the second consecutive week in which the rise was 1.5 points. The yield was 2,099,000 net tons, marking the highest rate since the end of June.

Only a small amount of steel is on order for early delivery for the 1958 model cars. A major producer of cold-rolled carbon sheets expects automotive orders to push up the steel operating rate by at least five points. With uninterrupted production and a greater capacity, he foresees enough cold-rolled sheets for everyone, this trade paper reports.

Not only is the auto industry looked to for order increases, but the appliance industry as well. Makers believe they have seen the worst of their woes. The inventory pipeline is running dry and new models are stimulating sales efforts. Officials are backing up their confidence with significant orders for September steel.

Because of an appliance demand pickup and the start of production of 1958 models, Westinghouse Electric Corp. will recall 500 employees to its Mansfield, Ohio plant by Sept. 9. Early this year, about 1,000 employees were laid off there.

The auto and appliance industries will stimulate production of many allied industries, such as stampings and castings, both of which have been running slower than they were a year ago.

Steel consumption is still exceeding steel production. To produce as much steel as was consumed in July would require a steel ingot rate of 89% of capacity. Steel production averaged 78.5% in July. Consumers are still drawing substantially upon their inventories, "Steel" points out.

Despite the decline in steel production this summer, the output in the first eight months will be large enough so that the rest of the year need average only 85% of capacity to make the year's total equal to the record of 117,000,000 ingot tons set in 1955.

Running counter to the possibilities of an upturn in steel production are scrap prices. In the week ended Aug. 21, "Steel's" price composite on steelmaking scrap was $53.50 a gross ton, a 33c decline from that of the preceding week. Mills are refraining from placing large tonnage orders and are noncommittal on buying plans.

Nonferrous metalsmen are hopeful that their industry may be pulling out of its slump. Lead, zinc and copper sales have improved recently, but they point out that overproduction, foreign imports and spotty sales still may keep the domestic market at low levels.

"Steel's" arithmetical composite on base prices of finished steel remained at $146.19 a net ton, where it has been since the week ended July 17.

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 83.3% of capacity for the week beginning Aug. 26, 1957, equivalent to 2,132,000 tons of ingot and steel for castings, as compared with 82.1% of capacity, and 2,101,000 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 79.4% and production 2,033,000 tons. A year ago the actual weekly production was placed at 2,389,000 tons or 97.0%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Declined for Week But Was 6.0% Ahead of 1956 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 24, 1957, was estimated at 12,023,000,000 kwh., according to the Edison Electric Institute. Output the past week eased somewhat from the level of the previous period.

The past week's output declined 386,000,000 kwh., below that of the previous week, but rose 683,000,000 kwh., or 6.0% above the comparable 1956 week and 1,117,000,000 kwh. over the week ended Aug. 27, 1955.

Car Loadings Advanced Slightly in Past Week But Were 2.5% Under Like 1956 Period

Loadings of revenue freight for the week ended Aug. 17, 1957, increased by 10,169 cars, or 1.4% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Aug. 17, 1957, totaled 750,640 cars, a decrease of 19,004 cars, or 2.5% below the corresponding 1956 week and a decrease of 25,061 cars, or 3.2% lower than the corresponding week in 1955.

U. S. Passenger Car Output Last Week Rose 5% with the Industry Operating at 5.7% Ahead of Year Ago Pace

Passenger car output for the latest week ended Aug. 23, 1957, according to "Ward's Automotive Reports," advanced 5% ahead of the prior week, with operations placed at 5.7%, or 270,000 vehicles ahead of the year-ago pace.

Last week's car output totaled 123,006 units and compared with 117,598 (revised) in the previous week. The past week's production total of cars and trucks amounted to 144,975 units, or a gain of 7,376 units above that of the preceding week's output, states "Ward's."

Last week the agency reported there were 21,969 trucks made in the United States. This compared with 20,001 in the previous week and 18,644 a year ago.

Last week's car output advanced above that of the previous week by 5,408 cars, while truck output advanced by 1,968 vehicles during the week. In the corresponding week last year 69,676 cars and 18,644 trucks were assembled.

In Canada, 5,700 cars were built last week as compared with 7,268 in the preceding week and 96 cars in the like period a year ago, and 1,400 trucks as against 1,392 units in the prior week and 369 units in the similar period of 1956.

Business Failures Turned Sharply Upward in Latest Week

Commercial and industrial failures rebounded to 260 in the week ended Aug. 22, from 222 in the preceding week, Dun & Bradstreet, Inc., reports. While the toll exceeded considerably the 215 in the similar week of 1956 and the 180 in 1955, it remained 2% below the prewar level of 264 in 1939.

Failures involving liabilities of $5,000 or more edged up to 218 from 198 last week and were considerably more numerous than a year ago when 174 occurred. Small casualties, under $5,000, climbed to 42 from 24 in the previous week, but were about even with 41 of this size in 1956. Sixteen businesses succumbed with liabilities in excess of $100,000 as compared with 20 in the preceding week.

All industry and trade groups had higher failures during the week, except wholesaling where the toll dipped to 18 from 20. Market increases lifted manufacturing casualties to 54 from 39 and commercial service to 24 from 11, while retailing rose mildly to 127 from 121 and construction to 37 from 31. More concerns failed than last year in all groups save wholesale trade.

Most of the week's increase was concentrated in the Pacific States, where failures rose to 72 from 55 and in the Middle Atlantic States, up to 86 from 71. Three slightly heavier tolls were reported by the New England, East and West Central States. On the other hand, fewer businesses failed during the week in four regions, including the East North Central States with a dip to 25 from 27, and the South Atlantic States, off to 17 from 19. A year-to-year rise prevailed in seven of the nine major regions and only the East North Central and Mountain States had lighter casualties than a year ago.

Wholesale Food Price Index Registered Further Sharp Decline the Past Week

A further sharp decline last week put the Dun & Bradstreet wholesale food price index at its lowest level in six weeks. Down 7 cents in the week, the index for Aug. 20 registered $6.29, a drop of 1.6% from the 22-month peak of $6.39 recorded two weeks previous. However, it is still 3.3% above the year-ago figure of $6.09.

Only flour and lambs were quoted higher during the week. Lower in wholesale price were wheat, corn, rye, oats, hams, bellies, lard, sugar, coffee, cottonseed oil, cocoa, eggs, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Edged Slightly Lower the Past Week

The general commodity price level moved somewhat lower last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 293.00 on Aug. 18, compared with 293.66 a week earlier. This was below the 296.91 of the comparable date a year ago. Price decreases on livestock, rubber, butter and cocoa offset increases in most grains, flour, lard and cotton.

Except for corn all grain prices rose during the week. Announcement that the Commodity Credit Corporation would dispose of 396,000,000 bushels of its corn before next June 30 resulted in a moderate price decline. A record high carryover of corn this Oct. 1 is anticipated. Although corn trading on the Chicago Board of Trade climbed over that of the previous week, it was below the year-ago level.

An appreciable price rise occurred in wheat and soybean futures and trading advanced substantially. Mild increases prevailed in prices of oats and rye. Total volume of grain futures in

Chicago amounted to about 250,000,000 bushels, slightly over the total of the prior week, but somewhat less than that of a year ago. Purchases of soybean futures were moderately higher than those of both a week earlier and the comparable period last year.

Wholesalers reported a slight rise in rice futures prices last week, as buyers stepped up their purchases. Both domestic and export trade expanded. There was a slight improvement in flour prices and trading was close to that of the preceding week. While orders from Venezuela continued to rise, flour purchases from Europe and the Middle East lagged. Flour receipts at New York railroad terminals on Friday a week ago amounted to 39,858 sacks, with 25,123 for export and 14,735 for domestic use.

Although sugar buying in domestic markets slackened the past week, prices were unchanged. Arrivals of raw sugar at all United States ports for the year through Aug. 10th were estimated at 3,293,946 tons, compared with 3,357,605 in the comparable year ago period. Sugar stocks on Aug. 10th were slightly higher than on the similar date last year.

A lag in coffee futures trading resulted in a fractional decline in prices. Although cocoa trading picked up noticeably during the week, prices fell somewhat. Total arrivals of cocoa in the United States this year so far amount to 2,465,702 bags, compared with 3,033,730 bags a year ago. Warehouse stocks of cocoa in New York rose moderately to 355,268 bags the week before.

Hog trading was sluggish last week, and prices on hogs and pork fell noticeably. Hog receipts in Chicago slightly exceeded those of both the prior week and the similar 1956 period. The salable supply of cattle was the highest for any week in two months. Purchases of steers remained at the level of a week earlier and prices were steady. A slight rise in lard futures prices occurred during the week.

After three successive weeks of decline, cotton prices rose somewhat the past week. However, trading was unchanged reflecting favorable weather conditions in growing areas. According to the New York Cotton Exchange, exports of cotton were estimated at 83,000 bales last week, compared with 115,000 bales a year ago, for the first year-to-year decline in almost a year. Exports for the current season totaled about 120,000 bales, against 163,000 bales in the similar period last year. Total cotton exports in the season just ended amounted to 7,700,000 bales, the highest total since the 1932-33 crop year.

Trade Volume Last Week Was Unchanged to 4% Above a Year Ago

Retailers reported a noticeable rise in sales of men's apparel last week, with principal gains in Fall suits and topcoats. Volume in women's clothing was sustained at a high level. While consumer buying of furniture, floor coverings and automobiles advanced somewhat, interest in major appliances and television sets lagged. Total retail volume remained at the level of the preceding week and slightly exceeded that of a year ago.

The total dollar volume of retail trade in the period ended on Wednesday of the last week was unchanged to 4% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: Middle Atlantic +3 to +7; East South Central +2 to +6; South Atlantic and Mountain +1 to +5; West North Central and West South Central 0 to +4; East North Central —1 to +3; New England —3 to +1 and Pacific Coast —4 to 0%.

While volume in women's Fall dresses and sportswear climbed appreciably, the call for suits and coats was sluggish. Final clearance sales helped reduce retail stocks of men's and women's Summer merchandise. There was a slight rise in sales of children's back-to-school clothing, but volume was again below expectations.

Furniture stores reported substantial gains in purchases of case goods and bedding boosting total furniture sales slightly over those of a year ago. Consumers stepped up their buying of linens and blankets, but interest in draperies, glassware, china and lamps dipped slightly. Although dealers' sales of new and used passenger cars improved, purchases were slightly less than in the similar 1956 week. Inventories of new models continued to exceed those of last year.

Food buying was high and steady during the week Best-sellers were fresh produce, eggs, frozen juice concentrates and ice cream. Volume in fresh meat and poultry fell below that of the prior week.

Wholesalers of major appliances reported a slight rise in orders for automatic dishwashers, laundry equipment and lighting fixtures the past week, offsetting declines in television sets and air conditioners. Wholesale stocks of air conditioners and fans were noticeably higher than those of a year ago. While transactions in linens and floor coverings advanced somewhat, interest in draperies slackened. There was a moderate dip in the buying of furniture.

Although purchases of women's Fall suits and coats were sluggish, increased orders for fashion accessories, better dresses and blouses lifted total wholesale apparel volume slightly over that of the prior week. Re-orders for children's back-to-school clothing were sustained at a high level.

Over-all textile activity lagged last week, despite a slight rise in bookings in industrial fabrics and man-made fibers. Food buying equalled that of a week earlier.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 17, 1957, increased 4% above the like period last year. In the preceding week, Aug. 10, 1957, a gain of 3% was reported. For the four weeks ended Aug. 17, 1957, an increase of 3% was recorded. For the period Jan. 1, 1957 to Aug. 17, 1957, an increase of 2% was registered above that of 1956.

As a result of cool weather the past week, retail sales volume in New York City was 6 to 8% higher than the corresponding period a year ago, estimates placed by store executives show.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 17, 1957, increased 8% above that of the like period of last year. In the preceding week, Aug. 10, 1957, a like increase was reported. For the four weeks ending Aug. 17, 1957, an increase of 7% was registered. For the period of Jan. 1, 1957 to Aug. 17, 1957, the index recorded a rise of 4% above that of the corresponding period of 1956.

Cabot Adviser to Boston Fund

BOSTON, Mass. — Louis W. Cabot, vice president and treasurer of Godfrey L. Cabot, Inc., has become a member of the Advisory Board of Boston Fund, one of the largest mutual investment companies in the country, it has been announced by Henry T. Vance, president of the Fund.

Mr. Cabot is a director of the Merchants National Bank of Boston; a director of Arthur D. Little, Inc.; a trustee of the Suffolk Savings Bank for Seamen and others, of Boston; a trustee of Northeastern University; and a trustee or director of other businesses and charitable organizations.

Other members of the Fund's Advisory Board are Frederick Ayer, a private trustee and a director of the First National Bank of Boston and various industrial corporations; Richard P. Chapman, president of the Merchants National Bank of Boston; and G. Peabody Gardner, a private trustee and a director of a number of corporations, including the American Telephone & Telegraph Co.

Chicago Analysts to Hold Golf Outing

CHICAGO, Ill.—The Investment Analysts Society of Chicago will hold their second annual golf outing on Sept. 19 at the Medinah Country Club.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ga. — Charles H. Lanham has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 101 Twelfth Street.

Joins Hemphill, Noyes

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Peter M. Caravette has joined the staff of Hemphill, Noyes & Co., 231 South La Salle Street.

With Miller, Spink

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Michael D. Marcus is with Miller, Spink & Co., Inc., 231 South La Salle Street.

Now With White, Weld

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Alexander W. Cook, Jr. is now with White, Weld & Co., 231 South La Salle Street. He was formerly with Weeden & Co.

Schirmer, Atherton Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine — George M. Ritchie is with Schirmer, Atherton & Co., 634 Congress Street.

With Carroll Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Jack Levy, Floyd O. Mills and Thomas B. Searls have been added to the staff of H. Carroll & Co., Equitable Building. Mr. Levy was formerly with Lackner & Co.

With Columbia Secs

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Joe Davis has become connected with Columbia Securities Co., Inc., of Wyoming, First National Bank Building. He was formerly with Lackner & Co.

With Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Thomas W. Bailey, Jr., Michael DiSalle, Ray D. Fenimore, William M. Mitchell, and W. Greg Smith are now with Mountain States Securities Corporation, Denver Club Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government bond market has been making a much better showing because it seems as though the attitude of operators in these securities has turned to the constructive side for the time being at least. The real test of the long-term Treasury market will come, however in the next month or so, when there will be very heavy offerings of new issues of corporate, state and municipal bonds. These securities will provide the competition for Government obligations from the standpoint of income and yield. And, if the non-Government bonds go well and at decreasing yields, then Treasury issues will be helped.

On the other hand, if the non-Government new issue market is heavy and yields go higher, long-term Treasuries will have to decline in price to meet this competition. The recent rise in quotations of Government bonds is attributed to a combination of dealers' mark-up in quotations, an absence of selling, and scattered institutional buying. Volume, according to advices, has not been sizable.

Optimism on Credit Outlook

The money market, although still very much on the tight side, has a better psychological attitude because some of the prevailing thinking is that the credit limiting and interest rate raising operations of the powers that be will be lessened sometime in the near future. Not only is the testimony of Federal Reserve Board Chairman Martin before the Senate Finance Committee being given considerable attention, namely, that interest rates may be leveling off and could even decline, but also the fact that recent new offerings of corporate and municipal bonds have been given very favorable receptions is adding encouragement to those that operate in the money market. It is evident that more money is becoming available for the purchase of fixed income obligations and not a few institutional buyers are taking advantage of the high yields that are currently being obtained in these obligations.

Short-Term Treasury Issues in Demand

So far the bulk of the funds which are being invested in bonds are being put to work in other than Treasury obligations, because the return is much better in the new offerings of non-Government bonds that are coming into the market. Also, there is not likely to be too much interest generated in long-term Treasury bonds while the calendar for new issues of corporate and municipal bonds remains on the heavy side, as will be the case for the time being.

On the other hand, Treasury securities of the short-term variety continue to have a large demand, with reports that money that would ordinarily be going into other investment channels is now being put temporarily, at least, into the most liquid Government issues. Likewise, there are indications that selected intermediate-term Government securities are being bought by those that are interested in somewhat longer maturities than are obtainable in Treasury bills.

Conflicting Views on Rate Trend

There is considerable difference of opinion over the recent increase in the prime bank rate and the discount rate. Certain money market specialists contend that the last upward revision in these rates will turn out to be ill-timed and will not hold because of the unsettled economic conditions. They point out that before the end of the year there could be reductions in both the prime bank rate and the Central Bank rate. As against this, there are those who believe that the demand for loans will be very sizable this fall, and will continue to be strong for some time to come, thus justifying the uptrend in the prime bank rate and all other loaning rates.

Uniformity on Discount Rate

Last week the Federal Reserve Banks of New York and Cleveland increased the discount rate to 3½%. These were the only other Central Banks which had not gone up to 3½% for Central Bank borrowings. It was evident that the Federal Reserve Banks of New York and Cleveland had some differences of opinion with the other reserve banks as to the need for upping the Central Bank rate, and it is indicated these differences did definitely come from the appraisal of basic economic conditions. The hold-out period at 3% for these two banks was evidently a protest, but a 3½% discount rate is now in force in all of the Central Banks in the Federal Reserve System, which means that there is once again complete uniformity and confirmation of the tight money policy which has been kept in effect by the Federal Reserve Board.

Private pension funds, according to reports, continue to invest large sums of money in Treasury bills, with indications that quite a sizable amount of it will be put to work in equities when the stock market is attractive to them. Public pension funds reportedly are the main buyers of long-term Government bonds, but these purchases have not been too large and have been confined to periods of price weakness.

Jerry Thomas Adds

(Special to THE FINANCIAL CHRONICLE)

PALM BEACH, Fla.—Robert M. Hope, Robert W. LeRoy, Allan H. Seeley and Edward D. Wade are now with Jerry Thomas & Co., Inc., 238 Royal Palm Way.

With Straus Blosser

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Donald T. Fossum has joined the staff of Straus, Blosser & McDowell, 710 North Water Street. Mr. Fossum was formerly with the Second National Bank of Beloit, Wis.

Carr Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Donald V. Allen is with Carr & Company, Penobscot Building, members of the Detroit Stock Exchange.

Four With Sills Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Norman Bander, Alfred B. Elworth, Paul O. Griffin and Robert Tanney have been added to the staff of Sills and Company, Ingraham Building.

With T. Nelson O'Rourke

(Special to THE FINANCIAL CHRONICLE)

DAYTONA BEACH, Fla.—Hollis O. Parker, Jr. has been added to the staff of T. Nelson O'Rourke, Inc., 533 Seabreeze Boulevard, members of the Midwest Stock Exchange.

With Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — Frank L. Thompson has become connected with Dean Witter & Co., 34 North First Street.

Mutual Funds

By ROBERT R. RICH

Canada Funds' Sales Are Half of Total

Canadian portfolio investment companies publicly held by U. S. shareholders now account for nearly half of Canada's current net sales of outstanding securities to non-resident investors, The Committee of Canadian Investment Companies reported.

During the first six months of 1957, net sales of all Canadian securities to non-residents produced a total net capital inflow to Canada of about $90,000,000, the Committee estimated.

During the same period, net sales of new Canadian investment company shares to U. S. investors totaled approximately $46,000,000. Nearly 90% of total proceeds from such sales, or approximately $41,000,000, was invested in outstanding Canadian securities, the Committee stated.

In addition to employing these proceeds in new Canadian investments at a current annual rate of more than $82,000,000, the Canadian portfolio investment companies add to this total by continuously re-investing in Canada's economy their retained dividend and interest income, as well as capital and appreciation derived from the sales of Canadian securities in their portfolios, the Committee emphasized.

"While adding substantial new capital resources to Canadian and other international economic development, the Canadian portfolio investment companies, by policy, remain minority shareholders," the Committee stated. "They employ their shareholders' capital, not to exercise domination or control of corporations in which they invest, but to seek securities investments promising long-term benefits in line with their shareholders' objectives."

Because the registered portfolio investment companies consistently occupy this minority stockholder position in Canada and abroad, the Committee pointed out, they have been increasingly welcomed as participants in the international economy, particularly in nations where exercise of control through direct U. S. capital investment has aroused sensitivity and misunderstanding.

Boston Fund Cuts Common Stock Holdings

Boston Fund, one of the largest mutual funds in the country, reports total net assets of $149,404,338 at the end of the first six months of its current fiscal year on July 31, 1957, amounting to $16.15 per share, compared with the figure of $15.25 per share on Jan. 31, when net assets were $135,440,283. During the half-year, shares outstanding increased from 8,897,447 to a new quarter-end high of 9,251,501.

In his letter to shareholders, Henry T. Vance, President of the Balanced Fund, observes that:

"During the past quarter many of the Fund's common stock holdings were reduced. Sales of common stocks in the three months exceeded purchases by nearly eight million dollars.

"We should emphasize, however, that the Fund continues to maintain a substantial portion of the investment account in carefully selected common stocks with interesting long-term growth potential. The common stock portion of the account, moreover, reflects our awareness of the ever-present threat of a continuing inflationary trend.

"During recent months, good quality investment bonds have become available on a price basis which provides income somewhat greater than has been obtainable for many years. To take advantage of existing opportunities, certain changes have been made in the bond account and several attractive bond investments have been added to the backlog portion of the Fund. The short-term notes (approximately $4,500,000) appearing in the account represent funds awaiting what we think will be additional attractive investment opportunities."

The report shows that of the Fund's investments on July 31, bonds and notes represented 19.47%, preferred stocks 15.44% and common stocks 65.09%.

Youngest Shareholder

Andrew Stuart Kohn, at the age of 55 minutes, recently became the youngest Atomic Development Mutual Fund, Inc. shareholder on record. Taking advantage of the recently enacted Pennsylvania legislation allowing custodians to hold stock for minors, infant Kohn's proud grandfather, Arthur Salus, prominent Philadelphia attorney, purchased 100 shares of Atomic Fund for his first grandchild through Herman Liberman, Manager of the Mutual Funds Department of Newburger & Co. in Philadelphia. The Kohn baby was born at 11:05 a.m. on Aug. 19, 1957 at Abingdon Memorial Hospital and the shares were purchased for him at noon on the same day.

Delaware Sales Up

Gross sales of Delaware Fund shares in July, 1957 totaled $865,900—a 26% gain over gross sales of $687,570 in the same month a year ago.

Redemptions totaling $199,049 last month compare with $210,357 in July, 1956. These redemption figures pushed the Fund's net sales for July, 1957, 40% ahead of the corresponding month of 1956.

Affiliated Fund Warns on Price Changes

Affiliated Fund, Inc. reports an increase of 29 cents, or about 5%, in the per share value of its capital stock for the first three quarters of its current fiscal year. The company's latest quarterly report shows net assets on July 31, 1957 of $374,272,904, equivalent to $5.98 a share. This per-share value, together with the 26 cent capital gain distribution paid in December 1956, is equivalent to $6.24, as compared with $5.95 on Oct. 31, 1956, end of the last fiscal year.

In his letter to shareholders, Harry I. Prankard 2nd, President, points out that in the period covered, although the general level of the stock market did not change greatly, there were substantial changes in the prices of many individual stocks.

"We believe that in the months ahead there will continue to be wide divergence in the price changes of individual securities. The impact of such things as rising interest rates and shifts in defense policies varies considerably from industry to industry and from company to company. We have been giving weight for some time to the possibility that the economic trends currently in evidence would develop and have been selecting our portfolio holdings accordingly."

At the end of the quarter, 12.34% of the company's assets was in cash and Government bonds. The remainder was in common stocks diversified as follows:

Service industries	30.82%
Producers of non-durable goods	30.27
Producers of fuel and raw materials	16.87
Producers of capital goods or durable goods	9.70

Issues added in the nine months ended July 31, 1957 were:

Arkansas Louisiana Gas; Borden; Cleveland Electric; Fireman's Fund Insurance; Government Employees Insurance; Grand Union; Great American Insurance; Grolier Society; Hammermill Paper; Hartford Fire Insurance; Kentucky Utilities; Motorola; Northern Illinois Gas; Pet Milk; Rayonier; Signode Steel Strapping; Socony Mobil Oil, and U. S. Fidelity & Guaranty.

Those eliminated were:

Air Reduction; Allis-Chalmers; Baltimore Gas; Brooklyn Union Gas; Burroughs; Central Hudson Gas; Cluett Peabody; Idaho Power; Indianapolis Power; Lone Star Gas; Potomac Electric, and Union Bag-Camp Paper.

Puritan Fund, for fiscal year ended July 31, 1957, reported a further substantial increase in net assets, shares outstanding and number of shareholders, all obtaining new highs. Net assets totaled $33,463,105 compared with $27,703,921 as of July 31, 1956, an increase of 21%. Number of shares outstanding increased to 5,268,746 from 4,100,804. Number of shareholders increased to 14,000 from 11,060.

During fiscal year just ended, income distributions totaled 39 cents a share, a new high compared with 38 cents a share a year ago and 35 cents a share two years ago. On Aug. 1, 1957, the fund also declared distribution of six cents a share payable Sept. 3, 1957 from long-term capital gains realized during the fiscal year.

With Daniel F. Rice Co.

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—John M. Brady has become affiliated with Daniel F. Rice & Co., 937 Northeast 19th Avenue. He was formerly with Bache & Co.

Atlas Corp. Reports

Atlas Corp. reported the indicated asset value of its outstanding common stock at June 30 was $9.72, compared with $9.50 a year earlier.

This represents an increase in net asset value of 8.6% in the 12-month period before deducting the 60 cents per share paid in the dividends, the company said in a mid-year report to stockholders.

Total assets at mid-year stand at more than $125 million, a new high, the firm said. About 40% was in major uranium holdings and about 20% in major oil and gas holdings.

President Floyd B. Odlum said the company's uranium subsidiaries have progressed satisfactorily and mining operations have increased to a current rate of about 25,000 tons of ore per month. This rate is expected to increase substantially in the coming months, he added.

Representing Fulton, Reid

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Evelyn D. Bartsch is representing Fulton, Reid & Co. of Cleveland. Miss Bartsch has been with the firm for some time in the Cleveland trading department.

With Daniel F. Rice

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—James E. Hartman has become connected with Daniel F. Rice and Company, 317 71st Street. He was formerly with Bache & Co.

H. Hentz Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Samuel H. Rapkin has been added to the staff of H. Hentz & Co., 414 71st Street.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Irwin C. Miller has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, Lincoln Road and Washington Avenue.

A. D. Laurence Branch

WEST PALM BEACH, Fla.—Alfred D. Laurence & Co. has opened a branch office at 202 South Olive Street under the direction of Gerald F. Laughlin.

Now May & Keller

PORTLAND, Ore.—May & Keller, has been formed as successor to the investment business of Earle C. May, 811 Southwest 6th Avenue.

Now Sanders Inv. Corp.

ALBUQUERQUE, N. Mex.—The firm name of Shelton Sanders Investments, 205 Gold Avenue, Southwest, has been changed to Sanders Investment Corporation.

Continued from page 16

Are We Too Complacent?

thrown into prison for saying what they pleased. Many of those who were willing to fight for freedom were seized and thrown in prison and at that time there was fear in the hearts of the people of America, but today no such fear exists for those who believe in the American way of life. And no one is unjustly seized. All are accorded a fair trial. The second great privilege that we have as Americans is the freedom from fear.

Educational Opportunities

The third privilege that we have is that of education. We all know the story of one of our greatest Presidents, Abraham Lincoln, and how his education was gained by what we familiarly refer to as "the hard way." We know of his efforts to, learn at night after a hard day's work and his educating himself in the law profession. In those days there were not the great public school systems that we have today, or the college privileges that are available to everyone who has the ability to learn and is willing to sacrifice the time and effort to do so. The educational system of this country is the finest in the world. The opportunity to obtain an education is available to everyone. This is not so in many other nations of the world. And this privilege, like others, is accepted too lightly by us and, because it is available in abundance, it is often abused. For instance, just recently, much concern has been expressed by the leading educators of our country because too many of our youth are seeking the easy courses in the secondary schools and colleges. They are passing up the difficult courses in Mathematics, Engineering, and Medicine. Such educators have expressed a concern that American youth today is looking at prices instead of values. It is my feeling that Americans should give more thought to this privilege of obtaining an education and appreciate it to a greater degree.

Economic Advancement

The fourth privilege that we, as Americans, have is that of improving our position in life. A few years ago at one of the sessions of the Summer School we had the privilege of listening to Professor Reede of the Pennsylvania State University staff talk about the five years that he had spent in Italy as a representative of the United States Government. He stressed the point that in Italy there were classes, that if someone had been born of a father who was a stone mason, he would never rise above the class of a stone mason. The son of a farmer remained a farmer, and so on through the various classes of society. Each person was born to the status in which he had to exist for the rest of his life. We know that this is not so in our country.

Anyone may be exactly what he wishes to be if he has the ability and is willing to pay the price in the form of sacrifice in order to achieve his goal. I would like to mention two persons as an example of what I mean. First, an Armenian, who came to this country when he was 22 years of age. In his own native country of Armenia, he and his family had been persecuted both by the Russians and the Turks. He had little education, but he had great ability and he had ambition and the willingness to sacrifice time and effort to achieve his ambitions. He started out as a dishwasher in a small restaurant and, from that humble beginning, he rose to be one of the best known chefs in this country. Today he owns several of the leading restaurants in California. During the war he was called upon by the Government to assist in training those who were responsible for the preparation of food for our Armed Forces. At a great personal sacrifice he rendered great service to this country which he had adopted as his own. He was awarded the highest honorary award within the power of the United States Congress to give. Here was a man that one might say had no opportunity at all. He did not know the language of our country, he had the meagerest of education, and he had no skills or training to start with. He started in a humble job but, through perseverance, he was able to take advantage of the opportunity of education and the opportunity to improve his position in life that is given to all American citizens.

The second person that I would like to use as an illustration is our great President Dwight D. Eisenhower. He was one of a family of boys who were born in humble circumstances of parents that found it difficult to make a living. They were a God-fearing family, and each one worked and strived for a goal that he had set for himself. These boys have achieved a great measure of distinction in their chosen fields. One is a college president, another a bank president, another a distinguished lawyer, another a capable businessman, and one the President of the United States. Where else in this world is an opportunity given to a citizen to arise from humble circumstances to a position of distinction and importance? This opportunity to improve one's self and to advance is peculiarly an American privilege.

The fifth privilege that we have in America is one that I have referred to before. It is that of worshipping God as we individually please. In many countries of the world this privilege is not given to the individual citizens. For instance, in Russia, it is said that the right of worship is given to the individual, but the annals of current history tell us that this is more of a challenge to worship at all. This privilege is one that was sought by the hardy souls who came to this country in the early colonial days to escape religious persecution in Europe. Unfortunately, to many of us, the right to worship as we please means the right to stay home from church if we please. Since all things come to man from God, it is only fitting that we should worship him. It is a great American privilege that we have to do this in our own way.

Free Elections

The final point that I would like to emphasize about these peculiarly American privileges is that we, as Americans, have a choice in who is to be the head of our government. American elections, whether it be for those who run the affairs of our local community, our state, or our nation, are distinctly different from the methods used in other countries in the designating of those who are to be the rulers. Yes, in some countries, there are free elections, but a vast majority of the people of the world are denied the privilege of electing their own rulers. United States stands almost alone in the matter of having free elections. And how do we appreciate this privilege?

In the last presidential election, when we had the largest turnout of voters in the history of our country, the sad fact is that only 63% of those entitled to vote took the trouble to register and to actually go to the polls on election day. As a contrast to this, I would like to refer to one of the newest free nations of the world—Korea. This country for many years was a slave nation to Japan and, after World War II, obtained its freedom although there was a grasping of a large portion of it by Soviet Russian influence. After the cessation of hostilities there was an election of Southern Korea where the people were truly free. I believe I am correct in stating that 98% of those entitled to vote went to the polls and cast their ballots to select the leaders of their nation. I believe that if we went back in American history to the period immediately after the Revolutionary War, and the adoption of our present Constitution in 1790, we would find that there was a very high percentage, perhaps equal to that recently shown in Korea, of the citizens casting their ballot. But, because this is a privilege which we of today's generation accept, and for which we have not had to personally fight, we have grown to lose an appreciation of the value of the privilege.

And so, here we have among the many privileges of being an American at least six that I feel are vitally important to the individual. The privilege of being a free man, the privilege of being free from fear, the privilege of obtaining an education, the privilege to advance one's position in life, the privilege to worship as we please, and the privilege to choose our own rulers. It seems to me in view of the situation as it exists in regard to these privileges elsewhere in the world that we should be so thankful that we are in a country where such privileges are granted that they would not be accepted as commonplace things. It seems to me that, realizing this, we should have a greater respect for the things that signify America and American Government. We should have a little more respect when the symbols of American freedom are brought to our attention. What is our attitude when singing patriotic songs in addition to our great national anthem? Have we the same respect as my friend Mr. Lee had on the campus of Pennsylvania State University last year? Or are we like my associates in the dormitories that evening who paid little attention or no attention at all of the fact that a patriotic song was being sung upon on important occasion.

Lost Our Sense of Values

Because we have not personally paid the price that was necessary to gain these privileges, have we lost our sense of values regarding the things that are really worthwhile?

About 120 years ago, a young theological student at Andover Theological Seminary was given the task of translating some German songs into English for a publisher in Boston. As he read and translated these old German songs, he was particularly impressed with the patriotic songs for children which the Germans had written. One night in February, 1832, he thought he would write a song of patriotic character to be used by children in kindergarten and grammar school grades. Later on, he related that it took him only about a half hour to write the song. He did not think well of it and so he put it away. Several months later, one of his classmates at Harvard University and he were talking of poetry and music, and our student asked his friend to read the song that he had written. His classmate's name was Oliver Wendell Holmes, and Holmes was so impressed with the song that he told his friend that it would make him immortal and he prevailed upon him to take it to a publisher in Boston. The song was published and has been used in our schools ever since.

Because of its simplicity and its beauty, it has been popular these 120 years. While it was written in peace time, the song has been used in every war time period as a recruiting song and a battle song. Sometimes, as we do with other patriotic songs, we sing it unthinkingly. But, the song, emanating from the heart of a poet and a minister, is really a poem, a prayer, and a song.

As you have probably guessed by now, this man's name was Samuel Francis Smith, and the name of the song that he wrote is "My Country 'tis of Thee." Oliver Wendell Holmes pointed out to Smith that the real genious in the writing of the song was that it started out "My Country." If he had said "Our Country" there would not have been the same sense of personal responsibility of the individual that exists when the word "my" is used.

Maybe, Some Day!

"If I had one wish to be granted me, I should like to see a start made toward permanent peace in the world. Agreements between nations will not guarantee it.


Bernard M. Baruch

"There must be an international authority which owns all the natural resources and fissionable materials required to wage atomic war. The authority must also have control of the necessary scientific and metallurgical processes.

"Then all the world's atom bombs must be handed over to the authority for debombing. The danger of contamination by fall-out is thus eliminated because there would be no testing of atomic weapons. All atomic energy will be utilized for peaceful purposes." — Bernard M. Baruch.

Good enough if it can be realized, but the essence of such a utopia would be the willingness of peoples to permit it to exist—and such a state of mind would almost render the mechanism needless.

The problem is how to bring distrustful, ambitious, jealous, and imperialistic nations to such a way of thinking.

And who would really control the international authority?

C. A. Berg Opens

SPOKANE, Wash.—Clifford A. Berg is engaging in a securities business from offices at 3503 West Rockwell.

Gabriel Secs. Opens

LONG BEACH, Calif.—Gabriel Securities Corp. is engaging in a securities business from offices at 139 West Olive Street. Officers are Aaron J. Gabriel, President; Theodore Gabriel, Secretary. Mr. Gabriel was previously with Lepow Securities Corp.

Roberts Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Edward J. Ott, Jr. has been added to the staff of Roberts & Co., First National Bank Building.

Two With Goodbody

(Special to The Financial Chronicle)

MIAMI, Fla. — Grover Allison, Jr., and Kenneth R. Lindquist have joined the staff of Goodbody & Co., 14 Northeast First Avenue.

P. V. Rossini Opens

WASHINGTON TOWNSHIP, N. J.—Pierre V. Rossini is engaging in a securities business from offices at 280 Fern Street. He was formerly with General Investing Corp. and Teden & Co.

W. H. Webber Opens

TUCKAHOE, N. Y.—William H. Webber is conducting a securities business from offices at 85 Lawrence Avenue. He was previously with N. C. E. Shares Distributors.

Ernest A. Dahlgren

Ernest A. Dahlgren, associated with Paine, Webber, Jackson & Curtis, New York City, passed away Aug. 21. Mr. Dahlgren was a member of the Security Traders Association of New York.

Form Mutual Secs. Corp.

RICHMOND, Va.—Mutual Securities Corporation has been formed with offices at 402 West Main Street to engage in a securities business. Officers are Arthur C. Jones, President; Rothermel M. Duke, Executive Vice-President; Hugh R. Floyd, Secretary-Treasurer. All were formerly with Pioneer Enterprises, Inc. and Reynyx, Field & Co., Inc.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Akin Distributors, Inc.
Aug. 2 (letter of notification) 90,000 shares of class A common stock, 90,000 shares of class B common stock and 25,000 shares of preferred stock (all of $1 par value). **Price**—Of class A and class B common, $1.50 per share; and of preferred, $1 per share. **Proceeds**—To retire bank loans and for working capital. **Office**—718 South Boulder, Tulsa, Okla. **Underwriter**—May be Walston & Co., Tulsa, Okla.

All American Life & Casualty Co. (9/9)
Aug. 16 filed 300,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Sept. 6 at the rate of one new share for each six shares held; rights to expire on Sept. 23. **Price**—To be supplied by amendment. **Proceeds**—For expansion. **Office**—Park Ridge, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

Allied Paper Corp., Chicago, Ill.
July 15 filed 21,000 shares of common stock (par $8) being 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. **Exchange Agent**—Continental Illinois National Bank & Trust Co., Chicago, Ill.

● Aloe (A. S.) Co., St. Louis, Mo. (9/6)
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 (9/11)
June 28 filed 200,000 shares of common stock (par $1). **Price**—$7 per share. **Proceeds** — For expansion, repayment of loans and for working capital. **Underwriter**—Van Alstyne, Noel & Co., New York.

American Income Fund, Inc., New York
May 24 filed 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. Burton H. Jackson is President. **Investment Adviser** — Securities Cycle Research Corp., New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

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.

● Amphenol Electronics Corp. (9/10)
Aug. 21 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For acquisition program, including acquisition of Danbury-Knudsen, Inc. **Underwriter**—Hornblower & Weeks, New York.

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.

● Bankers Fire & Marine Insurance Co.
April 25 (letter of notification) 19,894 shares of common stock (par $5) to be offered to stockholders on a basis of two new shares for each 11 shares held. **Price**—$11 per share. **Proceeds**—To increase capital and surplus accounts. **Office**—312 N. 23rd Street, Birmingham 3, Ala. **Underwriter**—None. Statement withdrawn Aug. 15.

Belgium (Kingdom of) (9/11)
Aug. 20 filed $30,000,000 of external loan 15-year sinking fund bonds due 1972 (U. S. dollars). **Price**—To be supplied by amendment. **Proceeds** — To finance various public works projects being undertaken by the Belgian Government. **Underwriters**—Morgan Stanley & Co. and Smith, Barney & Co., both of 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.

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.

★ California Electric Power Co. (9/17)
Aug. 23 filed 140,000 shares of cumulative preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term bank loans. **Underwriters**—Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York.

★ Calunite Corp.
Aug. 19 (letter of notification) 125,000 shares of $1 par common stock (in addition to 175,000 common shares, or 35,000 shares of $5 par preferred stock to be offered to creditors). **Price**—At par. **Proceeds**—For payment of current liabilities and working capital. **Office**—10 Rockefeller Plaza, New York, N. Y. **Underwriter**—None.

Calvert Drilling, Inc., Olney, Ill. (9/10)
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. Stop order proceedings instituted.

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 Pipeline Co., Greenville, S. C. (9/11)
Aug. 16 filed $1,050,000 of 7% subordinate interim notes due 1963 and 42,000 shares of common stock (par $1) to be offered in units of $25 of notes and one share of stock. **Price**—To be supplied by amendment. **Proceeds**—For construction of pipe line. **Underwriters** — White, Weld & Co., New York, and Scott, Horner & Co., Lynchburg, Va.

Carolina Pipeline Co., Greenville, S. C. (9/11)
Aug. 16 filed 300,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For construction of pipe line. **Underwriters**—White, Weld & Co., New York; and Scott, Horner & Co., Lynchburg, Va.

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.
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.

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.

★ Columbia Coliseum Corp.
Aug. 20 (letter of notification) 2,773 shares of 5% participating preferred stock (par $20) and 7,600 shares of common stock (par 10 cents). **Price**—At par. **Proceeds**—For purchase of a nine acre tract of land on which to erect a coliseum and sports arena. **Office**—920 Opal Street, Pasco, Wash. **Underwriter**—None.

● Comico Corp., Memphis, Tenn. (9/9-13)
May 2 filed 750,000 shares of common stock. **Price**—$2 per share. **Proceeds**—To construct mill; for payment on mining leases and royalty agreement. **Underwriter**—Southeastern Securities Corp., New York.

Consolidated Fenimore Iron Mines, Ltd.
June 26 (letter of notification) 150,000 shares of common stock (par $7). **Price**—At market (closing price on Toronto Stock Exchange as of June 14, 1957 was $1.82 bid and $1.85 asked, per share). **Proceeds**—For mining expenses. **Office**—c/o Roy Peers, 9 De Casson Rd., Montreal, Canada. **Underwriters**—Thomason, Kernaghan & Co., Ltd., Toronto, Canada, and R. P. Mills & Co., Ltd., Montreal, Canada.

Consolidated Natural Gas Co. (9/17)
Aug. 15 filed $30,000,000 of debentures due Sept. 1, 1982. **Proceeds**—For construction program. **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 at Room 3000, 30 Rockefeller Plaza, New York 20, N. Y.

★ Consumers Power Co. (9/23)
Aug. 23 filed $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.

● 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. Statement withdrawn on June 28.

Cougar Mine Development Corp.
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J.

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

Dilbert's Quality Super Markets, Inc. (9/9-13)
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.

● Eagle Oil & Supply Co., Inc. (9/23-27)
Aug. 16 (letter of notification) 125,000 shares of common stock (par $1). **Price**—$1.20 per share. **Proceeds**—For working capital. **Office**—77 Woodbine St., Quincy, Mass. **Underwriter**—Pilgrim Securities, Inc., New York, N. Y.

● El Paso Natural Gas Co.
Aug. 7 filed $60,000,000 convertible debentures due Sept. 1, 1977 being offered for subscription by common and common B stockholders of record Aug. 26, 1957 on the basis of $100 of debentures for each 29 common shares held; 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.

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.
Aug. 9 filed 88,761 shares of common stock (no par) to be offered for subscription by common stockholders of record August 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. **Offering**—Expected today (Aug. 29).

★ Fall River Power Co., Colorado Springs, Colo.
Aug. 23 filed 500,000 shares of common stock (no par). **Price**—$2 per share. **Proceeds**—To pay off note, purchase equipment and milling facilities, for development work, and for acquisition of additional property, working capital and other corporate purposes. **Underwriter**—None.

Federal Insurance Co.
June 7 filed 400,000 shares of capital stock (par $4) being offered in exchange for 100,000 shares of Colonial Life Insurance Co. of America capital stock (par $10) on the basis of four Federal shares for each Colonial Share. Offer has become effective upon acceptance by holders of more than 95% of Colonial stock and will con-

tinue to and including Sept. 20, when it expires. **Dealer-Managers**—The First Boston Corp. and Spencer Trask & Co., both off 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.

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.

Foremost Dairies, Inc., Jacksonville, Fla. (9/4)
Aug. 16 filed 200,000 shares of common stock (par $2). **Price**—To be supplied by amendment. **Proceeds** — To Grover D. Turnbow, President, who is the selling stockholder. **Underwriters**—Dean Witter & Co. and Allen & Co., both of New York.

★ **Forest Laboratories, Inc., Brooklyn, N. Y.**
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

★ **Friendly Finance, Inc., Paducah, Ky.**
Aug. 26 (letter of notification) 20,375 shares of non-voting class B common stock (par $1), to be offered to holders of warrants issued March 28, 1957 to holders of 6% subordinated debentures pursuant to an exchange offer on the basis of five shares of class B stock for each $100 of debentures. **Price**—$2 per share. **Proceeds**—For working capital. **Office**—2517 Bridge St., Paducah, Ky. **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 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 were offered to the public at par and accrued dividends. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York.

General Telephone Corp., New York
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) which were offered in exchange for common and preferred stocks of Peninsular Telephone Co. on the basis of 1.3 shares of General common for each share of Peninsular common, and one-half share of General preferred share for each share of Peninsular $1 pre-

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NEW ISSUE CALENDAR

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

Empire Sun Valley Mining Corp.__________Common
(John Sherry Co.) $600,000

Quaker State Foods Corp.______________Preferred
(Childs, Jefferies & Thorndike, Inc. and Syle & Co.) $91,540

Scott-Paine Marine Corp.____Preferred & Common
(Winslow, Cohu & Stetson, Inc.) $298,000

Stratford (John G.) Film Corp.__________Common
(Joseph Mandell Co.) $299,999

September 4 (Wednesday)

Foremost Dairies, Inc.__________________Common
(Dean Witter & Co. and Allen & Co.) 200,000 shs.

Louisville Gas & Electric Co.______________Bonds
(Bids 10:30 a. m. CDT) $12,000,000

Northwestern Public Service Co.____________Bonds
(Bids 10 a.m. CDT) $1,500,000

September 5 (Thursday)

Hycalog, Inc. _______________________Debentures
(Keith, Reed & Co., Inc.; Aetna Securities Corp.; and Roman & Johnson) $300,000

Silvray Lighting, Inc.___________________Common
(Auchincloss, Parker & Redpath; Milton D. Blauner & Co., Inc. and Hallowell, Sulzberger & Co.) 237,039 shs.

Southern Pacific Co.____________Equip. Trust Ctfs.
(Bids noon EDT) $7,500,000

Tampa Electric Co.______________________Bonds
(Bids 11 a.m. EDT) $18,000,000

Tampa Electric Co.______________________Common
(Offering to stockholders—underwriten by Stone & Webster Securities Corp.) 217,286 shares

September 6 (Friday)

Aloe (A. S.) Co.________________________Common
(Newhard, Cook & Co. and Scherck, Richter Co.) 7,450 shares

September 9 (Monday)

All American Life & Casualty Co.________Common
(Offering to stockholders—underwritten by A. C. Allyn & Co. Inc.) 300,000 shares

Comico Corp. ___________________________Common
(Southeastern Securities Corp.) $1,500,000

Dilbert's Quality Super Markets, Inc.
____________________________ Preferred & Common
(S. D. Fuller & Co.) $1,818,000

Krueger (W. A.) Co.______________________Common
(Straus, Blosser & McDowell) $800,000

Strato-Missiles, Inc._____________________Common
(Kesselman & Co.) $300,000

September 10 (Tuesday)

Amphenol Electronics Corp.______________Common
(Hornblower & Weeks) 200,000 shs.

Calvert Drilling, Inc.____________________Common
(W. E. Hutton & Co.) 250,000 shares

Duke Power Co.___________________________Bonds
(Bids to be invited) $50,000,000

Long Island Trust Co.____________________Common
(Offering to stockholders) 26,320 shares

St. Louis County National Bank__________Common
(Offering to stockholders—to be underwritten by G. H. Walker & Co.) 30,000 shares

Scott & Fetzer Co.______________________Common
(McDonald & Co.) 38,000 shares

Westcoast Transmission Co., Ltd.______Debentures
(Eastman Dillon, Union Securities & Co.) $25,000,000

September 11 (Wednesday)

Alsco, Inc.______________________________Common
(Van Alstyne, Noel & Co.) 200,000 shares

Belgium (Kingdom of)_____________________Bonds
(Morgan Stanley & Co. and Smith, Barney & Co.) $30,000,000

Carolina Pipeline Co.____________Note & Common
(White, Weld & Co. and Scott, Horner & Co.) $1,050,000 of debs. and 42,000 common shs.

Caroline Pipeline Co.____________________Common
(White, Weld & Co. and Scott, Horner & Co.) 300,000 shs.

Hagan Chemicals & Controls, Inc.________Preferred
(Singer, Deane & Scribner) $1,500,000

Lehigh Portland Cement Co.____________Debentures
(The First Boston Corp.) $30,000,000

Lehigh Portland Cement Co.______________Common
(Offering to common stockholders—underwritten by The First Boston Corp.) 380,312 shares

New Jersey Bell Telephone Co.__________Debentures
(Bids 11 a.m. EDT) $30,000,000

Sperry Rand Corp._______________________Debentures
(Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane) $110,000,000

Texas Eastern Transmission Corp.____________Bonds
(Dillon, Read & Co. Inc.) $30,000,000

September 12 (Thursday)

Philadelphia Electric Co.___________________Bonds
(Bids noon EDT) $40,000,000

September 16 (Monday)

National Cylinder Gas Co.______________Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $17,500,000

New Haven Water Co._____________________Common
(Offering to stockholders—no underwriting) $3,000,000

Niagara Mohawk Power Corp.________________Bonds
(Bids to be invited) $50,000,000

Wisconsin Natural Gas Co.__________________Bonds
(Bids noon EDT) $2,500,000

September 17 (Tuesday)

California Electric Power Co.____________Preferred
(Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) $7,000,000

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

Homestake Mining Co.___________________Debentures
(Eastman Dillon, Union Securities & Co.) $12,000,000

Statham Instruments, Inc.________________Common
(Blyth & Co., Inc.) 200,000 shares

UBS Chemical Corp.______________________Common
(G. H. Walker & Co.) 59,400 shares

September 18 (Wednesday)

Pacific Power & Light Co.____________________Bonds
(Bids noon EDT) $20,000,000

September 19 (Thursday)

Norfolk & Western Ry.______Equipment Trust Ctfs.
(Bids noon EDT) $4,260,000

September 20 (Friday)

Jefferson Lake Sulphur Co.__________________Common
(Offering to stockholders—underwritten by Hornblower & Weeks and Robert Garrett & Sons) between 143,000 to 150,00 shares

September 23 (Monday)

Consumers Power Co.________________________Bonds
(Bids 11:30 a.m. EDT) $35,000,000

Eagle Oil & Supply Co., Inc.______________Common
(Pilgrim Securities, Inc.) $150,000

Northern Indiana Public Service Co.________Bonds
(Bids to be invited) $20,000,000

Roach (Hal) Productions____________________Common
(S. D. Fuller & Co.) $1,125,000

Wisconsin Public Service Co._______________Common
(Offering to stockholders—underwritten by The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Robert W. Baird & Co., Inc.; and William Blair & Co.) 253,494 shares

September 24 (Tuesday)

Utah Power & Light Co.______________________Bonds
(Bids noon EDT) $15,000,000

Utah Power & Light Co.______________________Common
(Bids noon EDT) 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 noon EDT) $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 10 (Thursday)

Colorado Fuel & Iron Corp.___________________Bonds
(Allen & Co.) about $40,000,000

Toledo Terminal RR.__________________________Bonds
(Bids to be invited) $6,000,000

October 14 (Monday)

California Oregon Power Co.__________________Bonds
(Bids to be received) $10,000,000

October 16 (Wednesday)

Consumers Power Co._______________________Debentures
(Offering to common stockholders—to be underwritten by Morgan Stanley & Co.) $35,156,760

Pennsylvania Power Co._______________________Bonds
(Bids to be invited) $8,000,000

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 6 (Wednesday)

Merrimack-Essex Electric Co.__________________Bonds
(Bids to be invited) $20,000,000

November 19 (Tuesday)

Lawrence Gas Co.______________________________Bonds
(Bids to be invited) $2,000,000

Mystic Valley Gas Co.__________________________Bonds
(Bids to be invited) $3,500,000

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

December 11 (Wednesday)

Suburban Electric Co.__________________________Bonds
(Bids to be invited) $4,500,000

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ferred, $1.30 preferred and $1.32 preferred. Offer to preferred stockholders expired on Aug. 14 and that to common stockholders of Peninsular extended to Sept. 13. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

Genie Craft Corp.
Aug. 8 (letter of notification) $100,000 of 10-year 6% convertible debentures and 120,000 shares of common stock (par 10 cents) to be offered in units of one $50 debenture and 20 shares of common stock. **Price**—$100 per unit. **Proceeds**—To discharge short term obligations; purchase merchandise inventory; and for working capital. **Office** — 1022 18st St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

★ Genisco, Inc., Los Angeles, Calif.
Aug. 16 (letter of notification) 3,500 shares of common stock (par $1). **Price**—At market. **Proceeds**—To selling stockholder. **Underwriter**—Lester, Ryons & Co., Los Angeles, Calif.

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.

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 held with an oversubscription privilege. **Price**—$1.25 per share. **Proceeds**—For exploration costs, improvements, expansion, etc. **Office**—Los Angeles, Calif. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

★ Gurries Manufacturing Co.
Aug. 20 (letter of notification) 12,000 shares of common stock (par $10) to be offered to a restricted group of named individuals. **Price**—$12.50 per share (minimum sale 500 shares). **Proceeds**—To pay current indebtedness and for working capital. **Office**—1720 S. First Street, San Jose, Calif. **Underwriter** — Hooker & Fay, San Francisco, Calif.

Hagan Chemicals & Controls, Inc. (9/11)
Aug. 20 filed 30,000 shares of cumulative convertible preferred stock (par $50). **Price** — To be supplied by amendment. **Proceeds** — For construction of research laboratory and working capital. **Underwriter** — Singer, Deane & Scribner, Pittsburgh, Pa.

★ Harley Patents, Inc.
Aug. 16 (letter of notification) 200 shares of 5% cumulative preferred stock (par $100), to be offered in exchange for $20,000 of 4% notes now outstanding on the basis of one preferred share for each $100 of notes. **Office**—154 East 37th St., New York 16, N. Y.

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.

★ Homestake Mining Co. (9/17)
Aug. 22 filed $5,000,000 of subordinate convertible debentures due 1972. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and development of certain uranium properties and acquisition of additional mining properties. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

★ Homestake Mining Co. (9/17)
Aug. 22 filed $7,000,000 of sinking fund debentures due 1969. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for development of certain uranium properties and acquisition of additional mining properties. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

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.

★ Hudson's Bay Oil & Gas Co. Ltd.
Aug. 27 filed 1,750,000 shares of capital stock (par $2.50) to be offered for subscription by stockholders of Continental Oil Co. and by holders of ordinary shares of The Governor and Company of Adventurers of England Trading into Hudson's Bay ("Hudson's Bay Co."). The offering to stockholders of Continental Oil is to be at the rate of one share for each 15 shares of Continental Oil stock held of record Sept. 16, 1957, while the offering to holders of ordinary shares of Hudson's Bay Co. is to be at the rate of 1 1/6 shares of Hudson's Bay Oil & Gas stock for each 15 ordinary shares held of record Sept. 3, 1957. **Price** — To be supplied by amendment. **Proceeds**—For development and exploration costs. **Office**—Calgary, Alta., Canada. **Underwriter**—None. Continental Oil and Hudson's Bay Co. have agreed to purchase 75% and 25% respectively, of the shares which shall not be subscribed for by the stockholders of the two companies.

★ Hutchinson Telephone Co., Hutchinson, Minn.
Aug. 21 (letter of notification) 1,697 shares of common stock to be offered for subscription by common stockholders on the basis of one new share for each five shares held as of Aug. 20, 1957. **Price**—At par ($10 per share). **Proceeds**—For expansion of plant. **Underwriter**—None.

Hycalog, Inc. (9/5)
July 24 (letter of notification) $300,000 of 6¾% convertible debentures due Sept. 1, 1967 to be first offered for subscription by stockholders. **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.

Inland Western Loan & Finance Corp.
Aug. 16 filed 2,500,000 shares of class A non-voting common stock (par $1) to be offered for subscription by holders of special participation life or endowment contracts issued by Commercial Life Insurance Co. **Price**—$1.50 per share. **Proceeds**—For operating capital for two subsidiaries and to finance expansion program. **Office**—Phoenix, Ariz. **Underwriter**—None.

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. Statement withdrawn July 15.

International Insurance Investments, Inc., Englewood, Colo.
July 29 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For operation of an insurance company in Colorado through its subsidiaries. **Underwriter**—American Underwriters, Inc., Englewood, Colo.

Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

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.

★ Jefferson Lake Sulphur Co. (9/20)
Aug. 27 filed an undetermined number of shares of common stock (par $1), may be between 143,000 to 150,000 shares, to be offered for subscription by common stockholders of record Sept. 19, 1957, on the basis of one new share for each five shares held; rights to expire on Oct. 7. **Price**—To be supplied by amendment. **Proceeds**—To increase working capital and for development of new projects in the United States and Canada. **Underwriters**—Hornblower & Weeks, New York, N. Y.; and Robert Garrett & Sons, Baltimore, Md.

★ "Koor" Industries & Crafts Co., Ltd.
Aug. 26 filed 30,000 shares of 6½% cumulative participating preferred stock (par IL 180—$100). **Price**—$100 per share (payable in cash or up to certain limits, in State of Israel Independence Issue Bonds and State of Israel Development Issue Bonds). **Proceeds** — For advances to subsidiaries in connection with their expansion programs. **Office**—Haifa, Israel. **Underwriter**—None.

Krueger (W. A.) Co., Milwaukee, Wis. (9/9-13)
Aug. 12 filed 100,000 shares of common stock (par $5). **Price**—$8 per share. **Proceeds**—For construction of new plant, for payment of equipment notes, etc., and for working capital. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill.

Lehigh Portland Cement Co. (9/11)
Aug. 20 filed $30,000,000 of sinking fund debentures due 1979. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion and working capital. **Office**—Allentown, Pa. **Underwriter**—The First Boston Corp., New York.

Lehigh Portland Cement Co. (9/11)
Aug. 20 filed 380,312 shares of common stock (par $15) to be offered for subscription by common stockholders of record Sept. 10, 1957 on the basis of one new share for each 10 shares held; rights to expire on Sept. 25, 1957. **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Underwriter**—The First Boston Corp., New York.

★ Lehigh Spinning Co., Allentown, Pa.
Aug. 16 (letter of notification) $245,000 of 6% subordinated convertible debentures due 1972. **Price** — At par. **Proceeds**—To redeem outstanding preferred stock. **Underwriter**—Warren W. York & Co., Inc., Allentown, Pennsylvania.

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 at Room 1100, 231 So. La Salle Street, Chicago 4, Illinois.

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.

★ Maine Insurance Co., Portland, Me.
Aug. 22 filed 53,500 shares of capital stock (par $3), of which 11,000 shares, at $5.31¼ per share, are to be offered for subscription by stockholders of record July 1, 1957 at the rate of one new share for each share held. The remaining 42,500 shares are to be offered to directors, employees and agents of the company for a period of 14 days at $5.62½ per share. **Price**—$6.25 to public. **Proceeds**—To increase capital and surplus. **Underwriter**—First Maine Corp., Portland, Me. Burton M. Cross, President, will purchase any shares not subscribed for by stockholders.

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.

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.

Molybdenum Corp. of America
Aug. 14 filed 196,994 shares of common stock (par $1) and stock purchase warrants to buy an additional 196,994 shares of common stock to be offered for subscription by common stockholders in units of one share and one warrant for each seven shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Office** — Grant Bldg., Pittsburgh, Pa. **Underwriter**—None.

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.

Mortgage Clubs of America, Inc.
Aug. 19 filed $1,000,000 of participation units in second mortgages of real estate to be offered for public sale in units of $100, plus a sales commission of $10 per unit to the company. **Proceeds**—To be invested in small loans secured by second mortgage on home properties. **Office**—Springfield, Mass. **Underwriter**—None. Charles Hershman is President.

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.

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 Cylinder Gas Co. (9/16-20)**
Aug. 28 filed $17,500,000 of subordinated debentures due Sept. 1, 1977 (convertible on or before Sept. 1, 1967). **Price** — To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

★ **National Security Insurance Co., Elba, Ala.**
Aug. 19 (letter of notification) 23,400 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—For surplus account and to enlarge mortgage loan department. **Underwriter**—None.

● **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. Statement withdrawn July 11.

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.

New Jersey Bell Telephone Co. (9/11)
Aug. 16 filed $30,000,000 of 36-year debentures due Sept. 1, 1993. **Proceeds** — To repay advances from parent, American Telephone & Telegraph Co. **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 up to 11 a.m. (EDT) on Sept. 11 at Room 2315, 195 Broadway, New York, N. Y.

★ **Niagara Mohawk Power Corp. (9/16)**
Aug. 27 filed $50,000,000 of general 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.; The First Boston Corp.; Morgan Stanley & Co.; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on Sept. 16.

● **Northwestern Public Service Co. (9/4)**
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**—To be received up to 10 a.m. (CDT) on Sept. 4 at Room 1705, 231 So. La Salle St., Chicago 4, Ill.

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.

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 up to noon (EDT) on Sept. 18.

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.

★ **Pemberthy Instrument Co., Inc.**
Aug. 15 (letter of notification) 78,480 shares of class A non-voting common stock (par $2.50) and 8,720 shares of class B common stock (par $2.50) to be offered in units of nine shares of class A stock and one share of class B stock. **Price**—$30.50 per unit ($3 per share for class A stock and $3.50 per share for class B stock). **Proceeds**—For purchase of new equipment and working capital. **Office**—4301—6th South, Seattle 8, Wash. **Underwriter**—None.

★ **Philadelphia Electric Co. (9/12)**
Aug. 20 filed $40,000,000 of first and refunding mortgage bonds due 1987. **Proceeds**—To reduce bank loans and 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.

★ **Pioneer Investment Co.**
Aug. 15 (letter of notification) 100 shares of common stock (par $100) and $100,000 of 7% subordinated debenture notes (payable in one, two or three years from date). **Price**—At par. **Proceeds**—To retire bank lines of credit and to increase outstanding loans receivable. **Address** — P. O. Box 285, Terrenos Bldg., Taos, N. M. **Underwriter**—None.

● **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. Statement effective Aug. 1.

● **Precision Transformer Corp. (9/5)**
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. May be sold privately.

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.

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. **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilor mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

Regency Fund, Inc., New York
Aug. 15 filed 1,500,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—For investment. **Former Name**—Trinity Place Fund, Inc. **Office**—350 Fifth Ave., New York, N. Y.

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 (9/23-27)**
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. **Office**—Culver City, Calif. **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.

★ **Russell Reinforced Plastics Corp.**
Aug. 21 (letter of notification) 12,884 shares of class B stock (par five cents). **Price**—At market (around $1.25-$1.50 per share). **Proceeds**—To three selling stockholders. **Office**—521 West Hoffman Ave., Lindenhurst, N. Y. **Underwriter**—Aetna Securities Corp., New York.

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.

★ **Sanitary Dishwasher Co., Inc.**
Aug. 22 (letter of notification) 50,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—354 West 44th St., New York 36, N. Y. **Underwriter**—None.

● **Scott & Fetzer Co., Cleveland, O. (9/10)**
Aug. 15 filed 38,000 shares of common stock (par $5). **Price** — To be supplied by amendment. **Proceeds** — To selling stockholders. **Underwriter** — McDonald & Co., Cleveland, O.

Scott-Paine Marine Corp. (9/3)
Aug. 8 (letter of notification) 5,960 shares of 6% cumulative preferred stock (par $47.50) and 14,900 shares of common stock (par $1) to be offered in units of five shares of common and two shares of preferred. **Price**—$100 per unit. **Proceeds**—For constructing and operating "marinas," modern boat basins providing berthing facilities and all types of related services for pleasure craft. **Office**—105 Bedford St., Stamford, Conn. **Underwriter**—Winslow, Cohu & Stetson, Inc., New York, N. Y.

Seminole Oil & Gas Corp., Tulsa, Okla.
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.

Silvray Lighting, Inc., Bound Brook, N. J. (9/5)
Aug. 14 filed 237,039 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To Estate of M. B. Beck, deceased. **Underwriters**—Auchincloss, Parker & Redpath and Milton D. Blauner & Co., Inc., both of New York; and Hallowell, Sulzberger & Co., Philadelphia, Pa.

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 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. Statement to be withdrawn from SEC and the issue qualified for sale only in Florida to bona fide residents of that state.

Sperry Rand Corp., New York (9/11)
Aug. 16 filed $110,000,000 of sinking fund debentures due Sept. 1, 1982 (with common stock purchase warrants). **Price**—To be supplied by amendment. **Proceeds** — For capital expenditures and working capital. **Underwriters**—Lehman Brothers and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

★ **Statham Instruments, Inc., Los Angeles, Calif. (9/17)**
Aug. 27 filed 200,000 shares of common stock (par $1), of which 100,000 shares are to be sold for account of company and 100,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For purchase of land and construction of plant. **Underwriter**—Blyth & Co., Inc., Los Angeles, Calif.

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.

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. (9/9-13)**
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.

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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. (9/11)
Aug. 22 filed $30,000,000 of first mortgage pipe line bonds due 1977. **Price**—To be supplied by amendment. **Proceeds**—For gas expansion programs and reconversion program. **Underwriter**—Dillon, Read & Co. Inc., New York.

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.
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. **Offering**—Expected this week.

★ Thermal Power Co.
Aug. 16 (letter of notification) 99,999 shares of common stock to be offered to stockholders on the basis of one new share for each two shares held. **Price**—At par ($1 per share). **Proceeds**—To complete drilling of test wells commenced to determine ultimate volume of steam available for commercial use. **Office**—593 Market Street, San Francisco, Calif. **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.

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.

★ U B S Chemical Corp., Cambridge, Mass. (9/17)
Aug. 23 filed 59,400 shares of common stock (par $1), of which 34,000 shares are to be sold for account of company and 25,400 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—To retire 565 prior preferred shares at $103 per share, plus accrued dividends; and for capital expenditures and working capital. **Underwriter**—G. H. Walker & Co., New York.

United Utilities, Inc.
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. **Offering**—Expected today (Aug. 29).

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.

★ Utah Power & Light Co. (9/24)
Aug. 22 filed $15,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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, Sterns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids** — Tentatively scheduled to be received up to noon (EDT) on Sept. 24.

★ Utah Power & Light Co. (9/24)
Aug. 22 filed 400,000 shares of common stock (par $12.80). **Proceeds**—To repay bank loans and for new construction. **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 up to noon (EDT) on Sept. 24.

★ Vitamin Council, Inc.
Aug. 19 (letter of notification) 500 shares of class B common stock to be offered to selected pharmacists (purchases to be limited to five shares per subscriber). **Price**—At par ($100 per share). **Proceeds**—For working capital, including additional inventory. **Office**—277 W. Kellogg Boulevard, St. Paul, Minn. **Underwriter**—None.

★ Washington General Insurance Corp.
Aug. 16 (letter of notification) 4,500 shares of common stock (par $5). **Price** — $10 per share. **Proceeds** — For working capital. **Office**—111 John St., New York 38, N. Y. **Underwriter**—None.

● Westcoast Transmission Co., Ltd. (9/10)
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.

★ Wey-Do Manufacturing Co., Inc.
Aug. 16 (letter of notification) 1,000 shares of common stock (no par). **Price** — $50 per share. **Proceeds** — To manufacture and sell a product known as "Viderna." **Office**—40 Remsen St., Brooklyn 1, N. Y. **Underwriter**—None.

★ Wisconsin Natural Gas Co. (9/16)
Aug. 22 filed $2,500,000 of first mortgage bonds due 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; White, Weld & Co. **Bids**—Expected to be received up to noon (EDT) on Sept. 16.

★ Wisconsin Public Service Co. (9/23)
Aug. 27 filed 253,494 shares of common stock (par $10) to be offered for subscription by common stockholders of record Sept. 20, 1957 on the basis of one new share for each 10 shares held; rights to expire on Oct. 8, 1957. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for new construction. **Underwriters** — The First Boston Corp. and Merrill Lynch, Pierce, Fenner & Beane, both of New York; Robert W. Baird & Co., Inc., Milwaukee, Wis.; and William Blair & Co., Chicago, Ill.

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.

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.

● Bank of Hawaii, Honolulu, Hawaii
Aug. 26 the Bank offered to common stockholders 55,000 additional shares of common stock (par $20) on the basis of one new share for each three shares held as of Aug. 22; rights to expire on Sept. 26. **Price**—$37.50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Byers (A. M.) Co.
May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par $100) and to increase the authorized outstanding indebtedness to $15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. **Control**—Acquired by General Tire & Rubber Co. in 1956. **Underwriter**—Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

California Oregon Power Co. (10/14)
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. **Bids**—Expected to be received on Oct. 14.

California Oregon Power Co.
Aug. 13 it was announced 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 4⅜% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

★ Chemical Corn Exchange Bank
Aug. 22 it was announced bank plans to offer to its stockholders the right to subscribe for 1,062,765 additional shares of capital stock (par $10) on the basis of one new share for each five shares held. Stockholders will vote on Sept. 17 on approving the increase in capitalization. **Price**—To be named later. **Proceeds**—To increase capital and surplus. **Underwriters** — Kuhn, Loeb & Co.; The First Boston Corp.; Hemphill, Noyes & Co., and W. C. Langley & Co. all of New York City.

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 & Ohio Ry.
Bids are expected to be received by the company in October for the purchase from it of $4,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

Colorado Fuel & Iron Corp. (10/10)
Aug. 19 it was reported company plans to issue and sell about $40,000,000 first mortgage bonds due 1977 (with stock purchase warrants). **Underwriter** — Allen & Co., New York. **Registration**—Expected around Sept. 20.

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. **Pro-**

ceeds—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

● **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**—Morgan Stanley & Co.

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 up to noon (EDT) 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.

Laclede Gas Co.
Aug. 5 it was announced company plans to raise up to $11,700,000 new money this year through sale of new securities. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly).

★ **Lawrence Gas Co. (11/19)**
Aug. 21 it was announced the company plans to issue and sell $2,000,000 first mortgage bonds, series A, due 1977. **Proceeds**—For construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be opened on Nov. 19.

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).

★ **Long Island Trust Co. (9/10)**
Aug. 26 it was announced company plans to offer to its stockholders of record Aug. 30, 1957, the right to subscribe for 26,320 additional shares of capital stock on the basis of one new share for each seven shares held. **Price** — $32 per share. **Proceeds** — To increase capital and surplus.

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.

★ **Merrimack-Essex Electric Co. (11/6)**
Aug. 21 it was announced that this company plans to issue and sell $20,000,000 of first mortgage bonds, series B, due 1987. **Proceeds**—For acquisition of properties and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; 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). **Bids**—To be opened on Nov. 6.

Middle South Utilities, Inc.
May 8 it was announced company may consider an offering of new common stock within the next year or so. **Proceeds**—About $19,000,000, for investment in common stocks of the System operating companies during the three-year period 1957, 1958 and 1959. **Underwriter**—Previous stock offering was to stockholders, without underwriting, with oversubscription privileges.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

★ **Mystic Valley Gas Co. (11/19)**
Aug. 21 it was announced company plans to issue and sell $3,500,000 first mortgage bonds, series B, due 1977. **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 Kidder, Peabody & Co. (jointly); The First Boston Corp.; Blair & Co. Incorporated; Lehman Brothers. **Bids**—To be opened on Nov. 19.

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.**

Norfolk & Western Ry. (9/19)
Bids are expected to be received by the company up to noon (EDT) on Sept. 19 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.

Northern Indiana Public Service Co. (9/23-24)
Aug. 6 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co.; Equitable Securities Corp.; The First Boston Corp.; Eastman Dillon, Union Securities & Co.; Central Republic Co. Inc., Blyth & Co. Inc., and Merrill Lynch, Pierce, Fenner & Beane (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively expected to be received on Sept. 23 or Sept. 24.

Ohio Power Co. (11/19)
May 15 it was reported that this company now plans to issue and sell $28,000,000 of first mortgage bonds and 70,000 shares of $100 par value preferred stock. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). (2) For preferred stock—Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co. Inc. and Stone & Webster Securities Corp. (jointly); The First Boston Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 19.

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.

Pennsylvania Power Co. (10/16)
Aug. 5 it was reported company plans to issue and sell $8,000,000 of first mortgage bonds due 1987. **Proceeds**—For repayment of bank loans and new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane and Dean Witter & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co.; Kuhn, Loeb & Co. **Bids**—Tentatively expected to be received on Oct. 16.

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.

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

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& 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.

St. Louis County National Bank (9/10)

Aug. 2 it was announced Bank plans to offer to its stockholders of record Sept. 9, 1957 the right to subscribe for 30,000 additional shares of capital stock (par $10) on the basis of one new share for each 5⅔ shares held; rights to expire on or about Sept. 30, 1957. **Underwriter**—G. H. Walker & Co., St. Louis, Mo.

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 Pacific Co. (9/5)

Bids will be received by the company at 165 Broadway, New York, N. Y., up to noon (EDT) on Sept. 5 for the purchase from it of $7,500,000 equipment trust certificates, series YY; due annually from Aug. 1, 1958 to 1972, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Southern Union Gas Co.

May 16 it was reported company plans to issue and sell about $10,000,000 of debentures this summer. **Proceeds**—For construction program. **Underwriter**—May be Blair & Co. Incorporated, New York.

Southwestern Bell Telephone Co. (10/1)

May 24 directors approved the issuance of $100,000,000 new debentures. **Proceeds**—For expansion program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Tentatively expected to be received on Oct. 1.

★ **Suburban Electric Co. (12/11)**

Aug. 21 it was announced company plans to issue and sell $4,500,000 of first mortgage bonds, series B, due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Blair & Co. Incorporated. **Bids**—To be opened on Dec. 11.

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.

Toledo Terminal RR. (10/10)

Aug. 12 it was reported company plans to issue and sell $6,000,000 of first mortgage bonds. **Proceeds**—To refund like amount of bonds maturing on Nov. 1, 1957. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. **Bids**—Tentatively expected to be received on Oct. 10.

Transcon Lines, Los Angeles, Calif.

Aug. 12 it was reported company plans issue and sale in October of 40,000 shares of common stock (par $2.50). **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

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.

Valley Gas Co.

April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.

April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Virginia Electric & Power Co. (12/3)

March 8 it was announced company plans to sell $20,000,000 of first mortgage bonds. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 3.

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.**

Aug. 27 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds late in 1957. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—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.

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

The new issue market continues to give off an air of buoyancy helped by the decidedly good reception being accorded current corporate emissions in the way of debt securities.

But even the most optimistic among market observers are not disposed to anticipate much more in the way of price improvement. Rather the tendency is to expect some tapering off in recent demand.

Looking over the heavy calendar of new offerings scheduled for September the general belief in underwriting and distributing circles is that large-scale, or institutional, buyers probably will be inclined to "sit on their hands" for a spell.

While there is plenty of money around for investment there is little likelihood of prospective buyers bidding against themselves. Quite the reverse, after long years of thin fare in an admittedly artificial money market these buyers only recently have been realizing their long-held hopes.

They have been able to look at yields which have not been obtainable in a quarter of a century. And, while they like it, they are not going to be spurred into any buying rush.

They know this is a "buyers' market" in a sense some of them have not known in entire careers. And they naturally are expecting to make the most of it. Dealers realize this and are prepared to cope with the new situation.

Quick Premium

Investors who go for a "hedge" went for El Paso Natural Gas Co.'s $60 million, of 20-year convertible debentures, which were offered first to the company's common and common B stockholders.

Priced at par and carrying a 5¼% coupon and a similar yield, the debentures moved quickly to a premium, selling at 104 in "when-issued" trading.

Buyers evidently were attracted not alone by the maturity, which probably fitted many portfolios readily, but also by the conversion terms. The issue is convertible into common stock through Aug. 31, 1967, unless called for previous redemption, at a price of $35 a share.

The issue also is redeemable at the company's option at prices ranging from 105¼ to 100, plus interest, and has the benefit of a sinking fund designed to retire semi-annually, starting Mar. 1, 1968, at $100 and interest, 5% of the principal amount outstanding on Aug. 31, 1967.

Well Bought

Southern California Edison Co.'s $40 million of 25-year first and refunding bonds, brought to market at 101.085 to yield around 4.80% met with good reception when the books were opened.

Bidding for the issue produced keen competition among four banking aggregations. And the lowest of the three unsuccessful bids was less than $6 per $1,000 bond under that of the winning group.

Presumably the fact that underwriters bidding for the issue appeared to be thinking pretty much along the same lines for repricing, proved helpful to the group which took the bonds down.

Bankers' Poll Shows "Tightness" of Bank Credit Is Exaggerated

Reports that heavy demands for credit plus the restrictive monetary policies of the Federal Reserve System have caused a serious tightness of bank credit are considerably exaggerated, it is indicated by a survey of banks just completed by the Department of Monetary Policy of the American Bankers Association. The survey shows that 32.5% of the polled banks consider bank credit "readily available" in their localities, and another 55.5% consider it to be only "somewhat tight."

More than 1,400 commercial banks participated in the survey, which was conducted by the Department to explore the effects of monetary policy on bank lending and investments.

The survey shows that Federal Reserve policy has brought about greater selectivity in bank lending, but that in general adequate short-term credit is available for businessmen, consumers, and farmers. Of the responding banks, 45.5% reported that they were more selective in making business loans, and 53.6% reported no change in policy. In consumer lending, 40.8% of the banks noted greater selectivity, while 54.5% reported no change. Sixty-two per cent of the banks said that they had not changed their lending policies for agricultural loans.

Greater selectivity embraces generally stricter screening of loan applications—more thorough credit review, more consideration to past relationship with the loan applicant, and the like—as well as the adoption of somewhat faster repayment schedules and limiting lending to the bank's established customers.

Many rural banks noted that crop conditions affect their lending policies more than the monetary policy of the Federal Reserve. Bearing this out, the shift to greater selectivity was noted to a lesser extent among the smaller banks. Of banks with deposits of under $10 million—well over three-fourths of the banks in the country—92.5% reported that credit was readily available or only somewhat tight. Of banks with deposits of over $500 million, 58.5% reported the same conditions.

The Department of Monetary Policy, pointed out that "it is obviously significant that small- and medium-sized banks, whose business loans consist predominently of credits extended to small concerns, have been less affected by the tightening of credit than the larger banks. Also, the great majority of banks, and especially the small- and medium-sized banks, report that greater selectivity has had not much influence on the aggregate total of their lending."

The survey asked bankers for their judgment as to how many small business firms in their localities are suffering from inability to obtain as much credit as they really deserve. Less than 2% answered "quite a number"; 27% said "relatively few"; and more than 71% reported "very few, if any."

The survey shows that banks have slowed down on mortgage loans more than on any other type of credit. Seventy-one per cent reported less interest in making FHA or VA mortgages, and 61.3% have slowed down on other real estate loans. The majority of the banks attributed this change more to an overall shortage of savings deposits relative to mortgage demand than any result of Federal Reserve policies. Other reasons mentioned by bankers were:

Less unfilled demand for housing: Mentioned by 50.9%.

Unattractiveness of rates on FHA and VA mortgages: Mentioned by 46.1%.

High building costs: Mentioned by 31.4%.

The survey indicates that there are several reasons for the increasing selectivity in bank lending. The Department explained that "with loans expanding and deposit volume held down, banks' ratios of loans to deposits have risen sharply. This has caused more and more banks, especially over the past year, to feel that they are approaching a loaned-up position. Of the banks replying to the survey who indicated that they have adopted more conservative policies, 44% mentioned this decline in bank liquidity as being one of the chief reasons. Other factors mentioned as having importantly affected lending policies were:

Concern over economic trends: Mentioned by 44%.

Desire to cooperate with Federal Reserve policy: Mentioned by 23%.

Decline in bond prices: Mentioned by 15%.

The survey showed that bankers are nearly unanimous in approving Federal Reserve policy. When asked for their appraisal of Reserve policy over the past year from the standpoint of public welfare, the results were:

"About right": 83%.
"Too restrictive": 5%.
"Too easy": 2%.
"No opinion": 10%.

"This is indeed an impressive endorsement," the Department noted, "especially in view of the extent to which monetary policy has held down the growth of bank assets and in view of the substantial market depreciation that has developed in bank bank portfolios."

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)	Sept. 1	§83.3	*82.1	79.4	97.0
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 1	§2,132,000	*2,101,000	2,033,000	2,389,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 16	6,836,850	6,797,400	6,947,100	7,122,100
Crude runs to stills—daily average (bbls.)	Aug. 16	¶7,969,000	8,008,000	7,749,000	7,899,000
Gasoline output (bbls.)	Aug. 16	27,261,000	27,797,000	26,469,000	27,372,000
Kerosene output (bbls.)	Aug. 16	1,852,000	2,068,000	1,717,000	2,268,000
Distillate fuel oil output (bbls.)	Aug. 16	12,425,000	12,077,000	12,048,000	12,687,000
Residual fuel oil output (bbls.)	Aug. 16	7,843,000	7,548,000	7,539,000	7,896,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 16	172,136,000	172,973,000	178,267,000	176,202,000
Kerosene (bbls.) at	Aug. 16	33,021,000	32,554,000	29,627,000	30,717,000
Distillate fuel oil (bbls.) at	Aug. 16	146,703,000	141,999,000	129,798,000	128,934,000
Residual fuel oil (bbls.) at	Aug. 16	50,923,000	50,138,000	48,314,000	44,996,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 17	750,640	740,471	743,359	769,644
Revenue freight received from connections (no. of cars)	Aug. 17	606,828	604,541	571,289	618,501
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 22	$257,744,000	$411,917,000	$393,636,000	$321,458,000
Private construction	Aug. 22	104,251,000	229,798,000	113,616,000	151,690,000
Public construction	Aug. 22	153,493,000	182,119,000	280,020,000	169,768,000
State and municipal	Aug. 22	121,201,000	154,732,000	233,782,000	149,396,000
Federal	Aug. 22	32,292,000	27,387,000	46,238,000	20,372,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 17	9,600,000	*9,620,000	9,940,000	9,758,000
Pennsylvania anthracite (tons)	Aug. 17	470,000	512,000	437,000	576,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 17	115	110	101	111
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 24	12,023,000	12,409,000	12,243,000	11,340,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 22	260	222	228	215
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 20	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Aug. 20	$66.40	$66.40	*$66.40	$63.15
Scrap steel (per gross ton)	Aug. 20	$53.00	$53.50	$53.83	$57.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 21	27.900c	23.075c	28.600c	39.700c
Export refinery at	Aug. 21	25.900c	25.875c	26.450c	37.225c
Lead (New York) at	Aug. 21	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	Aug. 21	13.800c	13.800c	13.800c	15.800c
‡Zinc (delivered) at	Aug. 21	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Aug. 21	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Aug. 21	26.000c	26.000c	25.000c	25.000c
Straits tin (New York) at	Aug. 21	94.125c	94.250c	96.250c	98.875c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 27	87.52	86.85	86.54	91.22
Average corporate	Aug. 27	90.20	90.63	91.77	101.47
Aaa	Aug. 27	94.26	94.41	95.77	104.66
Aa	Aug. 27	92.64	93.08	94.12	103.47
A	Aug. 27	90.34	90.91	92.20	101.47
Baa	Aug. 27	84.04	84.43	85.46	96.69
Railroad Group	Aug. 27	88.40	88.67	89.92	99.68
Public Utilities Group	Aug. 27	90.63	91.05	92.93	102.13
Industrials Group	Aug. 27	91.62	91.91	92.50	102.63
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 27	3.57	3.63	3.67	3.20
Average corporate	Aug. 27	4.40	4.37	4.29	3.66
Aaa	Aug. 27	4.12	4.11	4.02	3.47
Aa	Aug. 27	4.23	4.20	4.13	3.54
A	Aug. 27	4.39	4.35	4.26	3.66
Baa	Aug. 27	4.86	4.83	4.75	3.96
Railroad Group	Aug. 27	4.53	4.51	4.42	3.77
Public Utilities Group	Aug. 27	4.37	4.34	4.21	3.62
Industrials Group	Aug. 27	4.30	4.28	4.24	3.59
MOODY'S COMMODITY INDEX	Aug. 27	419.2	420.4	427.6	426.9
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 17	260,018	272,100	249,882	224,619
Production (tons)	Aug. 17	286,966	279,462	264,778	273,756
Percentage of activity	Aug. 17	94	92	87	95
Unfilled orders (tons) at end of period	Aug. 17	477,075	504,138	464,699	468,690
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Aug. 23	110.39	110.36	110.27	108.93
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 3	1,195,170	1,160,960	1,282,590	1,592,310
Short sales	Aug. 3	210,600	195,480	234,570	298,920
Other sales	Aug. 3	1,039,990	1,035,280	1,008,240	1,297,710
Total sales	Aug. 3	1,250,590	1,230,760	1,242,810	1,596,630
Other transactions initiated on the floor—					
Total purchases	Aug. 3	152,970	221,320	218,450	314,930
Short sales	Aug. 3	12,300	11,400	17,700	16,800
Other sales	Aug. 3	145,720	224,630	215,360	291,720
Total sales	Aug. 3	158,020	236,030	233,060	308,520
Other transactions initiated off the floor—					
Total purchases	Aug. 3	340,870	366,560	480,800	668,890
Short sales	Aug. 3	47,190	54,470	78,050	98,300
Other sales	Aug. 3	367,770	383,896	446,009	681,081
Total sales	Aug. 3	414,960	438,366	524,059	779,381
Total round-lot transactions for account of members—					
Total purchases	Aug. 3	1,689,010	1,748,840	1,981,840	2,576,130
Short sales	Aug. 3	270,090	261,350	330,320	414,020
Other sales	Aug. 3	1,553,480	1,643,806	1,669,609	2,270,511
Total sales	Aug. 3	1,823,570	1,905,156	1,999,929	2,684,531
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	Aug. 3	1,200,138	1,204,429	1,177,427	1,378,479
Dollar value	Aug. 3	$60,584,735	$60,824,132	$61,855,993	$75,842,238
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 3	890,848	943,451	894,184	1,131,208
Customers' short sales	Aug. 3	8,078	4,355	4,169	7,685
Customers' other sales	Aug. 3	882,770	939,096	890,015	1,123,523
Dollar value	Aug. 3	$43,945,336	$46,955,483	$45,994,118	$58,225,321
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 3	229,350	228,670	194,240	282,010
Short sales	Aug. 3	------	------	------	------
Other sales	Aug. 3	229,350	228,670	194,240	282,010
Round-lot purchases by dealers—					
Number of shares	Aug. 3	501,190	461,950	516,370	551,640
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	Aug. 3	366,710	333,210	403,490	531,900
Other sales	Aug. 3	8,840,780	9,281,380	9,260,960	11,529,300
Total sales	Aug. 3	9,207,490	9,614,590	9,664,450	12,061,200
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 20	118.0	*118.1	118.0	114.6
Farm products	Aug. 20	92.1	*93.0	93.4	88.9
Processed foods	Aug. 20	106.8	*106.8	106.6	103.0
Meats	Aug. 20	97.5	97.9	97.5	84.3
All commodities other than farm and foods	Aug. 20	125.7	125.6	125.5	122.3

*Revised figure. ¶Includes 1,331,000 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
AMERICAN TRUCKING ASSOCIATIONS, INC. —Month of June:			
Intercity general freight transported by 361 carriers (in tons)	4,699,152	5,031,125	4,891,365
CONSUMER PRICE INDEX — 1947-49=100— Month of June:			
All items	120.2	119.6	116.2
Food	116.2	114.6	113.1
Food at home	114.7	113.0	112.1
Cereals and bakery products	130.6	130.4	125.2
Meats, poultry and fish	106.9	103.7	98.0
Dairy products	110.0	110.0	107.7
Fruits and vegetables	126.8	122.5	131.4
Other foods at home	109.5	109.9	111.1
Housing	125.5	125.3	121.4
Rent	135.0	134.7	132.5
Gas and electricity	112.3	112.3	111.7
Solid fuels and fuel oil	135.3	135.4	128.4
Housefurnishings	104.6	104.2	102.8
Household operation	127.6	127.3	122.6
Apparel	106.6	106.5	104.8
Men's and boys'	109.1	109.0	107.5
Women's and girls'	98.5	98.6	97.5
Footwear	127.8	127.8	123.1
Other apparel	91.9	92.0	91.1
Transportation	135.3	135.3	126.8
Public	176.8	176.8	172.6
Private	125.4	125.4	116.7
Medical care	137.9	137.3	132.0
Personal care	124.2	123.4	119.9
Reading and recreation	111.8	111.4	107.6
Other goods and services	124.6	124.3	121.8
COTTON GINNING (DEPT. OF COMMERCE)—			
To Aug. 1 (running bales)	232,368	------	404,845
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1957 crop as of Aug. 1:			
Production 500-lb. gross bales	11,897,000	------	13,309,827
COTTON SEED AND COTTON SEED PRODUCTS.—DEPT. OF COMMERCE—Month of June:			
Cotton Seed—			
Received at mills (tons)	9,944	11,115	19,993
Crushed (tons)	146,563	224,145	151,035
Stocks (tons) June 30	183,095	319,714	154,015
Crude Oil—			
Stocks (pounds) June 30	70,242,000	107,760,000	38,162,000
Produced (pounds)	53,599,000	*81,445,000	54,412,000
Shipped (pounds)	69,368,000	79,033,000	78,810,000
Refined Oil—			
Stocks (pounds) June 30	205,214,000	245,087,000	328,051,000
Produced (pounds)	65,405,000	74,543,000	73,667,000
Consumption (pounds)	105,878,000	106,940,000	105,688,000
Cake and Meal—			
Stocks (tons) June 30	287,779	293,212	214,803
Produced (tons)	72,366	112,023	74,363
Shipped (tons)	77,799	98,247	105,296
Hulls—			
Stocks (tons) June 30	65,676	73,336	105,461
Produced (tons)	33,424	51,325	33,710
Shipped (tons)	41,086	53,359	54,242
Linters (running bales)—			
Stocks June 30	198,427	218,600	130,816
Produced	43,568	69,534	43,900
Shipped	63,741	67,855	77,710
Hull Fiber (1,000-lb. bales)—			
Stocks June 30	482	600	607
Produced	(a)	(a)	(a)
Shipped	(a)	(a)	(a)
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks June 30	1,418	1,973	2,989
Produced	382	582	409
Shipped	937	1,347	2,286

(a) Not given to avoid disclosure of figures for individual companies.

	Latest Month	Previous Month	Year Ago
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of June:			
Contracts closed (tonnage)—estimated	220,025	291,750	337,230
Shipments (tonnage)—estimated	329,256	329,626	284,719
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of June:			
Gas-fired furnace shipments (units)	54,600	52,900	70,200
Gas conversion burner shipments (units)	10,900	8,300	15,600
Gas-fired boiler shipments (units)	8,200	6,600	7,400
Domestic gas range shipments (units)	157,000	157,200	185,200
Gas water heater shipments (units)	215,000	238,600	251,500
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of July	£14,156,000	£29,151,000	£13,912,000
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)— Month of April:			
Net railway operating income	$81,201,633	$89,857,315	$94,318,791
Other income	18,790,844	20,557,285	18,639,569
Total income	99,992,477	110,414,600	112,958,360
Miscellaneous deductions from income	4,562,082	4,165,304	4,707,122
Income available for fixed charges	95,430,395	106,249,296	108,251,238
Income after fixed charges	65,018,807	75,677,416	78,279,861
Other deductions	4,408,488	4,471,746	4,118,819
Net income	60,610,319	71,205,670	74,161,042
Depreciation (way & structure & equipment)	48,228,064	47,775,391	45,311,586
Federal income taxes	29,897,376	38,067,198	32,205,730
Dividend appropriations:			
On common stock	29,808,065	30,108,721	25,732,922
On preferred stock	1,055,831	7,041,586	994,014
Ratio of income to fixed charges	3.14	3.48	3.61
U. S. GOVT. STATUTORY DEBT LIMITATION —As of July 3 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$278,000,000	$278,000,000
Outstanding—			
Total gross public debt	272,468,742	270,527,171	272,645,336
Guaranteed obligations not owned by the Treasury	106,672	107,137	73,716
Total gross public debt and guaranteed obligations	$272,575,414	$270,634,309	$272,719,052
Deduct—other outstanding public debt obligations not subject to debt limitation	444,439	445,988	462,021
Grand total outstanding	$272,130,975	$270,188,321	$272,257,031
Balance face amount of obligations, issuable under above authority	2,869,024	7,811,678	5,742,968
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of July 31	$272,575,414	$270,634,309	$272,719,052
General funds balances	4,475,128	5,589,952	4,177,520
Net debt	$268,100,286	$265,044,357	$268,541,532
Computed annual rate	2.741%	2.730%	2.605%

Continued from first page

Investment Challenge of Technology in Electronics

and service. Of the $6.2 billion in manufacturing almost half was represented by military spending. The remainder was very roughly divided between consumer goods (such as radio, TV and phonograph), 25%; industrial application of electronics, 16%; and parts, 13%. As for size of company one hears a great deal about the smaller companies, and in truth they play an important role, but the fact is that the industry is dominated by large companies with annual sales in excess of $100 million, 22 of which produce over 70% of all electronic equipment.

One of the salient characteristics of the industry is that it is definitely research and development oriented. It is estimated that of the 500,000 engineers in this country, 20% of them are engaged in the field of electronics. It is interesting to note that the three fields which account for greatest expenditure on research and development are aircraft, chemical and electronics.

In considering the problems that face the industry, perhaps the most serious is the fact that fully half its manufacturing effort is supported directly by the government. In this respect electronics falls roughly between the other two fields—one of which is almost entirely supported, while the other is supported only in a minimum way. Any appraisal of the future of the electronic industry must obviously start with the study of the Department of Defense uses of electronics.

Defense and Spending Trends

A long range study by an RCA economic group on defense expenditures indicated that the total defense spending from 1956 to 1961 would increase only 10%, but that the defense spending for electronics would increase about 50%. A look at recent spending gives an indication of the areas into which these defense dollars for electronics may be directed during the next few years. A comparison of the first six months of fiscal 1957 with fiscal 1956 shows some sharp and important changes. Of the defense dollar going for electronics, the quota assigned to missiles rose from 22% to 30%, while aircraft dropped from 35% to 31%, and electronics and communications dropped from 27% to 24%. The remaining 15% or 16% was relatively unchanged. The trend towards the use of electronics in missiles is even more significant when it is realized that two years ago only 10% of the defense dollar in electronics was used in this field. Thus, we have seen a threefold increase in this two-year period. Certainly missiles are looming as the most important defense use of electronics.

Non-Defense Spending Trends

The non-military spending is divided rather equally between consumer and industrial applications. The consumer field is an old one and one that has somewhat leveled off. We have gone through our "boom and bust" on TV and things are stable enough that the long range market can be fairly well predicted.

It is in the area of industrial uses of electronics that the greatest expansion, exclusive of the military, will probably be seen. The Radio Electronics & Television Manufacturers Association estimates that there will be about a 25% increase in industrial spending for electronics between 1956 and 1957. This industrial spending breaks down into several fields. The oldest and best established field is the field of communications—both broadcast and mobile—which represents about one-quarter of the industrial market. Although progress is being made in this area, it is relatively stable compared to some of the other areas.

The real up-and-comer is the computer field which has shown an incredible rise in the past few years. From almost nothing in 1952 it has risen so that it is now estimated that in 1957 there will be about $350 million spent for computers, and that this will rise to about $1 billion in 1960 and about $2 billion in 1965. It does not look as though any other field of industrial electronics has a chance to match this growth rate. The computer field, however, has many built-in problems — education of the consumer, obsolescences through rapid technological advances and high capital costs (about $1 of capital to $1 of sales).

Automation and Control

Another area which has received considerable attention the past few years is automation and control. This represents about 18% of the industrial electronics dollar last year. In the long run the prospects for this field are excellent. Increased labor costs, shortages of adequate labor supply and requirements for increased precision all spell a long-range growth for this field; this field also has its own built-in problems. Two of the most serious of these are the high initial cost of the equipment and the basic difficulty of two independent industries, the machine tool and the electronic, trying to sit down and work out a joint program.

The final area I would like to mention is that of medical electronics. This represents about 15% of the industrial electronics dollars—almost half of which is in X-ray and radiological equipment. Again the potentials in this field are tremendous, but there is a serious problem of communications between the doctor or the medical scientist on one hand and the electronic engineer on the other. Thus, I would like to point out that of the four broad divisions of industrial electronics, three of them have a basic problem of trying to work with another discipline — this is an example of major challenge of technology.

Effects of Defense Cutbacks

One more word about electronics, however. I think it is most important that something be said about the probable effects of major reduction in government defense spending upon the electronics industry. There can be no question of the seriousness of any substantial cutback program. In all probability, however, the cutback would be somewhat gradual, not only for the sake of the electronics industry alone but for the national economy as a whole. There are some indications that a reduction in defense spending would be accompanied by an increase in spending by some of the other governmental agencies. As an example, the CAA has an $800 million five-year program for air traffic control, most of which is for electronics and the first part of which has already been funded by Congress. Obviously, however, only a fraction of the slack would be taken up in this manner. Basically, there would have to be a tremendous reorganization of the electronics industry, and in all probability this reorganization would take the form of a vigorous and concerted attack upon the problems of industry's uses of electronics.

This brings up the question as to why these problems are not strongly attacked now. Well, basically, it is because it is not economically profitable for the moment. When all is said and done, defense business can be profitable. The selling costs are not great, for you are dealing with relatively few customers, the problems are challenging, and up to now there has been ample money. A major move of the industry into industrial electronics would pose many problems on education, distribution and maintenance, but basically the potentialities are there. It would be the real challenge of technology.

Challenges of Electronics

The challenge takes two forms—one to the manufacturer and the other to the consumer. To the manufacturer the challenge demands that he keep abreast of all major technical developments in his field, while continually monitoring related technologies, with an eye to borrowing from them when applicable. To the manufacturer this is a critical job, for as new technologies develop, he must so time his entry to be neither too early nor too late. Perhaps the effect of the introduction of the transistor is a good example. The first rather quiet announcement of the transistor was followed shortly with tremendous enthusiasm by potential users. It was the answer to all problems—it had infinite life—it was shock and vibration proof — it was infinitely stable, etc. Some manufacturers were lured into producing equipment taking advantage of these alleged assets of the transistor. But they found that many of these claims were not true, at least as of that time, and that in addition there were many difficulties that no one had anticipated. The result was obvious—the products failed. Yet, on the other hand, a company that is now not doing some work on the uses of transistors, where they are applicable to its field, is just asking to be scooped by its competition. The transistor is not unique in this respect, but is being followed by a host of other new products of solid state technologies such as the photo-electric amplifier, the ferro-magnetic amplifier and exploitation of new magnetic materials. Progress in such areas must be followed closely and, if found promising, must be backed up by adequate technical skills to properly exploit their product potentials.

The problem of the consumer is not too difficult from that of the manufacturer. If he is to maintain his competitive edge in his own field, he must continually monitor those products or techniques that will improve his production efficiency or his degree of management control. If this represents radical departures from standard practices, he must insure that he has adequate technical competence within his organization to exploit to the fullest the new equipment. The introduction of the electronic computer emphasized this point in the strongest term. When the first Remington Rand Univac I was delivered to General Electric in Louisville it turned out that no one knew how to use it. It was a useless tool. The measure of success of the computer in its introduction into business has been marked by the adequacy of preparation for its intelligent use.

The eventual introduction of automation will face the same kind of problems—and yet come it must. As a shadow of things to come, the Air Force has just spent $30 million for a digitally-controlled profile and contour miller. Members of the manufacturing industry must follow closely activities in this field so as to time their entry for maximum effectiveness. Similarly, they must be prepared to handle the increased technical complexity of a very sophisticated system.

The challenge of technology is to keep abreast of the products of sciences applicable to business—to choose carefully the time of entry—and to be internally qualified to fully exploit the equipment or technique so as to insure maximum return of the investment.

With Draper, Sears

(Special to The Financial Chronicle)

BOSTON, Mass.—Paul L. Steere is now affiliated with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Joins Kidder, Peabody

(Special to The Financial Chronicle)

BOSTON, Mass. — James J. Low, Jr. has joined the staff of Kidder, Peabody & Co., 75 Federal Street.

Now Brink, Hudson Lefever

VANCOUVER, Canada—Brink-Hudson Securities Ltd. has announced the change of their firm name to Brink, Hudson & Lefever, Ltd. and the removal of their offices to 837 West Hastings Street, as of Sept. 3.

With Fordon, Aldinger

(Special to The Financial Chronicle)

DETROIT, Mich. — Post Fordon has joined the staff of Fordan, Aldinger & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges. Mr. Fordon was previously with the Detroit Bank & Trust Company.

R. C. Kerr Co. Formed

INDIAN ORCHARD, Mass. — Robert C. Kerr is engaging in a securities business from offices at 103 Essex Street under the firm name of Robert C. Kerr & Co. Mr. Kerr was formerly with Charles A. Day & Co.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Redondo Tile Company—Bulletin—Lloyd Arnold & Company, 364 North Camden Drive, Beverly Hills, Calif.

Smith Corona Inc.—Report—Mellott, Thomsen, Pitney, Rowan & Co., 29 Broadway, New York 6, N. Y.

Standard Register Company — Analysis — Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Stouffer Corp.—Memorandum—Fulton Reid & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

Sylvanite Gold Mines—Analysis—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Texas International Sulphur Co., Inc.—Analysis—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Texas Portland Cement—Analysis—Mickle & Company, Bank of the Southwest Building, Houston 2, Tex.

H. I. Thompson Fiber Glass Co.—Analysis—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Travelers Insurance Company — Analysis — Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

United Fruit Company—Analysis—du Pont, Homsey & Co., 31 Milk Street, Boston 9, Mass.

Vermillion Bay Land Co.—Memorandum—Atwill & Co., 605 Lincoln Road, Miami Beach 39, Fla.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Burton E. Brandt has become associated with Dempsey-Tegeler & Co., 1000 Locust Street, members of the New York and Midwest Stock Exchanges.

With F. J. Winckler

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Herman F. Zerweck has become affiliated with F. J. Winckler Co., Penobscot Building, members of the Detroit and Midwest Stock Exchanges.

Kinnard Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Jeanette E. Danielson has joined the staff of John G. Kinnard & Company, 133 South Seventh Street.

Mann & Gould Adds

(Special to THE FINANCIAL CHRONICLE)

SALEM, Mass. — Edward J. Coffey has become connected with Mann & Gould, 70 Washington Street, members of the Boston Stock Exchange.

N. L. Mercur Opens

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio—Nathan L. Mercur is conducting a securities business from offices at 523 South Main Street.

DIVIDEND NOTICES

CALIFORNIA-PACIFIC UTILITIES COMPANY

Quarterly dividends payable September 16 to shareholders of record September 3, 1957, have been declared at the following rates per share:

5% Preferred	25¢
5% Convertible Preferred	25¢
5.40% Convertible Preferred	27¢
5½% Convertible Preferred	27½¢
Common	40¢

D. J. Ley, VICE-PRES. & TREAS.

August 19, 1957

THE COLORADO FUEL AND IRON CORPORATION

Dividend Notice

At a meeting of the Board of Directors of The Colorado Fuel and Iron Corporation held in New York, N. Y. on August 22, 1957, a quarterly dividend on the common stock of the corporation, in the amount of fifty cents per share, was declared payable October 7, 1957, to stockholders of record at the close of business on September 3, 1957. The regular quarterly dividend on the series A $50 par value preferred stock in the amount of sixty-two and one-half cents per share and also the regular quarterly dividend on the series B $50 par value preferred stock, in the amount of sixty-eight and three-quarters cents per share, were declared payable on September 30, 1957 to stockholders of record at the close of business on September 3, 1957.

D. C. McGREW
Secretary

ANACONDA

DIVIDEND NO. 197

August 22, 1957

The Board of Directors of THE ANACONDA COMPANY has today declared a dividend of One Dollar ($1.00) per share on its capital stock of the par value of $50 per share, payable September 27, 1957, to stockholders of record at the close of business on September 3, 1957.

C. EARLE MORAN
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

AMERICAN MACHINE AND METALS, INC.

55th Dividend

A QUARTERLY DIVIDEND of SIXTY CENTS per share has been declared for the third quarter of 1957, payable on September 30, 1957, to shareholders of record on September 16, 1957.

Robert G. Burns, *Treasurer*

COMMERCIAL SOLVENTS
Corporation

DIVIDEND No. 91

A dividend of twenty-five cents (25c) per share has today been declared on the outstanding common stock of this Corporation, payable on September 30, 1957, to stockholders of record at the close of business on September 6, 1957.

A. R. BERGEN,
Secretary.

August 26, 1957.

DETROIT STEEL CORPORATION

COMMON STOCK DIVIDEND NO. 110

On July 26, 1957, the Board of Directors voted a quarterly cash dividend of $.25 a share on the Common Stock payable September 12, 1957, to holders of record at the close of business August 30, 1957.

R. A. YODER
Vice President—Finance

ELECTRIC BOND AND SHARE COMPANY

NEW YORK, N. Y.

Notice of Dividend

The Board of Directors has declared a quarterly dividend of thirty-five cents (35¢) per share on the Common Stock, payable September 30, 1957, to shareholders of record at the close of business on September 9, 1957.

B. M. BETSCH,
Secretary and Treasurer

August 22, 1957.

231st CONSECUTIVE CASH DIVIDEND

A dividend of twenty-five cents ($.25) a share has been declared upon the stock of BURROUGHS CORPORATION, payable Oct. 21, 1957, to shareholders of record at the close of business September 27, 1957.

SHELDON F. HALL,
Vice President and Secretary

Detroit, Michigan,
August 21, 1957.

Burroughs

DIVIDEND NOTICES

FIFTH AVENUE COACH LINES, INC.

Notice of Dividend

The Board of Directors has this day declared a quarterly dividend of 50 cents per share on the capital stock of this corporation, payable September 27, 1957, to stockholders of record at the close of business September 17, 1957.

JOHN E. McCARTHY
August 22, 1957. *President*

GOULD-NATIONAL BATTERIES, INC.

Manufacturers of a complete line of automotive and industrial storage batteries.

A REGULAR QUARTERLY DIVIDEND of 50c per share on Common Stock, was declared by the Board of Directors on June 11, 1957 payable September 16, 1957 to stockholders of record September 4, 1957.

A. H. DAGGETT
PRESIDENT

ST. PAUL • MINNESOTA

HOMESTAKE MINING COMPANY

Dividend No. 905

The Board of Directors has declared Dividend No. 905 of forty cents ($.40) per share of $12.50 par value Capital Stock, payable September 12, 1957 to stockholders of record September 3, 1957.

Checks will be mailed by The Chase Manhattan Bank, Dividend Disbursing Agent.

JOHN W. HAMILTON,
Secretary

August 12, 1957

SERVING HOME AND INDUSTRY WITH ESSENTIAL BASIC PRODUCTS

EASTERN GAS AND FUEL ASSOCIATES

DIVIDENDS

COMMON STOCK — A regular quarterly dividend of 40 cents a share, payable September 28, 1957 to shareholders of record September 6, 1957.

4½% CUMULATIVE PREFERRED STOCK — A regular quarterly dividend of $1.12½ a share, payable October 1, 1957 to shareholders of record September 6, 1957.

E. H. BIRD, *President*
250 Stuart St., Boston 16, Mass.
August 22, 1957

Our stock is now listed on the New York Stock Exchange. Symbol is EFU.

DIVIDEND NOTICES

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a quarterly dividend of 50c per share on the Common Stock payable September 13, 1957, to holders of record September 3, 1957.

ROGER HACKNEY, *Treasurer*

INTERNATIONAL SALT COMPANY

DIVIDEND NO. 173

A dividend of ONE DOLLAR a share has been declared on the capital stock of this Company, payable October 1, 1957, to stockholders of record at the close of business on September 16, 1957. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN
Exec. Vice Pres. & Sec'y.

IRVING TRUST COMPANY

One Wall Street, New York

August 22, 1957

The Board of Directors has this day declared a quarterly dividend of 40 cents per share on the capital stock of this Company, par $10, payable October 1, 1957, to stockholders of record at the close of business September 3, 1957.

RALPH B. PLAGER, *Secretary*

Penn-Texas CORPORATION

DIVIDEND NOTICE
Preferred Stock

The Board of Directors has declared the regular quarterly dividend of forty cents ($.40) per share on the $1.60 Cumulative Convertible Preferred Stock, payable September 30, 1957, to stockholders of record September 16, 1957.

SEYMOUR M. HEILBRON
Secretary

August 26, 1957

National Distillers and Chemical Corporation

2% STOCK DIVIDEND ON COMMON STOCK

The Board of Directors has today declared a stock dividend of 2 per cent on the outstanding Common Stock, payable October 22, 1957 to stockholders of record on September 6, 1957. This is in addition to the regular quarterly cash dividends on the Common Stock.

PAUL C. JAMESON
August 22, 1957 *Treasurer*

DIVIDEND NOTICES

GEORGE W. HELME COMPANY

9 Rockefeller Plaza, New York 20, N. Y.

On August 28, 1957, a quarterly dividend of 43¾ cents per share on the Preferred Stock and a dividend of 40 cents per share on the Common Stock were declared, payable October 1, 1957, to stockholders of record at the close of business September 13, 1957.

P. J. NEUMANN, Secretary

UNITED GAS CORPORATION

SHREVEPORT, LOUISIANA

Dividend Notice

The Board of Directors has this date declared a dividend of thirty-seven and one-half cents (37½¢) per share on the Common Stock of the Corporation, payable October 1, 1957, to stockholders of record at the close of business on September 10, 1957.

B. M. BYRD
August 28, 1957 *Secretary*

UNITED FRUIT COMPANY

233rd

Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared, payable October 15, 1957, to shareholders of record Sept. 6, 1957.

EMERY N. LEONARD
Secretary and Treasurer

Boston, Mass., August 19, 1957

ROBERTSHAW-FULTON CONTROLS COMPANY

Greensburg, Pa.

MR. CONTROLS

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5½ per cent Cumulative Convertible Preferred Stock, payable September 20, 1957 to stockholders of record at the close of business September 10, 1957.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable September 20, 1957 to stockholders of record at the close of business September 10, 1957. The transfer books will not be closed.

WALTER H. STEFFLER
Secretary

August 21, 1957

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND

The regular quarterly dividend of fifty-nine and three-eighths cents (59⅜¢) a share on the outstanding Cumulative Preferred Stock, 4¾% Series A, has been declared for the quarter ending October 31, 1957, payable November 1, 1957, to holders of record at the close of business October 11, 1957.

COMMON DIVIDEND

A dividend of twelve and one-half cents (12½¢) a share on the outstanding Common Stock has been declared, payable October 1, 1957, to holders of record at the close of business September 11, 1957.

The Transfer Books will not be closed in either case. Checks will be mailed by The Chase Manhattan Bank.

ALLYN DILLARD, *Secretary*

Dated, August 22, 1957

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINTON, D. C. — While Congress has been sending billions abroad, it has neglected to take care of some of the nation's acutely needed domestic needs. All over the country there are outmoded postoffice and court buildings that need to be razed because they are in bad condition and it would not pay to rehabilitate them.

In an effort to alleviate the situation in growing communities, Congress approved in 1954 the socalled-lease purchase program to replace new postoffices and other Federal buildings.

Under the plan which many people at the time thought was a good solution to the problem, private capital was invited to put up the money to finance the buildings. The Government would lease the buildings on completion and retire the debt "like paying rent." Interest rate was fixed at 4%.

Congress approved 98 post-offices at a total cost of $766,995,-994. General Services Administration, the Government's "housekeeper," began setting the machinery in motion for architectural drawings.

Program a "Flop"

Today the whole scheme is regarded as a "flop." Plans and specifications are ready on dozens of buildings. Contracts for a few small buildings have been let, but only one building, a $2,000,000 structure at Rock Island, Ill., has been built.

Insurance companies and others have not been interested in tieing up their money for years under inflationary conditions that could get a lot worse before they get better.

Earlier in the year, GSA derailed the program by suspending any potential construction until "inflationary pressures in the construction industry recede." Since the suspension and the subsequent resume order, construction costs have risen and they threaten to rise more with the increase in freight rates and higher labor costs in the building materials field. While technically back on the track the program has not made any noticeable progress.

Appropriation Doubtful

As a result, a direct appropriation bill to replace lease-purchase has been introduced in the House. It would authorize appropriations to cover the costs of the congressionally-approved buildings from New Hampshire to New Mexico. The authorization measure will go over until Congress returns next January.

The proposal would authorize an appropriation of $1.5 billion in direct funds for 141 GSA and Postoffice Department projects.

The Lease-Purchase Act expired July 22. The Senate adopted a resolution July 3 to extend its life until 1960. However, the House Public Works committee let it expire without taking any action on it. Nevertheless, GSA still has authority to go ahead and let contracts on the 97 projects approved under Lease-Purchase.

With many members of Congress "economy minded" it will

a h ge [illegible]priation bill through next year.

St. Lawrence Seaway "Drawbacks" Cited

The United States Department of Agriculture has released an analytical report of the International St. Lawrence Seaway that points up some of its drawbacks. Sargent Russell, assistant professor of agricultural economics at University of Massachusetts, authored the study.

The report on the seaway embracing the Great Lakes and Canada's largest river, says, among other things: "Many assume that once the St. Lawrence river and interlake channel improvements now underway are completed, movements via the seaway will attract unlimited ocean shipping. The shipping season is no more than eight months long, and there is a possibility that the Welland Canal may become a serious bottleneck.

"Furthermore, the Great Lakes-St. Lawrence route with channel depths of 27 feet and many lock and . . . tolls will be a comparatively shallow, slow and expensive route for ocean-going ships."

The report leaves the impression that the Seaway, from a transportation standpoint, will be only an inland waterway from April to early December. However, cities like Chicago, Cleveland, Detroit, Toledo, Duluth, Buffalo, Toronto and others are planning on becoming "seaports."

The St. Lawrence River, one of the world's largest, drains about a half-million square miles. It sends more water into the ocean than any other river except the Amazon. Although navigation is the most important part of the project, development of hydroelectric power for Canada and Northeastern United States is a vital part of the proposed development program.

Region Views Prosperity

Meanwhile, many thousands of business people, farmers and civic leaders along the Great Lakes and along the St. Lawrence east of Montreal, already a "seaport," are confident the Seaway is going to bring greater prosperity to the region through lower freight rates, and exports and imports.

Toledo has created a Port Authority, and its citizens have approved a special levy to finance a program. It has hired the onetime port director of New Orleans and Norfolk, Va., as general manager. Toledo hopes to obtain Federal funds to improve its harbor and make it a major cargo shipping center by dredging its 16-mile long maumee river channel an additional two feet to 27 feet, the same depth provided for the Seaway.

The St. Lawrence Seaway is scheduled to be opened by 1959. However, it will not be completed earlier than 1963. Whether or not it will take away a great volume of business from ports like New York, Baltimore, and New Orleans, Mobile and Houston, remains to be seen.

The railroads generally have adopted a wait-and-see attitude. Some carriers in the region expect to pick up some industrial business that they are not now getting.

Opposes Subsidy for Project

Rep. George H. Fallon of Maryland, ranking Democrat on the House Public Works Committee, flatly denies charges of some Mid-western Congressmen that an organization he heads is seeking to cripple the Seaway.

The Congressmen from the Mid-west contend Congressman Fallon's organization, the National Committee for a Non-Subsidized Seaway, wants the tolls put so high they would hamstring the entire development program, if not ruin it. In reply, Rep. Fallon said the the organization wants the tolls set high enough to pay for the waterway operation without subsidizing it.

By terms of the authorization for the Seaway, Congress authorized $140 million as the U. S. share for deepening the channel to 27 feet in U. S. waters. The sum would be paid off over a 50-year period through tolls levied on ships using the Seaway. The big dispute looming is over the amount of the tolls.

Exports Continue High

In 1956 United States exports amounted to an all-time high of $17 billion, an increase of 20%, over 1955. Indications are that 1957 will rival 1956. Development of natural resources in Latin America and Canada has increased demands for machinery.

Canada and Latin America are this nation's best customers. European manufacturers are relying more on the United States to supply raw materials. Cotton exports increased from $240 million in 1955 to $730 million in 1956. Most of the cotton was bought by manufacturers in Europe.

Because of the increased export and import trade, the St. Lawrence-Great Lakes Seaway could develop with the Eastern and Gulf ports holding their own.

As far as New England is concerned, only Boston and Portland now offer regular general-cargo shipping, and service via Portland is limited to a few foreign areas, according to the Federal Reserve Bank of Boston. Searsport, Me., sometimes handles large cargo tonnages, but it is usually confined to potatoes and newsprint.

[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

"Our idea of entertaining an important client, MacTavish, is not an evening in the Penny Arcade!"

With R. B. Sideckas

(Special to THE FINANCIAL CHRONICLE)

SHREWSBURY, Mass. — Edmund J. Nelligan has become connected with R. B. Sideckas & Co., 47 North Quinsigamond Avenue.

Kenower, MacArthur Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Bernard F. Wittenberg is now with Kenower, MacArthur & Co., Ford Building.

Joins J. P. Arms

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Charles L. Atkinson has been added to the staff of J. P. Arms, Incorporated, Pillsbury Building.

Business Man's Bookshelf

Accounting for Non-Accountants — John N. Myer — New York University Press, Washington Square, New York 3, N. Y., $5.

Facts on Sales, Costs and Profits of Service Wholesale Druggists —25th annual edition—National Wholesale Druggists' Association, 60 East 42nd Street, New York 17, N. Y. (paper), $1.50.

How to Solve Management Problems — Charles A. Cermai — Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. (cloth), $4.95.

International and Interregional Economics—Seymour E. Harris —McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y. (cloth), $7.00.

Meat Reference Book—Handbook for livestock and meat industry —American Meat Institute, 59 East Van Buren Street, Chicago 5, Ill. (paper), on request.

Principal Statistical Tables From New York Insurance Report — New York State Insurance Department, 61 Broadway, New York 6, N. Y.

Probable Future Trends in Health and Welfare Program Expenditures—Michael T. Wermel—Industrial Relations Section, California Institute of Technology, Pasadena, Calif. (paper), $1.00.

Puerto Rico—Quarterly Report to investors in Puerto Rican securities — Government Development Bank for Puerto Rico, San Juan, Puerto Rico—paper.

Report on Germany Before the Elections — Norbert Muhlen — American Council on Germany, Inc., 8 West 40th Street, Suite 1901, New York 18, New York (paper), 25¢.

Uniform Rules for the Collection of Commercial Paper — United States Council of the International Chamber of Commerce, Inc., 103 Park Avenue, New York 17, N. Y. (paper), 90¢ (edition in English-French).

Wage Relationships — The Comparative Impact of Market and Power Forces — Clark Kerr — Institute of Industrial Relations, University of California, 201 California Hall, Berkeley 4, Calif. (paper).

World Survey of Private Pension Plans and Old Age Social Insurance—Pension Planning Co., 625 Madison Avenue, New York 22, N. Y. (paper).