ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 186 Number 5670 | New York 7, N. Y., Thursday, September 5, 1957 | Price 40 Cents a Copy

EDITORIAL

As We See It

Congress has adjourned. Members of the two houses have returned to their homes to make certain if they can that their constituencies are satisfied with what they have done and left undone in Washington. Democratic members including their leaders are reputed to feel rather well satisfied with the progress they think has been made in injuring President Eisenhower's standing with the rank and file, and in general building up the prospect of a further gain next year and the election of a President in 1960. Republicans are said to take a "grim" view of things, although the so-called anti-Eisenhower wing of the party is said to have succeeded in regaining a good deal of their power and influence in the party. "Modern Republicans" are, of course, deeply disappointed. So much for the partisan politics of the past year.

For those who are more interested in the welfare of the country than in the fate of any political party—as we must believe most Americans are—the session's record is a dismal one. It is dismal not because much of the original Eisenhower program was "clobbered" — much of it deserved to be clobbered—but because there was throughout no promise or even a suggestion of any constructive line of action which could be counted upon to bring this country back to a safe and sound footing.

The Eisenhower program was mostly New Deal. The Democratic party could not consistently simply cast it aside. What its members in Congress did was for the most part to convert it into something they might call their own and then enact a good deal of it. Many members of the

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Meaning of Membership In the Federal Reserve

By A. L. MILLS, JR.*

Member, Board of Governors, Federal Reserve System

The possibility of a conflict between Federal Reserve money-credit policies and member bank borrowing from Reserve banks is raised by Mr. Mills in describing System's membership requirements, advantages, rights, and privileges that go with membership. The Governor explains how, through mutual understanding, total credit activities of all member banks fall in accord with the System's credit policy. This is said to leave the members free to make autonomous loan and investment decisions within the framework of their collateral obligation to follow declared policy.

In drafting the Constitution of the United States, the Founding Fathers were influenced profoundly by those political philosophers who held that democratic republican government should exist for the good of the people at large and only with the consent of the governed. This philosophy of government also assumes a sort of contract between government and those governed by virtue of which the governed surrender a measure of their individual freedom to the authority of government in return for the advantages of its protective might over their persons and property and a reservation, above all, of the right to retain a decisive voice in the formulation and conduct of governmental policies.

A. L. Mills, Jr.

The Federal Reserve Act contains much of the same kind of political philosophy that is to be found in the Constitution. Where the Constitution recognized the prior existence of a federation of independent states, the Federal Reserve Act created a system of 12 regional and autonomous Federal Reserve Banks, each of which is governed by a board of di-

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*An address by Mr. Mills at the Pacific Coast Banking School, Seattle, Aug. 28, 1957.

Fundamental Questions That Were Not Asked

By WALTER E. SPAHR

Executive Vice-President, Economists' National Committee on Monetary Policy, New York City

Nationally known economist poses "fundamental" questions not asked of ex-Treasurer Humphrey at the Byrd Committee hearings. Dr. Spahr queries range from the currently popular spurious theory that rising costs cause rising prices to the current practice of calling irredeemable currency sound which is found to leave the opposite —redeemable currency—as unsound. Specifies the difference between a price level index number and a sound dollar and wonders whether Government bonds would not sell more easily and at a lower interest rate under a redeemable currency.

During the 14 days in which Secretary of the Treasury Humphrey presented his testimony and responded to questions, June 18-July 12, 1957, before the Committee on Finance, United States Senate, many fundamental questions, which should have been raised and answered, escaped proper attention. The following are some of them. The debate should have been better grounded and more enlightening to all concerned than was the case had these questions been presented to, and answered by, the Secretary and the Treasury staff.

Walter E. Spahr

I

Measuring the Declining Value of Our Dollar

Since changes of the purchasing power of our dollar were discussed in terms of the index of consumer prices, would not a better estimate of the behavior of prices have been obtained if the more comprehensive index of wholesale (primary) prices had also been used?

(1) Had the latter index, which covers some 2,000 commodities and 5,000 quotations in primary markets,

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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 30.

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

GOTTFRIED von MYERN HOHENBERG
Partner, Osborne & Thurlow,
New York City

Union Oil of California

On the basis of comparative statistics and past performance the shares of Union Oil of California would appear to be favorably priced vis-a-vis those of the greatest number of the major oil companies. Little or no consideration appears to be given to the company's important new discoveries in Louisiana, Canada, Costa Rica, and Panama. No consideration appears to be given to the planned extraction of oil from the company's Athabascan-type tar sand deposits near Santa Barbara, Calif., nor to the company's oil shale developments which, if successful, could make Union Oil a primary factor in the industry.

The most important development for Union Oil during the last 12 months was the financing arrangement with Gulf Oil Corporation which promises to have far-reaching beneficial effects on Union's future. Gulf Oil bought $120,000,000 of 3¼% Convertible Debentures, convertible into common shares at prices ranging between $70 and $80 per share, depending on the conversion date. Should Gulf elect to convert these debentures, they will be obligated to make further cash payment of $48,000,000 to $72,000,000 depending on the timing. Upon complete conversion Gulf would have an approximately 22¼% interest in the company.

The benefits arising out of this agreement to both companies are evident. Union Oil's crude hungry refineries will receive Middle Eastern oil from Gulf's Kuwait production and Gulf is finding a market for its crude in one of the fastest-growing consumption areas in the United States — California, which already today has to import 13% above its native production. Other more indirect benefits will of course accrue to Union Oil in its rapidly expanding foreign operations by having Gulf—experienced in the international picture—as an indirect partner and advisor. For Gulf, Union's dominant position in the Shale Oil Development program may prove of vital importance in the future.

Shale Oil

It should surprise no one that attention has become focused more and more on the vast shale oil deposits locked in the 16,500 square mile area where Colorado, Wyoming and Utah adjoin. The petroleum reserves in this area are estimated to exceed 1,000 billion barrels. (This compares with current estimated crude reserves in the continental United States of 35 billion barrels.) This shale has long remained a tantalizing prize, just out of reach of oilmen. The high cost of extracting the oil from the shale has made it impossible for petroleum from this source to compete with ordinary, free-flowing crude. A number of extractive processes exist, among which are numerous variations on the Swedish method, which involves the mining and crushing of shale, which is passed over heated steel balls to release the oil as a vapor and then is condensed to a high-quality liquid similar to petroleum. Another process used by Sinclair in field tests involves the application of heat to shale in the ground at the well base, which results in the separation of the oil from the shale rock, after which the oil is then drawn to the surface by a pipe. It is, however, Union Oil of California's process which holds the greatest promise of economic recovery.

During the last two years Union Oil has operated a 50-ton per day pilot plant with sufficient success to warrant the opening on May 18, 1957, of a new thousand-ton per day $7,000,000 shale-processing pilot plant at Grand Valley, in the Piceance Creek basin, Colo., in order to test the process on a production basis. This plant is now producing between 200 to 300 barrels daily, which are sold commercially, and will soon be producing 800 barrels of crude oil per day. The building of this plant was further stimulated by the fact that "discovery costs of domestic crude oil reserves have recently tended to approach or exceed the estimated cost of recovering oil from shale" (1955 Annual Report, Union Oil).

The Union Oil method involves the mining of shale, crushing it and passing the ore through a high heat retort.

Union Oil owns the largest shale reserves in the United States, amounting to an estimated 8.5 billion barrels with a net recovery of five billion barrels and an additional 20 billion barrels of lower shale oil content, followed by Standard Oil of California with 7.2 billion barrels, Pacific Western Oil with 4.2 billion, Equity Oil with 4 billion, the Texas Company with 1.6 billion and Cities Service with 1.5 billion.

If Union Oil's pilot plant will prove as economically feasible as is expected (profits in excess of $1 per barrel), then plans have been formulated to proceed with the construction of a plant with a daily capacity of 25,000-30,000 barrels, currently scheduled to begin operations in 1960. Such a plant would employ a battery of nests of retorts, each nest consisting of four retorts with a better than 1,000 tons of shale per day capacity, thus incorporating the pilot plant.

Many persons have expressed skepticism in regard to the economic feasibility of developing the shale deposits due to the lack of water in these arid regions and to the fact that the deposits are more than 800 miles from market, requiring expensive pipe lines. These problems have now been solved. Union has acquired water rights in sufficient quantities to enable them to operate a plant capacity of 150,000 barrels daily, five times the planned production. A new pipe line is being completed from the California markets to the four-corner area which is only 200 miles distant from Union's deposits. A tie-in line has been planned to this area.

Athabascan-Type Tar Sands

Near to the Santa Barbara, California refineries, Union has discovered large deposits of Athabascan-type tar sands. Reserves are estimated at between 75-100 million barrels. Union Oil expects to have an extraction plant of 200-barrel capacity daily in operation in late fall. Next year the capacity will be increased to from five to ten thousand barrels daily. These oil sands are located near the surface and strip mining methods will be employed. The bringing in costs lie below those of California crude.

Crude Oil and Natural Gas Explorations

Union Oil, for many years one of the major producers in the California area, has embarked on a vast expansion program. The company's present exploratory activities extend into 13 states, four provinces of Canada and into Alaska, Cuba, Guatemala, Costa Rica, Panama and Peru. At the end of 1956 the company's net reserves amounted to 495.4 billion barrels of crude and 2,182,600 cubic feet of natural gas. Discoveries in Louisiana alone during the first six months of 1957 have increased natural gas reserves by one-third. Important crude discoveries were made on off-shore leases in the Gulf, and additional important reserves were established in the newly discovered Big Bayou Pigeon Oil Field and in the Lake Poularde area.

An important new field was brought in recently by Union in northern Alberta, where the company now holds over 1.2 million acres.

Several wells in the Limas Province of Costa Rica have had excellent showings and a large scale exploration program is being conducted there currently. An initial well in Panama has made a good showing and a second well will be drilled shortly. Geology indicates that new major producing fields of world importance may be brought into production in these countries.

Union's oil and gas production is near its all time high and the new discoveries in Louisiana and Alberta promise to increase these amounts considerably in the near future. Union's net production of crude during 1956 amounted to 37.7 million barrels. In all, Union had 4,330 producing wells at the end of 1956. Two hundred and sixty-nine wells were drilled during the year, of which 248 proved productive — an outstanding record. Earnings per share for 1956 amounted to $4.45 with a cash flow per share of $12.42. The shares are selling currently on a price-cash-flow ratio of 4.5, the lowest among the 30 major companies in the industry and well below the conversion price of the Gulf Oil debentures.

RICHARD W. RUDY
Assistant Investment Manager
Farmers Insurance Group
Los Angeles, Calif.

General Controls Company

General Controls Company looks like one of the most interesting growth stocks in the current market.

Richard W. Rudy

The control industry has had one of the most impressive postwar growth records of any industrial group; for with the index of Gross National Product last year at 165, the seven leading control companies had a sales index of 253 using 1947-1949 as a base; the pretax corporate earnings index was 147, while the control companies' in-

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"Challenge of Tomorrow"

By THEODORE J. KREPS*
Professor of Business Economics
Graduate School of Business, Stanford University

A leading business economist describes five powerful economic forces said to "challenge tomorrow with the prospect of a revolutionized economy unless business leaders successfully cope with these new, evolutive phenomena. Shaping the oncoming world, Professor Kreps perceives: (1) pressures generated by changes in real living standards; (2) deterioration of the individual and the rise of labor, manufacturer and other corporate "leviathans" with economic power second only to the Government; (3) demise of the consumer as an economic regulator; (4) rise of a new labor, military and industrial managerial power elite; and (5) cold-war, communism-capitalism, competition. Cautions business not to forget Founding Fathers' principles, said to be exemplified in the small business philosophy of self-help, equal opportunity, freedom of entry, economic and political freedoms, and enunciates a program designed to prevent fusion of economic and political power.

Who is wise enough to assess and who can see sufficiently far ahead to know what the challenge is going to be? What kind of challenge? Military? Political? Economic?


Theodore J. Kreps

Challenge to whom? To the other fellow? To trade union leaders? To government officials? To business executives? Or to you and to me?

And when is tomorrow? A year hence? Ten or 20 years from now? Or in the next century? So to be more specific, may I focus on a particular facet of human activity—namely economics—a field in which my ignorance is not quite as appalling as in other areas of learning? In that field may I turn a mildly analytical microscope on about five of the many interacting forces now at work in the American economy, each with rapidly expanding growth potentials? And, by way of forecasting, may I explore a bit what these selected economic factors may portend for business executives and economic statesmanship during the next 10 years?

As I see it, there are five major kinds of economic forces at work shaping the world of tomorrow.

These are: (1) the great explosion in levels of real income and living standards touched off here and throughout the world in 1933; (2) the organizational revolution coupled with corporate gigantism; (3) the acceleration of technological research and innovation which together have overthrown consumer sovereignty as an adequately powered and informed regulator of the economy; (4) the managerial revolution and the rise to supremacy of a triply-reenforced, industrial—political—military power elite and (5) the cold-war, communism-capitalism competition making more necessary than ever the imaginative utilization of broad-visioned economic statesmanship and executive leadership.

Unparalleled opportunities arise from the challenge to make each of these five problems a stepping stone to more united effort and superior achievement.

I
The Explosion in American Living Standards

Perhaps the most revolutionary force in the world today is the conscious and intensified striving for higher living standards so characteristic of American economic life. It is a potent force generating unrest in China and India, turmoil in the Arab world, the obsession for industrialization in Latin America, and the competitive fervor of world communism. People everywhere are challenging poverty and want in the midst of plenty. They see clearly the American achievement. They demand answer and performance from their political and industrial leaders.

No matter what the political party may be or the system of governments—no matter what the official attitude toward America may be, whether approbation, envy or hate, these leaders have to promise progress toward an economic power and abundance similar to the explosion in American living standards during the last 25 years.

The record here is almost fabulous. Real per capita disposable income has increased almost 60%. The infant mortality rate has been cut by three-fifths. The average life expectancy of the American male has increased from 51 years, in 1929 to nearly 67 at present. The percent of families with incomes sufficient to meet the minimum health and decency levels worked out by the United States Bureau of Labor Statistics has increased from only 41% in 1929 to nearly double that figure at the present time. Over 55% of the families now have an equity in their own homes. Over 99% of these homes have electric lights, and 97% have radios. College enrollment has doubled and will

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*An address by Professor Kreps before the Sixteenth Business Conference, Stanford University, Calif.

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Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, September 5, 1957

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue—market quotation records, corporation news, bank clearings, state and city news, etc.).

Other Offices: 135 South La Salle St., Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C. England. c/o Edwards & Smith

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $60.00 per year; in Dominion of Canada, $63.00 per year. Other Countries, $67.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $40.00 per year. (Foreign postage extra.)

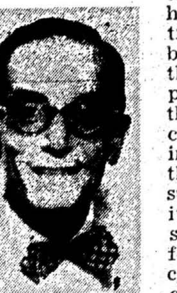
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Observations . . .

By A. WILFRED MAY

INFLATION AND THE PEOPLE'S CHOICE

Again we have a bevy of public comment decrying the Savings Bond, including the complaint over the alleged robbery which the Treasury has perpetrated on the buyers via the dollar depreciation that has occurred in the interval from the time of issue to maturity. Now the spring-board for the discussion and complaint is the Reserve Board's currently issued 1957 "Survey of Consumer Finances" which reports some decline in the popularity of Savings Bonds.



A. Wilfred May

But this survey of consumers' preferences and behavior also shows that they have equally suffered, and are so continuing under purchasing power erosion, through holdings of other money assets. During the past decade there has been a substantial increase in the proportion of spending units holding both checking and savings accounts. And inflation-affected life insurance sales and holdings have gone ahead at record rates.

The "Survey" finds that of those owning Savings Bonds and savings accounts in 1956, as many showed expansion as contraction in their holdings in 1957. So a goodly number of people have not felt they were being robbed: or possibly they believe that the dollar may not always be going one-way. Redemptions of Savings Bonds were less frequent than withdrawal from savings accounts; with only 27% of all owners of Savings Bonds redeeming any bonds in 1956. Despite the postwar decline in importance, including fanfare, of the "War Bond" drives, about 14% of all spending units still purchased savings bonds in 1956.

Fifty-eight per cent of all spending units with incomes of $3,000 or over expressed a preference for one or both of the fixed value assets, namely savings accounts and Savings Bonds —against only 24% preferring fluctuating and "less liquid" and "less safe" fluctuating assets, namely common stock and real estate.

Thus we see (1) the citizenry's continuing stake in various assets vulnerable to inflation; (2) an apparently permanent ingrained confidence in fixed-value assets; with (3) a vast potential for further common stock distribution.

* * *

INTERNATIONAL EXPROPRIATION

Speaking further of savings, their expropriation on an international sale is graphically depicted in the currently published edition of *Pick's Currency Yearbook*. Franz Pick, currency expert, lists the sensational declines which have taken place over the past decade in the French franc (52%), British pound (34%), Mexican peso (45%), Argentine peso (45%), Brazilian cruzeiro (70%), Italian lira (25%), and Greek drachma (58%). The U. S. dollar has concurrently fallen by 15%.

Within the past 12 months, Mr. Pick reports, 11 full or partial devaluations reduced the official value of the monetary units of Bolivia, Colombia, Czechoslovakia, Hungary, Iran, Poland, Spain, Turkey, the U. S. S. R., Uruguay, and Viet Nam. And the race toward further devaluations continues, with 40 or more "illusionary" currency units, serving two-thirds of the world's population and their "just-as-illusionary" savings, being current candidates for further devaluation.

Listed in the world's free markets at much lower than their officially decreed par values, Mr. Pick terms their legal rates as often only "expressions of illusion" or of "political inferiority complexes" of stubborn dictators or ministers of finance, who do not want to acknowledge the power of free or black markets.

The cynical enforcement of monetary debasement, Mr. Pick goes on to say, "makes theft—from the widow, the orphan or the patriotic sucker—a legalized affair."

* * *

FOREIGN CAPITAL AND OIL DEVELOPMENT

In the field of international investments the diametrically opposing views toward foreign capital among Latin American countries is significant. Cuba and Venezuela have made foreign investors feel at home, with Bolivia now clamoring for foreigners' oil development. On the other hand, Brazil and Argentina continue to malinger on the development of their oil resources — chiefly because of the domestic political liabilities involved in foreign concessions.

A summary of the potential investment significance of Venezuelan oil concessions is contained in the Foreign Letter for August of Burnham & Company, members of the New York Stock Exchange. Here is its rough estimate of the possible relative impact of new discoveries in the vast Maraicaibo acreage on their common stocks' value of leading companies:

Company	Est. max. % Incr. in val. if productive	Est. % loss if dry
Int'l Petroleum	90	15
Superior	10	16
Hancock	80	18
Sunray	30	--
Signal Oil & Gas	60	15
Seaboard	48	--
Atl. Ref.	110	--
Gulf	40	--
Kerr McGee	15	--
Cities Service	10	--
Shell	42	--
Royal Dutch	40	--
Ohio	20	--
Std. Oil Ohio	60	--
Creole Pet.	10	--

The trebling of oil production in Venezuela over the past decade, with the current raising of economic activities, is thoroughly shown in a new volume, *VENEZUELA — Business and Finances*, by Rodolfo Luzardo, Prentice Hall (167 pages, $4.95). Mr. Luzardo, formerly Chief of the Bureau of Economic Research in Venezuela, and connected for many years with Creole Petroleum Corp., gives an invaluable up-to-date study of the rapidly expanding Venezuelan economy, with an account of the country's vast resources, as well as technical analyses of the country's long-term economics.

* * *

NO SPECTATOR PARTICIPANT—HE!

"Exercise is as important for everyone as eating, sleeping, and working," says Dr. Paul Dudley White, noted authority on the heart and medical adviser to President Eisenhower, *(interviewed in U. S. News & World Report)*.

Applied to work as well as exercise, this principle is validated by the living experience of Frederick H. Ecker, who now enters his 91st year and is on his 55th year of service for the Metropolitan Life Insurance Company. Still an active golfer, and as Honorary Chairman putting in a ten-to-six workday at the office, Mr. Ecker vouchsafed to his 90th birthday luncheon guests last week, his firm disbelief in the spectator role in either business or sports.

Incidentally, to our question whether too many, including property companies, are now entering the life field seeking some of the easy pickings in that growth area, came Mr. Ecker's quick rejoinder that "the more competition the better in any line of business." Not so certain seems his son, Frederic W. Ecker, the company's present President, who with a seemingly raised eyebrow, rejoined with, "You know, that would be Father's typical reaction."

The Stock Market Outlook

By ANTHONY GAUBIS*

Anthony Gaubis & Company; Investment Counselors; Publishers of "Business and Investment Timing Service"

In fathoming the present "bear market," which he contends is already two years old, Mr. Gaubis maintains re-accumulation stage must await a further fall to the 375-400 area for the Dow-Jones Average, with declines of at least 40% to 50% in the majority of stocks accompanying such set-back of 25% to 30% in the market averages. Denies validity of popular assumption of effective potential support from mutual fund and other institutional buyers. Urges husbanding of adequate buying power to take advantage of later opportunities for substantial capital gains.

As you know, a bearish point of view is never popular, except when the market is close to (or past) a cyclical low. There is also a tendency to associate anyone who is willing to recommend sales of equities after an extended advance with those who are notorious for their chronic pessimism, or with the professionals who over-emphasize some one approach, and therefore expose themselves to the dangers of being greatly underinvested during a rise of 100% or more of the type witnessed since 1953.

Anthony Gaubis

In January 1956 (as was reported in both the New York *Herald Tribune* and in the *Commercial & Financial Chronicle*), I stated that I believed we were near the end of a major bull market which was likely to run its course at around the 520 level in the Dow-Jones Industrial Average by the spring of last year. Events since that time have shown that this prediction was not far off the mark, particularly if we are willing to accept the Dow-Jones Averages as reasonably satisfactory (even if imperfect) measures of "the market as a whole." To date, the highs for the Dow-Jones Industrials were recorded on April 9, 1956, when the intra-day high was 524.37; while the peak for the companion Railroad Average was reached on May 9, 1956, at an intra-day high of 182.54. However, if we use any of the other averages as a measure of the market as a whole, **or if we judge "the market" by the action of a clear majority of stocks,** we still cannot avoid the conclusion that the bull market high to date was reached in the spring or summer of 1956—or more than one year ago. I mention this only because it is very important from a "Timing" standpoint, and particularly in view of the substantially different conclusions which might be drawn as to future prospects if we fail to realize that the bear market is already more than a year old, and not just two months old, as some financial writers would like us to believe.

Liquidation Area Since 1956

It is my personal conviction that the stock market has been in a broad liquidation area ever since the Dow-Jones Industrial and Railroad Averages recorded their bull market highs in the spring of 1956. In my opinion, the probabilities are quite strong that this **distribution** zone will prove comparable (in reverse) to the **accumulation** area of roughly 160 to 190 in the Dow-Jones Industrials which was witnessed between October, 1946, and in the summer of 1949. During that period, the extreme low for the Dow-Jones Industrials was recorded in the early part of this broad accumulation period—on Oct. 30, 1946, to be exact. The 160-165 level was touched, but not penetrated, on three subsequent occasions before the Dow-Jones Industrials were ready to "take off" on an advance of more than 80% by the time President Eisenhower was inaugurated in January, 1953, and of about 225% by the spring of last year.

I realize, of course, that my opinions are the reverse of those of many widely publicized market students when I talk about the 520-525 level being the upper limits of a **distribution** rather than an **accumulation** area, but I find it impossible to go along with those who think that a real bear market can or will be avoided at this time. The situation in the last 12 months, with the Dow-Jones Industrials reaching levels equivalent to 14-15 times boom earnings, and selling on a yield basis of 4% or less, has been definitely in contrast with the 1947-1949 fundamental background. At that time our economy was enjoying the benefits of a large pent-up demand for goods; and when the Dow-Jones Industrials were fluctuating at between 7 and 10 times earnings, with yields averaging over 6%. (In this connection, it is important to avoid the common error of including the market value of stock dividends in judging yields, as such "payments" cannot be converted into cash without diluting the shareholder's equity.)

My present "reasoned guess" is that the distribution phase of the cycle has been completed, and that we will not enter into a re-accumulation area until the Dow-Jones Industrials decline to or below the 375-400 price area. Quite frankly, this is a highly tentative estimate, and is based on my anticipation of certain developments which I shall enumerate shortly. I can see the possibility of a decline to between 300 and 350 but I believe that such an extreme setback will be witnessed only if and when we are forced into another war — or if there should be some other catastrophe of the type that none of us can predict or anticipate at this time. For one thing, I have in mind the fact that many high-grade stocks, including duPont, Sears Roebuck, International Paper, and Kennecott—to name only a few—have already declined by 25% to 40%, even though the Dow-Jones Industrials are less than one-half way down to the 375-400 level.

Specific Bearish Reasons

My reasons for expecting a decline to below 400 in the Dow-Jones Industrials, and for my tentative estimate of probable support at within about 5% to 6% of that level, are based on a combination of Fundamental, Technical, and Timing Studies, as well as on Psychological factors which, when combined, have a "batting average" of at least 75% to 80%. Limitations of time preclude my going into the conclusions drawn from

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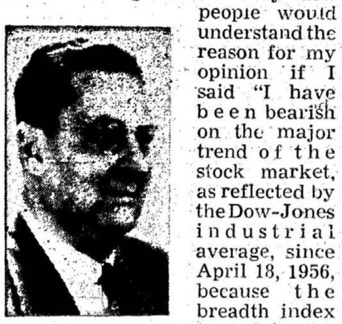
*A talk by Mr. Gaubis before the New York Society of Security Analysts, New York City, Sept. 3, 1957.

Future of the Stock Market

By JAMES F. HUGHES*
Auchincloss, Parker & Redpath, Members N. Y. Stock Exchange

Market analyst cites historical impact of economic indexes and economic factors, including credit developments, as supporting the conclusion that April 1956 peak marked final phase of the major bull market. On the technical considerations including "Breadth-price relationship," Mr. Hughes disagrees with assumption that 1956-57 action is merely part of another consolidation range, and foresees market's long swing to reach lower average levels than are now generally expected.

In giving my opinion on the future of the stock market I believe it is essential to provide some historical background. Very few people would understand the reason for my opinion if I said "I have been bearish on the major trend of the stock market, as reflected by the Dow-Jones industrial average, since April 18, 1956, because the breadth index turned bearish. Furthermore, I continue bearish on the major trend of the stock market and do not believe that 1956-1957 is merely part of another horizontal consolidation range similar to 1946-1949 and 1951-1953 because the action of the breadth index still indicates that the major trend is down and that 1956-1957 is a major top and not merely part of another horizontal consolidation range."



James F. Hughes

"Breadth Index"

For the vast majority of people the above clear-cut and incisive statement would represent just so much technical gibberish. The first question most likely to be asked is, "What is this thing you call a breadth index?" Fortunately the breadth index has a highly respectable background. It was conceived by Col. Leonard P. Ayres at the Cleveland Trust Company in January 1926, after he had spent an evening counting the number of stocks that had advanced, declined and remained unchanged in each session of five consecutive trading days on the New York Stock Exchange. In presenting the results of his pioneer work to his associates the next morning Col. Ayres said, "I think this will make an interesting stock market statistic."

As things developed in the years following 1926 it gradually became obvious that the Colonel's "interesting stock market statistic" was destined to play a stellar role in a sequence of economic trends reflecting major developments in the business cycle. In the early 1920's it was a generally accepted theory that the major trends in stock prices were the result of the market's wisdom. This wisdom reflected the composite knowledge of traders from all over the world and gave the market the ability to forecast the future trend of business activity. However, as a result of work done during 1924, Ayres finally decided that major trends in stock prices were not the result of the market's infinite wisdom.

Accelerating this decision was a study completed in the spring of 1924 which showed that major turning points in the stock and bond markets frequently approximated the months that general business activity rose above or fell below statistical normal. Business rising above normal from 1892 to 1924 was a generally bearish indication for the securities markets, whereas a decline in business activity below normal usually forecast rising prices.

Ayres's Blast Furnace Index

The discovery of this relationship between securities prices and the level of general business activity was responsible for Ayres's blast furnace index. The past performance record showed that when the number of furnaces in blast execeeded 60% of the total, business was prosperous and securities should be sold. When the number of furnaces in blast dropped below 60%, business was headed for a depression and securities should be bought. The blast furnace index was first published in the Cleveland Trust Company Business Bulletin dated June 15, 1924. In the Bulletin for July 15, 1924 the course of the index was related to the trend of bond and stock prices.

It was in this Bulletin Ayres conceded that "the dominant factor in determining the course of stock prices, as well as bond prices, appears to be current interest rates, and not the discounting of future business prospects which has long been held as the determining factor in stock market swings. When industry falls below normal, interest rates decline, and bond prices rise, and so do stock prices. The influence of easy money rates is cumulative, and, so long as they decline, security prices of both sorts tend to advance. When industry recovers to normal, money rates begin to advance and security prices to fall."

After the blast furnace index had emphasized the importance of interest rates in the major trends of security prices, the next logical step was to relate the course of money rates directly to the trend of the securities markets. Unfortunately, despite more than a year of work it proved impossible to construct an honest index of interest rates that did not on a number of occasions miss absolute highs and lows in the stock market by many months. As this fact became obvious Ayres reluctantly decided that when interest rates and other economic relationships indicated that the market was approaching a major turning point, it was more logical to use technical evidence based on the action of the market itself to time more closely actual reversals in major trends of stock prices.

The 1926 Situation

This was about how things were early in 1926 when Ayres decided to devote an evening to the statistical project of counting the total number of issues traded by adding up the number of stocks that advanced, declined, and remained unchanged. We did not know it at the time but Ayres really had supplied the missing link in the chain of economic and technical developments that would foreshadow and then confirm turning points in major bull markets.

We had already mapped out an economic sequence that began with an advance in interest rates which ultimately produced a downturn in bond and stock prices, followed by declines in wholesale commodity prices, industrial production and finally in commercial bank loans. Our major problem was the more precise timing of the downturn in the stock market following sustained periods of advancing interest rates. Several years later I decided to substitute major declines in commercial bank investment holdings for the interest rate series because the record showed that declines in bank investments had successfully forecast the development of important increases in money rates.

Crucial Decline in Bank Investment

Col. Ayres refused to accept this substitution because when the sequence started with this factor it seemed to give the impression that bear markets and business depressions were caused by commercial banks liquidating their bond holdings. However, the historical record covering the post-war bull market in 1919 showed that a record-breaking decline in bank investments between May and November foreshadowed the tightening credit situation far more emphatically than the relatively minor increase in interest rates which did not start to advance aggressively until 1920. Furthermore, a retroactive investigation of the breadth performance in 1919 revealed a major divergence between breadth and the Dow-Jones industrials from early October to Nov. 3, the high point in the post-war inflation market.

How well the Colonel's "interesting stock market statistic" solved the problem of more precise timing of the downturn in the stock market, after sustained liquidation by commercial banks of investment holdings, is shown in the following table giving the months in which investments, the breadth index and the Dow-Jones industrials established important peaks:

Investments	Breadth Index	Dow-Jones Industrials
May 1919	Oct. 1919	Nov. 1919
June 1928	July 1929	Sept. 1929
July 1936	Jan. 1937	Mar. 1937
Sep. 1947	May 1948	June 1948
Oct. 1954	Mar. 1956	Apr. 1956

In view of the record from 1919 to 1947, showing that four important tops in the stock market had been foreshadowed by major declines in bank investments and ultimately by a positive major divergence in the trends of breadth and price, it was relatively simple in April 1956 to recognize that a major peak was being indicated in the stock market. During the 18 months between the high of the investment account in October 1954 and the high of the Dow-Jones industrials in April 1956, the weekly reporting member banks reduced their investments by $10 billion, from $46.2 billion to $36.2 billion, while increasing their loans $10.2 billion, from $39.1 billion to $49.3 billion. Throughout 17 months of this period there was no major divergence in breadth-price trends. However, from March 15, 1956 a major divergence developed as breadth started a sagging downtrend despite a continued advance in the industrial average.

Major Top Indicated

This made it very easy to recognize that a major top in the market was being indicated. However, in view of the prevalence of a rather violent New Era psychology it wasn't too easy even to suggest that the New Era stock market was running into trouble. Finally I worked up enough courage to release a market letter on April 9, 1956 under the heading, "Stock Market Facing Important

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*A talk by Mr. Hughes before the New York Society of Security Analysts, Sept. 3, 1957.

Financing Municipal and County Bonds in Today's Money Market

By WALTER W. CRAIGIE*
Senior Partner, F. W. Craigie & Co., Richmond, Virginia

Errors and pitfalls of municipal financing are exposed by Mr. Craigie in the course of advising municipal treasurers and other officials on what they should do in order to finance bond issues successfully. Anticipates 1957 municipal bonds will amount to about $7,100,000,000 and that new corporate issues will exceed that amount substantially. Points out "everybody seems to be living on borrowed money, and the supply just isn't equal to the demand." High interest rates are viewed as playing the double role of correcting unnecessary spending and encouraging savings.

Ask any municipal treasurer what his main problem is these days and you will get almost an uniform answer: "I have no problem that money won't cure." Practically every municipal official is being caught between the rising costs of operation of his political subdivision and the present "shortage" of money.

Walter W. Craigie

Many municipalities, finding it impossible or politically inexpedient to finance a sizable proportion of capital expenditures from current income, have been turning to the bond market in an attempt to secure the needed funds. Gone are the easy days when top-quality bonds commanded an interest rate of 1% to 1½% per annum. Nowadays, coupons of 4% to 4½%—even as high as 5½%—are to be seen on all sides.

Some officials who have not followed the money markets closely in recent months have felt that the rates offered for their bond issues represent an insult to the credit of their municipality. Actually, the current tightness (representing the highest interest rates paid by municipalities in over 22 years) is nothing more than a shortage of savings as related to the demands of borrowers in the capital markets. In other words, it is not a shortage of supply but an excess of demand, the net result being a deficiency.

Local officials can do little to alter the inexorable supply and demand factors of the economy. They can do much to improve the credit rating of their localities and this can result in a savings of thousands of dollars over the life of the bond issue. This brings us squarely to our subject, "Financing Municipal and County Bonds." Doubtless many are questioning what they can do to secure a better interest rate for the bonds of their county, town or city, as the case may be.

Sound Administration

First, remember the lowest interest rates are secured by those municipalities whose financial affairs have been soundly and well administered throughout the years, to those who have operated with balanced budgets, progressive planning and well-spaced borrowing. Slipshod methods, poor planning and extravagance exact a fearful toll in the form of high interest rates.

The question of well-balanced industrial and residential growth and resources in your county or city may be someone else's responsibility but you can constantly focus the attention of the leading citizens on the necessity of diversified and balanced economic resources. You alone cannot control your municipality's expenditures but you can counsel against unsound programs, unbalanced budgets and inadequate taxes.

Public Information

Next, it is important not to hide your light under a bushel basket. If you are doing a good job, have run your municipality well and thriftily, tell the world about it. Do this through a year-in and year-out policy of public information, especially to the bond houses and investment rating agencies. All too many municipalities wait until they have an actual need of borrowing money to inform potential purchasers of the worth of their bonds.

It is your primary responsibility to see that your accounts are kept in such shape that up-to-date and accurate financial information always is readily available to any bond house, rating agency or potential investor who desires it. Do not wait until you are asked to supply this information. See that it is sent to at least a basic number of these groups at regular intervals. Tell them if the information isn't adequate, you will be glad to supply any missing data.

Careful Planning

Bond issues must be carefully planned, well advertised and, if possible, not brought to market more frequently than once a year, certainly never more than once every six months. Nothing is more demoralizing to the market for a municipality's bonds than to have another bond issue announced while portions of the first one still remain on the dealers' shelves. We well remember before Washington Suburban Sanitary District, Md., started selling its issues once a year that at one time we held unsold portions of four different issues. Naturally, if we haven't sold all of the first issue, we must bid lower for the second, still lower for the third, and, by the time we get to the fourth, we wish we had never heard of the place. Fortunately for that District, careful planning in recent years has resulted in almost a scarcity value for the name.

Another good example is that of the City of Richmond. Following advice which our firm gave them several years ago, Richmond now sells its bonds only once a year (the third Wednesday in December) and, as a result, its bonds almost always sell a little higher than they would otherwise. If any investor objects to the price, the bond dealer simply says, "Yes, these Richmond's may be a little high but remember you won't get another chance at them until next year."

Planning bond issues means capital planning, and every locality should have a capital budget. Under ideal circumstances, up to 20% or 25% of the capital budget should be financed from current income. This requires a lot of courage on the part of the administration. Usually, at the beginning, it requires higher tax rates. Over a period of years it results in materially lower tax rates. It does drive home to the citizens that if they want a new courthouse, new hospital, new school, park or whatever the improvement may be, they must pay for it and not simply hope to enjoy the benefit while passing on the cost to future generations.

Bond issues should never run beyond the life of the expected improvement. The best rates can be secured for issues maturing in equal instalments of from one to 20 years. As a rule of thumb, you can add a full one-fourth of 1% over the entire life of the issue for each five years you extend the maturity. In other words, your issue, which matures in one to 20 years, might command a 3¾% rate, whereas it probably would cost you 4% to sell one to 25 years and 4¼% if the issue ran from one to 30 years. If you want to do a little arithmetic in your leisure time, figure out the added interest cost of even a $1,000,000 issue on the three above maturity schedules.

Many municipalities, in an attempt to evade constitutional debt restrictions or for other reasons, issue revenue bonds, i.e., bonds payable solely from the earnings of a particular project such as a waterworks system, sewage system, etc. Revenue bonds, because of their limited sources of payment, almost invariably carry a materially higher interest rate than general obligation bonds, payable from unlimited ad valorem taxes. Virginia legislation permits the issue of what is known as two-way bonds, i.e., those carrying a pledge of revenues in addition to being general obligations, provided such revenues prove insufficient to pay both principal and interest. These two-way bonds combine the benefits of self-supporting pay-as-you-use revenues and the lower interest rate available from general obligation bonds. In fact, such bonds are so popular with investors that they often command a premium over ordinary general obligation bonds. Roanoke, Salem and Newport News are three examples of localities which have made excellent use of the two-way bonds. On the other hand, if you must go to a strictly revenue bond, be prepared to pay a materially higher interest rate and, by all means, secure the best possible financial and legal advice in setting up the issue properly.

Selling Bonds

Not only must the issue be well and conservatively planned, it must be expertly presented to the public in the form of a properly worded notice of sale with accompanying explanatory financial data. It is not necessary for you to employ any bond house as fiscal agent or financial advisor to secure this result. Our State Commission on Local Debt, of which the State Auditor J. Gordon Bennett, is secretary, does an excellent job entirely without cost. You, of course, pay the fee of the approving bond counsel as well as the expense of advertising the notice of sale, which should appear in the Daily Bond Buyer, published in New York, N. Y., and recognized as the "bible" of the municipal bond industry. Such notice should appear two or three weeks ahead of your sale.

Be prepared for numerous letters and telephone calls from bond dealers around the country requesting two or more copies of the notice of sale and additional financial information. These should be furnished by return mail. If the State Commission on Local Debt is handling your sale, send such inquiries to it.

Bond dealers like issues handled by the Local Debt Commission as the bids are received under ideal conditions at a central point.

By all means, issues should be sold by sealed bidding at public sale. Nothing arouses the indignation of bond dealers more than having a municipality play favorites, divulging information to one dealer and not to another, rejecting all bids and then almost immediately selling the bonds at virtually the same price to some dealer who was not the high bidder. This just isn't playing fair, and any municipality which indulges in this kind of under-the-table dealing is certain to pay dearly for it.

Once a bid has been presented, it should be accepted or rejected promptly. No investment banker wants the market liability of leaving a bid out more than a couple of hours. Keep in mind that the bond house is the merchandiser of the securities and not the permanent investor. It must reoffer and sell its purchases promptly, and many a bond house which has made the mistake of leaving its bid out overnight has awakened the next day to find it has a sizable loss on its hands.

Bonds and coupons should be payable at some central spot, preferably in a Federal Reserve city. This is for the convenience of investors in collecting their coupons. You should expect to pay a fair fee to your paying agent, and the paying bank should under no circumstances deduct any fee or exchange from the coupon. If an investor buys a $1,000 bond carrying 3½% interest, he is entitled to $35.00 a year and not $34.10 or some such figure remaining after deduction of a collection fee.

The time of your bond sale should be at either 11:00 a.m., or noon, preferably on a Tuesday, Wednesday or Thursday. Sales at 8:00 p.m., may be convenient for a Town Council but they are an anathema to a bond dealer.

If all of this sounds as if it is a one-way track and that the municipality is doing everything for the benefit of the bond dealer, you are right, but it is such as this that makes for a better price for your bonds, and that is your job.

Assessment Ratios

Having covered the mechanics of sales, let's look again at some of the fundamentals. Let's start with a very touchy subject, namely, assessed valuations. The ratio of assessed valuation to estimated true value in most Virginia municipalities for example, is so low that it is ridiculous. In many instances it runs only 10% or 20% of the estimated true. Such an absurdly low assessment costs a lot of money when it is converted into the form of a financial statement issued for the purpose of selling bonds at the lowest possible interest rate. One of the most critical indices in judging a municipal credit is the ratio of net bonded debt to assessed value. You may have only a 3% debt on the basis of the true value of your taxable property but if you assess at only 10% of actual value, then the ratio becomes not 3% but 30%!, an astronomical figure. Statements to the effect that the assessed valuation represents only 10% or 20%—sometimes 25% or 30%—of the real value are helpful, but many astute and hardheaded institutional buyers simply shake their heads and say, "That estimating business is all right but the only thing I go by is the legally assessed valuation."

Therefore, without commenting in any way on the Catterall recommendation relating to the assessment of utilities in Virginia, I must point out that low valuations for the more-or-less expressed purpose of soaking the utilities can be self-defeating. If I were asked to suggest a proper ratio of assessment, I should unhesitatingly say — prepare for a shock—80%. This gives enough cushion to allow for normal variations in "inflated" values and errors in assessment.

Money Market

Finally, let's take a look at this thing we call the money market. New issues of municipal bonds in the year 1957 probably will amount to about $7,100,000,000. New corporate issues will exceed that amount substantially. Add to that the borrowings of individuals and corporations for both business and consumer credit purposes and you have a clear explanation of why money is as tight as it is. This entirely ignores the financing problems of the United States Treasury, which found it necessary only a few weeks ago to pay an average rate of 4.174% for an issue of Tax Bills maturing on April 15, 1958.

Everybody seems to be living on borrowed money, and the supply just isn't equal to the demand. Over the past 20 years with artificially low interest rates, thrift has become something of a lost virtue. Certainly, with savings accounts paying only one-half of 1% in some instances, there was no particular incentive for anyone to save. The psychology of our citizens assumed a sort of "eat, drink and be merry" aspect, and a subtle inflation psychology pervaded their thoughts.

High interest rates—as painful as they are—are doing much to correct this unhealthy condition. The cost of money is making every business, every municipality and many individuals pause and ask, "Is this spending necessary?" Thus it is slowing down capital expenditure and easing the pressures on manpower and, in some cases, scarce materials.

On the other hand, these same high rates are providing adequate compensation to the saver, that long-suffering individual who has seen the value of his savings account, life insurance policy, savings bond and, yes, even the maturing bonds of your own municipalities shrink in purchasing power nearly one-half since 1939. For the first time in 25 years there is an inducement to save, and saving means denying one's self today in order to have a better life tomorrow.

Therefore, before you say, "Damn that Federal Reserve Board for making money so tight," stop and consider the facts. It is excess borrowing, not the Federal Reserve Board, which has created the tight money. The only thing the Fed has done is refuse to pump additional money into the System, which means that the only monies available to borrowers are those provided by sayers. The Fed's action gradually is relieving upward pressures on the price front and will, in the long run, save you many millions of dollars in the cost of the capital improvements in your community.

It is important that Treasurers have a clear understanding of what is happening in our capital markets today. They can do much to lessen the inflationary pressures by advising the taxpayers of their locality to defer all but the most urgent capital spending programs. Responsible officials also can do much to enlighten the taxpayers as to the workings of the money market and the meaning of today's high interest rates.

Summary

In summary, **First**, see that you so operate the affairs of your own localities that you offer to the investor the soundest possible security for his money.

Second, lose no opportunity to tell everyone the good news about your credit.

Third, be prepared to supply accurate and up-to-date financial information cheerfully and promptly.

Fourth, come to the market only once a year, if possible.

Fifth, sell your bonds at public sale under sealed bids, taking full advantage of the services offered by our State Commission on Local Debt.

Sixth, establish realistic ratios of assessed valuation to true values.

Seventh, promote thrift in your municipality both within and without the local governmental structure.

*An address by Mr. Craigie before the Local Government Official's Conference, University of Virginia, Aug. 27, 1957.

The State of Trade and Industry

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

Total industrial production suffered some contraction as a result of the long Labor Day week-end. In the automotive industry car output declined 4.7% due to the holiday and model changeovers. Reports from the steel industry assert that the forward trend in steel production has already begun and will show further expansion during September. It is further reported that a good portion of the new orders has come from the automotive industry.

The production of petroleum fell to the lowest level so far this year and was 5% less than a year ago. Despite a moderate decline in imports, crude oil stocks reached the highest level on record. Bituminous coal production for the year to date was slightly below the comparable 1956 level.

Lumber producers reported a year-to-year decline of 11% in output last week, and orders were down 5%. Paperboard production exceeded that of last year by 7% and new orders climbed 15%.

Latest reports on the employment situation for the nation as a whole show that the number of newly laid-off workers seeking unemployment insurance dropped to the lowest point in 1957 during the week ended Aug. 24, according to the Bureau of Employment Security.

The volume of initial claims went down to 4,200 to a total of 185,700, the agency stated. Some 30 states reported declines. The drop was attributed to the seasonal expansion of employment in the construction, textile, clothing and food processing industries, the bureau noted.

The total for the like week of 1956 was 188,800. Insured unemployment went down by 32,300 to a total of 1,160,400 during the week ended Aug. 17, the agency further reported.

Although unemployment claims fell 11% during the week ended Aug. 17, they exceeded those of a year ago by about 5%, again reflecting fewer seasonal plant shutdowns. Claims fell most noticeably in New York, Connecticut and Illinois. The newspaper strike in Boston resulted in a considerable rise in claims in Massachusetts.

The looked-for after Labor Day upturn in steel is underway, "The Iron Age," national metalworking weekly, stated on Wednesday of this week.

The upward trend in steel has started and it will expand further this month. It will reach a peak late in November or early in December. Much of the new strength comes from new orders for automotive steel, but there has been expansion in volume of orders from miscellaneous sources, it reported.

Based on market conditions observed by "The Iron Age" in the past few days, the national metalworking weekly added that the predicted improvement in steel activity is now building up. The wide variation in operating rates among companies is now beginning to contract. By October, most firms will be on a comparable footing.

Auto firms, it noted, have worked off substantial inventories, and they will be active in the sheet and strip market for more steel than they took a year ago at the start of new model runs.

Widespread pessimism because of defense cutbacks and stretch-outs will not hit steel so much as other materials. The amount of steel going directly or indirctly into defense programs has not been large.

In a special analysis of organized labor, its goals and problems, "The Iron Age" reported strong possibilities of a steel strike in 1959 and an auto strike in 1958. In both cases, strike indications stem from excessive demands by the unions against strong management resistance to pacts that will force higher prices.

For the steel industry specifically, "The Iron Age" predicts a belated attempt by USW President, David McDonald to tighten up control of the union. A 65-35 chance that there will be a steel strike in 1959 and a much tighter management front because of weariness in having to raise prices every year. A wage package not quite up to the one gained last year, but with enough cents per hour and fringe benefits to boost prices again in 1959 and each year in the contract.

For the auto industry, "The Iron Age" forecasts that UAW President, Walter Reuther will trade dollars for the 32-hour work-week and that he will get no 32-hour work-week, but a good wage increase for skilled labor, a moderate increase for production workers and some refinements in fringes.

The national metalworking weekly also reported a strong movement in the steel industry to two-man bargaining, similar to that in the coal industry.

Despite the trend, it noted, it is still years away, the reasons being that David McDonald must first strengthen his position as the logical choice as steel's bargainer, since John M. Stephens, will not take the job.

The consumer price index rose 0.5% in July to 120.8 (1947-49=100) according to the Bureau of Labor Statistics of the United Stated Department of Labor. This will result in automatic wage boosts for about 1,300,000 factory workers. A slight rise in food prices offset declines in other groups. The buying power of factory workers was fractionally reduced as the slight rise in the cost of living offset gains in average spendable earnings.

Incoming orders for machine tools totaled $55,800,000 in July, up 30% over June, as buyers anticipated price increases in the next few months. However, the level was below the $61.9 of July 1956. The value of orders for the first seven months

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From Washington Ahead of the News

By CARLISLE BARGERON


Carlisle Bargeron

One of the darlings of the "liberals" is the Rural Electrification Administration. There is a great enterprise, born of a dream by Franklin Delano Roosevelt designed to bring better living to our rural people, our tillers of the soil. In politics it is an untouchable. Throughout the last Presidential campaign the Republicans had to repeatedly deny charges that they had sought to increase the interest rate on REA borrowings. It seems that the Hoover Commission in one of its reports had recommended that the interest rate be boosted. But Mr. Eisenhower promptly denounced this phase of the Commission's report. So politically sacrosanct has the REA become.

That the REA has brought electricity to millions of farm homes there is not the slightest doubt. It accomplished a job that the private companies obviously could not have undertaken.

But the fact remains that now REA has come to be one of the largest subsidized businesses in the country. It gets its money from the Treasury at the rate of 2%. The Treasury, on the other hand, is having to pay around 3½%.

Furthermore, in the continual expansion of the REA, it is not only the tillers of the soil who are being subsidized. Secretary of Agriculture Benson, in a recent letter to Senator Hubert Humphrey, an outstanding "liberal," said:

"The changing character of the nation's countryside is having a marked effect on the territory and electric service requirements of many REA borrowers. City people are moving to the country and building homes. Industry is locating in suburban and rural areas. The REA service territories are losing a good bit of their rural traits. About half of their revenue comes from farm service and the remaining half from non-farm residences, commercial and miscellaneous services."

So the REA has gone far from its original intent, that of making electricity available to the rural areas. It is manifest also that it has moved far from the business-like basis on which it was originally set up. Insofar as loans by the Treasury are concerned, REA has never cost the taxpayers a cent. The loans have invariably been repaid. But now the taxpayers subsidize every loan at the rate of 1½% or thereabouts. An example of how REA has grown with the demands of the "changing character of the nation's countryside," is shown in the amount of loans granted from year to year from 1952 on down. In fiscal 1952 the loans totaled $165,758,731. Five years later, in fiscal 1957, they totaled $300,461,514. The end is not yet. The "changing character of the nation's countryside" will continue to change and, as we go farther along, the tillers of the soil for whom the program was originally set up, will become proportionately less in the beneficiaries of the system. So it will be just another example of the taxpayers as a whole paying taxes for the good of a favored few, not only a favored few individuals —city dwellers who are moving out towards the freer spaces, but industries as well.

The matter has come to attention in an interesting way. Senator Humphrey and his fellow "liberals" have been trying to make a case against Secretary Benson for issuing an order that the director of REA, within the Department of Agriculture, consult with the Farm Credit Administration in applications for loans of $500,000 or more. Humphrey and his fellow "liberals" are trying to make the case that Benson is trying to get control of REA loans with a view to cutting down on them. The fact is that Benson is unquestionably in control of these loans and he denies that he is trying to cut them down.

In the meantime, Senator Capehart of Indiana has courageously proposed that no loans made by the Treasury to any governmental agency bear less interest than that which the Treasury has to pay. This seems to make common sense. His bill would apply not only to REA loans but to other Government lending agencies such as the Farmers Home Administration, College Housing under HHFA, Disaster Loans under both Small Business and Farmers Home Administration.

You can imagine how "reactionary" this is. Particularly when the Senator's bill also provides that there be an added charge on the loans to cover administrative expenses. His bill didn't get anywhere in the session just closed. But it is still pending.

It seems a little hypocritical though for the "liberals" who want the present interest rates to prevail, to be professing high indignation over quicker tax write-offs to private electric power companies.

Now Chase Internat'l Investment Corp.


Robert H. Craft

The name of The Chase Bank, wholly-owned foreign financing subsidiary of the Chase Manhattan Bank, has been changed to the Chase International Investment Corporation, Robert H. Craft, President of the subsidiary, announced.

This action reflects a decision to confine the corporation's activities to the field of international investments rather than commercial banking, in accordance with the choice provided under revised Federal Reserve regulations applicable to Edge Act Corporations. In its international financing activities, the Chase International Investment Corporation will not engage in the business of distributing securities to the public.

C. Fitzgerald Elected Harris, Upham Partner

Clifford E. Fitzgerald, associated with Harris, Upham & Co., 120 Broadway, New York City, 28 years as order clerk and head floor clerk, has been elected general floor partner of Harris, Upham on the New York Stock Exchange, according to an announcement by George U. Harris, senior partner of the firm.

Mr. Fitzgerald joined Harris, Upham & Co., as an order clerk, on Oct. 29, 1929 (Black Tuesday when trading volume of 60,410,000 shares lowered the Dow-Jones industrial average 30.57 points) and was named head floor clerk of the firm in 1945.

He is a member of the Senior Order Clerk Division 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.

Automotive Review — Study, with a discussion of **General Motors, Ford** and **Chrysler**—McDonnell & Co., 120 Broadway, New York 5, N. Y.

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

High Yields—List of stocks with high yields and some growth potentiality—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

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

Market Review—With a discussion of Stocks for Income with Defensive Strength—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are analyses of **Chicago Pneumatic Tool Co., Toll-Tiv,** a study of inflation hedges, and the current issue of "Pocket Guide" discussing 20 better acting stocks which are candidates for splits or large stock dividends.

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

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

Politico-Economic Crossroads & The Bond Market—Analysis—E. M. Saunders Limited, Victory Building, Toronto 1, Ont., Canada.

Securities Outlook—Booklet—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Short-Term Municipals — Discussion in September "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same issue is a brief analysis of **Bell & Howell,** and an analysis of the current market.

Southern California Business Conditions—Summary—Security-First National Bank of Los Angeles, Research Department Box 2097, Terminal Annex, Los Angeles 54, Calif.

Stran-Steel Products—Catalog on all light-weight steel products for use in institutional, industrial and commercial building construction—Stran-Steel Corporation, Detroit 29, Mich.

World Bank Loans for Japanese Industries—Analysis—in current issue of "Nomura's Investors Beacon" — Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are analyses of the Japanese market and Foreign Trade.

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Allegheny Ludlum—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **U. S. Steel Corp.**

American Can Co. — Memorandum — Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

B. & O.—Analytical brochure—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Burmah Oil Co. — Memorandum — Milwaukee Co., 207 East Michigan Avenue, Milwaukee 2, Wis.

C. I. T. Financial Corporation—Data—Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y.

Calumet & Hecla—Memorandum—Hill, Darlington & Co., 40 Wall Street, New York 5, N. Y.

Employers Group Associates—Analysis—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

Fire Association of Philadelphia—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Frito Company — Analysis — Dittmar & Company, Inc., 201 North St. Mary's Street, San Antonio 6, Texas.

General Motors Corp.—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are data on **Western Natural Gas, National Distillers & Chemical,** and a leaflet on the **Copper Market.**

I. T. E. Circuit Breaker Co. — Memorandum — Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C.

International Utilities Corp.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Marmon Herrington Co.—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Mohawk Rubber Co.—Bulletin—J. N. Russell & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

National Dairy Products—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a discussion of **Convertible Bonds.**

National Supply Co.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

New Cornelia Extension Copper Corp.—Memorandum—Richard Bruce & Co., 25 Broad Street, New York 4, 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.**

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

Richfield Oil—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular is an analysis of **Virginian Railway.**

Safway Steel Products, Inc. — Analysis in current issue of "Business & Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **Maryland Shipbuilding & Drydock Co.** Also available is an analysis of **American Hospital Supply Corp.**

Skelly Oil Company — Analysis — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Firestone Tire & Rubber Co.**

Another Look at Bank Reserves

By DAVID H. McKINLEY*

Associate Dean, College of Business Administration
Pennsylvania State University, University Park

Business professor approves ABA proposal to fix demand deposit reserves at 10% and time deposits at 2%. Denies this is an inflationary step and insists reserves should be confined to credit control since they are not used for their assigned liquidity purpose.

Earlier this year the Economic Policy Commission of the American Bankers Association released one of the most important economic reports issued by the Association in the 1950's. In a scholarly and extremely comprehensive analysis of the fraction of deposits which American banks must hold as "reserves," the Commission recommended a long overdue change in the Federal Reserve Act.


David H. McKinley

The Commission proposes, in short, to change present laws to permit the 6,500 member banks to hold substantially lower reserves, namely, 10% of demand deposits and 2% of time deposits; to authorize the Federal Reserve to vary the demand deposit percentage as low as 8% and as high as 12% of demand deposits; and to permit member banks to count vault cash as part of legal reserves.

All of the proposals make sense in terms of correcting historical anachronisms in the present plan, but proponents of the plan should recognize the road-blocks which stand in the way before Congress will be persuaded to adopt the ABA plan.

First, legislators will have to de-emphasize the liquidity aspects of reserves; and to accept reserves mainly as an important credit control and not a fund for payment of depositors of insolvent banks. Even in our greatest bank crisis in 1933, we didn't permit reserves to be withdrawn, so why have a "fire engine which can't be taken out of the firehouse"?

Second, the Congress must be persuaded that the downward shift in legal reserves will not be inflationary in a period in which there is creeping inflation. Conservative legislators may accept the reasoning of the ABA Commission that the Federal Reserve can safely neutralize the downward shift as it occurs over a five-year period; yet instinctively vote against legislation that looks *prima facie* like pouring kerosene on a fire. Bankers and economists may expect to do considerable "educating", before a Congressional majority will support the release of billions of dollars of present reserve funds. Introduction of the plan in a deflationary period would be less arduous to the ABA.

Third, the plan may get lost in a jumble of other proposals to modernize the Federal Reserve. Unlike Canada which looks carefully at its central bank every 10 years, we in the United States have repeatedly postponed the job. Any consideration of the ABA reserve plan is likely to involve all sorts of desirable and undesirable "hitch-hikers," especially from legislators who fret about tight money and would like to move toward greater political control over the Federal Reserve.

*From a talk by Professor McKinley at the Sixth Annual Pennsylvania Bankers Association Summer School, Bucknell University, Lewisburg, Pa., Aug. 19, 1957.

With Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Hazel S. Colburn is now with Hannaford & Talbot, 519 California Street. Miss Colburn was previously with York & Co.

Norman Dacey Adds

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn.—Leonard S. Murzin is now with Norman F. Dacey & Associates, 114 State St.

Lee Co. Branch

POTTSTOWN, Pa.—Lee Co. has opened a branch office at 620 High Street under the direction of William R. Oberlander.

John J. Laver Co. Formed in New York City

John J. Laver & Co., Inc. has been formed with offices at 141 Broadway, New York City, to engage in a securities business. Officers are John J. Laver, President and Treasurer; Helen Laver, Secretary. Mr. Laver was formerly with Edward A. Purcell & Co.

Thompson & Sloan Formed

HOLLYWOOD, Calif.—Thompson & Sloan, Inc. is engaging in a securities business from offices at 7805 Sunset Boulevard. Officers are Stanley B. Buhai, President; Arnold Spatt, Vice-President, and Leo E. Bromberg, Secretary-Treasurer.

Securities Salesman's Corner

By JOHN DUTTON

A Suggestion for Direct Mail Using Tax Free Bonds

One of the rules for productive advertising is that you should use proper "timing." Your product should be "right" for the times. Today, the income return on tax free bonds in many instances is above that paid on low yielding savings accounts which are subject to Federal Income Tax. Thousands of people in every community are holding millions of dollars in reserve savings which are subject to heavy tax penalities on the interest they receive.

For example—if you are in the lowest income tax bracket of 20%, and have $1,000 more than you normally keep in a 3½% savings and loan account, you can keep only $28 (of the $35 interest you receive on each surplus $1,000) after you have paid Federal Income Taxes. If your taxable income is $10,000, you only keep $21 per thousand, and if you are in the $16,000 taxable income bracket, your net return per thousand invested at 3½% taxable is only $17.50 per thousand of savings. Until recently there has not been anything that the conscientious saver who was seeking liquidity and top-flight security could do about these meager after tax returns. He had to take it and be content.

However, today if you invest in sound tax free municipal bonds, or some of the good authority or expressway and turnpike obligations, you can obtain from $35 per thousand to $45 per thousand invested and it is all yours. There is no Federal Income Tax that you have to pay on the income from these investments. That's quite a story in itself, is it not? Don't you think there are many people in your community who would like to know more about this type of investment?

A Direct Mail Letter

Possibly the following will give you some ideas of your own. You can use this copy in a letter, change it, a bit and make a double return card out of it, or if you want to try it in a newspaper ad you might use this material as a basic suggestion for your copy.

Increase Your Income . . .
And Cut Your Tax Bill!

Do you have surplus savings available today? Are you paying income tax on the interest you receive? Then you should investigate TAX FREE BONDS.

Today you can invest in the sound obligations of the growing cities and towns in (name your state), that are secured by taxes and revenues of these communities which will provide you with an income return of from 3¾ to 4½%. And it is all yours, TAX FREE of all Federal Income Tax.

These bonds are considered the soundest type of investments. They are owned by banks, insurance companies and by many astute individual investors. They are remarkable, convenient to own, and they can be purchased in amounts to suit your requirements.

We sincerely urge you to fill in and send us the enclosed card today, and we will send you our latest offering list of Tax Free bonds and a folder that will explain this attractive way of increasing your income.

Respectfully yours,

________________.

* * *

Replies to this letter should be made promptly. Enclose a short covering letter along with a list of bonds you are recommending, and a brochure describing the advantages of "Tax Free" bonds. Several good mailing pieces are available from leading municipal bond underwriters.

Your list should be brief. Give the name of the issue, a very short description, available maturities, rating if any, and the approximate yield to maturity. Follow up every inquiry. This is an opportunity for you to show the man with savings of $5,000 to $25,000 and upward that he can at last obtain at least 3½% to as high as 4½% without Uncle coming along and taking away from 20% to 50% (and more) of it. Isn't this something that you should enjoy telling the world about?

Dean Witter Absorbs Central Republic Co.

Dean Witter & Co., members of the New York Stock Exchange, announce the merger of the business and personnel of Central Republic Company with Dean Witter & Co. effective Sept. 3. The merged firms, with offices in 42 cities, will offer complete investment services as underwriters, brokers, dealers and distributors.

Hemphill, Noyes Co. Opens Newark Office

NEWARK, N. J. — Hemphill, Noyes & Co., members of the New York Stock Exchange, announce the opening of an office at 744 Broad Street under the management of Roland H. Hill, Jr. Also associated with the new office are Sherman Kane, W. Halsted Taft and Ralph W. Voorhess, registered representatives.

Three With Baker Simonds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Charles B. Cary, Robert J. Dougherty and Richard A. Lewis have joined the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange.

With Armstrong, Jones

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Bruce H. Boyson, Russell E. DeKarsky and Richard W. MacKay are now affiliated with Armstrong, Jones, Lawson & White, Penobscot Building. All were previously with Carr & Company.

Evans MacCormack Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Williard B. Weaver and Robert R. Wigely are now with Evans MacCormack & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange.

Your Car in a Thousand Garages

By Dr. IRA U. COBLEIGH
Enterprise Economist

A consideration of the unusual business conducted by Hertz Corporation, its quite remarkable growth rate and the investment attraction of its common stock.

Having just returned from a vacation on the outer reaches of Cape Cod, the holiday viewpoint is still upon me. And I pause to reflect on the great convenience to travelers afforded by rental cars supplied by Hertz Corporation on a national and international basis. For example, at the airport in Provincetown, at the very tip of Cape Cod, there's a Hertz agency doing such a thriving business that rental of a car must be arranged a week or more in advance. It was the same way in Daytona last winter.

Ira U. Cobleigh

The advantages of car renting are certainly catching on. Instead of a long tense motor trip of many hundred miles, thousands of drivers are now leaving their own cars at home, comfortably zooming by plane or streamline train to their holiday haven, and then renting a shiny new car at from $6.50 to $11 a day depending on make and model (plus a few cents a mile for all mileage driven over a specified minimum). Since the car is a late model and well maintained, contented driving is assured. And only this year an important improvement in service was introduced by Hertz. You can now pick up your car in one city and return it in another with a return or extra charge.

Now in this big and growing buisiness of passenger car and truck rental, Hertz is the acknowledged pioneer and leader. And actually the pleasure of vacation rental by day, week or month does not contribute the biggest part of Hertz passenger car rentals. Rentals for business purposes are the major passenger revenue producers.

Further, while Hertz is best known to the public for its passenger car lease service, actually rental of trucks is far more important. Truck leasing produced 55% of total income for 1956. Hertz owns over 13,000 trucks, most of which (over 90%) are out on long-term lease contracts. Hertz does everything but furnish the driver. It maintains and services the truck, attends to repairs and provides insurance coverage. For many companies truck rental works out very well since all costs are immediately deductible and bookkeeping is greatly simplified. There is no need to tie up capital in truck investment and trucks can be rented as needed, with idle equipment thus reduced to a minimum. Further, there is no requirement to maintain a service and repair facility, or mechanical or supervisory personnel. Of the over 9 million trucks on the road, only about 2% are presently rented; which suggests a fine opportunity for future business growth in this truck division of Hertz activities.

In addition to direct ownership and operation of trucks and cars for rental, the Hertz Corporation has greatly extended its coverage by an extensive system of agency licensing. Through any of its combined outlets in 750 cities in the United States and in 22 foreign countries, you can arrange a Hertz rental. The high standard of service associated with the Hertz name is maintained by frequent inspection of agency operation. The agency in turn benefits from the Hertz name, intercity advance reservation service, and over $2½ million a year in national advertising provided by Hertz Corporation.

Finally, in addition to the three corporate divisions swiftly delineated above, namely, truck rental, car rental and agency licensing, there's another source of revenue — sale of used cars which netted 45c a share last year; plus revenues from parking lots, service stations and parts.

The opportunity for the general public to become shareholders in Hertz Corporation has not long existed. From 1926 to 1953, it was a wholly-owned subsidiary of General Motors Corporation. In 1953 the entire property was sold to Omnibus Corp., which, a year later, changed its name to Hertz Corporation. In the three years since Hertz was severed from General Motors, a smart, intelligent, progressive management made up of men with broad experience in the automotive and vehicle rental fields, has turned in some dynamic operating results. Gross revenues for 1956 were 170% higher than for 1954. Not only have company operations themselves grown apace, but mergers and acquisitions have been aggressively and successfully arranged. For example, since 1953 Drive-A-Car, Metropolitan Distributors, Robinson Auto Rental and Carey Drive-Ur-Self were acquired and merged into Hertz Corporation. Overseas, the company in 1957 bought a controlling interest in a French car rental enterprise, Europcars; and only this week the acquisition of Hawaiian Car Rental Co. of Honolulu with 75 cars and offices at Honolulu Airport and Waikiki Beach (world renowned for swimming, swinging and swaying).

In location of its rental offices, Hertz is extremely practical. It goes where the business originates, with over 530 of its own, or licensed, agency locations, at airports, railway terminals or in hotels. The customer doesn't have to walk a block before he starts driving, nor do a lot of extensive baggage shifting or toting.

For the Hertz shareholder, present or potential, operating results over the past three years make interesting if not exciting reading. Total operating revenues were $21.7 million in 1954; $41.2 million 1955; $55.8 million in 1956. For this year, estimates of gross run above $70 million. Operating expenses have been running for the past three years at the rate of around 88%. Net earnings on a per share basis have risen from 71c in 1954 to $2.63 in 1956; and should run above $3.20 a share for 1957.

Capitalization at the 1956 year-end consisted of $4,826,046 in equipment debt, $29,011,976 in notes, $3,698,500 in 4% debentures due 1970 and 1,811,169 shares of common stock. This amount was arrived at after a 5% stock dividend in 1956, and a 2-for-1 stock split in 1955. Presumably the amount of common (3,000,000 shares authorized) will be (or has been) increased by conversion of the 4% debentures. These now sell at 145 and, since each $1,000 bond is convertible into common at $26.48 a share, and the common now sells at 38¾ on the New York Stock Exchange, there is considerable inducement to convert.

About dividends, 50c a share was paid in 1954, 78c in 1955 and $1.00 in 1956, plus the stock extras aforementioned. Cash dividends, as you will note, have doubled within the past four years. A payout of 50% of net in cash is consonant with company policy, on which basis a total cash distribution of $1.50 per share would seem predictable for 1957, with perhaps a modest extra in stock.

In a stock market characterized in many areas by descent, dullness or soddenness, Hertz appears to be a sprightly performer, buoyed up by a sparkling trend in earnings, and an interesting looking future. There is much economic good sense in truck rental, rather than ownership, for many small and medium sized companies; and the difficulties of parking and garaging in the big cities are suggesting to many individuals the convenience and economy of car rental. Assuming the persistence of this trend and swing toward rentals, Hertz is on the right track and may prove to be a growth stock at a time when many others, so-called, have stopped growing.

With Eddy & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Willis C. Warner has been added to the staff of Eddy & Co., 31 Lewis Street, members of the New York Stock Exchange. He was previously with R. C. Buell & Co.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

STAMFORD, Conn. — Charles Nemarow is with Coburn & Middlebrook, Incorporated, 30 Park Row.

Uses and Savings of Isotopes And Our Atomic Future

By DR. WILLARD F. LIBBY*

Commissioner, United States Atomic Energy Commission

A. E. C. member foresees savings from peaceful uses of radioisotopes offsetting the cost of the nation's atom program within three to five years and probably sometime in 1960. Dr. Libby touches on the unseen opportunities of the many unborn uses of the atom which are chemical in nature and await the important combination of chemical and atomic power. Describes the industrial, agricultural, medical and other revolutionary uses of and savings brought about by isotopes, and indicates extent the atom would help the coal industry.

The dedication of the first privately owned plant for the large-scale manufacture of metallic beryllium and the alacrity with which industry has taken the challenge of producing the beryllium necessary for the atomic energy development is pleasing to the Atomic Energy Commission. We fully anticipate that as experience is gathered and skills are brought to bear on the program, the price will decrease thereby benefiting atomic power and everyone in the country.

Dr. Willard F. Libby

It is always true that difficult tasks are best done by people accustomed to solving hard problems, and the difficulties of ordinary industrial competition, especially in the chemical and metallurgical business, are such that the survivors are necessarily able to solve hard problems. We urgently need the skills that industries of your type possess. Everywhere we look in the atomic energy business, there are problems which only the chemical and metallurgical industries can solve. For example, there are the questions connected with the re-cycling of plutonium — how will we burn the plutonium which is certain to accumulate as the presently planned atomic power reactors operate? We must solve the metallurgical and chemical problems incident to this important task.

We have announced during the past two years several programs under which private industry can participate further in the atomic energy program. On Aug. 25, 1955, the Commission solicited proposals to supply zirconium metal and all of the by-product hafnium over a five-year period. You will gain some idea of the magnitude of industry effort required in this procurment program when I tell you that private industry had been supplying to the AEC only 200,000 pounds per year. The original solicitation was for proposals to supply two million pounds. However, when the time to negotiate contracts arrived, the AEC requirements had increased five-fold. Ten firms submitted proposals. The final award was split among three firms which are establishing new facilities from which they will supply the government a total of 2,000,000 pounds of zirconium metal per year for five years, at an average cost of $14 million per year.

Similarly we solicited proposals from private industry for the production of feed materials in the form of uranium hexaflouride. Seven firms responded with individual and joint proposals. The successful bidder had also developed a shortcut process.

We are continuing to explore the feasibility of extending to industry an invitation for proposals for processing of fuel elements from non-government reactors. Such processing constitutes an integral part of the fuel cycle of nuclear reactors. It is hoped that these chemical facilities will be ready shortly before the time industry's reactors are in operation. In order to provide a base load during the period of transition, the Commission will furnish to industry spent fuel elements from government-owned reactors.

Contracts with private industry will be negotiated individually to establish firm charges for the service, subject to escalation on the basis of an appropriate price index. The purpose of the new policy, as announced this past February, is to give further encouragement to the development of a private atomic energy industry by giving reactor operators an assured means for recovering the valuable constituents which remain in the spent fuel elements after their removal from the reactor.

We also hope that the chemical industry will pursue the possibilities of using atomic radiation for the promotion of chemical reactions. We desire to further this program. We know that radioactive cobalt will likely be needed, and hope to be able to supply this need, although I do want to emphasize that such radiation is in many ways potentially much cheaper if acquired as a by-product of atomic power.

Thus we see an example of what may develop into an important combination — chemical manufacturing and atomic power. Who knows but that these radiation-induced reactions may not prove to be really economic? I realize they have a considerable way to go now but it might pay for chemical companies to get into fuel reprocessing if only to make use of the by-product radiation.

Many of the unborn uses of the atom are chemical in nature and await the industry's interest, attention, consideration and approach. It will pay you and like the other opportunities I have mentioned will undoubtedly bring you closer to unseen opportunities which we in our ignorance cannot even vaguely describe.

II

Our Atomic Future

Here in the Lehigh Valley where so much coal is produced, many people must have wondered about the impact of atomic energy on the coal business. In discussing our atomic future I would like to say that I believe the impact is beneficial and will continue to be so, and that the coal business will be better for the atomic energy development rather than worse. It certainly is true at the moment, for the Atomic Energy Commission is one of the best csutomers that the coal business has. We buy enormous quantities for production of electric power to operate our plants, mainly the gaseous diffusion plants for the separation of uranium isotopes. In a sense, you may say that in separated uranium-235, there is a concentrated form of the energy contained in coal. The uranium-235, in the submarine, Nautilus, is, in a sense, the result of the expenditure of coal energy in generating the electricity which, in turn, was used to make the separated uranium-235. A considerable fraction of the cost and value of uranium-235 is the electric power which goes into its separation. Therefore, insofar as enriched reactors are used to produce atomic power in faraway places of the world to which coal could not be transported economically, the atom broadens the market for the use of coal and benefits the coal business.

I believe there is a second point as well; namely, that most coal is used for producing heat and there has been little consideration of the use of atomic reactors for the production of heat. I suppose the dominant factor is that to use heat from a reactor, one must be close enough so that the heat can be transported. The problems of reactor hazards are such that this is moderately difficult and expensive. Electric energy, however, can be transported more easily than heat, so most of the atomic energy will probably be used to make atomic power rather than heat. There is a possibility, of course, that this prediction may be wrong but, at the present time, it looks as though the atom will not offer serious competition to the coal business in the supply of heat. Therefore, I think that with these two thoughts, one comes to the conclusion that here is reason to believe that the atom will help the coal business. One knows, of course that there is a continuing rise in the demand for both heat and electric power and it may very well be that both of us, the coal producer and the atomic energy producer, will have all he can do to keep up with the market.

I want to talk about isotopes and their tremendously beneficial applications. First, however, let us consider their production.

Isotope Production

Isotopes can be produced in several ways. The action of fission itself produces radioactive atoms in major quantities, there being about 150 different fission products of various characteristics. Therefore, from the atomic ashes of power and production reactors, we can obtain isotopes by chemical or physcial separation. There is a need to emphasize this fact clearly because a common misconception of the value of these materials exists, the task of dealing with their disposal in the sea and even in interplanetary space is frequently put as a major one for the atomic development. I believe this is unlikely to be the situation and that the value of the fission products as isotopes will be such that, except for the most dilute and intransigent solutions, valuable use will be made of them. They should not be called waste. This is a misnomer.

Four important isotopes of technological importance which are fission products are: (1) Krypton-85, an isotope of 9.4 year half-life. It is a noble gas and emits a 0.72 mev beta ray and is potentially very useful in a considerable number of applications such as radioactive signal lamps and flashlights. (2) Iodine-131, the extremely important eight day isotope of iodine used widely in thyroid diagnosis and therapy. (3) Cesium-137, the 27 year half-life isotope which has great potentiality as a cheap gamma ray source. (4) Strontium-90, the 28 year half-life isotope which because of the energetic radiation of its short-lived yttrium daughter constitutes an excellent beta ray source, cheap and long-lived. It emits no gamma radiation and as a consequence constitutes a minimum external radiation hazard as long as it is safely encapsulated. Capsulation can be accomplished in containers which will or will not transmit the hard yttrium-90 radiation, as desired. This is an excellent material for luminescent paint, for example.

In addition to these, several other fission products are quite likely to prove useful. Also, the mixed fission products even in the unseparated fuel elements or fuel solutions are of considerable potential value as radiation sources.

In addition to the fission products, there are two other sources of isotopes (a) neutron capture by a target element not involving a change in chemistry of the isotope produced, (b) by neutron capture which produces an element different from the target and thus allows the isotope to be separated and concentrated chemically, and making possible the use of a much lower neutron flux. An important example is radioactive carbon, the product of neutron irradiation of ordinary nitrogenous materials. It can be separated and concentrated from target material such as NH_4NO_3 which has been irradiated by low flux neutrons and thus potentially produced for essentially the separation costs.

How much should these isotopes cost? What are the factors which determine their costs if manufactured in very large volume? We know that in nearly all cases the quantities now sold are small compared to the potential volumes, and that this is particularly so in the cases of those isotopes whose uses are relatively undeveloped such as radioactive carbon, and that therefore their costs probably should eventually prove to be much lower.

Analyzes Cost Question

We have to consider the cost question from several points of view, but let us today try to estimate the **minimum** or **rock-bottom**, costs one could expect under the very largest volume uses in order to eliminate quickly applications of isotopes which might be really too expensive under any conditions. In order to do this, I shall consider only the three classes of isotopes that are produced by the atomic pile, in other words, we will not discuss oxygen and nitrogen isotopes at this time.

The Atomic Energy Commission has had a great deal of experience with atomic piles and we know from this experience that we can produce neutrons at about $7 per milligram, and that from this $7 per milligram price an item of about 50% is reserved for chemical separation costs for products produced. Thus we see that perhaps $4 is the cost of a milligram of neutrons absorbed and that about $3 per milligram are spent for the chemical separation of the product.

For the fission products, the only cost is the separation cost. This is very difficult to estimate but we might as a rough rule say that the general chemical separation costs will amount to about $3 per milligram of neutrons absorbed in fissioning the primary fuel atoms. In other words, we will take $3 per milligram of neutrons as a sort of over-all chemical separation cost figure and apply it to fission products. We must realize, however, that krypton-85, for example, should be much cheaper to separate than something like strontium-90, which involves chemical reagents; the krypton-85, being a noble gas, will be removed simply by dissolving the fuel elements and degassing. By using this crude formula we can prepare a table of what I shall call "Rock-Bottom" prices of isotopes.

Rock Bottom-Prices of Isotopes

(Based on $7 per milligram of neutrons of which $4 is production of material and $3 is for chemical separation of the isotopes)

Isotope	Half-life	Rock-Bottom Cost (per Curie)	Present Selling Price (Dollars) per Curie)
A. *Non-transmuted neutron produced isotopes:*			
Co^{60}	5.3 years	6¢	$ 9
B. *Chemically transmuted neutron produced isotopes:*			
H^3 or T	12.26 years	25¢	2
C^{14}	5,600 years	$110	22,000
S^{35}	87 days	0.5¢	2,000
C. *Fission products:*			
I^{131}	8 days	0.04¢	550
Cs^{137}	33 years	30¢	10

It is clear from the table that the present selling prices far exceed in nearly every case, except tritium, the "rock-bottom" price, which we have calculated on the assumptions described. The Commission operates on the basis of over-all recovery of costs in the isotopes program which allows the large-volume isotopes to carry the cost for the low-volume isotopes, so that the individual isotope does not reflect the true cost in each case. Another factor is, of course, that the volume of isotopes sales is extremely small compared to the volume of reactor production on which I have based the $7 per milligram of neutrons figure. Thus, the cost of isotopes at present will naturally be very much larger than in the volume required to reduce the prices to the rock-bottom figures in this table. In other words, the cost of producing radio-isotopes is something like an inverse function of the volume of sales and will drop very steeply as the result of an expanded radioisotope program. In many instances the potential uses of isotopes are so large that

*An address by Dr. Libby at the Dedication Ceremonies for the opening of the Nuclear Division Plant of the Beryllium Corporation, Hazleton, Pa.

it makes some sense to consider the prices listed above as possibly practical and realistic and useful to rule out potential uses where the costs will always be prohibitive.

Savings, Applications, and Uses

Now let us consider the applications and uses. At the present time the country is benefiting enormously from the uses of isotopes. We estimate that our present savings approximate half a billion dollars per year in industry and agriculture alone—neglecting medical and research benefits—and all this is at a cost of something like $3 million per year to the government. Obviously, if such enormous savings have been effected already with the small amounts of isotopes that are now used, the potentiality for savings is very much greater. I estimate that by 1960 these savings will attain $5 billion per year at an annual cost to the government not in excess of $20 million. It is our purpose to promote this and to make certain that we attain this goal. There is ample reason to believe that this present rate of benefit of half a billion dollars per year will continue to grow and a prognosticated tenfold increase in the next three years is solidly realistic.

The known applications of radioisotope techniques have by no means saturated the market. It is estimated, for example, that the market for radioisotope thickness gauges is less than 20% saturated. Such installations on the average have been found to pay off the initial investment in less than a year. The measuring, recording, and controlling of the thickness of various materials such as plastic, rubber, aluminum and cigarettes have returned to American manufacturers real savings and they now report annual cost savings approximating $120 million per year which probably will rise to $1 billion per year in two or three years. A comparatively new use of radioisotopes is to facilitate oil well stimulation, but this newly born use for radioactive tracers already, as indicated by the reported savings of $180 million per year, represents a large potential source of profit to the oil industry in terms of getting more oil out of the same piece of ground and doing it more cheaply and it seems likely that this will come to amount to more than $1 billion annual savings shortly.

Let us now consider where we are going to get the main part of the additional $4.5 billion annual savings from isotopes. We are going to get it by greatly expanding the uses as we have just described, but mainly from the tremendous possible new applications. The organic chemical industries, including the oil business, do not at the present time make any important use of either radioactive carbon or radioactive hydrogen, the two most important elements with which they work in their normal manufacturing operations, and it is completely obvious that there are applications of extreme importance to every organic chemical industry that exists in the way of controlling production operations by judicious labeling of the material being processed at safe low levels. For example, suppose we wished to label a certain constituent of the crude oil, say octane, going to an oil refinery. Then at the rock-bottom prices the whole of the oil used in the U. S. could be raised to the level of radioactivity normally present as radiocarbon in living matter as produced by the cosmic rays for something like $130,000 per year. At this level, plant control could be accomplished because the natural radiocarbon content is very nearly zero due to the great age of petroleum—the cosmic ray radiocarbon having long since decayed out of the organic matter which constitutes the crude oil. Now the rock-bottom prices may be somewhat optimistic, but even a tenfold higher price is still tolerable in this important application. Similarly we can expect that tritium labeling of the incoming crude might be useful for operations not involving bond rupture — such as distillations — and at some considerable savings in costs.

Medical Prospect

An extremely important potential development in the use of isotopes is in radioactive drugs and medicinals as well as organic chemicals. In many instances these substances must be grown rather than synthesized in the laboratory. Some six or seven years ago an Isotope Farm was established at the Argonne National Laboratory of the AEC near Chicago with the purpose of supplying the raw materials needed for these applications. As a result, we now have a national treasure in a barnful of radioactive plants of many different types, all stored and ready for the chemical extraction and separation needed to produce the desired medicinals and chemicals.

It has been well demonstrated already that the isotope farm products are of great value in biochemical and medical research. There is another possibility, however, that I wish to mention; namely, that they may have great value in ordinary medical practice and doctors may come to use radioactive-pills in normal medical practice for diagnostic purposes. It would seem not unlikely that the feeding of a radioactive sugar pill to a patient suspected of having an abnormality in his sugar metabolism would furnish an easy and particularly illuminating way of testing that metabolism. Perhaps a patient would be asked to blow up a balloon so the carbon dioxide in his breath at various times after the taking of the pill could be sampled for radioactive carbon dioxide, and it might also be illuminating to examine the radioactive sugar content of the blood and urine at various times. In this way one might develop a method for testing for abnormalities in the sugar metabolic mechanism which would be far more sensitive and much more reliable, or in other ways more desirable than present techniques. Research

Continued on page 22

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

Alfred F. Tisch

We are happy to report that Herbert Singer of Singer, Bean & Mackie, Inc., New York City, has just sent in his renewal for a half page advertisement on the outside back cover of our NSTA Year-Book Supplement. We are all most appreciative of Herb's continued support.

Herbert Singer

ALFRED F. TISCH, Chairman
National Advertising Committee
c/o Fitzgerald & Company
40 Wall Street, New York 5, N. Y.

NATIONAL SECURITY TRADERS ASSOCIATION

The National Security Traders Association has released the train schedules for the 24th Annual Convention to be held at the Homestead Hotel, Hot Springs, Va., November 3-6, 1957:

DETAILED TOUR SCHEDULE

(All time mentioned is Standard and not Daylight Saving Time)

GOING SCHEDULE
FROM THE EAST

Saturday, November 2nd

6:25 P.M. Leave New York	Penna. R.R.
8:05 P.M. Leave Philadelphia 30th St.	Penna. R.R.
9:37 P.M. Leave Baltimore	Penna. R.R.
Dinner on Train	
10:20 P.M. Arrive Washington	Penna. R.R.
11:00 P.M. Leave Washington	C. & O. R.R.
Sunday, November 3rd	
8:00 A.M. Arrive Hot Springs, Va. Homestead Hotel	C. & O. R.R.

FROM THE WEST

Saturday, November 2nd	
9:25 A.M. Leave Chicago	Penna. R.R.
Luncheon on Train	
5:10 P.M. Arrive Cincinnati	Penna. R.R.
Cocktails and Dinner Beverly Hills C. C.	
11:30 P.M. Leave Cincinnati	C. & O. R.R.
Sunday, November 3rd	
10:30 A.M. Arrive Hot Springs, Va. Homestead Hotel	C. & O. R.R.

RETURNING SCHEDULE

Thursday, November 7th	
8:15 P.M. Leave Hot Springs, Va.	C. & O. R.R.
Friday, November 8th	
4:05 A.M. Arrive Washington	C. & O. R.R.
5:40 A.M. Arrive Baltimore	Penna. R.R.
7:25 A.M. Arrive Philadelphia, 30th St.	Penna. R.R.
9:20 A.M. Arrive New York	Penna. R.R.
7:20 A.M. Arrive Cincinnati	C. & O. R.R.
8:30 A.M. Leave Cincinnati	Penna. R.R.
2:10 P.M. Arrive Chicago	Penna. R.R.

Special Pullman cars will leave Chicago on Saturday morning, November 2nd and from Cincinnati, New York and Philadelphia Saturday evening for those enroute to the 24th Annual Convention of the National Security Traders Association, Inc.

The group leaving Chicago will be joined at Cincinnati by those coming from the South and Southwest. Saturday evening the Cincinnati Stock and Bond Club will be Hosts at Cocktails at the Beverly Hills Country Club. Dinner will also be served at Beverly Hills Country Club for those enroute to the Convention.

The Special Pullmans from both East and West will arrive at Hot Springs, Virginia, (Homestead Hotel) early Sunday Morning.

Returning

The Special Pullmans will leave Hot Springs, Thursday evening, November 7th at 8:15 P.M. with arrival in Cincinnati, New York and Philadelphia Friday morning and Chicago that afternoon.

What the Tour Includes

The cost of each tour includes Round Trip Rail and Pullmans. Meals on the train as specified, transfer of baggage between train and hotel. Hotel Rooms on the American Plan (two in room) are also included. Single occupancy of hotel rooms when available will be $10.00 additional. Dinner at the Beverly Hills Country Club and transfer to and from the Union Station, Cincinnati are also included. (Gratuities Are Not Included.)

THE ALL EXPENSE TOUR RATE
TO HOT SPRINGS AND RETURN

From:	Two In Bedroom Each	One In Roomette	Two In Compart. Each	Two In Duplex Suite Each	Two In Draw. Rm. Each	One In Bedroom
Baltimore	$164.53	$168.32	$165.74	$170.74	$171.79	$174.48
Chicago	229.30	235.62	231.34	239.69	241.26	246.08
Cincinnati	181.04	184.83	182.25	*	183.30	190.99
New York	185.65	189.44	186.86	191.86	192.91	195.60
Philadelphia	175.64	179.43	176.85	181.85	182.90	185.59

*Duplex Suites will not be available from Cincinnati.

FAMILY PLAN FOR MAN AND WIFE
TO HOT SPRINGS AND RETURN

From:	Two In Bedroom	Two In Compartment	Two In Duplex Suite	Two In Drawing Room
Baltimore	$312.38	$314.80	$324.81	$326.90
Chicago	420.82	424.89	441.61	444.75
Cincinnati	339.70	342.12	*	354.22
New York	345.10	347.52	357.53	359.62
Philadelphia	329.48	331.90	341.91	344.00

*Duplex Suites will not be available from Cincinnati.

ROUND TRIP RAILROAD FARES FROM PRINCIPAL POINTS
TO HOT SPRINGS ARE SHOWN BELOW
FEDERAL TAXES INCLUDED

Baltimore	$33.50	†Detroit	$65.89
†Birmingham	60.83	†Memphis	69.91
Boston	68.09	†Nashville	58.14
Chicago	81.84	†New Orleans	88.72
Cincinnati	48.24	New York	54.62
†Dallas	122.65	Philadelphia	44.61
‡Dallas	141.90	†St. Louis	77.17

†Via Cincinnati. ‡Via Chicago and Cincinnati.

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More Than Half U. S. Families Now Own Homes

Study shows more than half of U. S. families own their own homes. Average mortgage debt since 1947 is found to have increased from $3,700 to $6,100 with mortgage increasing more rapidly in size than house values.

More than half America's families now own homes, according to the survey of consumer finances conducted for the Federal Reserve Board (FRB) by The University of Michigan's Survey Research Center (SRC).

A special analysis of survey data reported in the current Federal Reserve Bulletin also shows:

(1) The number of home owners increased about two-fifths from early 1949 to early 1957;

(2) In the same period, the number of mortgaged owner-occupied houses increased from about 9 million to almost 16 million; and

(3) Reflecting higher prices and more liberal purchase terms, average mortgage debt in owner-occupied homes has increased from $3,700 to $6,100.

The survey found about 5% of all non-farm spending units purchased homes for their own occupancy during 1956. Two-thirds of these purchases were existing homes.

(A spending unit, as defined by the survey, consists of all related persons living together who pool their incomes.)

Trading-Up

One-third of all those who bought a home in 1956 sold another house at the time of their purchase. Consumers who "traded" in this fashion bought higher priced homes than other purchasers. The proportion who swapped houses increased with the age and income of the head of the spending unit.

How much did 1956 home buyers pay? How many went in debt? And how far did they go?

According to the survey, which covers a scientifically selected sample of 3,000 families, purchasers paid a median (middle-most) price of $12,000 for their homes in 1956, up $2,000 from the preceding year.

Four out of five home buyers in 1956 incurred mortgage debt. The median income of all home purchasers was $5,469, while the median mortgage debt of those who used credit was $8,500.

Discussing long-term trends in the housing market, Alfred P. Johnson, author of the article, states:

"Prices (in current dollars) of new and existing homes have increased markedly since the early postwar period. Only one-fourth (those who) purchased homes in 1947-49 paid $10,000 or more, compared with about three-fifths . . . that purchased houses during 1954-56.

"The price advance has differed for new and existing houses. In the new house market, higher prices have reflected steady increases in construction costs, which totaled about one-fourth between 1948 and 1956, and the building of larger, better equipped houses. For existing houses, most of the price rise occurred between 1947 and 1952; since then, existing house prices have shown little change.

From 44 to 54%

"The large number of houses constructed and sold during recent years has brought about a marked change in the housing arrangements of consumers. The proportion of all non-farm spending units owning homes increased from 44% in early 1949 to 54% in early 1957, and the number of homes owned increased from 20 to 28 million.

"The recent growth in home ownership was concentrated largely among spending units with incomes of $5,000 or more in 1956 dollars. In early 1957, 79% of all non-farm spending units with incomes of $7,500 or more and 64% of those with incomes of $5,000 to $7,500 were home owners.

"Mortgages have increased in size more rapidly than house values. In early 1957, almost five in 10 mortgages equaled 50% or more of the owners' estimates of home value, in contrast with less than four in 10 in early 1949.

"The presence or absence of mortgage debt is related to period of ownership. If there is debt, the ratio of debt to (home) value is also related to the period of ownership. The length of ownership in turn is related to the age of the owner.

"In early 1957 more than four-fifths of the home owners under 35 years of age had a mortgage, and seven-tenths of those with a mortgage had debt-value ratios of over 50%.

"The frequency of mortgage debt and the ratio of debt to value declined as the age of the owner increased. One one-sixth of the owners 65 or more years of age had mortgage debt, and most of these had debt-value ratios of 50% or less."

Johnson serves in the consumer finances and credit section of the Federal Reserve Board's Division of Research and Statistics.

Irving Meredith With Hutchins & Parkinson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Irving Meredith has become associated with Hutchins & Parkinson, 27 State Street, members of the New York and Boston Stock Exchanges. Mr. Meredith was formerly President of Scribner & Meredith, Inc.

Two With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Kelley R. Beach and Kelley R. Beach, Jr., have become associated with A. C. Allyn and Company, Incorporated, 122 South La Salle Street. Both were previously with Bache & Co.

H. J. Gifford Opens

LITTLE FALLS, N. Y.—Harold J. Gifford is engaging in a securities business from offices at 505 East Main Street.

Our Government's Role in Private Trade and Investments

By LORING K. MACY*
Director, Bureau of Foreign Commerce
U. S. Department of Commerce

Foreign Commerce Director delineates the role of the Government and its agencies in the field of foreign trade and investments. Differentiates between those activities which tend to create a climate favorable to the extension of trade and investment from those specific aids for business—conducted by 14 agencies—in their day-to-day operations, and indicates areas where they serve a dual role. Mentions success of recently instituted Trade Development Mission program which already numbers 47 missions, including 121 prominent U. S. businessmen who have visited some 400 cities in 35 countries and have reported more than 1,100 trade or investment opportunities to U. S. firms. Describes aid extended to U. S. exporters by International Cooperation Administration, and dwells on the prospects of loans to U. S. and foreign owned firms abroad resulting from foreign currencies earned from Federal disposal of agricultural surpluses.

It has for a long time been the policy objective of our government to expand foreign trade and investment. Our national interest has required such an expansion both because of its beneficial effects to our foreign policy and because of the contributions expanded trade and investment can make to our dynamic economy. Actually to accomplish the expansion, however, is not the job of government. In a free enterprise economy the government can have a supporting role. It can never have the principal role. The ultimate decisions as to whether, where and how to expand trade and investment rests with business rather than with government. The government can encourage and facilitate trade and investment. Under our system government agencies can only create trade to a limited extent and under very special circumstances such as, for example, in connection with our program for disposing of agricultural surpluses.

Traces Dual Role

Government agencies have a dual role in aiding foreign trade and investment. It is useful, we find, in discussing the role of government agencies to differentiate those governmental activities which tend to create a climate favorable to the extension of trade and investment from those which are specific aids for business in the day to day conduct of trade and investment operations.

While this distinction is a useful one, I must concede that many governmental operations serve both purposes. For example, when the Export-Import Bank lends money to the foreign operating subsidiary of an American-owned public utility in order that it may expand its electric power facilities, the loan is conceived of as a direct and specific aid to the utility company and also to the manufacturer of the equipment necessary for the expansion. However, if we look at the operation one step removed, the loan may have the effect of increasing the production of the area and thus making it a better market for American exports and for that matter for the products of American private enterprise located in the country in question. Looked at from these latter points of view the loan may be said to have the effect of improving the climate for trade and investment.

In the broadest possible sense our entire foreign policy and our domestic economic policy may be said to aid in the expansion of foreign trade and investment. They both have among their purposes the development of the sort of peaceful, stable, prosperous world in which free enterprise, including American free enterprise, can operate. To discuss in detail their bearing on your problems would however take us too far afield.

In a somewhat narrower but still broad perspective our foreign economic policy has among its purposes the creation of a climate conducive to successful business operations by traders and investors.

Through our trade agreements program, through our participation in the General Agreement on Tariffs and Trade (GATT), and through our membership in the International Monetary Fund (IMF), as well as by our day-to-day diplomacy, we seek to create the type of world where goods, services, capital and people can move more freely across national borders. In a very real sense, the success of these efforts would be of assistance to management in the conduct of its foreign operations. You surely know even better than I how much easier would be your lot if you could conduct your operations without regard to exchange controls and import controls, if currencies were freely convertible, if you could remit your foreign earnings to the United States without official intervention, if your proposed investments in other countries did not have to be screened by the local authorities; in brief, if the principal barrier to your operations was the type of moderately protective tariff which we all accept as one of the facts of international business life.

Post World War II Progress

If we compare our present situation with that which obtained immediately after the close of World War II and for several years thereafter, it is I believe clear that we have made great progress. More and more goods can be imported into foreign countries free from quota restraints. In those cases where quotas are still in existence, the quotas are most frequently larger and the licensing policy to implement them, more liberal. The currencies of the major trading countries are much more stable and they are to a very large degree *de facto* convertible. Due in great measure to the efforts of the International Monetary Fund, there is a new recognition of the importance of financial sanity and internal financial stability. More and more countries are relying upon the traditional restraints of their credit and fiscal policy rather than upon direct controls on foreign trade.

Through our economic aid programs, through our technical assistance program, through our membership in the International Bank for Reconstruction and Development (The World Bank) and the newly established International Finance Corporation (IFC), and through the lending policy of our Export-Import Bank, we encourage the economic development of other countries. Among the results of such efforts are the expansion of markets for American products, the development of more secure sources of supply for needed raw materials, and the creation of an economic base for conditions under which investors can invest with a greater sense of security.

Fourteen Agencies at Work

More specific ways in which government agencies assist in the conduct of foreign trade and investment are even more difficult to summarize. I am advised that there are at least 14 agencies of the government which have activities which affect in one way or another the day to day business of foreign traders and investors. It would be futile here to attempt to discuss the activities of such agencies as the Export-Import Bank, and even the familiar trade promotion activities of my own Department, the Department of Commerce.

As far as the Export-Import Bank is concerned let me just state that in my view its program is assuming a more and more important place in fostering United States exports and in aiding United States private investors. It seems to me that the Board of Directors of the Bank is using its vast powers imaginatively to carry out the government policy of expanding trade and investment.

Trade Development Mission

While I cannot go into detail on the specific services of the Department of Commerce, I would however, like to mention briefly our newly established trade missions program. First conceived of as an adjunct to the government's trade fair program it is now assuming a more or less independent status. These trade development missions have been very successful in clearing up misunderstandings abroad about our foreign economic policy and in providing traders of other countries with specific information to help them in their economic relations with the United States.

These missions, normally consisting of three businessmen under the leadership of a Department of Commerce representative, spend from six weeks to two months discussing two-way trade and private investment with businessmen and government leaders in the major trading centers of the host country. They hold meetings and individual consultations in the major trading centers and end up at the international trade fair where they man an information booth. They sell good will and understanding of trade—both exports and imports. They explain ways of doing business in the United States. They explore trade opportunities. They talk about availability and methods of obtaining U. S. private capital and technology. They discover investment opportunities. And, they explain United States trade and investment policies.

We carefully study the business interests in and problems of the country to be visited and select mission members best qualified to discuss these subjects. We have been able to find top flight businessmen who have been willing to spend up to two months away from their businesses in this program of promoting better international business relations largely at their own expense. The Commerce Department only pays travel and the usual government *per diem.*

Success of Missions

Forty-seven missions, including 121 prominent U. S. businessmen have visited some 400 cities in 35 countries. They have made more than 125,000 business contacts and have met in group and in individual consultations about 28,000 foreign businessmen. Largely as a reflection of these Trade Development Mission efforts more than 1,100 opportunities for trade or investment are being reported to the U. S. business community. It is impossible to determine the actual dollar potential of these opportunities. However, the leads recently developed in one country exceeded $30 million.

In addition to the favorable results obtained in the country visited, each mission member becomes a good will ambassador when he returns home. Several members have made over 50 speeches in the United States. All members have been scheduled to speak about international trade relations and their trip.

The aid program from Marshall Plan days on has had a tremendous impact upon the operations of private business. The success of the European Recovery Program in helping to create the conditions for the dynamic expansion which has taken place in Western Europe has resulted in untold opportunities to American businessmen to increase their profitable trading connections with European businessmen. As we succeed through our technical assistance and other economic development aid programs in helping the less developed parts of the world create modern progressive economies, we will by the same token expand the opportunities for new and increased profitable business with and in those areas.

Beyond the somewhat general impact of the aid program that program has and will continue to assist business in many more specific ways.

ICA Aid to Exporters

Perhaps of greatest interest to exporters is the opportunity which the mutual security program affords them to participate in trade financed with International Cooperation Administration funds. By far the largest portion of expenditures under the mutual security program has been for goods and services procured in the United States. In the fiscal year 1955 over 75% of all program expenditures were paid to American suppliers. A considerable portion of ICA-financed purchasing takes place through regular commercial channels—private importers abroad purchase their requirements from suppliers of their choice, subject to ICA regulations. Announcements of trade opportunities under ICA financing are published regularly in ICA Small Business circulars. To assist United States exporters further, the ICA Office of Small Business maintains 740 field counselors in the United States for consultation on ICA trade matters.

The ICA is also responsible for guaranteeing new private investment against certain risks. Under this program our government has negotiated guaranty agreements with a number of countries. Pursuant to those agreements, the ICA stands ready to guarantee against the risks of non-convertibility and expropriation those new private investments which meet the statutory tests as laid down in the mutual security legislation. As soon as the implementing agreements with other countries can be negotiated it will issue guaranties against war risks. This has not been a very large program although there are signs that the business community is using it to a larger extent than it did at an earlier date. Confined at first to Europe, the program has of recent years been extended to the underdeveloped countries. Under the statute, an investment to be guaranteed must be approved by the foreign government and must be determined by this government to serve the objectives of our foreign aid programs.

The ICA also helps us in the Department of Commerce by discovering investment opportunities in the course of its far-flung activities. Those opportunities are then published by us in our publication entitled "Investment Opportunities Abroad" which is freely available to interested businessmen. The counterpart of ICA aid has long been available in many countries for lending by local institutions to private enterprise. Moreover a substantial part of aid funds has gone to finance the import of capital goods and raw materials needed by privately owned factories. More recently we have negotiated arrangements with foreign countries to which we have sold surplus agricultural products under which some portion of the local currency proceeds of those sales should become available for loans to private investors.

Use of Currencies From Surplus Sales

The United States frequently obtains local currency from the sale of agricultural surpluses. A substantial portion of these local currency proceeds are frequently reloaned to the purchasing government for economic development purposes. Under the arrangements to which I have referred part of these economic development loans would be loaned by local institutions to private enterprise both local and foreign—in the latter I of course include United States enterprises—for the purpose of enabling them to have a reasonable and reliable source of credit in their operations.

The future holds promise of even greater private participation in the aid program. Both the Fairless and Johnston reports recommended that steps be taken to see to it that the vast resources of private industry and finance are more fully utilized in carrying out the objectives of the aid program. In recommending to the Congress the establishment of a Development Loan Fund, the Administration indicated its intention to have the Fund enter into transactions with private parties in order to carry out its purposes. As I speak to you the Senate has already approved legislation which embodies this principle in legislative language. The action of the House is still awaited.

This new approach to the problem of private participation is clearly of an experimental character. At present the techniques for its implementation are not yet known although one can hazard a guess that the example of the International Finance Corporation may be used as a precedent. I should expect that it will take some time to secure a major participation of private enterprise in the aid program through this means. However, the important first step of securing Administration approval has been taken and the next step of obtaining the blessing of Congress is well under way.

I started by calling attention to the fact that the role of the government was that of the supporting cast rather than that of the leading actor. I should like to end on this same note. Government agencies have at hand tools that are very useful for the facilitation of expanded trade and investment. None of them can be effective, however, except insofar as business uses them. Government can assist in providing the opportunity for expanded trade and investment. It is the role of business to take advantage of the opportunities thus afforded and through its own trade and investment promotion programs expand the foreign trade and foreign investments of the United States to the advantage of the United States and its friends abroad.

*An address by Mr. Macy before the Institute on International Trade, Monticello, Illinois.

Steelworkers Deny Blame For Boost In Steel Prices

United Steelworkers' President McDonald contends facts and figures absolve the Union from charges of causing steel price rise, and Economist Brubaker includes in his numerous conclusions the statement that the industry's "'real' productivity increases have significantly *exceeded* 'real' wage gains of Steelworkers since 1939." Latter states that U. S. Steel's rate of growth of pre-tax profits is—15.7% per year since 1939—almost twice as high as the 8% per year post-1939 increase in employment costs said to be claimed by the firm.

With certain Steel Industry leaders in mind, David J. McDonald, President of the United Steelworkers of America, recently

David J. McDonald

Otis Brubaker

stated before the Subcommittee on Antitrust and Monopoly that "we resent the repeated charges made in recent years by certain industrial leaders that our Union has fostered inflation and has disregarded the welfare of the Nation. We do not like inflation. It is our members and the other millions of AFL-CIO members as well as other consumers who are forced to pay the higher prices. We carry on our collective bargaining activities mindful of the facts—

"(1) The steel worker is producing more and more per hour of work.

"(2) The steel companies are amassing ever greater profits.

"(3) The progress of the industry results in less people producing more steel.

Mr. McDonald, who is also a Vice-President of the AFL-CIO, went on to point out that "no amount of talk and argument can overcome these plain facts. We are guided in our collective bargaining policies by the certainty that increased productivity—that is, steel produced per hour worked by each man—justifies higher wages and greater benefits for the employees and exerts no inflationary pressure. Economic disaster would result if labor did not strive to keep up with this increased productivity.

"If the Steel Industry," he added, "chooses to boost prices despite the increases in productivity, it owes the Nation an explanation. To charge the Union with being responsible for this situation is not consistent with the facts and figures. We are here to provide to the Congress such facts and understanding as we have to throw complete light on the situation and to demonstrate the utter falsehood of the charges directed against our Union by certain Steel Industry leaders.

Supplementing his chief's opening statement with a lengthy economic analysis of the Steel Industry's price, wages, cost, and profits picture since 1939, Otis Brubaker, the Union's Director of Research, asserted there was no need for a steel price increase in July, 1957.

Union Economist Questions Increase

The Economist avers "there is a grave question of public interest raised by the Industry's July, 1957, price increase, namely, 'Is it proper to **raise** prices when the operating rate is falling and demand, though still relatively good, has softened significantly?' Apparently the Industry believes that any time—whether demand is high or low, whether it is rising or falling—is a good time to raise prices. It has just raised its prices at a time when demand is far below that of 1956 and early 1957. This may well mean even less production and less employment. In a truly competitive operation, which Steel insists it is, it is customary for competitors to cut prices when demand falls. This is done to stimulate consumption and consequently, production and employment. The Steel Industry's employment (production and maintenance) fell from a level of **566,000** in the 10 strike-free months of 1956 to 547,400 in April, 1957, as the operating rate declined from 98.6% for these 10 months to 89.5% in April—a loss of **18,600** jobs. As the operating rate dropped further to about 80% recently, the number of unemployed rose further—probably to about **25,000.** Yet the Industry not only has not cut prices, but it has raised them. This may well suggest the question, 'has the Industry chosen a course of restricted, though still fairly high, output at higher prices and more unemployment as against the other alternative of lower prices, more production and more employment?' Certainly it is the ability of the Steel Industry to make such choices, the action of its leaders in making them, and the Industry's apparent freedom to raise prices at will despite the level of demand, that has earned it the name of an 'administered price' Industry.

"Our Union members naturally are interested in a profitable and growing Steel Industry, not only as steelworkers but as citizens of the United States concerned with the need to maintain a healthy and expanding economy. Our Union members, just as understandably, are interested in Steel pricing policies, not only as steelworkers, but as consumers who are concerned with the impact of a rising price level influenced by the movement of steel prices.

Asks Why Deny Profit Motive?

"Over a relatively long period of time, but especially in recent months, there has been a great deal of discussion concerning prices and price increases. It is indeed remarkable that, in the profusion of argument, statistics and economic theories which have been advanced to explain price increases, there is almost never found mention of one central fact which would go a long way toward helping the public understand the workings of our economic system. That central fact is that the mainspring of our economy is profit motive. In other contexts this fact is often brought forth, but in public discussions of corporate pricing policies this fact is conspicuous by its absence. It is as if no company or industry ever raised its prices in order to make more money!

"The industrialists of a bygone era, who allegedly subscribed to the philosophy of the public be damned, at least had the virtue of frankness. Today, we are confronted, not with frankness, but with a calculated attempt to obscure the very direct relationship between the desire for greater profits and the raising of prices. Of key importance in this deliberate strategy is placing before the public a scapegoat — organized labor. By constant repetition of the theory that price increases have been forced by labor unions, corporate management virtually has succeeded in turning attention away from the obvious connection between rising prices and rising profits. Nowhere is this more apparent than in the Steel Industry.

"At the outset, the Union would like to make its position clear. The Steelworkers Union does **not** allege that a fair profit level is undesirable. On the contrary, a reasonable return on invested capital is necessary in our economy for the maintenance of its economic health. Furthermore, our Union does **not** claim that the Steel Industry could have absorbed **all** of its increased costs of production since World War II ended with **no** price increases whatsoever.

"But, we **do** maintain that a study of the facts reveals several obvious, though perhaps startling, conclusions.

Presents Conclusions

"(1) Steel price increases in the post World War II period have been exorbitant in relation to increased costs.

"(2) Steel price increases have been the most important medium for increasing Steel Profits — administered profits achieved through administered prices.

"(3) Steel price increases have been unrelated to wage increases — except for purposeful coincidence in timing so that many major Steel price increases occur simultaneously with wage adjustments. This serves the purpose of providing a scapegoat—the Union and its wage increases.

"(4) As has been true of a whole series of Steel price increases, the 1957 Steel price increase of **$6** per ton was not necessitated by wage increases or other cost increases. It was designed to produce a further enlargement of Steel Profits and to widen already excessive profit margins. It brought the price increases within the past year to **$19.50** per ton.

"The $6 increase will add about **$545 million** a year in increased revenues to the entire Industry and nearly **$160 million** to U. S. Steel Corporation. In making this price increase, the Industry's price administrators, as usual, completely ignored the sharp productivity growth.

"(5) The Industry's leader, U. S. Steel Corporation, which initiated the 1957 Steel price increase (as it has normally initiated the increases in prior years), could have put into effect a price **cut** of **$6** a ton, **instead** of a price **increase** of **$6** a ton, **absorbed** the cost of the wage increase, and could still have earned **greater** net profits after taxes in 1957 than were ever earned in the history of the Corporation. The profits of the rest of the Industry as a group indicate that the Industry could, as usual, have joined U. S. Steel in this endeavor with similarly favorable results.

"(6) Steel price increases have outnumbered Steel wage increases by **more than 2 to 1** in the postwar period. There have been **22** price increases and only **10** wage increases.

"(7) Wage increases have **not** 'caused' a **single** steel price increase since the formation of the Union 20 years ago.

"(8) Steel price increases have resulted in increased revenues to the Steel Industry of **more than $3.00 ($3.23)** for **each $1.00** of increased wage and fringe costs granted to its Steelworkers for the 11 years ending December 1956.

"In 1956 it required on the average only **15.9** manhours to make a ton of Finished Steel; this figure had fallen to **15.2** manhours in 1st qtr. 1957. In 1956 alone, the Steel price increase **exceeded** the wage and fringe increase in a ratio of **2.7 to 1.** In 1957 the ratio was nearly 4 to 1.

"(9) Steel prices have increased far more rapidly than have the materials costs (prices of Materials purchased by the Industry for its own use) in a ratio of **2 or 3 to 1.**"

Cites Sharp Productivity Increase

"(10) Wage increases gained by Steelworkers over the years through collective bargaining have been **more than earned** by constantly and sharply rising productivity, i.e. output of Steel per manhour worked. The wage increases could have been **absorbed** out of the productivity gains, since real productivity increases have significantly **exceeded** real wage gains of Steelworkers since 1939.

The productivity increase so far in 1957 is at a rate of **5%** above 1956; and **71.2%** above 1939.

"(11) The July 1957 wage increase (15.5c per hour or 5.9%) could have been **absorbed entirely** out of the 1957 productivity increase of **5%** to date; because total employment costs are only approximately 35% of Sales and the impact of a 5.9% wage increase is therefore only **2.1%**; and because with this sizable productivity increase, unit costs show **no** increase at all, but instead a decline. Even if added wage costs were to be met only out of that share of the increased product represented by employment costs, it would require only a fractional further productivity increase (**9/10** of **one** percent) in 1957 to permit **full absorption** of the 1957 wage increase just out of the **share** which employment costs represents in this increased productivity.

"A productivity increase of as little as **4%**, if applied solely to the offsetting of the 1957 wage increase, would permit **absorption** of the full wage increase without any increase in prices and would still leave Net Profits and Return on Net Worth at peak levels — levels even **higher** than those already indicated for 1957. This would be true even if U. S. Steel's 21c estimate of the wage increase was accepted and used. This is a measure of the Industry's ability to **absorb** wage costs, if it so desires.

"Thus U. S. Steel is earning a Profit Before Taxes per manhour more than two-thirds as large as the average wage, **$2.62,** which it pays per manhour of labor. It is from this margin of **$1.80** per manhour that it can pay and **absorb** hourly wage increases.

"Its rate of growth of Profits Before Taxes per manhour, **15.7%** per year since 1939, is almost **twice** as high as the **8%** per year increase in employment costs claimed by U. S. Steel since 1940."

Concluding Comment

"If there is one fact which stands out clearly above all others set forth in this statement," the Research Director concluded, "**it** is this:

"The Steel Industry raises prices when production is high, when it is low, and when it is moderate; it raises prices when supply exceeds demand, when the reverse is true, and when the two factors are in balance; it raises prices when profits are high, when profits are low (sic), and when profits are moderate; it raises prices when costs go up, when costs go down, and when costs remain stable; in fact, the Steel Industry raises prices at any and all times without regard to any one, or any combination, of these factors.

"The conclusion is inescapable that the Steel Industry raises its prices to maximize profits at the highest possible level which it can achieve and maintain.

"The facts shown in this study should adequately document this finding along with the Union's other 'Conclusions' set forth earlier in this statement. These facts — all of the facts — have served to convince the Union of the propriety of the conclusions which it has drawn from them. The Union firmly believes that they will likewise be convincing to others who are willing to weigh and consider carefully all of the facts."

Mr. Brubaker's statement included a detailed analysis of steel price and wage increases, productivity, and financial position of the Steel Industry, including tables.

Shearson, Hammill Co. Adds E. F. Durand

LOS ANGELES, Calif.—Eugene F. Durand is now with Shearson, Hammill & Co., 1310 Westwood

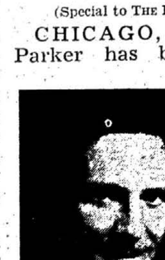
Eugene F. Durand

Boulevard, Westwood. Mr. Durand was formerly Pacific Coast wholesale manager for Broad Street Sales Corporation and in the past conducted his own investment business in Tucson, Ariz.

A. W. Parker Joins Fahnestock & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Arthur W. Parker has become associated with Fahnestock & Co., 135 South La Salle Street. Mr. Parker was formerly manager of the institutional investments department for the Chicago office of E. F. Hutton & Company. Prior thereto he was in the trading department of Sills, Fairman & Harris, Inc.



Arthur W. Parker

Selected Mutual Funds

Selected Mutual Funds has been formed with offices at 177-79 East 87th Street, New York City, to engage in a securities business. Emil S. Pollak is a principal.

Coburn Middlebrook Brch.

FARMINGTON, Maine—Coburn & Middlebrook, Incorporated have opened an office in the Barrows Building under the direction of Sidney Gordon.

Rothschild Appts. Krasny

L. F. Rothschild & Co., members of the New York Stock Exchange, announced that Norman D. Krasny has been appointed Assistant Manager of the firm's midtown office at 200 Fifth Avenue, New York City.

Making Accounting Meaningful In a Fast-Changing Society

By MARQUIS G. EATON*
President, American Institute of Certified Public Accountants
Partner, Eaton and Huddle, San Antonio, Texas

Accounting profession's leader expresses concern regarding: (1) non-comparability of financial reports among companies and industries and whether comparability is attainable; (2) accounting postulates, particularly whether accounting principles can compensate for imperfections of money as a common denominator without sacrificing other vital purposes of financial reporting; and (3) problems arising from income tax and regulatory rate requirements, and fast-changing business practices, including persistent price inflation. Mr. Eaton examines the evolutionary progress of accounting principles, finds repugnant attempts to prescribe uniform accounting by government fiat, reviews the Institute's strides in research and study programs, and calls upon bankers, economists and others to help improve financial reporting.

We are living in an economy which is quite different from anything the world has known before. It is doubtful whether anyone now alive thoroughly understands just what is happening to our economic system and what its future shape will be. Clearly an evolutionary process is going on — and at head-long speed. Pressures build up in various quarters and react upon each other, often in unpredictable ways.

Marquis G. Eaton

One thing that holds the economy together under all these pressures, and in the midst of this swift evolutionary passage through time, is our system of financial reporting.

Financial reporting is simply the expression in terms of a common denominator of the whole complex network of elements which make up a business — land, buildings and machinery, raw materials, people at work, interrelated legal obligations—and, most important, the results which they produce. Without adequate information about the results of business operations no one could make intelligent decisions, and our economy would fall apart.

Public's Concern in Profits

Of major concern in financial reporting is the determination of profits. It seems hardly necessary to explain why the methods of determining business profits are important. But to set the stage for the questions I want to discuss let me restate briefly some of the situations in which statements of the net income of business enterprises have significant influence on important decisions:

(1) In decisions whether to buy or sell securities.

(2) In corporate dividend policy.

(3) In decisions to reinvest earnings in expansion of productive facilities.

(4) In the levying of income taxes.

(5) In fixing the rates (prices) of regulated industries.

(6) In price determinations of unregulated business.

(7) In granting long-term credit.

(8) In collective bargaining

(9) In calculating national income and gross national product.

(10) In fixing various kinds of property rights between parties.

This list could be extended, but these illustrations establish the premise that determination of business income is a matter of public concern.

Now, like all the other elements of our economy, the method of determining profits—which is one of the functions of accounting—is in the process of evolution, constantly adapting itself to change. But there appears to be a good deal of misunderstanding about what accounting is, and what it can and cannot do. Decisions based on erroneous conceptions of accounting can be extremely harmful to the economy.

Accordingly, it seems to me timely and useful to raise some questions about the determination of business profits which require more consideration than they have been getting.

These questions, I think, need the consideration not only of the accounting profession but of business management, government agencies, investors, bankers, labor unions, economists, financial analysts, financial editors and everyone else concerned with the measurement and distribution of business profits.

The questions I have in mind are:

(1) How are profits determined?

(2) Whose responsibility is it to decide how profits shall be determined?

(3) Are the present methods of determining profits satisfactory?

(4) If not, what can be done to improve them?

Since I am discussing this as President of the American Institute of Certified Public Accountants, I should say that my views, and the emphasis with which I state them, do not necessarily reflect the Institute's official policy. The vantage point which I occupy has widened my own vision of the problems to be discussed, and it seems no more than right to tell my fellow practitioners, and all the others concerned, what I think I see.

Three Ways of Determining Profits

Now, how is business income determined?

For tax purposes, in accordance with the Internal Revenue Code, and related regulations and decisions.

For rate-making purposes, in accordance with systems of accounts prescribed by the Interstate Commerce Commission, public-utility commissions and other regulatory bodies.

For purposes not subject to legal regulation, in accordance with "generally accepted accounting principles."

In our formal, conventionalized opinions on financial statements, we certified public accountants say that we have examined the accounts and believe that the financial statements fairly present the financial position of an enterprise and the results of its operations "in conformity with generally accepted accounting principles."

There is some reason to believe that this phrase — "generally accepted accounting principles"— suggests to the ordinary reader the existence of some authoritative code of accounting, which when applied consistently will produce precise and comparable results. The appearance of precision is strengthened by the reporting of net income in exact dollars and cents, instead of rounded approximations.

No Single Accounting Principle

Now, we accountants all know that "generally accepted accounting principles" are far from being a clearly defined, comprehensive set of rules which will ensure the identical accounting treatment of the same kind of transaction in every case in which it occurs. We now that "generally accepted accounting principles" are broad concepts, evolving from the actual practices of business enterprises, and reflected in the literature of the accounting profession. To be sure, many of these principles have been formally defined or clarified in the accounting research bulletins of the American Institute. But we all know that in some areas there are equally acceptable alternative principles or procedures for the accounting treatment of identical items, one of which might result in an amount of net income reported in any one year widely different from the amount an alternative procedure might produce.

Two examples might be cited. A company which adopts the last-in-first-out method of inventory valuation will show, in a period of rising prices, less net annual income than an otherwise identical company which follows the first-in-first-out method. A company which adopts the diminishing-balance method of depreciation may show less income in the earlier years, and a greater net income in the later years of the life of a given asset, than an otherwise identical company which follows the straight-line method of depreciation.

There are perfectly sound arguments to support both inventory methods, and both depreciation methods. As yet no sound reasons have appeared to justify insistence that only one method is permissible. It would be unfortunate if any such decisions were imposed on the business community, arbitrarily and prematurely, because accounting procedure would be frozen, and future adaptation to changing conditions and improvement in theory and techniques would be stopped.

Yet, I suspect it would come as something of a shock to some people to realize that two otherwise identical corporations might report net income differing by millions of dollars simply because they followed different accounting methods—and that the financial statements of both companies might still carry a certified public accountant's opinion stating that the reports fairly presented the results in accordance with "generally accepted accounting principles."

The clause in our opinions that these principles have been "applied on a basis consistent with that of the preceding year" provides assurance that the statements of a single company for a series of years may be compared without fear that the rules of the game have been changed from one year to the next.

Difficulty in Comparing Reports

It cannot be assumed, however, that all companies, even in the same industry, are following the same rules, and this makes it harder to compare results among companies or among industries.

Oswald W. Knauth, business executive, economist and author, put his finger on this problem in an article in "The Journal of Accountancy" for January, 1957. He said:

"The accountant can generally conform the reports of any one company to a single system, so that they are comparable from year to year unless conditions change radically. But he cannot make the reports of two or three companies comparable to each other. Nor can he add up a number of reports to find a general total. Yet that is just what is being done. We are told that the rate of profits in one industry is higher than in another; and that profits as a total are a decreasing percentage of the national income. Such statements are widely accepted, and they may be true. Nobody knows. Yet they are based on methods and postulates that are demonstrably questionable."

Mr. Knauth went on to say that comparisons between financial reports of two companies, and particularly between two companies in different industries, or between entire industries, are so arbitrary as to be not only worthless but dangerous.

He also suggested that accountants attempt to modify the "reputation for infallibility" which is accorded them, lest some future financial crisis entailing serious losses should turn "the present overconfidence in accounting procedures" into undue skepticism.

Perhaps comparability among companies and industries is unattainable—perhaps it is not even desirable. There are wide differences in the nature of economic enterprises which naturally and properly lead to differences in accounting procedure. For example, a gold-mining company recognizes income as realized when its product is in the refining state, other companies recognize income when a sale is legally consummated, while some companies whose products are sold on long-term instalment bases recognize realized income only on the receipt of cash.

Much of the demand for uniformity in accounting is based on a wish for unattainable certainty in man's financial affairs, and on a desire that the extremely complicated elements reflected in financial reports be made simple of understanding, by even the uninformed.

Is Comparability Attainable?

In any event, the question whether comparability of financial reports among companies and industries is the ultimate objective —and whether it is attainable— is fundamental to our problem. It seems to me that the accounting profession should have the help of the business and financial community in answering it.

Perhaps it is also time for a reexamination of the "postulates," or general assumptions underlying financial accounting, which Mr. Knauth said "are demonstrably questionable."

Accounting is not a natural science, but a social science. It measures and communicates information about economic activities, which, because they involve human motivations and judgments, are in themselves dynamic and unstable.

But any technique of methodical measurement and communication must be based on certain assumptions, even if they are recognized as tentative.

Three Postulates of Accounting

The accounting assumptions, or postulates, to which Mr. Knauth refers, are as follows:

(1) The monetary unit is the best common denominator to use in measuring and reporting business activities. In other words, accounts are best stated in terms of dollars. Yet when the purchasing power of money fluctuates widely there is a distortion of "actual" economic results.

(2) The corporation is a permanent institution. In other words, the accounting is not based on the assumption that there will be a liquidation, but on the assumption that indefinite life will permit methodical charges of costs incurred to benefit future periods against the revenues of those periods. Obviously, not all corporations prove to be permanent, and when they fail, earlier financial statement will have proved to be misleading.

(3) Profit or loss should be shown usually on the basis of a completed transaction. This is because of the assumption that until the transaction is completed the amount of profit or loss is indeterminate. But values often do increase or decrease prior to realization, generally without recognition in the accounts. Should approximate valuations be used to show that the bulk of the gain or loss took place in a period other than that of realization?

There are other assumptions which might deserve formalization as "postulates."

The Need for Postulates

As Mr. Knauth says, these "postulates" or assumptions are used, not because they are true, but because they are necessary. George O. May, one of the deans of the accounting profession, has said that they would be "indefensible" if they were not "indispensable." They have been developed out of comparatively long experience, but they could be changed if more recent experience shows that other assumptions would be more useful.

However, these postulates cannot be changed by the accounting profession alone. Unless such changes were accepted by the business and financial community, and by the government, they would only make confusion worse.

This does not mean that certified public accountants can escape responsibility for their own opinions as to whether financial statements are presented in accordance with generally accepted accounting principles. If these opinions are to have significance there must be objective criteria of what are generally accepted accounting principles. Therefore, I do not see how the American Institute of Certified Public Accountants can escape the responsibility for issuing bulletins or pronouncements on accepted principles for the guidance of its members.

Accounting Principles Evolve

No one can understand the significance of "generally accepted accounting principles" without realizing that, like the common law, they develop by the evolutionary process—and their development will probably never be completed.

What is happening, in fact, is a never-ending search for better and more refined methods of reporting the truth about the financial affairs of corporations. But these affairs grow more and more complex, the truth is not clear and simple, and as a matter of fact there is no ultimate truth in the practical affairs of man. As George O. May once said, "Accounting can rise no higher in the scale of certainty than the events which it reflects."

In this search for improved methods there are bound to be differences of opinion, at any given moment of time, as to which method among two or more alternatives, all supportable in theory and in logic, would yield the result most useful to all concerned. Experience alone reveals which one is superior, and that method

Continued on page 20

*An address by Mr. Eaton before the Illinois Society of Certified Public Accountants, Ill.

THE MARKET . . . AND YOU

By WALLACE STREETE

Labor Day, which in recent years has been viewed with some dread in stock market circles, was hurdled by the stock market without any untoward selling this week. In fact, on the eve of the holiday a spate of short covering gave the market its best one-day advance of the year as far as the industrial average is concerned, which is a decidedly rare occurrence for this particular season.

* * *

The holiday did little, consequently, toward indicating the future course of the market. And in some circles there was doubt that the market would do anything decisive until it was clear how the new model autos are being greeted by consumers. If this view prevails, the market has more waiting to do since the new cars are only starting to get their public showings.

Rails' Technical Recovery

Rails were able to share in the demand at times, but mostly it appeared in the nature of a technical recovery and the carrier section was more times than not a drag on the rest of the list. In sliding to low levels not seen since 1955, the rail average has been downright dour and offered little incentive for the industrials to try anything conclusive.

* * *

Steels were, like the market generally, waiting on the fate of the motor firms and the preliminary pickups in buying by the auto makers weren't very stimulating.

Aircrafts Firmer

Aircrafts, while not assuming market leadership in any spirited way, had at least temporarily stopped sliding into new low ground. Some were available at sizable discounts from the peaks of earlier this year, the larger firms selling at $25 to $30 below the 1957 record levels. Adjournment of Congress did take the weight of economy talk from them, but they are still affected by disarmament talk despite the fact that high-level operations are sure for some time to come.

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Special situations continued to respond to individual circumstances and, in fact, did the only decisive work around. The common and preferred stocks of the bankrupt Hudson & Manhattan were the week's casualties, off to new lows on word that a proposed reorganization plan made no provision for such holders. Going the other way, and running its appearances on the new highs list into a string, was American Chicle which reportedly is the subject of a proposed merger with General Foods.

Gloomy Dividend Action

Dividend action was increasingly important in individual cases, and not very cheerful at that. No less than a score of dividend omissions were put into the records for last month and reductions have been dotting the lists right along to the tune of a dozen or so a month. This is hardly inspiring to the bullish element.

* * *

The better scores were being turned in by some of the companies that were the one-product, highly cyclical outfits of yesteryear but since have made important strides via diversification.

Extreme Diversification

The participation, along with P. R. Mallory and Sharon Steel, of National Distillers in titanium-zirconium metal work is a case of extreme diversification. National Distillers in recent years has been growing into an important chemical operation, also, which prompted a change in name to National Distillers & Chemical not long ago. The chemical contribution to its operating profit has jumped from one-eighth in 1955 to a third last year and will approach the 60% level next year, according to present projections.

* * *

ITE Circuit Breaker Co., a newish item on the Stock Exchange, has expanded its operations mostly by broadening its product line, the more orthodox system. And it is profiting from it. Sales rose from $73 million in 1955 to $107 million last year and should reach $125-$130 million this year with profits improving proportionately. From last year's $4.49, the 1957 projections are scaled above the $5 mark which makes the stock available at less than 10-times earnings and at a yield that recently was around 4%.

* * *

No less than five different companies, all relating to the field of power distribution, were acquired by ITE in recent years to enable it to expand its operations markedly. Sales in 1947 were a mere $19 million and the 40-cent dividend paid that year will be at least quadrupled this year.

American Machine & Foundry has branched out both by acquisition and by broadening its line. From a machine maker serving mostly the tobacco field, the company has spread to baking and stitching machinery, bowling alley equipment, sporting goods, missile apparatus and oil well supplies. The stock has been relatively quiet, holding in a range of around a dozen points and available recently at a yield well into the 3% bracket.

Interesting Movie Situations

A case of largely hidden profits would seem to be Loew's which, lately, has been toying with its year's low both because of a poor earnings statement as well as because of a bad split within the official family. Moreover, the dividend is in jeopardy, what with nine-month earnings of 52 cents against the 25-cent quarterly dividend requirement. The chief attraction in the company is that in liquidation some of its rich holdings might figure out to around three times the market price of the shares. Even without a spin-off, a revitalized management could straighten out its house and show a value well above the recent market price.

* * *

Shares of movie companies generally have had little investor appeal ever since the video age dawned. Even in cases where there have been movie and TV blends, the appeal is lacking.

* * *

Columbia Pictures, which has had more success with increasing its profits than the industry generally, has yet to stretch its year's range to a full four points. Admittedly the company's earnings this year will probably be below results of last year. But Screen Gems, its television-servicing subsidiary is expected nearly to double its gross this year over last year, and has been a valuable source of profits recently. The subsidiary has been growing as an important supplier of television features. It has also recently obtained rights to distribute to TV many of the pictures in the files of Universal Pictures.

* * *

Sperry Rand is the mundane item in the automation field, its profit-pinch from rising costs keeping the stock restrained. As a result, the issue has held in a range of half a dozen points this year with a yield of above 3½% despite all its work in the glamor field—missiles.

[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.]

To Honor Leading Canadian-U.S. Industrialist

Preparations are made to select the Canadian or U. S. industrialist of the year. Distinguished impartial board, sponsored by industrial realtors, includes Postmaster General Summerfield and Hon. C. D. Howe, Canada's former Minister of Trade and Commerce.

A dozen distinguished U. S. citizens and an outstanding Canadian will meet with Postmaster General, Arthur E. Summerfield

C. D. Howe A. E. Summerfield

in Washington, D. C., on Sept. 30 to select the industrialist of the year.

Full membership of the impartial board, which will choose the recipient of the Society's 1957 Industrial Award, was announced by Postmaster General Summerfield, who will serve as Chairman. He will also present the winner with his award trophy, a green bronze statuette, during the Society's annual award dinner in Chicago, Wednesday evening, Nov. 6.

The award recognizes "a most significant contribution to the industrial development of North America, in the public interest." The 1957 award will be the ninth to be presented.

The Honorable C. D. Howe, St. Andrews, New Brunswick, will attend the luncheon and afternoon meeting in Postmaster General Summerfield's offices. Mr. Howe, until recently Canada's Minister of Trade and Commerce, will be the first Canadian on the board. Both Canadian and U. S. Industrialists are considered for the award.

Other Board Members

Other 1957 award board members are: Erle Cocke, Atlanta, President, American Bankers Association; William T. Fairicy, Washington, Chairman of the Board, Association of American Railroads; Samuel H. Kauffman, Washington, President, The Evening Star (representing the American Newspaper Publishers Association); Ormonde A. Kieb, Washington, Assistant Postmaster General; David F. Maxwell, Philadelphia, Immediate Past President, American Bar Association; Charles F. McCahill, Cleveland, Past President, American Newspaper Publishers Association; Frank M. Porter, New York, President, American Petroleum Institute; Lester C. Rogers, Chicago, President, Associated General Contractors of America; Ernest G. Swigert, Portland, Oregon, President, National Association of Manufacturers; Philip M. Talbott, Washington, President. Chamber of Commerce of the United States.

Society members serving on the board are: E. M. Boerke, Milwaukee, President; and Boyd T. Barnard, Philadelphia, Chairman of the Society's Committee on Arrangements.

Past Recipients of the Society's Industrial Award and Award Board Chairman are: 1949—Alfred P. Sloan, Jr. (Harold E. Stassen, Chairman); 1950 — Thomas J. Watson (Captain Eddie Rickenbacker, Chairman); 1951 — Benjamin F. Fairless (Henry R. Luce, Chairman); 1952 — K. T. Keller (Louis B. Mayer, Chairman); 1953—George W. Merck (Eric Johnston, Chairman); 1954—Frederick C. Crawford (Patrick J. Hurley, Chairman); 1955 — John Jay Hopkins (General Matthew B. Ridgway, Chairman); 1956—Charles F. Kettering (Secretary of Defense Charles E. Wilson, Chairman).

Carl A. Bowman V.-P. Columbian Securities

TOPEKA, Kans. — The Columbian Securities Corporation, Columbian Building, has announced that Carl A. Bowman, formerly Secretary of the Kansas Bankers Association, has become associated with their firm as Vice-President.

Allstate Securities

Allstate Securities, Inc. has been formed with offices at 80 Wall Street, New York City, to engage in a securities business. Officers are Vincent J. Sbarbati, President; Paul G. Davis, Vice-President; and Bradley Sanders, Secretary-Treasurer. Mr. Sbarbati was formerly with L. D. Friedman & Co., and G. F. Rothschild & Co.

With Stephenson Leydecker

(Special to The Financial Chronicle)

OAKLAND, Calif. — Perry P. Piercy is with Stephenson, Leydecker & Co., 1404 Franklin St.

A. Wayne Hough Adds

(Special to The Financial Chronicle)

PASADENA, Calif.—Thomas C. Hackett has been added to the staff of A. Wayne Hough & Co., Security Building.

Three With J. Logan

(Special to The Financial Chronicle)

PASADENA, Calif.—Vernon C. Adams, William T. Spratt and J. Calvin Williams have been added to the staff of J. Logan & Co., 721 East Union Street.

Business Man's Bookshelf

Alcoa and the Aluminum Industry — I. W. Wison — Aluminum Company of America, 230 Park Avenue, New York, N. Y.

Analysis of Work Stoppages in 1956 — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—30c.

Art of Leadership — Arthur H. Young—Industrial Relations Section, California Institute of Technology, Pasadena, Calif. —(Paper)—$1 (quantity prices on request).

Economic Development — Gerald M. Meier—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y.—$8.50.

International and Interregional Economics—Seymour E. Harris —McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y.—$7.

Technical Business and Scientific Books to be published in Fall, 1957—McGraw-Hill Book Co., Inc., 330 W. 42nd Street, New York, N. Y.—(Paper).

Your Child's Sense of Responsibility—Edith G. Neisser—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.— (Paper)—25c.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Although few investors apply the word "growth" to a bank stock, there are those who have felt that the expression is applicable to banks with widespread branch systems—chain-store banks as a high official of one of our nearly-branchless institutions once called them with a seeming note of contempt. But it is difficult to utilize the word for a bank stock as it lacks some of the attributes of growth stocks as the run of investors understand the term.

For example, life insurance stocks are definitely in the growth category if only because a quite large proportion of income after charges is retained for expansion and for the policyholders' protection, with dividend pay-out usually being of negligible importance.

Also, these stocks are rated this way because they are assumed to grow in volume of insurance in force as the nation's population grows—and the population grows continuously. Probably not a few of the so-called growth stocks have been so designated because the growth factor has been very potent in the past. Who is to say that the duPont's and IBM's of today will continue to grow as they have in recent years. Conditions and managements do change.

The bank stocks that most frequently have been termed growth issues have been those which fortuity placed in a growing area. Some of the Nassau County, N. Y., banks have acquired the adjective primarily because the county's development has been so rapid. Ditto West Coast banks. There, particularly, the term was applied to some of the banks with a large number of branch outlets. Probably the less said, the better, about when the nation's economy goes into reverse and the growth is interrupted.

We have found institutional portfolios expanding over the past five or six years into bank stocks that would not have been given consideration ten years ago; and the writer's experience is that many institutional accounts, such as insurance companies, educational investors, investment trusts, etc., have gone heavily into the stocks of the West Coast, the Southwest and Middle West because these have been regarded as growth regions.

But whether or not these stocks are entitled to the term, there can be a considerable measure of doubt as to whether, under present conditions, they offer the investor as much value as do the stocks of banks in the big Eastern centres. The accompanying tabulation gives for each of the 12 Federal Reserve System districts, first the proportion that time deposits bear to total deposits; secondly, the proportion of gross income that is paid in interest on time deposits.

It must be pointed out that in most banks time deposits are more-or-less synonymous with savings deposits. This is not the case among some of the larger metropolitan banks which carry time deposits that are non-interest-bearing; some foreign deposits are in this category. Therefore, where some of the large metropolitan banks are concerned, interest-bearing deposits are a part of time deposits, and to use the term "time" deposits is not strictly accurate.

In this tabulation there has been employed material from the 12 Federal Reserve districts as presented in each Reserve Bank's operating ratios publication. We have chosen in each case the groups of larger banks (by deposit volume) as set out in the ratios publication; in the Boston district, eight banks; New York, eight; Philadelphia, 12, etc.

District:	Ratio of Time Deposits to Total Deposits	Proportion of Gross Inc. Used to Pay Int. on Time Deposits
1—Boston	6.6%	2.8%†
2—New York	11.5	5.7
3—Philadelphia	17.8	5.1
4—Cleveland	23.4	8.1
5—Richmond	19.0	7.4
6—Atlanta	15.9	7.4
7—Chicago	25.8	9.3
8—St. Louis	16.6	6.3
9—Minneapolis	20.1	8.2
10—Kansas City	22.1	10.4
11—Dallas	16.7	8.6
12—San Fran.	25.1*	12.3

*In the case of multiple branch systems in the 12th District the respective ratios are 34.9% and 12.3%

†Total interest payment.

Thus the ratios in the first three districts, the Northeast, are low, and they would be lower if time deposits could be broken down into time and savings. Time deposits absorb a definitely higher proportion of gross income for interest in the growth areas than is the case in the "non-growth" sections of the country. There is another factor that favors the banks in the Northeast. The interior banks generally charge higher interest rates for loans than do the banks in the Northeast. This being so, if around the country rates are raised by, let us say, one percentage point, it is a larger proportionate raise for the big metropolitan banks than it is for those in the growth areas.

During the recent weakness in the general stock list bank stocks acted far more favorably than industrials or rails, or even the utilities. And why shouldn't they, with the lush earnings they are reporting?

Coast Exch. Member

SAN FRANCISCO, Calif.—William H. Agnew, Chairman of the Board of Pacific Coast Stock Exchange has announced the election of Norman Layton J. Lloyd to membership in the San Francisco Division of Pacific Coast Stock Exchange, effective September 1, 1957.

Mr. Lloyd is a general partner of D. F. Greene & Co.

The Common Market, Sterling And the German Mark

By PAUL EINZIG

A well informed observer doubts Germany will revalue the Deutsche mark, if it will, until after the German general election. In presenting the favorable and unfavorable revaluation arguments Dr. Einzig indicates why the present mark parity constitutes a drain on sterling and makes difficult the establishment of the European Common Market. Also explains why there is "much to be said from a German point of view to make no change."

Paul Einzig

LONDON, Eng.—While the fate of the recently devalued French franc is not likely to prove to be a major factor in the prospects of sterling, that of the Deutschemark is quite a different proposition. If, as is widely believed, it should be revalued in terms of gold and dollars, this would bring considerable relief to sterling. There can be no doubt that the mark is undervalued, almost to the same degree as the franc was overvalued until its recent devaluation by 20%. It is of course very difficult to measure the degree of overvaluation or undervaluation of a currency. One is strongly tempted to take the view that "the proof of the pudding is in its eating." On that basis the persistent adverse balance of France would be accepted as a conclusive evidence of the overvaluation of the franc, while the equally persistent export surplus of Western Germany could be considered as irrefutable proof of the undervaluation of the mark. The view may be over-simplified, but it may be regarded as fundamentally correct.

Undervaluation of the mark is a symptom that reflects the remarkable achievement of the German nation after its recovery from the destructions of war and defeat. With the aid of hard work and a degree of self-denial, the Germans have produced year after year large exportable surpluses at competitive prices. Beyond doubt, the German nation has earned the admiration of the world for having achieved such a remarkable recovery. It is gratifying to know that a nation can restore its self-respect prestige, and power not only by means of recovering its military power but also by means of rising to the front rank of nations in the economic field.

Who Won the War?

Commenting recently on the increase of the German gold reserve to about twice the amount of the British gold reserve, a London newspaper raised the futile rhetorical question: "We wonder who has won the war?" It would have been more to the point to ask who has won the peace—the answer to that is only too painfully obvious—and especially why and how Germany has won the place. The lesson taught by the striking difference between the British and German gold reserves would be worth examining and worth pondering over by many millions of British workers owing to whose attitude Britain is well on her way towards losing the peace.

Whatever the reasons for Germany's present economic strength, the fact is that it constitutes a source of additional drain on sterling. German exporters have gained ground on countries all over the five continents at the expense of their British competitors. Month after month Germany collects a substantial credit balance from the clearing arrangement of the European Payments Union, while more often than not Britain has a debit balance leading to loss of gold.

Psychological Effect

Apart from the material effect of the successful German export drive, it has aggravated the adverse pressure on sterling also through its psychological effects. Owing to the persistent influx of gold into Germany there is a growing anticipation of an upward revaluation of the mark. As a result balances which are usually kept in London and now kept in Germany. This in spite of the fact that no interest is now allowed on foreign deposits. The German Government is admittedly making efforts to minimize the inconvenience caused by the strength of the mark. It has just deposited with the Bank of England £75 million on account of its postwar debt to the British Government. It has reduced its import duties. Even so, the gold drain towards Germany is likely to continue to cause much trouble.

Conceivably the rising trend of German wages and of consumer demand, and growing expenditure on rearmament — whether the money is spent at home or abroad —may moderate the trend. But in view of the more pronounced inflationary trend in Britain and other Western European countries, it would be a mistake to entertain exaggerated hopes.

Nor is a revaluation of the mark likely. The German Government has repeatedly and emphatically disclaimed any intention to change the parities of the mark. There is indeed much to be said from a German point of view to make no change. After all, the growing size of the gold reserve is a matter of national pride and prestige, and the Government of Herr Adenauer gets much political credit for having achieved it. Anticipation of an upvaluation of the mark helps German exports, because many foreign importers want to buy German goods before their prices rise as a result of the higher exchange value of the mark. On the other hand it is arguable that if Germany could change the terms of trade in her favor by revaluing the mark, she could receive a larger amount of imports against the same amount of exports, or she could reduce her exports without having to reduce her imports. The result would be a higher standard of living which might be fully as popular as the evidence of the growing gold reserve.

Would Aid Common Market

The main argument in favor of a revaluation is that it would greatly facilitate the task of establishing the European Common Market. Dr. Erhart is very keen on the idea, and it may well be asked whether he should not be willing to make some sacrifices to achieve that end by reducing the pressure on Germany's prospective trading partners. Owing to the persistent drain represented by the German export surplus, the Common Market is liable to run into difficulties from the very outset, and some of the participating countries may be forced to take defensive measures which would greatly reduce the benefits derived from the proposed system of economic co-operation.

In any event, there could be no question of a revaluation until after the German general election. Meanwhile, all official spokesmen will strenuously deny any intentions to revalue, and the Government will be so strongly committed to the maintenance of the existing parities that it will become impossible to decide on a change of policy at any rate for some time to come. For this reason it would be unwarranted optimism on the part of Britain to expect that sterling may receive a welcome relief from the autumn pressure as a result of a revaluation of the mark.

"Tactics for Today's Investing Problems" To Be Discussed

Course at New School for Social Research by A. Wilfred May and Leo Barnes offers guidance in investment management problems

A 12-session series on investments will be offered at the New School for Social Research this fall. The series, titled "Your Investments: Strategy and Tactics for Today's Investing Problems," will be given by A. Wilfred May, editor, columnist and radio commentator, and Leo Barnes, chief economist, Prentice-Hall, Inc., and author of books on business and investment.

A. Wilfred May Dr. Leo Barnes

The course which opens on Thursday, October 3, and which meets weekly from 5:30-7:00 P.M., provides practical investment guidance to all concerned with the handling of money. It discusses problems involved in the selection of securities and their management. Emphasis is on a realistic appraisal of investment objectives and opportunities, and the avoidance of prevalent foibles and pitfalls.

Specific topics include: how to pick industries; growth companies of tomorrow; "tax shelter" and "special situation" approaches to security selection; market forecasting and timing; what shall the investor do about inflation?; portfolio management; tax problems; and mutual fund and investment companies.

Instructors also discuss questions raised by individual class members.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Donald A. Current has become connected with Merrill Lynch, Pierce, Fenner & Beane, 568 Central Ave.

Joins Pierce Carrison

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla.—Jerry S. Greenfield and Clyde A. King, Jr., are with Pierce, Carrison, Wulbern, Inc., 617 Madison Street.

Joins Central States

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio—William J. Goard is with Central States Investment Company, Walpark Building.

The 1957 U. S. Crop Outlook

By ROGER W. BABSON

Encouraging prospects are held out for U. S. crop production, and for the efficient farmer with well diversified crops, by Mr. Babson. Believes the current wheat crop will not glut commercial channels, and that the weather outlook for corn is still uncertain.

Except in a few more or less restricted areas, weather and crop conditions have improved materially in recent weeks. The outlook now is for a total U. S. crop production close to the relatively high average of the last five years. Here are a few highlights in the overall picture, as I see them.

Roger W. Babson

I look for a 1957 U. S. total wheat crop of around 915,000,000 bushels—down 8% from the 1956 outturn and nearly 20% under the 1946-1955 average. This is still a relatively large crop, since in seven of those years production topped one billion bushels by sizable margins. The current crop comes on the heels of a total U. S. carryover on July 1 of 905,000,000 bushels—practically enough for a whole season's normal requirements. Most of this wheat, however, is in government hands and will not glut commercial channels. I do not believe the current crop will prove burdensome.

Mother Nature has been kind to several of the other grains. Outturns of barley, flaxseed, oats, and rye may exceed the 1945-1956 average—barley by 48%, flaxseed by 7%, oats by 3%, and rye by 20%. Total supplies of these grains for 1957-1958 will lean toward the easy side. American housewives should have plenty of new, clean-sweeping brooms this year because the indicated crop of broomcorn is well above average. However, popcorn devotees may have to curb their appetites for this item; planted acreage is 14% below average.

Corn, Dry Beans, and Rice

The outlook for the nation's corn crop is relatively good, but the outturn, which is estimated at around 3,066,000,000 bushels, may be about 10% under last year and slightly below average. Weather between now and harvest time must, of course, be reckoned with. Supplies will be easily adequate for the 1957-1958 season, since total corn stocks recently were at an all-time high for the date, at 1,963,000,000 bushels. If the hog-corn feed ratio remains as favorable as it is now—16.7 to 1—a lot of corn will be fed this fall and winter. Meanwhile, old-crop corn prices may average somewhat higher, but I forecast some seasonal weakness in new-crop corn this fall.

The outlook for dry bean production is less favorable than a year ago. The crop, which is harvested in the fall, may be around only 16,300,000 bags — down 5% from the 1956 outturn and 2% under the ten-year average. Since the carryover will be relatively small, total supplies for 1957-1958 should not be excessive. The indicated U. S. rice crop of 40,500,000 bags (100 pounds each) is 15% under the 1956 outturn and the smallest crop since 1950. This could mean a fairly tight statistical position sometime next year.

Cotton and Soybeans

American cotton farmers in recent years have learned well the art of intensive cultivation. Even on the smallest planted acreage in many years, high per-acre yields this year may give them a crop of about 11,900,000 bales. This would be sizable, although considerably less than indicated domestic consumption and exports in 1957-1958. This points to another substantial cut in the still big carryover next Aug. 1. Prices may weaken moderately during the heavy marketing season in the weeks ahead, but should recover thereafter.

Despite record-high soybean acreage, the 1957 U. S. crop-currently estimated at 428,000,000 bushels—is 6% below the 1956 record outturn, but 58% above the 10-year average. Since stocks in all positions were recently at a record peak, there should be no dearth of soybeans in the crop year beginning Oct. 1. There is no basis for sustained price strength at present, barring serious crop damage.

Farm Income Outlook

Farmers' realized net income in the first half of this year was at an annual rate of about $12,100,-000,000—up 2½% from the corresponding 1956 figure. Whether the second half will record a further gain is doubtful, in view of the rising trend of production costs and the difficulty of offsetting them through the practice of further economies. The efficient farmer, with well-diversified crops, should, however, fare as well as the average manufacturer or merchant.

Real Causes of Inflation

Guaranty Trust's review of real causes of inflation notes close correlation of prices to labor costs per unit of output. Depicts the ultimate problem to be the reconciliation of stabilizing policies to "full-employment" commitment without arousing irresistible political opposition.

In reviewing the causes of current inflationary tendencies, Guaranty Trust Company of New York observed that "in politics, apparently, inflation is not where you find it but where you want to find it."

The bank's business and economic review, "The September Guaranty Survey," noted that a Senate subcommittee's inquiry into economic conditions has centered on price "administration" of manufactured goods, specifically steel. At the same time, the group has ignored the "administration" of wages by industry-wide unions and the "administration" of prices of farm products under the price-support laws.

Statistics indicate that most of the rise in living costs over the last five or six years has not been due to a rise in prices of commodities but to rising costs of services, such as transportation, medical care, laundry and rent, according to the publication.

Sees Close Parallel

"Changes in prices of finished products have always closely paralleled changes in labor costs per unit of output," the Survey reports. "Output per man-hour rose 33.6% from 1948 to 1956, while hourly earnings increased 46.7%. The result was a rise of 9.8% in the unit labor cost, approximately matched by an increase of 10.1% in prices of finished goods."

The experience of U. S. Steel in 1948 is cited as an example of the ineffectuality of a single company's or industry's efforts to check inflation. That concerned a reduction in prices in lieu of an increase in wages, but it lasted only three months because wage increases in other industries contributed to rising costs of living for steelworkers as well as everyone else.

"The upward pressure on prices is world-wide, and the conditions underlying it, causing it, or permitting it, vary to some extent in different countries," "The Survey" says.

Among factors specified are farm policies, full-employment programs, escalator clauses, governmental loans and subsidies, inconvertible currencies, budgetary extravagance, currency devaluation and balance-of-payment abuses.

These are described as "the old attempt to improve men's lot by providing them with more money. In the present instance, labor-union pressure, the 'cost push,' is the most immediate and most visible activating force. Yet the underlying cause goes far deeper. Currency stability is in peril because the people, in their pursuit of other aims, have rejected the discipline that currency stability requires (and) without currency stability all the other aims are illusory."

Guaranty credits balanced Federal budgets and the "steadfast refusal of Federal Reserve authorities to yield to political and popular pressure for cheap money" as being the main factors opposing inflation.

Ultimate Problems

While these factors have been only partly effective because of the vast earlier increase in the money supply and the fact that there has been ample room for a rise in the velocity of circulation, the "Survey" declares that:

"The ultimate problem will not be to make the stabilizing policies effective but to reconcile them with the 'full-employment commitment' on the one hand and to prevent them from arousing irresistible political opposition on the other."

FHLB Notes on Market

A public offering of $191,000,000 Federal Home Loan Banks 4.60% non-callable consolidated notes dated Sept. 16, 1957 and due June 16, 1958, was made yesterday (Sept. 4) through Everett Smith, fiscal agent of the banks, and a nationwide group of securities dealers. The notes were priced at 100%.

Net proceeds from the offering will be used to redeem $146,000,-000 of 3.70% notes due Sept. 16, 1957 and to provide funds to the banks to make additional credit available for their member institutions.

Upon completion of the financing, the banks will have a total of $765,000,000 consolidated notes outstanding.

R. L. Ferman Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Ralph H. Whitmore has been added to the staff of Robert L. Ferman & Co., Ainsley Building.

With Suburban Secs.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Arthur J. Meloche is now with Suburban Securities Co., 732 East 200th St.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market has been putting on what is commonly known as a backing and filling performance, which generally takes place when there is no definite trend to be discerned. There is no question but what the money market is still in a state of some confusion. Some money market followers believe that interest rates are reaching a peak and will tend to decline before the end of the year. As against these thoughts, there are those who hold the opinion that interest rates will go still higher because of the big demand for funds, both for bank loans and capital spending. As long as this will be the case, the powers that be will not be taking any pressure off the money market.

The long-term capital flotations will continue to be heavy for the next few weeks and the way in which they will be received will have a marked effect on the near-term course of the bond market. There is evidence of an increasing amount of money being available for the purchase of bonds.

Money Market Facing Severe Test

The money market is entering one of its heaviest distribution periods because between now and the middle of October there will be very large new offerings of corporate, municipal and state bonds. It is the flotation of these new bonds which will determine the immediate course of interest rates, since the way in which these obligations are received will tell whether the level of the cost of borrowing long-term funds will remain as it has been or will increase or decline. Even though there is more money around for investment in corporate, state and municipal bonds, the buyers of these obligations are still very much in the driver's seat. This means that prices and yield must be within limits that they consider to be attractive or they will not make commitments in these new offerings.

Accordingly, while this test of the money market is going on, the interest in long-term Government bonds is quite likely to be fairly limited in scope. The attraction of the more distant Treasury bonds to investors at this time is largely confined to those pension funds (mostly public ones), that must make commitments only in Government securities. As against this, there are all the other investors that have to look at purchases which they are making from the standpoint of the best available yield commensurate with the safety of the money being invested. This means that new issues of corporates, state and municipal bonds, are still very much more attractive to investors from the standpoint of yield and income available than are Treasury bonds.

Accordingly, until there is either a decrease in the yield of non-Government bonds, or an increase in the yield of Treasury bonds, the purchases of investors is going to be made up almost exclusively of the higher yielding corporate, state and municipal bonds.

4% Optional Note Issue in Demand

According to reports, money from savings banks and Government savings bonds are still being reinvested in non-Government bonds. However, it is evident from advices that a sizable amount of the funds which has come from savers' accounts are now being put to work in the two-year, four-year 4% issue. The return on the four-year note, with the optional redemption at the end of two years at 100, is still large enough to have considerable attraction to small savers. These purchases of the recently offered refunding 4% note by small and institutional investors is keeping the market for this obligation in very good shape which means that it is the leading issue in the intermediate maturity group. On the other hand, certain other middle term Treasury issues are getting a small amount of maturity building-up buying.

Decline in Short-Term Rates Possible

The uptrend in short-term Treasury rates continues, and last week the bill rate of 3.571% was the highest in more than 24 years. It is expected, however, that the rate for the Government's most liquid paper, the 91-day bill, is not too far away from a top as far as yield is concerned. As a matter of opinion, not a few money market specialists believe that a down turn in short-term money rates is overdue.

The sharp decrease in commercial loans in the New York Federal Reserve district last week was attributed mainly to the repayment of loans from the proceeds of the sale of long-term securities. A continuation of this could have a retarding effect on the course of commercial bank loans.

Paul Shipman With Colonial Management

BOSTON, Mass.—Paul A. Shipman has been admitted as a General Partner of Colonial Management Associates, of Boston, Mass., it was announced by James H. Orr, Managing Partner of the firm. After a few months at the Boston headquarters, Mr. Shipman will open the firm's new office in San Francisco, and will be primarily concerned with investment advisory services. Colonial Management Assoc. is the investment adviser to The Colonial Fund, Inc., Gas Industries Fund, Inc., and The Bond Investment Trust of America.

Mr. Shipman returns to the investment field after serving as an executive of the Gillette Company for more than 11 years. For the last three years he was Gillette's Director of Trade Relations. Prior to World War II, he was an account executive in the Detroit office of Merrill Lynch, Pierce, Fenner & Beane, investment brokers. He was associated with this firm for 10 years before enlisting in the Navy where he served from 1941 to 1946, rising to the rank of Commander.

Harriman Ripley Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James D. MacDonald has been added to the staff of Harriman Ripley & Co., Incorporated, 135 South La Salle Street.

Joins Union Security

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Owen W. Giblin is now affiliated with Union Security Co., 29 South La Salle Street.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The First National City Bank of New York on Sept. 3 announced the following appointments:

Lester Garvin, Assistant Vice-President, Overseas Division, to Manager of the branch at Caracas, Venezuela.

Garrettson Dulin, Jr., Western District of Domestic Division, from Assistant Cashier to Assistant Vice-President.

William E. McLean, Southwestern District of Domestic Division, to Assistant Cashier.

George C. Young, Assistant Manager at Exchange Place office, to Assistant Cashier, Personal Banking District of Domestic Division.

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Marking its 37th year in Peru, **The First National City Bank of New York** dedicated its new six-story building in downtown Lima on Aug. 29. Invited guests included the President of the Republic, Dr. Manuel Prado, members of his cabinet, the Archbishop of Lima, public officials and bank clients.

The branch is under the supervision of Arthur H. Dewey, resident Vice-President, and R. Loren Biggs, Manager. Mr. Dewey has served 40 years in the bank's South American branches and has been with the Lima branch since 1921. Mr. Biggs has been with the Overseas Division since 1946 and with the Lima branch since 1953.

Robert M. Franke, Vice-President in charge of First National City's South American District, represented the bank's New York head office at the dedication ceremonies.

First National City has 71 overseas branches, offices and affiliates in 24 countries.

* * *

The election of three new members to the Advisory Board on International Business of **Chemical Corn Exchange Bank, New York,** was announced on Aug. 29 by Harold H. Helm, Chairman. The new members are: John M. Schiff, partner of Kuhn, Loeb & Co.; Dr. Henry T. Heald, President of The Ford Foundation, and Andrew Overby, Vice-President and Director of The First Boston Corporation.

Chemical's Advisory Board on International Business is the first of its kind in the commercial banking field, consisting of prominent industrial leaders from the United States and abroad. This group is headed by N. Baxter Jackson, Chairman of the bank's executive committee. Other members are: Walter J. Beadle, Vice-President, E. I. duPont deNemours & Co., Wilmington, Dela.; Antonio J. Bermudez, Director General, Petroleos Mexicanos, Mexico, D. F.; Hakon Christiansen, Deputy Chairman and Managing Director, East Asiatic Company, Ltd., Copenhagen, Denmark; George F. Ferris, President, Raymond Concrete Pile Co., New York; Dr. Mauricio Hochschild, Chairman of the Board of the Hochschild group of companies, Santiago, Chile; Oivind Lorentzen, Managing Director, A/S Sobral, Oslo, Norway; John L. McCaffrey, Chairman, International Harvester Co., Chicago; and Henry B. Sargent, President, American & Foreign Power Co., Inc., New York.

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Roy M. Monk and Richard E. Nelson have also been appointed Assistant Managers-International Division of Chemical Corn Exchange Bank, it was announced on Sept. 5. Mr. Monk is located at the Bank's 34th Street and 5th Avenue office. Mr. Nelson is at 165 Broadway.

* * *

The appointment of Bernard Sanders as an Assistant Vice-President of **Manufacturers Trust Company, New York,** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Sanders began his banking career in 1925 as rack clerk and messenger with **Standard Bank** which was absorbed by Manufacturers Trust Company in 1927. He was appointed an Assistant Manager in 1940 and an Assistant Secretary in 1945. In 1951 he was transferred to the bank's Canal Street office, to which he is presently assigned.

* * *

Edward J. Gresser, a Vice-President of the **Manufacturers Trust Company, New York** died on Sept. 1 at the age of 67.

Mr. Gresser began as a clerk in April, 1906, in what was then the **Germania Bank,** later known as the **Commonwealth Bank.**

Through a merger, Mr. Gresser joined Manufacturers Trust in July, 1927. In July, 1945, he was appointed Assistant Controller, and in January, 1955, he became a Vice-President.

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Lincoln Johnson, retired head of the international banking department of the **Manufacturers Trust Company, New York,** died on Sept. 2 at Tucson, Ariz. at the age of 64.

Mr. Johnson entered banking in 1919 with the Liberty Securities Company of the **Liberty National Bank.** He joined the Manufacturers Trust in 1931 as Vice-President in charge of the international banking department. He retired in 1953.

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Stuart E. Kay has been elected to the advisory committee of the **Chase Manhattan Bank's** 42nd Street Branch.

* * *

Eric A. Baker has been appointed Trust Officer of **Chemical Corn Exchange Bank, New York,** it was announced on Sept. 3 by Harold H. Helm, Chairman.

Mr. Baker joined Chemical Bank in 1946. He is a member of the bank's Investment Division at 30 Broad Street where he has been Assistant Secretary since 1956.

* * *

Stockholders of **The Marine Midland Trust Company of New York** will be asked to approve a 210,000 share increase in the outstanding common stock of the bank at a special meeting scheduled for Oct. 2, according to George C. Textor, President.

Under the terms of a resolution approved on Sept. 4 by the Board of Directors of the Trust Company, the new stock would be offered on a basis of one new share for each 4.95 shares of present outstanding stock at $50 per share. Out of the proceeds $2,100,000 would be added to capital, and $8,400,000 added to surplus, making capital $12,500,000 and surplus $30,000,000.

It authorizes the acceptance of an offer by Marine Midland Corporation to purchase all stock to which it may be entitled plus any shares not subscribed for by other stockholders.

Should the proposal be approved by the stockholders combined capital, surplus and undivided profits, giving effect to current earnings over dividends would total $53,350,000 compared with $42,411,000 on June 30, 1957.

Notice of the specal meeting, to be held at 120 Broadway, will be mailed Sept. 11, to stockholders of record, 3:30 p.m., Sept. 10.

Directors also increased the quarterly dividend of the Trust Company from 60c to 70c a share.

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The Central Industrial Bank, Brooklyn, N. Y., elected H. Sidney Landau, Chairman of the Board of Directors.

* * *

A special stockholders' meeting was called at the **Long Island Trust Co., Garden City, N. Y.,** for Sept. 10 to act on the Directors' recommendation for issuance of 26,320 shares of additional capital stock. On the basis of one new share for each seven shares held, the new stock would be offered to stockholders of record Aug. 30 at $32 a share.

The new issue would raise capital to $2,105,600 and surplus to $2,617,040. The bank estimated total capital, including undivided profits and reserves, will exceed $6,000,000 by Sept. 30.

* * *

Warren H. Barton, retired President of the former **First National Bank of Madison, N. J.** died Aug. 28 at the age of 94. He had been a board member for 42 years.

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Ralph B. Hudson has been appointed Manager of the New Kensington Office of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** Frank R. Denton, Vice-Chairman of the bank, announced.

Robert J. Wilson wil continue as Vice-President in charge of the New Kensington Office.

Mr. Hudson started his banking career with the **Logan National Bank in New Kensington** in 1926. From 1926 until 1948 he worked in all phases of banking and during that time was appointed Assistant Cashier. In August, 1948, when the Logan National became the New Kensington Office of Mellon National Bank, Mr. Hudson was appointed Assistant Manager.

* * *

William G. Milburn has been appointed Assistant Cashier of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** Frank R. Denton, Vice-Chairman of the bank announced.

Mr. Milburn started his banking career in 1942 with the **Pitt National Bank,** which later became part of the **Farmers Deposit National Bank.** He joined Mellon Bank in 1950 when the Farmers Deposit became the Farmers Bank Office of Mellon National Bank. He worked in various divisions of the bank and in 1954 was transferred to the Tabulating Division of the Principal Office of Mellon Bank.

* * *

Ralph L. Williams, Vice-President and Treasurer of **Society for Savings, Cleveland, Ohio** has announced his retirement the first of September.

Mr. Williams began his career on Aug. 8, 1908, when he obtained his first job as a bank messenger with the **Citizens Savings and Trust Company.** He held various jobs ranging from bookkeeping clerk to Vice-President in Charge of Collateral Loans.

Having served as Vice-President for the **People's National Bank of Lakewood, Ohio,** Mr. Williams joined Society on Aug. 2, 1942, as Manager of the Savings Department. He was promoted to Assistant Vice-President in June, 1943, elected Treasurer in June, 1945, being elected Vice-President and Treasurer in May, 1954.

* * *

The common capital stock of **The Kent National Bank, Kent, Ohio,** was increased from $300,000 to $400,000 by sale of new stock effective Aug. 21. (Number of shares outstanding—20,000 shares, par value $20.)

* * *

The Merchants National Bank of Michigan City, Ind., increased its common capital stock from $365,000 to $485,000 by sale of new stock effective Aug. 19. (Number of shares outstanding — 48,500 shares, par value $10.)

* * *

Reuben D. Beckett has been elected a Vice-President of the Trust Department of the **Chicago National Bank, Chicago, Ill.**

* * *

By the sale of new stock, the common capital stock of the **Park National Bank of Chicago, Illinois** was increased from $400,000 to $800,000 effective Aug. 21. (Number of shares outstanding—16,000 shares, par value $50.)

* * *

Northern Minnesota National Bank of Duluth, Duluth, Minn., with common stock of $1,500,000; and **The City National Bank of Duluth, Duluth, Minn.,** with common stock of $600,000 consolidated as of the close of business Aug. 22. The consolidation was effected under the charter of Northern Minnesota National Bank of Duluth and under the title **"Northern City National Bank of Duluth."**

At the effective date of consolidation the consolidated bank will have capital stock of $2,088,000, divided into 104,400 shares of common stock of the par value of $20 each; surplus of $2,112,000; and undivided profits of not less than $1,151,852.

* * *

The **American National Bank of North Little Rock, North Little Rock, Ark.,** announces it opened for business Aug. 30.

The officers of the new bank are: Jack C. Barnett, President; Edward H. Cherry, Vice-President and Cashier; David M. Phelps, Vice-President.

* * *

By a stock dividend, the **St. Louis County National Bank, Clayton, Mo.,** increased its common capital stock from $1,500,000 to $1,700,000 effective Aug. 21. (Number of shares outstanding—170,000 shares, par value $10.)

* * *

The Board of Directors of **Columbus Bank and Trust Company, Columbus, Ga.,** announced on Sept. 2 the election of Mr. J. J. Pease to the position of Vice-Chairman of the Board of Directors and of Mr. James W. Blanchard to the position of President.

* * *

Contract for remodeling **The Bank of California, San Francisco, Calif.,** new San Jose site has been awarded, President Edwin E. Adams announced. Construction at the Second and San Carlos Street location begins Sept. 3.

Contract completion date is Dec. 9, and the office is scheduled to open Dec. 15.

William S. Pfeifle, well known San Jose banker and civic leader, has been appointed Manager of the new office which will be The Bank of California's 16th. It is the sixth to be acquired since February of this year, as a part of the bank's present expansion program. Resources now total over $562,000,000.

* * *

Directors of the **Bank of Hawaii, Honolulu, Hawaii,** have elected Francis J. Moore a Vice-President, according to R. A. Peterson, President. In his new position, Mr. Moore will be in charge of the Business Development program for the Head Office.

Mr. Moore, who has more than 25 years banking experience, joined the Bank of Hawaii in 1956. He was formerly Manager of the **Bank of America in the Philippine Islands** from 1947 to 1952, and prior to that was with the **American Trust Company in San Francisco** for 20 years.

Charles R. Klenske was also elected an Assistant Vice-President. According to R. A. Peterson, President, Mr. Klenske will be in charge of the Head Office operations.

Before joining Bank of Hawaii in 1947 as Manager of the Foreign Department, Mr. Klenske was with the **Security First National Bank in Los Angeles.** Prior to this he was associated with the **First National Bank of Philadelphia** for a number of years.

In February, 1950, he was elected an Assistant Cashier of Bank of Hawaii and for the next several years worked with the Research Department and did Branch Manager Relief work. Just prior to his new assignment he headed the Personnel Department.

Lubetkin, Regan & Kennedy

The New York Stock Exchange firm of Seligman, Lubetkin & Co., 30 Pine Street, New York City, changed its name to Lubetkin,

Lloyd E. Lubetkin   Margaret Kennedy

Regan & Kennedy, adding the names of John G. Regan, who recently joined the company as floor partner, and Mrs. Margaret E. Kennedy, an active partner since 1952.

Lloyd E. Lubetkin, senior partner of the firm, which he established in 1929, said it was the first change in the company's name in 23 years.

With the inclusion of Mrs. Kennedy's name, Lubetkin, Regan & Kennedy became the first firm in the history of the New York Stock Exchange to add a woman's name to its title in recognition of active business participation.

Mr. Regan, a member of the Exchange since 1940, was for many years a partner of Gregory & Sons.

Charles Friedman, long an active partner, continues his association with the firm as a limited partner.

Mrs. Kennedy already holds a number of "firsts" for women in the investment field.

She is an authority on mutual funds and serves as fund consultant to many investment organizations throughout the country. Closely allied with this work is the "Woman's Dollar" Program which she originated in 1949 to help women and their families understand and solve all phases of their domestic money problems, from budgeting to investing. The program has taken her on speaking tours in over forty states where she has addressed hundreds of groups on "Money in the Family."

Haas With Bache Co.

(Special to THE FINANCIAL CHRONICLE)

HAMMOND, Ind.—Herbert W. Haas has become associated with Bache & Co. Mr. Haas formerly conducted his own investment business in Hammond.

Fahnestock Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

FLINT, Mich.—Dorothy F. Stolpin is now connected with Fahnestock & Co., 346 South Saginaw Street.

Continued from page 15

Making Accounting Meaningful In a Fast-Changing Society

eventually becomes generally adopted. Meanwhile, however, there are variations in practice.

Progress in Accounting

It must be remembered that financial reporting as a discipline is relatively young. At the beginning of this century corporations reported whatever they pleased, if anything, and kept their accounts according to their own best notions. Independent audits were not required, and the accounting profession was a mere infant.

There has been impressive progress in the last 40 years. As long ago as 1917, the American Institute of Accountants began the effort to narrow the areas of differences in accounting practices. It cooperated with the Federal Trade Commission and the Federal Reserve Board in the development of a brochure recommending the type of information to be included in financial statements, which has subsequently gone through six or seven revisions. As long ago as 1926, certified public accountants were working with the New York Stock Exchange to improve financial reporting requirements and to eliminate accounting procedures which had been demonstrated by experience to be unsound. The profession has cooperated closely with the Securities and Exchange Commission, since its formation, in the gradual development of better accounting procedures, which are mandatory upon companies subject to the SEC's jurisdiction. Since 1939, the Institute's committee on accounting procedure has been publishing research bulletins indicating preferred methods of accounting. These publications have had a wide influence on financial reporting of corporations.

Trend Toward Uniformity

From 1939 to the present these bulletins have narrowed the areas of difference in accounting treatment of many items in financial statements in a wide variety of circumstances. They cover questions arising in quasi-reorganizations of corporations, in corporate mergers, in stock dividends and split-ups, in stock-option and stock-purchase plans. They set standards for inventory pricing, for dealing with differences between tax accounting and generally accepted accounting principles, for treatment of pension costs, current assets and liabilities, and goodwill and other intangible assets. They deal with special problems arising in long-term construction contracts, extraordinary gains or losses which might distort income, accelerated depreciation for tax purposes, and various other matters.

Taken as a whole this represents a considerable achievement.

Compared with some foreign practices, financial reporting in the United States has attracted praise. "Fortune" magazine in March, 1956, in discussing the accounting standards of some European countries, said: "U. S. accountancy is certainly not perfect, and even if it were it would be no substitute for traditional business integrity. On the evidence, however, U. S business has something more to give the world than dollars and lessons in American salesmanship and mass production. That something is truthful reporting of what goes on. The certified public accountant is now as much a part of the U. S. scene as the corporation lawyer. Abroad, he still has an unlimited world to conquer."

But the fact that much progress has been made does not mean that all of the problems of accounting are being rapidly solved. We must squarely face the possibility that economic and social changes may be creating new problems at least as rapidly as older ones are being liquidated.

Taxation and Accounting Methods

The income tax, for example, has spawned a whole new set of dilemmas. Its influence is powerful but not always healthy. Where permissible alternatives exist business management is naturally inclined to adopt whichever accounting methods will result in the least tax. These may not always seem the best methods for purposes of reporting results to shareholders and the public—even through acceptable to the Internal Revenue Service. Accountants can hardly insist that stockholders ought to pay millions of dollars in additional taxes as the price of abandoning a lawful and acceptable method of determining net income in favor of one which the accountants may believe to be preferable.

Regulatory bodies, too, have a profound influence upon present-day accounting. They may impose rules upon some segments of business that are designed to enable the agency to perform its supervisory functions, but may be less desirable in terms of fair financial presentation. Yet these rules may become precedents of "accepted accounting."

And there is a third force that shapes accounting: the impact of fast-changing business practices.

Accounting Responds to Change

The widespread adoption of pension plans differing in nature, legal structure and procedure; the diversification of products within corporate entities; the swift-running tide of mergers and consolidations; the increasing amounts devoted to research, advertising and other activities which tend to benefit future periods; the huge investments in new plant, equipment, or exploration whose profitability can be determined only by future events; the sale and leaseback of plants and machinery — all of these developments have created a host of new and complex accounting problems.

Perhaps the most significant of these recent developments has been the steady decline in the purchasing power of the currency. This has touched off a debate, which has now been raging for ten years, around the question whether fixed assets should continue to de depreciated on the basis of historical costs, or whether depreciation should be adjusted to reflect changing price levels.

Some distinguished certified public accountants and many business leaders argue persuasively that reported profits are grossly overstated, and capital is being taxed instead of income, when the difference between depreciation charges and the cost of replacing worn-out facilities is not given recognition as an expense.

On the other hand many thoughtful certified public accountants and business executives do not believe that it would be desirable to determine profits on a basis which, in effect, substituted replacement cost for actual cost of fixed assets. They recognize that inflation confiscates capital, but contend that this cannot be cured by accounting. Rather, they hold, amounts should be retained from profits to replace assets at current costs when they are greatly in excess of the historical costs.

The Profession Examine Inflation

The Institute has given this admittedly complex problem extensive and intensive consideration. Ten years ago it sought the opinions of hundreds of corporate executives and found opinion widely divided. Another similar survey will be conducted in the near future.

In 1947, the Institute sponsored a "Business Income Study Group," composed of accountants, lawyers, corporate executives, labor leaders, economists and government officials. For some four years, with Rockefeller Foundation support, this Group studied the problem of determining business income in a period of inflation. The conclusions, which might be interpreted as recommending as a long-range objective the determination of income measured in units of approximately equal purchasing power, was subject to 32 pages of comment and dissent by 15 of the 44 members of the Group.

The Institute's committee on accounting procedure has issued two releases on the subject, suggesting supplemental statements showing amounts of profit which must be retained to make up the difference between depreciation allowances and replacement costs. Few companies have followed this suggestion.

Study of the problem nevertheless continues. The Institute committee has periodically reveiewed its earlier conclusions. Up to now it has not felt that it would be in the best interests of all concerned to recognize as in conformity with generally accepted accounting principles the adjustment of depreciation so as to reflect the current value of the dollars actually invested in the depreciating assets.

Actually, this problem arises from a weakness in money as a medium of exchange and a measure of values. The question is whether changes in accounting principles can compensate for the imperfection of money as a common denominator without sacrificing other vital purposes of financial reporting.

Responsibility for Accounting Principles

This brings us to the question of just who is responsible for the development and enunciation of accounting principles which may be regarded as "generally accepted."

The accounting profession, through the Institute, has accepted the responsibility of leadership in the incessant search for better methods of financial reporting. But it does not have, cannot assume, and in my opinion should not permit itself to be regarded as having the *sole* responsibility for the results.

Corporation managements have the primary responsibility for their own financial statements. The statements are representations by the companies themselves. Obviously corporate management does have and must have a part in determining the broad objectives and basic assumptions underlying corporate financial reporting.

Government Responsibility

Government, too, has a responsibility to exercise its taxing powers and its regulatory powers in a way that will facilitate, rather than impede, sound financial reporting.

As a matter of fact, the Securities and Exchange Commission already has authority to control the financial reporting of a major segment of business society. Fortunately, the Commission has wisely chosen not to exercise it, preferring to enforce the principles developed in the evolutionary process by the accounting profession and by business. But the words of an early Chairman of the Commission, the late Jerome Frank, are worth remembering: "Accounting is the language in which the corporation talks to existing stockholders and to prospective investors. We want to be sure that the public never has reason to lose faith in the reports of public accountants. To this end, standards of thoroughness and accuracy [must be] protected. In understand that certain groups in the profession are moving ahead in good stride . . . but if they are unable . . . to do the job thoroughly we won't hesitate to step in to the full extent of our statutory powers."

It would be a great misfortune for American business, and the whole economy, if uniform accounting rules were to be prescribed by governmental fiat. It would probably mean the end of progress. The Interstate Commerce Commission did exactly this in 1914 for the regulated railroads. At the time, the ICC accounting classification was hailed as reflecting the best accounting thought of the day. It was cited as a model in accounting textbooks. By 1957 it was completely out of date—far behind the financial reporting standards of industrial corporations. Just a few months ago, a committee of the American Institute pointed out six major changes that would have to be made in ICC rules in order to bring them into harmony with generally accepted accounting principles. Until such changes are made, certified public accountants cannot certify financial statements of railroads as being in accordance with generally accepted accounting principles.

Responsibility of Other Groups

The New York Stock Exchange has a responsibility for the financial reporting practices of listed companies, and has actively encouraged improvement of accounting methods in cooperation with the Institute.

The accounting teachers, through the American Accounting Association, have assumed a share of responsibility for the development of accounting theory, and have issued a number of useful statements on the subject.

Other groups, such a bankers, financial analysts, economists, and financial editors, may have some responsibility to advise how financial statements may be made more useful for the purposes they are intended to serve.

In an informal, voluntary way, and in varying degrees, all these elements of our society have had a part in bringing the methods of determining and reporting business profits to a point far in advance of where they were 40 years ago—even 25 years ago.

Throughout this process the practicing profession of certified public accountants has had the responsibility for weighing the question whether new practices or proposed changes in accounting principles met the test of fairly presenting financial position and results of operations to an extent warranting the conscientious expression of a professional opinion.

Is Progress Fast Enough?

We must now face my final question — whether progress has been fast enough to meet the needs of our fast-changing society.

Perhaps the present process is satisfactory. The following statement by Justice Holmes in *The Common Law*, seems to be applicable to the development of accounting principles:

"The law is always approaching, and never reaching consistency. It is forever adopting new principles from life at one end, and it always retains old ones from history at the other, which have not yet been absorbed or sloughed off. It will become entirely consistent only when it ceases to grow."

But to say that accounting must develop, like common law, by the evolutionary process, is not to say that there is no urgency in the need for solutions to problems which confront us right now.

Here is a partial list of problems not yet solved:

Unsolved Problems:

We have made some progress, but have some way to go in establishing the most useful and acceptable practices in connection with income tax allocation, where the amounts shown on the tax return do not correspond in important respects to the figures on the income statement or to the organization of the financial statements.

We recently made a survey of consolidated statement practices which disclosed a good many points of variation in practice which are being explored in an attempt to reduce the number of differences to a minimum.

There is a large group of problems in the intangible asset category, many of which are old matters which have plagued us for years. I am thinking of such things as the write-off of goodwill, the treatment of organization and promotion costs, the accounting for research and development costs, the handling of exploration costs of timber and mineral tracts and of intangible drilling costs in the oil industry, and others of this type which present baffling problems in accounting.

We have achieved much improvement in the form of the financial statements, but there is still much that could be done to make them more effective and readable.

The Institute intends to continue its attack on all these problems. We would welcome the advice and assistance of those who share the responsibility with us. Meanwhile we ask the understanding of all concerned that these problems are not simple; that in a dynamic society they are never-ending; and that there may be no substitute for time and experience in finding solutions.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard H. Fitton has become associated with Goodbody & Co., 140 Federal St. He was formerly with Bache & Co.

Rejoins Goodbody

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Aurelian F. Wigle has rejoined the staff of Goodbody & Co., Penobscot Building. Mr. Wigle has recently been with D. B. Fisher Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio — Edward A. Gemerchak, Jr., is now connected with Merrill Lynch, Pierce, Fenner & Beane, 616 Madison Ave.

Zilka, Smither Adds

(Special to THE FINANCIAL CHRONICLE)

MEDFORD, Ore. — Paul Meyers is now connected with Zilka, Smither & Co., Inc., 14 South Central Ave.

With Wm. C. Roney Co.

(Special to THE FINANCIAL CHRONICLE)

KALAMAZOO, Mich.—William H. Emery has been added to the staff of Wm. C. Roney & Co., 162 East Michigan Avenue.

Joins L. W. Chamberlain

(Special to THE FINANCIAL CHRONICLE)

RED WING, Minn. — Seth G. Withers has become connected with L. W. Chamberlain & Co., Inc., 315 East Avenue.

Public Utility Securities

By OWEN ELY

Columbia Gas System, Inc.

Columbia Gas is the largest gas system as measured by revenues, which are currently around $350 million per annum. Including both wholesale and retail service, the System serves a population of about 12.5 million in 1,760 communities. Major cities include Cincinnati, Toledo, Dayton and Columbus in Ohio; Harrisburg and part of Pittsburgh in Pennsylvania; Baltimore, Md.; Richmond, Va.; and Binghamton, N. Y. Like most of the pipeline systems, Columbia has shown tremendous postwar growth with current revenues well over 3½ times those of 1946.

Columbia Gas System Inc. is a holding company controlling three groups of natural gas properties and another group engaged in oil production. The company has a realignment plan for subsidiaries which provides for one retailing company in each state, subject only to the state commission; and one interstate company performing production, storage and transmission operations which will be subject only to the jurisdiction of the Federal Power Commission. Some steps in this plan have already been completed. The program should eventually simplify the company's regulatory problems, which in the past have been quite complicated.

Columbia Gas' retail business is mainly in Ohio where 55% of its customers are located; 18% are in Pennsylvania, 15% in West Virginia and the remaining 12% in Kentucky, New York, Virginia and Maryland. Sources of revenues last year were about as follows: residential and commercial 47%; industrial 18%, wholesale 31%, and miscellaneous (including oil) 4%. Disposition of revenues was as follows: purchased gas 48%, wages 14%, other operating expenses 7%, maintenance and depletion 6%, taxes 12%, fixed charges 4% and balance available for common stock 9%. A decade earlier only 32% was paid for purchased gas and about 15% was carried down to common stock.

Columbia's major problem has been the acquisition of new supplies of natural gas to bolster its inadequate supplies in the Appalachian fields and take care of rapidly increasing demands for house-heating, etc. It has had to obtain these supplies at a time when field prices were increasing rapidly and thus has been handicapped by regulatory problems arising from rate adjustments, affecting both purchased gas and sales to customers.

Some idea of the present division of the company's business is indicated by a breakdown of the 1956 balance sheet:

Production	18%
Storage	15
Transmission	38
Distribution	22
Others	7
Total	100%

Columbia now obtains only about 10% of its total gas requirements from its own wells. The remaining 90% comes from other producers in the Appalachian field, but more largely from Texas and Louisiana, the latter gas being transported by Texas Eastern Transmission, Tennessee Gas Transmission and Gulf Interstate Gas.

Ultimate daily deliveries call for over 1 billion cf, and the company estimates that it will need to add at least 48 billion cf. to its supplies each year for the next five years. A large part of this will come from the southwest, but the company is also planning to do some deep well drilling in the Appalachian regions. About 250 new wells will be drilled each year over the next five years and independent producers are also expected to follows suit. Thus, it is hoped that fresh supplies of gas can be tapped at lower depths in the Appalachians, below the strata which have long been producing. The company will also explore new areas and this year has budgeted 14 wildcat wells to be drilled in areas relatively remote from present production. New techniques will also be used to crack open producing sands underground and increase the gas flow of existing fields; these involve sending a liquid and sand mixture under high pressure to the bottom of the well.

Columbia is also planning to go into the petro-chemical field in a substantial way since Appalachian gas is said to be especially rich in the heavier hydro-carbons processed for chemicals. A proposed joint venture with Commercial Solvents has failed to materialize. Now Columbia is planning to spend on its own about $13 million for the construction of extraction and fractionation plants and a pipeline to connect the two. The plants are scheduled to be in operation about December 1, 1958. A recent booklet issued to employees entitled "What's New for You and Columbia" describes graphically the hydro-carbons from which "can be manufactured miracle fabrics, explosives, and myriads of other products for industrial and household use."

Columbia Gas has maintained a high equity ratio in the postwar decade, though it was allowed to drop from 61% in 1947 to 43% in 1956, recovering to 46% in 1957 with the issuance of additional stock on a rights' basis. Capital structure is very simple, holding company debentures (including a small remaining amount of convertibles) constituting almost the entire funded debt. There are no preferred shares, only an insignificant minority interest, and parent company common consists of about 22,873,000 shares. The company expects to spend about $80-100 million a year for construction over the next five years of which only about $12 to $19 million would have to be raised through sale of common stock to maintain a 45% ratio.

Columbia's share earnings record in the postwar period has been somewhat disappointing. Earnings reached $1.20 in 1946 and $1.36 in 1947, but thereafter declined to 84c in 1949 and (after a temporary recovery) to 63c in 1953. From that low point they advanced in the past three years to $1.44. However, part of the 1956 gain was due to favorable weather conditions and in the 12 months ended June 30, 1957 earnings dropped to $1.30, as warmer weather prevailed in the heating season.

In some past years contingent earnings, resulting from rate increases collected under bond and not yet approved by regulatory commissions, have been a substantial factor in share earnings. In the June period, such contingent revenues (net of income tax) approximated 10c a share but were almost offset by contingent rate increases by suppliers, so that the net amount was only about 1c a share.

Dividends have been gradually raised from 30c in 1946 to the present $1 rate. At the recent price around 16¾ stock yields 6%. It is one of the most stable utility issues, having fluctuated between 12½ and 18 since 1951. The price-earnings ratio is 12.9 which compares with an average for other integrated gas companies of over 14.

Pac. Coast Exchange Honors S. L. Schwartz

SAN FRANCISCO, Calif.—The 50th anniversary (Sept. 3, 1957) of Sidney L. Schwartz's membership in the San Francisco Division of the Pacific Coast Stock Exchange, was the occasion for a ceremony honoring the event.

Sidney L. Schwartz

Members, partners and voting stockholders of member firms gathered at 2 in the afternoon on the floor of the Exchange to honor their oldest member in point of membership. Mr. Schwartz became a member of the Exchange on Sept. 3, 1907.

Since that day, according to exchange records, he has continued to play a vital part in its progress. He has served on many committees and as the Exchange's President nine times during his 50 year membership. A record unequaled in the Exchange's 75 year history.

In recognition of his long and active service, William H. Agnew, Chairman of the Pacific Coast Stock Exchange, in the name of the membership presented ex-President Schwartz with a handsome clock that not only tells time but will keep him abreast of the temperature, weather and the date, month and year.

In addition to celebrating his 50th anniversary, Mr. Schwartz's firm, Sutro & Co. will, on Sept. 18, 1957 celebrate its 75th anniversary as a member of the Exchange. Sutro & Co.'s founders, Charles and Gustave Sutro were charter members of the San Francisco Stock Exchange.

Another important milestone in Mr. Schwartz's career will be reached next year when his firm reaches its 100th birthday.

Preceding the presentation on the floor of the Exchange, Mr. Schwartz was guest of honor at a luncheon given for him by the Exchange's past presidents and chairmen of the board. Hosts for this event were: William H. Agnew, Bertram E. Alanson, Douglas G. Atkinson, Lloyd W. Dinkelspiel, (Exchange Counsel); Frank M. Dwyer, Mark C. Elworthy, Marco F. Hellman, Ronald E. Kaehler, George N. Keyston, G. Willard Miller, Earl T. Parrish and Ferdinand C. Smith.

With John Nuveen

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Earl D. Hazen has joined the staff of John Nuveen & Co., First National Bank Building.

Bertram Jones Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — James F. Oberg is now with Bertram V. Jones & Co., 407 North Eighth St.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb. — Clyd D. Worrall is with Merrill Lynch, Pierce, Fenner & Beane, 305 So. 17th St.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C. — Lois A. Snyder has joined the staff of Goodbody & Co., 217 South Church Street.

Continued from page 5

Future of the Stock Market

Test." Doing everything possible to divorce myself from personal responsibility, I started out rather apologetically with the statement that "In order to reduce as much as possible dependence upon orthodox forecasting of the unknown future I have for many years tried to substitute impersonal historical and technical probabilities for personal market opinions. All projections of future market trends have been based on the past performance record of the market in relation to technical and financial trends. I have rarely tried to forecast the future of the market by direct relation to the trend of general business activity. Stock market history provides many instances where average stock prices refused to keep in step with the trend of business activity."

The letter ended on a slightly more courageous note with the final paragraph stating that "I have not written a letter since March 6 because the market as reflected in the averages has continued to advance in line with the probabilities indicated at the February lows. However, as emphasized in the March 6 letter, it was possible that the recovery from the February lows might develop as the final phase of the major bull market. The technical performance of the past three weeks has provided additional reasons for longer-range skepticism. In view of the fact that the fate of the sixth truly great market in 135 years is at stake, I intend to follow technical and credit developments very closely from this point on."

After writing one letter on "Bank Credit Trends in Two New Eras" I was forced to bow to the inevitable. In a letter dated April 18, 1956, under the title "A Technical Probability Facing Important Test," I conceded that the market had probably reached the end of the road with the following explanatory comments:

"The letter dated April 9 with the caption 'Stock Market Facing Important Test' was written over the week-end after the industrial average had closed at a new all-time record high of 521.05 on Friday, April 6. At the time I was writing I assumed that the advance would continue, thus giving me an opportunity to explain in greater detail the technical requirements needed to keep the bull market going. Unfortunately, before I had a chance to present a technical pattern designed to foster further advance, the market proceeded to stage a performance that, on the basis of past experience, appeared admirably designed to lose friends and alienate people.

Technical Developments

"At this point I would like to emphasize the fact that what I have to say from here on does not represent a personal forecast. All I can do is to report that on previous occasions when the market was facing similar technical conditions, subsequent developments were unanimously unfavorable.

"Since 1919 there have been six examples of the market yielding to adverse technical indications similar to those in evidence during the past four weeks. A detailed day-to-day comparison with these six previous turning points in average price trends indicates that the probabilities favor the viewpoint that the great bull market of 1954-1956 has made its high."

Technical Probability Holds

Up to this point the technical probability calling for a bull market top has not been violated although there have been two extremely close calls. The first was on Aug. 2, 1956 when the industrial average closed at 520.95, only 10 cents below the closing high of April. The second was as recent as July 12, 1957 when the average closed at 520.77 before yielding to the historical probabilities calling for the 521.05 closing price of April 6, 1956 to remain inviolate.

In connection with the two close approximations by the industrial average of its 1956 peak it is interesting to note that on both occasions to breadth index stopped well below its peak reached on March 15, 1956. Furthermore, in both cases the breadth index staged a divergence pattern preceding and following the best levels reached in the average. The breadth-price divergence connected with the July highs in the average was one of the most emphatic ever recorded. Breadth reached its high on May 20, at a level below its January high, while the industrial average continued its advance to July 12, where at 520.77 it was 21 points above its highest level in January. By Monday, Aug. 26, it had declined to a closing level of 470.14.

This summary of the breadth-price relationship since March 15, 1956 explains why I have been bearish on the major trend of the stock market, as reflected by the Dow-Jones industrial average, since April 18, 1956. The current breadth-price relationship is the reason why I must continue bearish on the major trend of the stock market and why I do not believe that 1956-1957 is merely part of another horizontal consolidation range similar to 1946-1949 and 1951-1953.

In the course of its emphatic divergence from price since May 20, the breadth index has not only broken its February low of this year but it has also broken through its lows of 1955-1956. This is a technical situation drastically different from the breadth-price relationship of 1946-1949 and 1951-1953. In these two periods it was not only the industrial average that consolidated in a horizontal trading range. Consolidation by the industrial average was confirmed by a consolidation range in breadth and also by a consolidation range in the rail average. In the present situation the rail average has accompanied the breadth index in breaking through the lows of 1955-1956.

This may not mean much to people who have not followed breadth-price relationships over a number of years. To me, however, with 31 years of daily association, I am afraid to take the position that things will be different this time. Despite all the changes that have taken place since the New Era of the 1920's, when breadth turned adverse in the spring of 1956, the industrial average turned down also. Even though it turned down reluctantly it was obviously not saved by the great changes in economic-political relationships since 1929.

Perhaps these changes will save the industrial average from following breadth and the rail average through the lows of 1955. Unfortunately, I am compelled to respect the historical probabilities calling ultimately for a visible decline in wholesale commodity prices, industrial production and commercial bank loans. The great changes that have taken place since 1929 may very well operate to slow down the completion of the old economic sequence. It is conceivable that several years may be required before we get around to the final step of liquidating bank loans. Such a slow working out of the conventional economic cycle would give the stock market ample time to reach lower average levels than generally expected at the present time.

Continued from first page

As We See It

President's party do not want to be "modern Republicans." They had their chance to register their feelings on the subject, and they did. Some of them have never been in sympathy with many of the things the President asked Congress to do and they could see no reason, political or other, for supporting them.

But where does all this leave us? Why just where we were this time last year, and, for that matter, basically just where we were when President Eisenhower went to the national capital to clean up the "mess in Washington." Some messes have indeed been cleaned up but the really big task, getting this country back to its own traditions, has been either neglected or ignored. Congress this year rightly had a good deal to say about the size of the budget presented by the President, and actually cut off a few billion here and there—how many of these reductions will be replaced at some later date remains to be seen—but it did exactly nothing to inaugurate a program which would make possible real reductions in outlays both now and in the future.

Only One Way

It is a recognized fact, and it must be well known in Congress, that real reductions in expenditures and hence in taxes await and must await curtailment of the functions that the Federal Government has taken upon itself under the New Deal and the Fair Deal and which the Eisenhower Administration has again and again and again sworn fealty to. The late Senator Taft complained bitterly early in the first Eisenhower Administration about the way the President was adopting most of the New Deal ideas and programs. His heirs in the Senate have opposed some of the President's spending plans since that day, but if they are prepared to do what is necessary to put our fiscal house in order, there have been few signs of it.

The Democratic members of Congress and of the party rather generally have done all that they could think of to make political capital of higher interest rates and to blame the Republican Administration for "tight money" which they seem to think is a sin in its own right. They have, however, shown no disposition to do anything to correct the situation which has given rise to this condition of affairs. What they should have been doing, instead of railing at the Federal Reserve authorities, was to bring to an end the various Federal programs which stimulate borrowing and assist lending and, at the same time, reduce the scope of Federal activity and hence the rate at which the government itself was taking money out of the pockets of taxpayers.

The now rather long sustained rise in consumers prices is another phenomenon which the Democratic party would like to lay at the door of the Republican Administration. And certainly, the party in power can not successfully avoid all responsibility for it. But what proposals have come out of the Democratic party for correction of this situation? Reduction in public expenditures, less encouragement for spenders and borrowers, and a far less tolerant eye upon labor monopoly are ways and means of dealing with this situation. It is, of course, unfortunate that the Eisenhower Administration was not disposed to take steps of this sort, but the Democratic Congress is estopped from criticism since it has shown no indication of doing anything of the sort either, and of course, an "independent" Congress is as much obligated as a Chief Executive.

Shunning the Agricultural Program

One of the really expensive relics of the New Deal and Fair Deal is our agricultural program. President Eisenhower made some relatively minor changes in it when he came into office. The farm problem is still with us. Neither the President nor the Democratic Congress has this year made any attempt to get the nation's agriculture on a solid footing. In fact, neither have been disposed to touch this supposedly dangerous subject. No one in any governmental position or any leader in any political party has had the temerity to come straight to the point and say that the only possible way out of the present situation which was created largely by governmental interference and political chicanery is to give natural forces an opportunity to work out the normal solution.

Those members of the Republican party who regard "modern republicanism" as but another name for the New Deal have an opportunity before them. Their party is in a sad way, a house divided against itself. Let them begin now as they have never really been inclined to do in the past, to show that they really are anti-New Deal. Let them somewhere summon the courage to stand up and be counted as ready and desirous of bringing this country back to its own traditions. Let them be not afraid to tell the people in few and straight flung words that the fantastic structure of New Deal programs must be torn down as rapidly and as constructively as may be possible. Let them demonstrate their good faith by the formulation of a definite program for that purpose. Then ineed we should have something to grow enthusiastic about.

Continued from page 11

Uses and Savings of Isotopes And Our Atomic Future

quantities of radioactive sugars labeled in specific positions have already been prepared at the National Bureau of Standards, and of course the Argonne Isotope Farm has them randomly labeled in great quantities. It would seem not unlikely that in the future isotope farming may be done to supply such routine diagnostic applications, probably through the regular pharmaceutical houses.

The plant products from the Isotope Farm have been used in many ways but particularly because it has been possible to detect and isolate natural products from these plants which occur in concentrations which are beyond the limit of detection with the use of ordinary chemical assay methods. Among the more important of the labeled compounds isolated have been digitoxin, morphine, nicotine, amino acids, proteins and vitamins, as well, of course, as the materials in greater abundance. In the case of many of these compounds, this is the only way in which they can be obtained at the present time in radioactive form for use in tracer research or diagnostic applications, their synthesis being beyond the skill of the organic chemist.

More Interested Firms

Currently, nearly 100 private firms are engaged in radioisotope processing and redistribution as contrasted with 17 in 1951. Several times this number provide accessory equipment and services. Participation of private enterprise in these activities has characterized the radioisotope program since its beginning. In response to the rapidly growing industrial demand for radiation sources, several firms presently are expanding their radioisotope processing facilities very significantly.

For the first time since initiation of the radioisotope distribution program in 1946, the economic feasibility of private enterprise participation in radioisotope production appears imminent. Actual undertakings by private industry in this area primarily are dependent upon sufficient further development of the radioisotope market to support private radioisotope production reactors.

One company has announced its intention to construct a reactor for the production of process steam and for radioactive cobalt-60 at the rate of one million curies per year. This will be the first privately-owned reactor for large scale production of radisotopes.

To the extent consistent with the public health and safety, Commission regulations pertaining to the possession and use of radioisotopes have been revised and simplified to facilitate the use of radioisotopes for industrial and other purposes. Quantities of radioisotopes which may be possessed under general authorization or license have been increased. Provision also has been made for distribution by manufacturers of several devices employing radioisotopes without specific licensing of their customers. In the case of friendly countries, the previous requirement of Commission approval prior to export of radioisotopes with atomic numbers 3 to 83 (helium to bismuth), inclusive, has been removed.

Licensing Procedure

To facilitate the licensing procedure for applicants, the application form for isotope licenses has been extensively revised to reflect more fully the information required in current licensing practice. Supplementing this, the Commission has expanded its program of pre-licensing visits to applicants' facilities. This not only expedites the licensing process, but also provides the applicant an opportunity to obtain on-the-spot advice concerning radiation protection matters. To provide for the rapidly growing industrial demand for radioisotopes, particular attention is being given to probable future requirements and means of meeting them. For example, the Commission has made available spent fuel elements from the Materials Testing Reactor at Idaho Falls, Idaho, for use as sources of gamma radiation. Similarly, provision has been made for production of Cobalt-60 at Savannah River at the rate of 200,000 curies per year through Dec. 31, 1957. This material together with that produced in other Commission reactors, will increase the availability of Cobalt-60 for civilian use in 1957 to a minimum of 300,000 curies.

The Commission is presently constructing a Multicurie Fission Products Pilot Plant at the Oak Ridge National Laboratory. This facility will help to meet the demands during the initial stages of industrial development of the utilization of the long-lived radioactive fission products. It also will serve as a pilot plant for future industrial fission product separation plants. The plant should be ready for full scale production by late fall. This facility will have a capacity for the separation of 200,000 curies per year of cesium-137 (27 year half-life). In addition, substantial quantities of strontium-90 (28 year half-life), cerium-144 (275 day half-life), and technetium-99 (2,000,000 year half-life) also will be recovered from the same radioactive wastes. Those radioisotopes will be used widely in medical research and therapy, physical research and industry.

There are many potential large scale uses for radioisotopes and radiation that as yet have not made an appearance. Those presently in use are paying a fair return on the entire capital investment in our atomic energy program, and we look forward with complete confidence to the day when the applications of radioisotopes and the rapidly developing prospects for nuclear power will become an integral part of our daily lives. Within three to five years—probably more nearly three, sometime in 1960—isotopes probably will be paying the whole way for the atom, and the American people and the Western World will get their atomic armament and their atomic power development costs all free—in the sense that the benefits of $5 billion annual savings in industrial processing and agricultural costs are pretty well distributed among the taxpayers so that the Atomic Energy Commission budget can be off-set against these savings in a fair and equitable way. Already, with our present $500 million annual savings for a direct outlay of about $3 million annually, isotopes are giving a fair return on the total investment in the whole Atomic Energy project; and our nuclear weapons stockpile and the atomic power developments, costly as they are, are beginning to be borne by the largely unsung but very benevolent isotopes.

In the field of the Atoms-for-Peace program, isotopes will play a very great role, for they can be put to work immediately without extensive training and heavy investment, and can serve for years to reconvince people the world over of the atom's great promise for Peaceful Uses when they become impatient waiting for the other great Peaceful Use—atomic power—to arrive.

With McDonald & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Henry J. McGinness, Jr., is now with McDonald & Co., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, O.—Paul Jones, Jr., is with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Avenue, Northeast.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Rod B. Alexander is now with Paine, Webber, Jackson & Curtis, Union Commerce Building.

Two With Ross, Borton

CLEVELAND, Ohio — William Bode and William S. Stiver are now affiliated with Ross, Borton & Co., Inc., The 1010 Euclid Bldg.

Roy Klopper Opens

CLEVELAND, Ohio—Roy Klopper is conducting a securities business from offices in the Citizens Building.

Forms Leiner Co.

BROOKLYN, N. Y. — Morris Leiner is engaging in a securities business from offices at 1128 52nd Street under the firm name of Leiner Co.

CORRECTION

In the "Financial Chronicle" of Aug. 29 it was reported that William E. Lucas, formerly a partner in Baxter & Company, had become associated with A. G. Becker & Company, Incorporated, in Chicago. This was in error. Mr. Lucas is still a partner in Baxter & Company. William E. Lucas, who became associated with A. G. Becker & Company is a different individual; prior to joining A. G. Becker & Company he was with McDonnell & Co. and A. C. Allyn & Co. Inc.

New Kidder Branch

PLATTSBURG, N. Y. — A. M. Kidder & Co., Inc. has opened a branch office at 43 Clinton Street with Donald H. Guibord and Henry D. Hendee, Jr. as co-managers. Both have been associated with the firm in the Burlington, Vt. office.

Now Ladet, Steele, Mohar

DENVER, Colo.—The firm name of L. M. Ladet Co., First National Bank Building, has been changed to Ladet, Steele & Mohar, Inc.

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"Challenge of Tomorrow"

more than double again before 1970.

Investment in plant and equipment has steadily climbed to new highs both in dollar amounts and in percentages of total production. A thriftier nation today has been saving from 6 to 8% of disposable income compared with 5% in 1929. One of the major results is that output per man hour in factories has increased 60% since 1929. Union membership has quadrupled. Electric power consumed per customer has increased more than four-fold and tractors on farms five-fold.

The implications of these facts for American business executives need not be labored. The next five to ten years will probably witness more growth and change, more luxury consumption, more installment buying, less concern about small savings, more country-club living, greater suburbanization, more equipment per household and per farmer, longer paid vacations for workers, more domestic and foreign airplane travel, more college and graduate students, more conservative old-folks in the population, more pre-occupation with self enjoyment, more hedonism and commercialism. Additional measurements of increasing welfare are shown in Table I below, together with other statistical detail.

A widening gap between levels of real income in the United States and in other countries may generate increasing envy and criticism abroad of American policies, especially if these can be interpreted or distorted as tending to increase American levels of prosperity at the expense of other nations' natural resources or living standards.

At no time will the need for maturity, international sensitivity and self-restraint be greater. For there are a number of knotty problems coming up, both domestic and foreign, that will require joint effort coupled with understanding and patience—if they are to be solved.

Number of Knotty Problems

Several of these problems may otherwise prove a bottleneck to further expansion and make the 1950's a Golden Era of American business. First, needless to say, is the necessity, especially during boom times, of maintaining flexible fiscal, expenditure, labor, and management policies so that economic growth and stability will not be impaired by excesses in government, business* and consumer spending. Inflation must be kept under control.

But there are numerous other problems, one of them so important as to warrant brief mention. Soon the scarcity of raw materials and minerals will make us a "have-not" nation unless we exchange more and more of our surpluses for the vital necessities which we will have to import from abroad in ever larger quantities.

In 1952, in a notable five-volume report entitled **Resources for Freedom**, the President's Materials' Policy Commission headed by Mr. William S. Paley, Chairman of the Columbia Broadcasting System, documented in detail how dependent American prosperity would soon be on foreign raw materials, despite all the inventions and discoveries that even the most optimistic considered possible. Their estimate was that by 1975 the United States would be coping with a general 20% deficit in raw material supply.[1] Thus, for example, it will need twice as much mechanical energy, 90% more minerals, 40% more farm products, 170% more water.

The urgency of a comprehensive resources-conservation program is obvious. Business and governments, Federal, state and local, must speedily devise adequate plans and programs for maximum development of water supply and electric power, for smog control, and for prevention of waste of coal, oil, timber, and other scarce resources.

Solely from the standpoint of national defense, the destinies of the United States and the rest of the world are inextricably bound together. Of some 75 strategic and critical materials listed by the Defense Department, the entire American requirements for more than 40 of them have to be imported. Of the 100 chief minerals used in our automobiles, appliances, homes and industries, only one-third can be produced entirely at home, one-third can be partly produced, and the remaining third must be obtained entirely from abroad.

Unless business executives provide tireless leadership and patience in promoting economic stability, control of inflation, conservation of resources, international trade, aid, and friendship, American strength and prosperity will during the next decade reach a ceiling level. Ceasing to grow, the margin of superiority may in time become uncomfortably small.

II
The Organizational Revolution

It is a truism today that goods are produced, prices determined, wages bargained, and legislation passed, by group action. The corporations, the trade associations, the trade unions, the national organizations of manufacturers and chambers of commerce wield the power. The unorganized, such as professors and consumers, are politically paid no mind.

To an increasing extent the status of individuals depends upon the offices they hold in a large organization. A man speaking for himself is given little heed, but as President of General Motors, of the National Association of Manufacturers, of the CIO, of the National Grange, or of the United States Chamber of Commerce, or as Commander of the American Legion, Governor of a State or Mayor of a City, his views command amplified attention in the press, over the air, in the market place and in government.

To an increasing extent, the modern farmer, consumer, laborer, and citizen finds himself guided, conditioned and goaded by giant rule-making bodies, both business and governmental. There has developed what Mr. William Whyte has characterized in his book as **The Organization Man.**

World Economic Power Units

Next to the Federal government, the largest such unit of power is General Motors. It employs more people than any other business or any state or local government in the United States. More money flows through its coffers than is ever seen by the combined treasuries of 40 states of the union. It is the world's biggest advertiser, the largest bank customer, and the largest shipper of freight. In addition to being the world's largest producer of passenger cars, trucks, auto parts, busses and locomotives, it is a leading producer of gas engines, bulldozers, washing machines, refrigerators, ranges, air-conditioning, lighting, heating and water systems.

In fact, General Motors, and dozens of other corporations nearly as big, are essentially world economic power units that in some instances can and do make agreements with foreign governments and interests (witness the Iranian Oil Consortium) which the States (from which these corporations obtained their existence and all their powers) would themselves be legally powerless to make.

In General Motors 50 persons own 38.94% of the stock. In 1955 it earned 31% profit after taxes, more than double the national average. Yet no new enterprise even thought of entering the automobile industry. Freedom of entry is a dead letter, inoperative in the face of so great an organizational revolution.

By a single major decision of General Motors, the incomes and lives of 13,000 dealers, 10,000 suppliers, 500,000 employees, and millions of customers are vitally affected. It may perceptibly alter, as a matter of fact, the prosperity and strength of the United States and the Free World.

Exercises Absolute Power

The dominant issue here raised is, of course, that of power groups in a society, of Etats dans L'Etat. General Motors dramatizes the exercise of power not based on the consent of those governed. For mostly by mergers it has centralized so much rule-making authority and decision-making in a single management, that a committee of corporate executives in an office hundreds of miles away is able, as part of a routine day's work, by closing a plant to pronounce sentence of substantial or total loss of income and livelihood upon entire communities. The fact that these private rule-makers are unquestionably honorable men who strive earnestly to exercise their power of economic life and death with a high order of trusteeship, merely emphasizes that such absolute power exists, that they have it, that they are not legally bound to give any accounting (except insofar as good public relations and *noblesse les oblige*)—either to the workers or to the public primarily affected by such businsss decisions.

This issue, needless to say, is an old one. Where do corporate executives obtain such power? Obviously from their corporate charters. And who created these corporations and gave their executives whatever powers they have? The government. And who in the United States created all governments? We the people of the United States. Then why does so large a percentage of the American public, and especially of laborers, farmers, and stockholders feel helpless to the point of apathy?

Why, indeed, since today the executives of giant corporations possess more absolute power than ever before in American history. Andrew Jackson's battles with the Bank of the United States, Theodore Roosevelt's "Square Deal," Woodrow Wilson's "New Freedom," Franklin D. Roosevelt's "New Deal" and the Temporary National Economic Committee

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TABLE I

The Great Explosion in American Living Standards

(Indicia of Welfare, 1929, 1944, 1952 and 1955)

Item	1929	1944	1952	1955
A. Population—				
Population, millions[1]	123	138	157	165
Birth rate per thousand inhabitants	18.8[1]	20.2[1]	24.6[1]	24.6[2]
Death rate, general per thousand inhabitants	11.9[1]	10.6[1]	9.6[1]	9.3[2]
Infant mortality rate per thousand live births[2]	67.6	39.8	31.3	26.5
Auto death rate per 100,000	25.5[1]	18.8[1]	24.9[1]	22.9[2]
Life expectancy in years, males at birth	51[3]	67[3]	68.7[3]	66.8[4]
Suicide rate per 100,000	15.6	10.0	11.4	9.9[2]
B. Income and Debt—				
Per capita disposable income in 1952 dollars[5]	1,045	1,519	1,497	1,623
Personal savings, billions[6]	4.2	36.9	19.0	16.6
Percent saved of disposable income[5]	5.0	25.2	8.0	6.1
Distribution of income in 1929, 1944 and 1951 in 1951 dollars—per cent of total[9]				
under 1,000	17.0	11.9	13.0	
1,000-2,000	21.0	19.0	15.0	
2,000-3,000	24.0	27.1	18.0	
3,000-4,000	14.0	14.9	18.0	‡
4,000-5,000	6.0	9.6	15.0	
5,000-7,500	9.0	8.5	14.0	
Over 7,500	6.0	4.0	7.0	
Net private debt, billions[6]	161.2	144.8	306.8	387.9
Private debt as per cent of national income[6]	184.0	79.0	105.7	120.0
Consumer credit, in billions of dollars	6.4	5.1	27.4	38.6
C. Consumption—				
Personal consumption expenditures per capita in 1952 dollars[8]	1,005	1,197	1,390	1,523
Per cent of families with incomes adequate to BLS minimum health and decency standard[7]	41	77	72	†
Meat consumption, pounds per capital[3]	129.0	201.0	171.7	190.9
Raw sugar, pounds per capita[3]	100.9	106.6	91.9	95.0
Coffee, pounds per capita[3]	12.2	19.6	16.4	15.4
Visitors to national parks, millions (U. S. National Park Service)	3.2	7.5	36.7	54.9
Number of telephones in use, millions	20.0[1]	26.9[1]	48.1[1]	56.2[2]
Consumer prices (1947-1949=100)[5]	73.3	75.2	113.5	114.5
D. Housing—				
Population per occupied housing unit, nonfarm (1930, 1940, 1950)[7]	3.97	3.66	3.47	†
Per cent homes owned[1]	43.4	46.5	54.0	55.0
Mortgages on 1 to 4-family nonfarm homes, billions of dollars[2]	18.9	17.9	58.5	88.5
Per cent homes with electric lighting[9]	67.3	97.9	98.5	†
Percent homes with radios	51.2[9]	91.4[9]	96.0[9]	97.0[2]
*E. Education**				
Actual enrollment, public elementary and secondary schools, millions[10]	25.7	23.3	26.6	28.8
Per cent youngsters, 5-17 years old in school[10]	81.3	80.4	84.7	83.5
Resident college enrollment in thousands[10]	1,101	878	2,659	2,191
Public elementary and secondary school expenditures per pupil enrolled, in 1944 dollars[10]	19.87	17.76	31.72	37.62
Capital outlay expenditures of public elementary and secondary schools per pupil enrolled, in 1951 dollars[10]	22.45	3.42	54.39	68.90
F. Medical Care—				
Medical care in dollars per capita of 1944 value[6]	31	39	44	50
Hospital beds, thousands[3]	739	1,250	1,529	1,604
Federal expenditures, promotion of public health, per capita in 1951 dollars[13]	0.14	1.28	2.04	1.62
G. Labor—				
Average weekly earnings in manufacturing, dollars[5]	25.03	46.08	67.97	76.52
Hours worked in all industry[3]	47.2	46.7	40.7	†
Hours worked per week in manufacturing[5]	44.2	45.2	40.7	40.7
Output per manhour—all manufacturing (1939=100)[8]	78.1	†	124.1	127.8§
Per cent unemployed[5]	3.2	1.2	2.7	4.0
Union members, millions[7]	4.2	14.7	15.0	16.8
Per cent women 20-45 in labor force[3]	21.6	28.2	30.9	31.8
H. Capital Equipment—				
Private outlays for producer's durable equipment and new construction in 1939 dollars (billions)	11.8	6.5	24.5	29.3
Kilowatt hours per customer[1]	502	1,151	2,169	2,549¶
Number of trucks in use, millions[1]	3.1	4.3	8.4	9.2
Number of tractors on farms, thousands[1]	906	2,215	4,170	4,750
I. Production—				
Volume of farm marketings and home consumption (1947-1949=100)[11]¶	74	99	104	112
Total industrial production (1947-1949=100)[5]	59	125	124	139
Corporate profits before taxes, billions[6]	9.6	23.3	35.9	42.7
Federal Govt. debt per capita, dollars[6]**	139	1,452	1,650	1,660
Life insurance in force, billions of dollars[4]	102.1	146.0	276.6	372.3

*Data are for the school years ending in 1930, 1944, 1952 and 1955.
**Data are for the fiscal rather than calendar years.
†Not available.
‡Comparable data not yet available.
§Data for 1953.
¶Data for 1954.

1 National Industrial Conference Board. *The Economic Almanac,* 1956 and previous editions. New York, Thomas Y. Crowell Company.

2 U. S. Department of Commerce, Bureau of the Census. *Statistical Abstract of the United States,* 1956 and previous editions. Washington, U. S. Government Printing Office.

3 *Information Please Almanac,* 1957 and previous editions. New York, The Macmillan Company.

4 *Life Insurance Fact Book,* 1956. New York, Institute of Life Insurance, 1956. Data are for 1954.

5 U. S. Congress. Joint Committee on the Economic Report. *Economic Indicators,* December, 1956 and numerous earlier issues. Washington, U. S. Government Printing Office.

6 U. S. Department of Commerce. *Survey of Current Business,* July, 1950; September, 1953; and May and July, 1956, Washington, D. C.

7 Compiled from other data.

8 *The Handbook of Basic Economic Statistics,* Dec. 15, 1956. Washington, Economic Statistics Bureau of Washington, D. C., 1956.

9 Publications of the National Bureau of Economic Research, *Studies on Wealth and Income,* Vols. I-XV, New York, 1946-1953.

10 U. S. Department of Health, Education and Welfare, Office of Education. *Biennial Survey of Education in the United States,* 1952-54 and previous editions. Washington, U. S. Government Printing Office.

11 U. S. Department of Agriculture.

12 U. S. Treasury Department. *Annual Report of the Secretary of the Treasury on the State of the Finances,* 1955. Washington, U. S. Government Printing Office, 1956.

13 U. S. Bureau of the Budget. *The Budget of the United States,* 1958 and earlier volumes. Washington, U. S. Government Printing Office.

Prepared by Maureen B. McBreen, Public Finance Analyst, Legislative Reference Service, Library of Congress, Feb. 1, 1957.

[1] For a vivid condensation of this report, see *Fortune,* August, 1952, "The Crisis in Raw Materials," pp. 114-118 et seq.

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"Challenge of Tomorrow"

(TNEC) each in their day made heroic attempts to stem the tide of mergers and corporate elephantiasis. Each clearly saw that the greater the power, the more dangerous the abuse. In the words of Lord Acton's famous dictum "all power corrupts, and absolute power corrupts absolutely."

Shrinking Competitive Enterprise

The American people may now in fact have reached the point of no return. The world of free, competitive, independent, individual enterprise is shrinking. Organizations of labor, of manufacturers, and corporate leviathans are larger than ever, both absolutely and relative to national income. There are dozens of them that employ scores of thousands of workers, have hundreds of thousands of stockholders, make millions of dollars of net profits after taxes each month, and possess billions of dollars of assets. Their economic power potential is second only to that of the Federal government. Their direct control of jobs, payrolls, and revenues in more than a dozen instances exceeds that of even the largest States.[2]

The subject, big business and concentration of economic power, has, of course, generated many heated controversies with respect both to the facts and to their implications. As one wag has said, "If you build a big business, you're a sinister influence. If you don't, you're a failure who flunked the $64,000 question and hence must be content with the loser's prize, a mere Cadillac."

This is neither the time nor the place to explore the numerous conflicting answers to this basic problem: How to preserve freedom of entry, equality of opportunity, and economic justice? Some recommend a do-nothing policy. "Every man for himself" say the elephants as they stamp among the chickens. To such cynical counsel millions of small enterprisers properly raise vehement objection and each year sponsor dozens of bills, in national and state legislatures designed to provide financial, tax, managerial or other types of protection and assistance.

Where Lies the Golden Mean?

On the other hand, surely no one wants political power to be united with economic power in the kind of monolithic totalitarianism that brought catastrophe in the form of the corporate state in fascist Italy, the new order in Nazi Germany, or the Zaibatsu in Japan and which now still menaces the free world from behind the Iron and Bamboo curtains. Both extremes, government taking over business or corporate business taking over government, spell disaster. Where lies the golden mean?

A first and minimal safeguard would seem to be a legislative program that at least tries to preserve competition in all markets where it is now working efficiently. That is the purpose of the Celler-Kefauver anti-merger act of 1950 and of the antitrust laws generally. Especially commendable are the current activities of the Eisenhower administration in enforcing the antitrust laws together with the Supreme Court decision in the du Pont case.

Suggests a Program

But the challenges to business ingenuity and salesmanship are many and strong. Why for example, permit government promotion of monopoly to go on unchecked in the aircraft, electric power, communications, transportation, and oil industries? Should we not lower or remove barriers to trade, both those due to government and those due to business restrictive practices? Why did the United States join Russia in 1955 in axing the Ad Hoc Committee on Restrictive Business Practices, a United Nations agency designed to cope with international cartels? Should the Webb-Pomerene Act be repealed? Should "Buy American" legislation be kept on the books?

Should small states, such as Delaware, grant corporations charters with wide powers over interstate and foreign commerce, powers specifically enumerated in the Constitution as belonging to the Federal Government? If national banks require national charters, why not require them for other businesses engaged in interstate and foreign commerce? Such was advocated in presidential messages to the Congress by Presidents Theodore Roosevelt and William Howard Taft, and more recently by several Congressional Committees, including the T. N. E. C. headed by the able Senator Joseph C. O'Mahoney. These are but a sample of the challenges to thinking and action awaiting the thoughtful business executives and citizens of tomorrow.

III

Consumer Sovereignty Dwindling

One hundred years ago the consumer was king. He could touch, taste, handle, and test nearly all products he bought, frequently in the very presence of the artisan-producer. By his dollar ballots he could select for survival those businesses which gave him the most value for his money.

But a series of technological revolutions have progressively weakened his control over the market. Their pace is quickening. Improved types of plastics, petrochemicals, antibiotics, and radio-isotopes, atomic energy, electronics, nucleonics, automation—a truly dazzling array of new products, new processes, and new techniques have spouted forth from university, governmental and business laboratories during the last 15 years. The end is nowhere in sight.

The impact is still too recent to measure. All businesses are devoting greatly increased budgets to research, to replacement, to improvement and accelerated obsolescence. Scientists and engineers are at a premium. Single product industries and single product firms are being crowded out as organized units of demand and supply. Large multi-product conglomerate corporations by vertical merger and lateral integration vitally affect and sometimes dominate several, if not scores, of markets.

The output of more than half of the manufactured products now available is marketed each by only three or four big corporations. Ever more rapidly, decision-making is shifting from consumers in the market to the executive boards of corporations though modified here and thereby governmental commissions or administrative bodies. In many industries *de facto* both domestic policies, affecting, for example, wages, prices, output, investment — and foreign policies (how much and what shall be imported, invested, etc.) are made by corporate boards of directors.

More and more farmers and consumers are unable to judge. They have to buy on faith — by brand or label. The retailer likewise often has but little technical knowledge of the hundreds of items he sells. Instead of being the consumer's buying agent, he has become an order taker, an I. B. M. or other machine telling him when to re-order and how much. Point of sale literature, shelf displays, promotional "best-buys," trading stamps, national and local advertising media, pressure the consumer in different directions. Unable to secure, and frequently indeed to comprehend, the basic technical knowledge necessary to rational buying, the consumer responds to irrational stimuli and impulses. He is no longer an efficient independent governor of the competitive process.

In the absence of wise sales resistance based on well-rounded standards of values controlling consumer outgo, can we be sure that the patterns of consumer expenditure emerging today give support to national military strength, competitive efficiency, and stability and balance of national output? For example, are consumers setting aside enough of their income to meet the greatly increased costs of educating their children? Today for each dollar currently spent on schools of all kinds in the United States $1.60 is spent for new automobiles and an additional 45 cents for roads. Education seems to be about one-half as important measured in the cold objective coin of the realm as is the family car. The wealthiest nation in the world urgently

Continued on page 25

[2] For a detailed list showing relative size in terms of revenues, assets, and employment see Table II below.

TABLE II

Giant Rule-Making Bodies, Business and Governmental

Business Organization or Political Unit	Revenues* Amount (millions)	Revenues* Date	Revenues* Rank	Employees Number	Employees Date	Employees Rank	Assets† Amount (millions)	Assets† Date	Assets† Rank
Federal Government	$68165	6-30-56	1	2640791‡	12-31-56	1	$64508	6-30-56	1
General Motors Corp.	10796	12-31-56	2	599243	1956	3	6569	12-31-56	23
Standard Oil Co. (New Jersey)	6272	12-31-55	3	153000	1955	9	7164	12-31-55	20
American Telephone & Telegraph Co.	5825	12-31-56	4	615895	12-31-55	2	20320	12-31-56	6
Ford Motor Co.	4647	12-31-56	5	127000	9-11-56	11	2793	12-31-56	54
U. S. Steel Corp.	4080	12-31-55	6	272646	12-31-55	4	3836	12-31-55	37
General Electric Co.	3443	12-31-55	7	214794	1955	6	1728	12-31-55	88
Sears, Roebuck and Co.	3307	1-31-56	8	183000	1-31-56	7	1596	1-31-56	92
New York City	3154	6-30-56	9	241644	10-56	5	21375	1956	5
Chrysler Corp.	2676	12-31-56	10	176356	12-31-55	8	1295	12-31-56	110
Metropolitan Life Insurance Co.	2484	12-31-55	11	49903	12-31-55	30	13936	12-31-55	10
Bethlehem Steel Corp.	2327	12-31-56	12	150126	12-31-56	10	2090	12-31-56	73
Prudential Insurance Co. of America	2172	12-31-55	13	48706	12-31-55	32	12521	12-31-55	12
Gulf Oil Corp.	1896	12-31-55	14	47228	12-31-55	33	2161	12-31-55	68
Standard Oil Co. (Indiana)	1890	12-31-56	15	51520	12-31-55	29	2425	12-31-56	63
I. E. du Pont de Nemours	1888	12-31-56	16	89111	12-31-55	16	1888	12-31-56	16
Texas Company	1767	12-31-55	17	42462	12-31-55	36	2440	12-31-55	62
Socony Mobil Oil Co.	1721	12-31-55	18	43846	12-31-55	35	2797	9-30-56	53
Westinghouse Electric Co.	1525	12-31-56	19	115857	12-31-55	12	1264	12-31-56	96
Shell Oil Co.	1484	12-31-55	20	38845	12-31-55	38	1207	12-31-55	116
Union Carbide and Carbon	1325	12-31-56	21	70000	12-31-55	22	1460	12-31-56	101
State of New York	1309	3-31-56	22	105258	10-56	14	34206	1956	2
Equitable Life Assurance Society of the U.S.	1286	12-31-54	23	15621	12-31-55	78	8048	12-31-55	17
Standard Oil Co. (California)	1278	12-31-55	24	36369	12-31-55	84	1856	12-31-55	84
International Harvester	1252	10-31-56	25	78125	10-31-55	20	1009	10-31-56	127
State of Ohio	1164	6-30-56	26	52802	10-56	26	21804	1955	4
State of Pennsylvania	1120	5-31-56	27	77338	10-56	21	15296	1955	8
Sinclair Oil Co.	1110	12-31-55	28	24657	12-31-55	57	1267	6-30-56	113
State of California	1036	6-30-56	29	97104	10-56	15	20034	6-30-56	7
State of Texas	1036	8-31-56	30	52756	10-56	27	1036	8-31-56	30
Pennsylvania Railroad	991	12-31-56	31	113213	12-31-55	13	3037	12-31-55	46
Cities Service Co.	923	12-31-55	32	18500	12-31-56	70	1095	12-31-55	124
Phillips Petroleum Co.	911	12-31-55	33	25208	12-31-55	56	1339	9-30-56	108
State of North Carolina	868	6-30-55	34	85692	10-56	17	5943	1954	29
State of Washington	863	6-30-56	35	27002	10-56	51	3600	1956	38
Aluminum Co. of America	845	12-31-55	36	55000	12-31-55	25	1112	9-30-56	122
New York Central Railroad Co.	780	12-31-56	37	81552	1956	18	2638	12-31-56	60
New York Life Insurance Co.	776	12-31-55	38	8496	12-31-55	91	6050	12-31-55	28
State of Iowa	771	6-30-56	39	25520	10-56	55	45 3	6-30-56	36
John Hancock Mutual Life Insurance Co.	761	12-31-55	40	15722	12-31-55	76	4553	12-31-55	34
State of Florida	706	6-30-56	41	27845	10-56	48	5924	6-30-55	30
State of Illinois	705	6-30-55	42	52654	10-56	28	27602	1955	3
Chicago, Illinois	687	12-31-55	43	35621	10-56	40	9333	1955	14
Southern Pacific Co.	678	12-31-56	44	79143	12-31-55	19	2139	12-31-55	70
Aetna Life Insurance Co.	639	12-31-55	45	5345	12-31-55	101	2851	12-31-55	51
State of Oregon	636	6-30-56	46	21420	10-56	46	2047	1956	74
State of Michigan	606	6-30-55	47	56481	10-56	24	13482	1955	11
Atchison, Topeka, and Santa Fe Railway	590	12-31-56	48	57146	12-31-56	23	1533	1956	97
State of Minnesota	589	6-30-56	49	28742	10-56	46	1919	1955	81
State of Louisiana	535	6-30-56	50	39392	10-56	37	2782	1955	56
Union Pacific Railroad Co.	514	12-31-56	51	49744	1955	31	1459	12-31-56	103
State of Wisconsin	502	6-30-56	52	25800	10-56	51	15061	1956	9
Consolidated Edison Co. of New York	494	12-31-55	53	26073	12-31-55	53	2102	12-31-55	72
State of Maryland	489	6-30-56	54	21635	10-56	67	6500	1956	25
State of Massachusetts	480	6-30-55	55	34532	10-56	42	8324	1-1-56	16
Pacific Gas and Electric Co.	470	12-31-56	56	17387	12-31-55	71	2417	12-31-56	64
Baltimore and Ohio Railroad Co.	465	12-31-56	57	46177	12-31-56	56	1284	12-31-56	111
Northwestern Mutual Life Insurance Co.	462	12-31-55	58	1641	12-31-54	126	3415	12-31-55	40
Los Angeles, California	453	6-30-56	59	32440	10-56	44	3471	1956	39
State of Virginia	444	6-30-56	60	35093	10-56	41	5831	6-30-56	31
State of New Jersey	443	6-30-56	61	30988	10-56	45	6361	1956	26
State of Indiana	385	6-30-55	62	32949	10-56	43	6744	1955	22
State of Missouri	370	6-30-55	63	27741	10-56	49	6504	1955	24
Bank of America NTSA	369	12-31-56	64	22000	12-31-55	65	9992	12-31-56	13
Commonwealth Edison	360	12-31-56	65	15582	12-31-55	79	1719	12-31-56	89
Travelers Insurance Co.	349	12-31-55	66	15704	12-31-55	77	2699	12-31-55	58
State of Oklahoma	347	6-30-56	67	26869	10-56	52	2371	1956	65
State of Alabama	341	9-30-55	68	22113	10-56	64	2139	1955	71
Connecticut General Life Insurance Co.	325	12-31-55	69	1938	12-31-55	124	1458	12-31-55	104
Philadelphia, Pa.	325	12-31-55	70	27371	10-56	50	4580	1956	35
State of Tennessee	302	6-30-55	71	22839	10-56	61	2842	1955	52
State of Georgia	297	6-30-56	72	23117	10-56	60	2333	1955	66
Mutual Life Insurance Co. of New York	278	12-31-55	73	2675	12-31-53	117	2475	12-31-55	61
Massachusetts Mutual Life Insurance Co.	267	12-31-55	74	2361	12-31-55	121	1883	12-31-55	82
Boston, Massachusetts	259	12-31-55	75	22588	10-56	62	1518	1956	98
State of Connecticut	258	6-30-55	76	21165	10-56	69	6341	1955	27
American Gas and Electric Co.	258	9-30-55	77	12278	12-31-55	85	1392	9-30-56	107
State of Kansas	253	6-30-56	78	21693	10-56	66	4849	3-1-55	33
New England Mutual Life Insurance Co.	243	12-31-55	79	2700	12-31-55	115	1691	12-31-55	90
State of Kentucky	238	6-30-56	80	23457	10-56	59	7196	1955	19
Mutual Benefit Life Insurance Co.	221	12-31-55	81	2180	12-31-55	123	1628	12-31-55	80
State of Colorado	220	6-30-55	82	16249	10-56	74	2869	10-1-55	50
Washington, D. C.	205	6-30-55	83	22523	10-56	63	2263	1956	67
State of Mississippi	203	6-30-55	84	17097	10-56	73	1221	1955	115
Lincoln National Life Insurance Co.	199	12-31-54	85	4274	12-31-55	108	1128	12-31-55	120
State of West Virginia	198	6-30-56	86	17165	10-56	72	3188	1955	44
Pennsylvania Mutual Life Insurance Co.	197	12-31-55	87	1332	12-31-55	127	1579	12-31-55	94
Connecticut Mutual Life Insurance Co.	187	12-31-55	88	838	12-31-55	128	1189	12-31-55	86
Chase Manhattan Bank	182	12-31-55	89	11200	12-31-55	81	7509	12-31-55	18
Detroit, Michigan	176	6-30-56	90	28728	10-56	47	4901	1956	32
§First National City Bank	175¶	12-31-55	91	13913	12-31-55	83	7001	12-31-55	21
Dallas, Texas	168	9-30-55	92	5826	10-56	100	1174	1956	118
Baltimore, Maryland	154	12-31-55	93	23874	10-56	58	2936	1955	49
Buffalo, New York	148	6-30-56	94	10764	10-56	86	1040	1956	125
San Francisco, California	146	6-30-55	95	15252	10-56	80	1306	1956	109
State of Nebraska	146	6-30-56	96	14132	10-56	82	2956	1956	48
State of Arizona	142	6-30-55	97	8456	10-56	92	1238	1956	114
State of Montana	134	6-30-56	98	8241	10-56	93	2001	1955	76
State of Utah	125	6-30-56	99	9881	10-56	87	1165	1956	119
Cleveland, Ohio	122	12-31-55	100	15866	10-56	75	2658	1956	59
St. Louis, Missouri	116	4-56	101	12721	10-55	84	1442	1956	106
State of Maine	96	6-30-56	102	9689	10-56	88	1876	1955	83
State of North Dakota	96	6-30-55	103	6352	10-56	98	1274	1955	112
Bankers Trust Co., New York	93	12-31-56	104	6016	12-31-55	99	2785	12-31-55	55
State of Rhode Island	83	6-30-56	105	8854	10-56	90	1974	1954	77
State of South Dakota	82	12-31-55	106	7429	10-56	95	1478	1955	99
Manufacturers Trust Co.	79	12-31-55	107	6503	12-31-55	97	3210	12-31-55	42
Guaranty Trust Co. of New York	79	12-31-55	108	3922	12-31-55	109	3191	12-31-55	43
Cincinnati, Ohio	72	12-31-55	109	9461	10-56	89	1459	1956	102
Security First National Bank of Los Angeles	69	12-31-55	110	5205	12-31-55	104	2141	12-31-55	69
Chemical Corn Exchange Bank	69	12-31-55	111	5276	12-31-55	103	3156	12-31-55	45
Marine Midland Corp.	65	12-31-55	112	5305	12-31-55	102	1967	12-31-55	78
Northwest Bancorporation	64	12-31-56	113	4891	12-31-55	105	1758	12-31-56	86
Pittsburgh	64	12-31-55	114	7587	10-56	94	1116	1956	121
American Trust, San Francisco	62	12-31-56	115	3550	12-31-56	111	1542	12-31-56	95
First Bank Stock Corp.	60	12-31-56	116	4578	12-31-56	106	1594	12-31-56	98
Continental Illinois National Bk. & Tr. Co.	58	12-31-55	117	3436	12-31-55	112	2739	12-31-55	57

Business Organization or Political Unit	Revenues* Amount (millions)	Revenues* Date	Revenues* Rank	Employees Number	Employees Date	Employees Rank	Assets† Amount (millions)	Assets† Date	Assets† Rank
Crocker-Anglo National Bank**	55	12-31-56	118	2289	12-31-55	122	1908	12-31-55	128
Mellon National Bank and Trust Co.	53	12-31-55	119	2771	12-31-55	114	1942	12-31-55	80
National Bank of Detroit	51	12-31-55	120	3661	12-31-55	110	2015	12-31-55	75
First National Bank of Boston	50	12-31-55	121	4352	12-31-55	107	1812	12-31-55	85
Irving Trust Co.	44	12-31-55	122	2067	12-31-55	119	1733	12-31-55	87
Hanover Bank	43	12-31-55	123	2690	12-31-55	116	1959	12-31-55	79
Cleveland Trust Company	42	12-31-55	124	2456	12-31-55	120	1447	12-31-55	105
First Penn. Banking and Trust, Philadelphia	37	12-31-56	125	2618	10-56	118	1098	12-31-55	123
Houston, Texas	31	12-31-53	126	6946	10-56	96	1475	1955	100
The Philadelphia National Bank	21	12-31-55	127	1722	12-31-55	125	1026	12-31-55	126
First National Bank, Chicago	20††	12-31-55	128	3004	12-31-55	113	2977	12-31-55	113

* Revenues for all types of organizations are based on gross revenues with the exception of corporations which are based on net sales and the Federal Government which are based on net receipts after deduction of refunds of receipts and after transfer of tax receipts to the Old Age and Survivors Insurance Trust Fund and the Railroad Retirement Account.

† Assets of states and municipalities represent total assessed valuation; those for the Federal Government include gold and silver holdings plus the acquisition cost of Government-owned real property (exclusive of the cost of public domain lands).

‡ Excludes military personnel.

§ On March 30, 1955, the National City Bank of New York merged with the First National Bank of the City of New York and changed its name to the First National City Bank.

¶ Does not include earnings of the First National Bank of the City of New York prior to the merger on March 30, 1955.

** On Feb. 10, 1956, the Anglo California National Bank of San Francisco merged with the Crocker First National Bank and changed its name to the Crocker-Anglo National Bank.

†† Net after all charges and reserves have been deducted.

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"Challenge of Tomorrow"

lacks adequate hospital facilities and 75,000 class rooms, but has the plant-capacity for nearly 10,000,000 cars. It blithely votes $51 billion for new super-highways and gags at spending one-half billion for new schools.

It pays its school teachers on the average considerably less than it pays its auto-workers, and wonders where the scores of thousands of trained teachers will come from to stimulate and develop the hundreds of thousands of scientists, mathematicians, engineers, doctors, etc., needed merely to keep abreast of Soviet Russia.

The need here—and the challenge — is obvious. With all our open-minded welcoming of revolutionary changes in technology, —atomic and solar power, fission, fusion. rocket and missile bombs, miraculous new metals such as titanium, new plastics such as polyurethanes (foam rubber), new drugs such as chlorpromazine, electronic data processing, supermarkets, vending machines, suburbanization, transistors, air conditioning in the South and in the tropics, or what have you—have we the wisdom to devise and welcome with equal judicious alertness the changes needed in our political and economic institutions which will harness the chariot of technology to the goals and aspirations of democracy? In the race between, on the one hand, the education which the people need to work out wise decisions in the markets and at the pools—and, on the other, the catastrophe involved in surrendering individual liberties to politicians, war lords, business leaders, or experts, will business executives contribute alert, vigilant, non-opinionated, understanding leadership? Here, too, is a challenge that is not easily met.

IV

The Managerial Revolution and The Power Elite

In recent decades a new managerial group has become dominant, comprised of business administrators, big bankers and corporation lawyers. Beginning in the 1870's the states by a competition in laxity widened the scope of corporate powers, removed limitations on maximum capital, on pre-emptive rights, and dividend restrictions and impaired other rights of stockholders. The powers thus surrendered, because of diffusion of ownership, and splitting off of control, have been concentrated into the hands of professional management.

Modern technology thus impelled business toward a corporate giantism which cannot operate efficiently without centralization and apportionment of vast amounts of power over output, wages, prices, markets. (And state and Federal elections.) As custodians and administrators of such vast power, how can business executives deploy it creatively? That is the challenge and the dilemma —between the technical "must" and the ethical "ought."

Hence the sudden demand for men of caliber matching the power entrusted to them. Hence the premium on Grade A administrative, managerial ability. Today it is the supply of such qualified people, rather than money, materials, or markets which is limiting the expansion and vigor of many corporations. And not only in business. In government, in universities and in trade unions there is an enormous shortage of such top notch managerial capacity.

No Longer a Private Person

The American manager is no longer a private person running a private business or trade union. The eyes of the world are upon him. Even the heir to a family-owned enterprise may find himself a public figure, listed in **Who's Who**, under constant evaluation by his community, his nation, even the Free World. His attitudes and actions, his virtues and vices, are no longer merely his own concern. They are praised or criticized as representing those of the people of the United States.

As Prof. Peter Drucker has stated. "It is the virtue rather than the competence of our business leaders to which we must look for the strength and growth of our free enterprise system. It is the moral values and performance of American management to which this country, if not the entire Free World today, will look for its success, if not for its very survival."

To be sure, our captains of industry share this power. With political leaders and with the military clustered about the Chief of Staff, they form what Prof. Wright Mills has called "The Power Elite."

They do not operate in compartments. The interchange of managerial personnel between business and government may have reached its peak in the War Production Board and similar bodies. But it continues in full force in the Business and Defense Services Administration and in the Department of Defense. Similarly top generals and admirals in large number are retiring to posts as chairmen of the board, directors, and executives of large steel, armament, radio and banking concerns.

Pentagon's As a Major Economic Factor

The military chiefs in the Pentagon not only have become a major factor in the lives of all able-bodied young men but the Pentagon with control of 60% or more of the budget, has become a vital economic nerve center and a command post of economic planning. It exercises controls over foreign trade, over commodity movements to areas behind the Iron Curtain, and over vital raw materials. Its war plans guide American policy not only in ever recurring international financial and currency crises, but with respect to loans, missions, stock-piling negotiations, and control mechanisms. Even if UMT be not adopted, military attitudes shaped by crisis psychology in essence control farmer, labor, and consumer groups. They condemn virtually all strikes. They engineer increased subsidies for plant dispersal, for air and shipping lines, for atomic energy, for industrial and scientific research, for military scholarship programs, and for other war-connected enterprises. War aims inspire increasingly direct and indirect censorship over academic freedom and over freedom of thought and speech by military, governmental and even industrial personnel when engaged on what the Pentagon labels as "defense contracts."

Clearly, business must develop managers not only unshakably determined to implement and expand free, competitive enterprise but striving to achieve unexcelled managerial competence. Executive development programs, middle management advancement schedules, alert public relations, expanded advertising and public service programs, business conferences, a continuous flow of educational information to members and to the public—these are rudimentary.

American business needs men to match its mountainous potentialities, men who stimulate people to work together, men with broad horizons of heart and head, able to encompass in their planning and operations the needs and goals of the millions of farm, labor, and consumer families they serve.

V

The Cold War—Business at Bat

In the 18th and 19th centures as the business classes came to control governments in Europe and elsewhere, they challenged and supplanted the ruling hereditary aristocracies by championing human freedoms, including freedom of enterprise. It was the business classes that not only furnished the brains and brawn for successful revolutions in France, the United States, and elsewhere but helped to draft and put through constitutions which generally included a bill of rights, protection against military seizure of person or property, providing freedom to acquire and hold property, and safeguarding popular sovereignty.

In Jefferson's immortal phraseology—"we hold these truths to be self-evident, that all men are created equal; that they are endowed by their Creator with certain inalienable rights; that among them are life, liberty and the pursuit of happiness; that, to safeguard these rights, governments are instituted among men deriving their just powers from the consent of the governed; that when any government becomes destructive of these ends it is the right of the people to alter or abolish it and to institute a new government," etc.

One of the major challenges to business is continually to remind their colleagues and the public of these basic, well-known but sometimes sorely neglected principles upon which this great nation was founded. Our four million small businesses in particular directly embody free, individual, self-reliant enterprise. Each is a local business, locally controlled with policies determined through obtaining the active participation and consent of the governed. Each tries to render a maximum of vital service at minimum cost. Each seeks no more than equal opportunity and freedom to operate without fear or favor in solving mutual managerial and investment problems. Each constitutes a veritable model demonstration of the American system of self-help, free enterprise and democracy at work.

The American people resent obeying rules or rulemaking bodies unless they have had a hand in making and choosing them. The techniques of laissez-faire, free enterprise, democracy and fair competition are those of the athletic field, those basing just powers on the consent of the governed, those of patient consultative co-operation. Modern business management techniques if guided by the codes and principles of competitive athletics, are peculiarly adapted as instrumentalities for making big organizations, whether of business or labor, responsive and responsible to consumers, workers and stockholders.

In an age challenged and dominated by specialists in violence, business executives as experts and specialists in securing voluntary co-ordination and co-operation among staff, labor force, suppliers, and customers should keep strong the vitality, efficiency, moral stamina and techniques of freedom, of competition, of individual initiative.

However, in an age of big political, military, and business administration, free enterprise is not enough. Freedom for whom? Freedom to do what? To win the contest with totalitarian systems abroad American business will have to achieve great enterprise.

Ranks Profits and Freedom

Profits, engineering effeciency, record outputs of goods and services are excellent but not enough. Man does not live by bread alone. First and foremost he wants freedom, that is, the blessings of liberty for himself and his posterity. Secondly he wants the security of an equal and fair administration of justice, a home that is his castle, a zone or area for creative voluntarism where his constructive abilities can thrive in full flower. To preserve his freedom against foreign and domestic enemies, he has poured out vast treasure, even his life.

Money, monetary gain, profits seem on the whole to rank no better than second or third in man's scale of values. Merely to achieve or maintain large increases in wealth or gross national product or in national income is therefore not enough to win and keep friends for the American system of business enterprise. More than that is required. What profiteth it a man if he gain the whole world and lose his own soul?

With extraordinary perspicacity, a famous American psychologist, Professor H. A. Overstreet, in an outstanding book entitled **The Great Enterprise** has stated the basic problem thus: "The central challenge to whatever maturity of mind we can muster is **how can we work our way out of a variously unbalanced world into a world-in-dynamic balance.**

"For our time and generation this means, **how can we work our way out of the closed worlds we have universally created;** out of the close world of sovereign states into the open world of the commonwealth of men; out of the closed worlds of economic monopoly, restriction and exploitation into the open world of economic freedom, out of the closed worlds of racial and class snobbery and oppression into the open world of men's dignity and friendliness where all of us help each other to be free.

"The great enterprise of this our day is to make the climb up from the morasses of separatism, of fervent dislikes, of conflicts between races, classes, religions and nations—up to a new plateau of practical living and joint spiritual endeavor which fully recognizes that we are our brother's keeper."

May I suggest that here, if anywhere, we may have the challenge of tomorrow.

Asiel Wire to Coast

Asiel & Co., 20 Broad Street, New York City, members of the New York Stock Exchange, announced the installation of a direct private wire to Hill, Richards & Co., members of the Pacific Coast Stock Exchange with offices in Los Angeles and San Francisco, California.

Continued from first page

Fundamental Questions That Were Not Asked

been employed, would it not have shown that the purchasing power of the dollar had declined approximately 57% since 1939, inasmuch as the index for 1939 was 50.1 (prices for 1947-1949=100) while that for May, 1957, was 117.1, whereas the index for consumer prices, which involved prices of 298 items in 46 cities, rose from 59.4 to 119.3, showing a decline of approximately 50%?

(2) If only one index of prices is to be employed to measure the depreciation in the purchasing power of our dollar, would not the chances for accuracy be increased if the more comprehensive general-purpose index of so-called wholesale prices were employed?

II

A Sound Dollar and a Stable Index of Prices

Although the Secretary has frequently alleged that a stable index of prices means a sound dollar, is it not a fact that a sound dollar is one thing while a stable index of prices is something else?

(1) Is not a sound dollar a standard gold dollar and one that is redeemable in it?

(2) Is not a stable index of prices merely a mathematical abstraction of prices in which some are rising and some are falling?

(3) If the index of prices is rising after a business depression has run its course, does that mean that the dollar is unsound if it is redeemable and if credit is self-liquidating?

(4) If prices are falling because of increased production in respect to demand, does that mean that a redeemable dollar is unsound?

III

The Word "Inflation"

Would not the interests of accuracy be served better if the word "inflation," to which so many meanings and generally much vagueness are attached, were omitted and terms of precise meaning were employed?

(1) For example, is not an expansion of credit by the monetization of Federal debt one thing while a rising index of prices is something else?

(2) May not prices rise for many reasons, some sound, some unsound?

IV

Relating Federal Budget and Debt To National Income and Gross National Product

Since the Secretary of the Treasury compared Federal debt to national income at various dates, would it not have been helpful for all concerned if an explanation had been offered as to what proper inferences may be drawn from the comparison?

Since the Secretary compared the Federal budget with Gross National Product at various dates, would it not have been helpful if an explanation had been offered as to what is to be learned from such comparison?

(1) If government expenditures for waste and destruction were reduced sharply, would not the figures on Gross National Product also decline, assuming no change in net output of goods and services for civilian uses?

(2) Would the people of this nation be poorer in goods and services under such conditions?

(3) Does not the size of Gross National Product tend to rise, other forces remaining unchanged, as the currency depreciates in purchasing power?

(4) Does an increase in Gross National Product, as calculated, necessarily mean that the people of our nation are in a better condition in so far as goods and services for civilian use are concerned?

(5) If the German people had calculated Gross National Product in 1920-1923 as it is done in this country, would not that item have been fantastically large in those years when the German mark was declining so radically and rapidly in value and the people in general were sinking into a state of abject poverty?

(6) Do not the people in this country seem to assume that the state of our economic well-being is improved as the figures on Gross National Product increase?

(7) Has the Treasury done anything to correct that widespread, or general, impression either through the Secretary's testimony or otherwise?

V

Balanced and Unbalanced Federal Budgets and a Depreciating Currency

Would not correctness of analysis of our Federal fiscal affairs be advanced if, in considering the virtues of balanced or unbalanced budgets, careful consideration were given to (a) the level and nature of Federal spending and its commitments to spend; (b) the burden and probable consequences of taxes being levied; and (c) the method by which a deficit is being financed — whether by borrowing from non-bank investors or by monetizing Federal debt through banks?

(1) Is it not a fact that the common assertions that an unbalanced Federal budget contributes to rising prices whereas a balanced budget does not are much too simple to conform to facts?

VI

Is the Treasury Disposed to Indulge in Further Monetization of Federal Debt?

Should interest rates continue to rise and should non-bank investors become increasingly reluctant to purchase government securities, is it the Treasury's expectation that it would turn to the banks and involve them and the people of this nation in further monetization of the Federal debt?

(1) Is not monetization of Federal debt by banks a method by which the government and banks, acting together, drive down the purchasing power of the people's currency?

(2) Should not a government obtain its funds solely by taxation and by borrowing from savers except in cases of greatest emergency, such as war, when a nation's currency, like its people and wealth, may become one of the sacrificial victims?

(3) Is there any valid argument for monetizing government debt in time of peace? If so, what is it?

VII

Participation in Earnings of Federal Reserve Banks Despite Prohibition of Section 7 of The Federal Reserve Act

When the Secretary of the Treasury stated that "About $0.6 billion of public debt interest was received by the Federal Reserve banks, 90% of which is returned to the Treasury as surplus earnings," was he aware of the fact that on June 16, 1933, Congress amended Section 7 of the Federal Reserve Act thus terminating the authority of the Treasury to participate in the earnings of the Federal Reserve banks?

(1) Was the Secretary aware of the fact that, when the Reserve authorities claim they have authority under Section 16 of the Federal Reserve Act to override the will of Congress as recorded in Section 7, they are distorting and violating the meaning of Section 16 of that Act?

VIII

Omission of Consideration of the Fundamental Importance of a Redeemable Currency

When the Secretary discussed "The Available Alternatives" why did he not give consideration to the wisdom of making our currency redeemable in gold at the present statutory rate of $35 per fine ounce in order to have the proper type of currency on which to build correct monetary and credit policies?

(1) Is there any evidence that an irredeemable currency is a sounder type of currency than is a redeemable currency?

(2) Is not the evidence of an opposite nature?

(3) If an irredeemable currency is an honest currency, does not logic make a redeemable currency a dishonest variety of currency?

(4) Is it not a fact that every Dictatorial government in the world employs irredeemable currency?

(5) Is this not the common, modern method by which such governments take unrestrainable possession of the people's purse?

(6) Has any nation with a redeemable currency ever been socialized?

(7) Have not human freedom and private enterprise reached their highest levels, and have not the people been able to maintain the most effective control of their government, only when and where they have had redeemable currencies?

(8) Is it not a fact that a people must have a redeemable currency, in addition to the right of secret ballot, if they are to have control of their government?

(9) Do not irredeemable currencies depreciate more than redeemable currencies?

(10) Are not practically all the irredeemable currencies of the world badly depreciated?

(11) Has not the purchasing power of our own currency depreciated over 57% since 1939, as measured by the index of wholesale prices?

(12) Is not this decline in the value of our dollar conclusive evidence that our various Administrations, whose leaders since early 1933 have promised to manage our irredeemable currency in a manner that would provide our people with a dollar of stable purchasing power, have not been able to fulfill those promises?

(13) Does not the history of the use of irredeemable currencies teach that such currencies invariably defeat those who think they can manage them and produce price stability and a high degree of economic equilibrium?

(14) Did not Under Secretary Burgess of the Treasury describe with substantial accuracy the state of affairs in this country in respect to hostility toward a gold standard and a redeemable currency when he made the following statement in *The Commercial and Financial Chronicle* of Nov. 10, 1949: "Of course, the modern economic planners don't like the gold standard just because it does put a limit on their powers. They argue with some cogency that a gold drain may impose credit restrictions just at a time when the country is in a depression and credit restriction is undesirable. There are two answers to this: One is that even under the gold standard there are large areas for money management as was amply demonstrated in the United States in the twenties.

"The second point is that politically managed money is almost always too liberal and almost never puts the brakes on expansion early enough or firmly enough. It is so easy for the desire to finance the Treasury cheaply to interfere with tightening credit when the welfare of the people will be served by resisting inflation. These political and human considerations are the real reason why we need the gold standard."

(15) Would it be accurate to conclude that after Dr. Burgess became a Treasury official he reversed himself and adopted the point of view of "the modern economic planners [who] don't like the gold standard just because it does put a limit on their powers"?

IX

Do Savers Invest Readily in Government Securities When the Currency Is Irredeemable?

Is there any evidence that a Treasury can sell its securities to non-bank investors more easily and at lower rates of interest when the currency is irredeemable than is the case when the currency is redeemable in gold?

(1) Did not our Treasury find it easier to sell its securities to non-bank investors, and at lower rates of interest, after the institution of redemption in 1879 than was the case when irredeemable currency was used prior to that date?

(2) Is there any reason to suppose that the principle found to be applicable then is not applicable now?

X

Importance of Relating Various Economic Activities to Debt Involved

In dealing with savings, spending, and productive activity, would not all concerned obtain a more accurate picture of economic developments if the increase or decline in those activities were related properly to the debt involved?

(1) Would not our information be increased if the best possible calculation were made of the impairment of the value of savings for the period, say, 1939-1956, because of the decline in the purchasing power of the dollar?

(2) Since debts stand as contractual obligations, while assets and power to liquidate debts can melt way, is it not very important that special attention be given to debts and that they not be neglected as our productive activities, assets, spending, saving, and similar activities are studied?

(3) Is it not misleading to relate aggregates of savings to aggregates of debt or disposable income since savers and debtors and those with disposable income may fall into different or overlapping groups?

XI

The Question of Goods "in Short Supply"

When the question was raised as to what goods were "in short supply" during the past 12 months "which brought about rising prices," was not the correct answer that it was all goods and services in which prices rose?

(1) Are not all goods and services scarce which command a price?

(2) Is not scarcity or "in short supply" a relative thing measured by the behavior of prices?

XII

The Cost Theory of Value

When questions and discussions arose as to whether rising costs cause rising prices, was not the correct answer that prices, when not fixed by some governmental authority, are the result of the forces of supply and demand?

(1) Is it not true that if costs determine prices there would be no margins of profit?

(2) Is it not true that if costs determine prices no business enterprise would go bankrupt and there would be no business recessions?

(3) Is it not true that as asking and selling prices rise, the volume of goods or services taken may decline?

(4) Is it not true that if costs determine prices, old automobiles and old houses would sell for more than when they were new?

(5) If costs determine prices, could auctions be held?

* * *

Surely we should have known more than is now the case as to Treasury programs and thinking had the Secretary and his staff been called upon to answer the preceding questions all of which are pertinent and fundamental in respect to the issues raised by the Secretary and Senate Committee.

Hardy & Co. to Give Investment Course

Hardy & Co., members of the New York Stock Exchange, has announced that it will give a nine session course on investments with Samuel C. Greenfield acting as lecturer. The course will start on Tuesday evening, September 24, at 8 P.M. at the Hotel Vanderbilt.

Samuel Greenfield

Special emphasis will be placed on the economic basis of investments and government actions, especially on inflation and road building. Three lectures will be devoted to a thorough survey of the oils, grocery chains and road building companies.

One session will discuss the field of taxation and include income, inheritance and gift taxes. It will also consider the question of estate planning.

Before the adult students are allowed to get their teeth in the heart of sound investment planning, they will be treated to an orientation lecture (No. 1) on the many pitfalls that lurk in their path. Mr. Greenfield, whose broad experience as an investment adviser has brought him into intimate contact with hundreds of individuals, will relate the woes of those who bought on tips, inside information, and the such.

The fee for clients is $10.00. For all others it is $15.00.

Pearne Billings VP. Of Hugh Johnson Co.

SYRACUSE, N. Y.—Pearne W. Billings has been elected a Vice-President of Hugh W. Johnson & Company, Inc., members of the New York Stock Exchange. He will make his headquarters in the firm's Syracuse office in the Onondaga County Savings Bank Building. He was formerly a partner of Winslow, Cohu & Stetson.

Leavitt to Admit

Effective Sept. 15, Bernice M. Leavitt will be admitted to limited partnership in Leavitt & Co., 40 Wall Street, New York City, members of the New York Stock Exchange.

With H. Carroll

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William R. Glore has become affiliated with H. Carroll & Co., 324 North Camden Drive.

Two With Peirsol

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—William N. McKean and Samuel Scherer have become connected with T. R. Peirsol & Co., 9645 Santa Monica Boulevard. Mr. McKean was previously with Edward T. Cronin Company.

Continued from first page

Meaning of Membership in The Federal Reserve

rectors, a majority of whom are elected by the member banks of each Federal Reserve district. In turn, the Federal Reserve Banks are subject to the general authority of the Federal Reserve Board much in the same way that the 48 States in the Union yield authority to the Federal Government. Finally, the member banks of the Federal Reserve System are the foundation of the scheme of regional and central banking organization that was established by the Federal Reserve Act, their position being akin to that of the nation's electorate.

Democracy at Work

In keeping with the concept of a contract between governor and those governed, membership in the Federal Reserve System is contracted as a free expression of the will of the individual member bank, except as to banks that have chosen to operate under national bank charters that automatically prescribe for such membership. The terms of the membership "contract" between a district Federal Reserve Bank and a member bank involve a grant of specified privileges to the member bank in return for an obligation to yield a considerable degree of supervisory authority to the Federal Reserve System. The true meaning of membership in the Federal Reserve System is to be found in these privileges and obligations of membership.

The shares of capital stock in its district Federal Reserve Bank that an entering bank purchases are the initial evidence of its membership in the Federal Reserve System. This stock ownership entitles the member bank to participate in the election of six out of the nine members of the Federal Reserve Bank's Board of Directors and to receive dividends on its holdings at the rate of 6% per annum. Inasmuch as the earnings of the Federal Reserve Banks derive largely from their special position as central banks of issue, and due to the Federal Government's enveloping role of responsibility for the Federal Reserve System as the nation's central banking system, all earnings above 6%, as well as the surplus accounts of the Federal Reserve Banks, are subject to the residual claim of the Federal Treasury. Through these financial arrangements, the member banks share with the Federal Government in the total capitalization of the Federal Reserve Banks. Moreover, as the remaining three directors of a Federal Reserve Bank, including its Chairman and Deputy Chairman, are appointed by the Federal Reserve Board, which is an agency of the Federal Government, a distant connection can be traced between the Federal Government and the managements of the Federal Reserve Banks.

Non-Financial Ties

Membership in the Federal Reserve System has a moral and legal significance that transcends in importance the purely financial ties that have been referred to. This is because acceptance of membership signifies admission into a legally constituted fellowship of banking institutions entailing an obligation on each member bank to conform to appropriate standards for invested capital and to operate in accordance with broad rules of conduct prescribed by regulation. In line with these principles, when considering the admission of a bank to membership in the System, the Federal Reserve Board is required to pass judgment on the adequacy of the applicant's capital funds in relation to the character and condition of its assets and to its existing and prospective deposit liabilities, and to refuse admission if the requirements for capital funds are not met. My the same token, the Federal Reserve Board is empowered to require a member bank to forfeit its membership in the System if the conditions set for its membership or the regulations governing its operations under the provisions of the Federal Reserve Act are not complied with.

Furthermore the Federal Reserve Board is empowered to remove from office any director or officer of a member bank who is found to violate any law relating to the operation of the bank in which he holds office, or who is party to continued unsafe or unsound banking practices after having received timely warning.

The conditions for holding membership in the Federal Reserve System mean, in effect, that this particular kind of fellowship demands the subordination of the individual member bank's choice of banking conduct to the superior right of group determination of what are appropriate standards for banking practice. As the member banks have an important voice in the framing of banking legislation, including amendments to the Federal Reserve Act, their thinking rightly has a marked influence on legislated standards for banking conduct.

The time honored concept that banking is vested with a public interest and, therefore, subject to public regulation and supervision is the backdrop to the supervisory authority administered by the Federal Reserve Board, and is exemplified in the periodic examinations made of the condition of each member bank to ascertain that the quality of its assets affords adequate protection to its depositors and that its operating practices conform to the conditions prescribed for membership in the System.

What has been said up to this point has dwelt on the obligations of membership in the Federal Reserve System and the principal that either personal or corporate existence in a free society demands the sacrifice of some individual rights to the welfare of society as a whole. It is now time to examine the compensating advantages and privileges that go with membership in the System.

Valuable Services Provided

The incomparable check collection services offered by Federal Reserve Banks are by themselves a persuasive reason for accepting membership in the System because they have endowed American banks and businessmen with the benefits of the most modern mechanical means for promptly making financial settlements. In effecting these settlements, member banks are required to pay checks drawn on themselves at their par value. This requirement accepts the thesis that the payee of a check should be paid its face amount and that the drawee bank's cost of making payment should be borne by the depositor for whom that service was rendered.

The Federal Reserve Banks perform a legion of other valuable services for their member banks, including the telegraphic transfer of funds and U. S. Government securities, and the safekeeping of securities. However, the value of Federal Reserve Bank services reaches full flower through their loan and discount facilities.

Pre-1913 Conditions

Before the Federal Reserve System was established in 1913, and prior to the 1933-1935 amendments to the Federal Reserve Act, sad experience had demonstrated that periods of financial stress had been aggravated by the inability of banks quickly to raise cash against the occurrence of sudden and abnormal deposit withdrawals. That sort of difficulty, by forcing banks to liquidate assets at salvage values in order to get cash, often endangered their solvency and led on to a spiraling destruction of values if and when a succession of banks became similarly involved. Any recurrence of these former difficulties is most unlikely because member banks are now in a position to meet the pressure of unforeseen deposit withdrawals by obtaining cash through borrowing at their Federal Reserve Banks on the collateral of any qualified asset. This right of emergency borrowing from the Federal Reserve Banks is an advantage of almost incalculable value that goes with membership in the Federal Reserve System. Furthermore, as this borrowing facility relieves a member bank of the necessity of forcing the liquidation of assets in order to meet abnormal deposit withdrawals, the possibility is greatly reduced that any circumstances adversely affecting its affairs will spread contagiously to other banks.

Under normal conditions, Federal Reserve Bank loans are usually made for the purpose of permitting a member bank to make good a deficiency in the amount of reserves that it is required to keep on deposit with its district Federal Reserve Bank. Properly, however, use of this borrowing privilege is intended to provide only a temporary source for replenishing a member bank's reserves pending its resort to other means for working out a final adjustment in its reserve position. The continuous employment of funds borrowed from a Federal Reserve Bank is undesirable as it can lead the borrowing member bank into expanding its resources beyond the limit of the deposits at its disposal and, in that way, to extend its position and the fundamental protection that is otherwise afforded its depositors by an unobligated control of its assets.

Sees Possible Conflict

Moreover, too frequent member bank recourse to borrowing at the Federal Reserve Banks can run counter to the effective conduct of Federal Reserve System monetary and credit policy. This is because the reserve funds borrowed from Federal Reserve Banks have the same credit-creating expansibility as the reserves that the Federal Reserve System can supply on its own initiative by operating in the open market. The possibility of this kind of a conflict between Federal Reserve System monetary and credit policy and member bank borrowing at the Federal Reserve Banks is more apt to occur at a time when the broad objective of System policy is to restrain an expansion of commercial bank credit in the interest of sustaining a stable level of economic activity, and it has become advisable to limit the volume of reserves available to the commercial banking system.

As primary purveyors of credit and the most dynamic and crucial force in the array of credit-granting institutions, commercial banks are conscious of the compelling influence of bank credit on all economic activity, and that the tempo of their credit-granting actions can stimulate or restrain the entire range of economic undertakings that depend for their consummation on the use of credit. They also realize that whereas Federal Reserve System credit policy exercises a general form of credit control over the lending activities of all commercial banks, each separate bank exercises a species of individual credit control that allies itself naturally with the Federal Reserve System's general policies of credit control. This alliance derives from the simple fact that in deciding what types of loans or investments are suitable to the particular position of his bank, a banker is practicing a form of selective credit control that has been shaped partially by the influence of the scheme of general credit control currently in use by the Federal Reserve System.

Looking further into the credit policy relationship between an individual bank and the Federal Reserve System, it is obvious that in deciding on the merits of a loan application, a banker is influenced by the economic climate of the times and the over-all loan position of his bank. If the period is one of general optimism, the paying performance of the bank's borrowers good, and the total of its assets anchored satisfactorily to an acceptable degree of liquidity, he proverbially feels free and willing to lend in volume. On the other hand, if opposite conditions prevail and the economic climate is bleak, he is naturally more cautious in reaching his loan decisions.

Provides Helpful Guidance

The Federal Reserve System indirectly is in a position to give bankers helpful guidance in making their loan and investment decisions. The source of this guidance lies partly in the System's supervisory responsibilities for the operations of its member banks, and partly in its overriding national responsibility to employ monetary and credit policies that will be conducive to the maintenance of a sound commercial banking system. In this latter connection, by observing the direction and economic intentions of Federal Reserve policy, and by also studying the wealth of published economic material that is the foundation on which that policy is built, banks have at hand an invaluable guide for framing their own lending and investment policies that is reinforced by combining their intimate knowledge of local conditions with an insight into the prospective local effects of the national business trends reported by the Federal Reserve System.

This form of indirect Federal Reserve guidance in a real sense supplements the compelling influence of the System's general credit controls over the credit-granting activities of the commercial banking system. Along that line, it should be mentioned that general credit controls also serve the purpose of bank supervision and examination through the sort of credit climate induced by such credit controls and its effects on commercial bank credit activities.

Autonomous Instruments

Harking back to what has been said to the rights and obligations that go with membership in the Federal Reserve System, it is essential to emphasize that the general credit controls operated through Federal Reserve System credit policy leave discretion to the individual banks as to how the available supply of credit shall be allocated. What this means is that the member banks are autonomous instruments for carrying out System credit policy. This right to participate in the conduct of national credit policies I regard as a high privilege of membership in the Federal Reserve System.

However, enjoyment of this right by a member bank carries with it the obligation to be conversant with the objectives of System credit policy, to the end that the total credit activities of all the member banks will fall into a pattern that is consistent with these objectives. This result is attainable through mutual understanding between the Federal Reserve System and its member banks of what are the objectives to be desired of a national credit policy, and the communication of these policy aims to the multitude of bank customers whose cooperation is necessary to their effectuation. Whether the aim of such mutual endeavor is to stimulate a flagging economy by making additional supplies of credit available, or to restrain the expansion of credit under conditions when the overuse of credit threatens economic stability, the member banks and the Federal Reserve System are allied in the common cause of the public interest.

Let me say, in conclusion, that this alliance of the member banks in a common cause with the Federal Reserve System epitomizes the meaning of membership in the Federal Reserve System.

Lefkowitz Cites Fraudulent Stock Sales in New York Rural Areas

New York's Attorney General asks Sheriffs Association to help fight entry of fraudulent stock promotions into rural centers.

Attorney General Louis J. Lefkowitz called on sheriffs throughout the state to assist him in a fight against the slick sellers of fraudulent securities who the Attorney General said are "now reaching into the rural areas of the state to purvey worthless stock."

The Attorney General made the appeal in an address to the 23rd annual conference of the New York State Sheriffs Association at Scaroon Manor, Schroon Lake, N. Y., Aug. 20.

"Unscrupulous stock operators, aware of the growing interest of the public in the development of uranium and other mineral deposits both in the United States and Canada, are taking advantage of the haste of investors to purchase the securities of these companies. But, of course, the get-rich-quick schemes promoted by these racketeers soon vanish into thin air and the investor finds he has been victimized and only then comes to the authorities for help," he said.

Noting that many of the swindles fall into patterns which have become familiar to his office, Attorney General Lefkowitz said his office is now receiving complaints from throughout the state.

"Contact may be made with a prospective investor by a slick salesman over the telephone, through personal contact or through advertising. But the result is always the same. The promoter looks for a quick profit and leaves the investor with a worthless piece of paper. It has been estimated that nearly $20,000,000 is lost each month to the investing public in the state."

In urging the assistance of the sheriffs association, the Attorney General asked that they turn over to his office any evidence of these fraudulent stock promotions which come to their attention, especially in rural areas. He also asked that they alert their deputies to the existence of these frauds in order to provide greater protection for the public.

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The Stock Market Outlook

all of my personal studies, but here are the high-spots:

First of all, from the standpoint of fundamentals, the most important consideration is the fact that there would appear to be a much greater prospect of a decline in business activity of 15% to 20% from the peak of 147 reached last December in the F. R. B. Index of Industrial Production than there is of a further rise of as much as 5%. We should not forget that business has been artificially (and temporarily) stimulated through the expenditure of an unprecedented amount of borrowed money during the last few years. The total net private debt has been rising much more rapidly than has the dollar value of goods and services, and consumer short-term credits alone have increased by more than $25 billion during the past seven years. The carrying charges on the latter debt are now probably equal to at least $4 billion a year, or to about 10 times our estimate of the dollars required as recently as 1945. Business inventories, even after adjustments for price changes, have been rising for about 2½ years. This means that for the greater part of the period since January, 1955, production has been running above consumption, even though the latter has been supported by the expenditure of a substantial amount of private borrowing.

Shortages Disappearing

With plant capacity now larger than it has been at any time in our history, shortages of all types of goods are disappearing rapidly, while competitive pressures are increasing steadily. Under the circumstances, I do not think it should come as a surprise to anyone if we were to see a decline in over-all business activity within the next six to twelve months of much greater proportions than were the readjustments in both 1949 and 1954.

This leads me to one of the more important conclusions suggested by my long-term Technical Studies: that is, bull markets tend to run their courses at around 14 to 15 times the **rate** of earnings reached during a business boom. I would like to emphasize the word **"rate"** as applied to earnings, because many people have been misled by the implications of statements that the Dow-Jones Industrials did not record their peaks either in 1929 or in 1937 until stocks were selling at 19 times and 17 times the earnings, respectively, for these years. The point is often overlooked that at the time the highs for 1929 and 1937 were recorded, stocks were being accumulated by investors on the basis of a much higher **rate** of corporate income than was to be witnessed for the year as a whole—principally because of the collapse of sales and profit margins in the final three months of these years. For example, investors were theoretically willing to pay more than 15 times earnings for the common stock of U. S. Steel in 1937, when its high was 126 and earnings for the year were equal to only a little more than $8 a share. However, at the time that U. S. Steel was selling at its high, earnings were in excess of $1 a share per month, so that investors were actually only paying the equivalent of 10 times the annual **rate** or anticipated level of earnings during that year of between $12 and $13 a share!

The significant point at the moment is that in reviewing the record for the past 30 years, we find that the Dow-Jones Industrials have always sold down to **below** 10 times the previous peak earnings either in the year before industrial activity was to decline by 10% or more, or in the year during which the business readjustment took place. I think it is extremely important to look at demonstrated earning power in estimating probable bear market lows for the stock market, because such data have a greater influence on support levels of common stocks during periods of growing pessimism by the public than does the **current** rate of earnings, which occasionally is even "negative." If we are right in our projection of a decline in over-all business activity of well over 10%, and if our appraisal of the past correlation is valid, the Dow-Jones Industrials should decline to **below** 360. However, if we are to again see a broad base in the market following the next general sell-off (as I personally think may be the case), the averages might hold at 5% to 10% above this calculated maximum support level of 350-360.

Another Precedent

Another technical point is that bear markets do not tend to run their courses until the New York Times Industrials have declined to around the levels touched during the first quarter of the year preceding that in which the bull market highs were reached. The only significant exceptions to this "rule" were overshoots of such downside objectives during war periods. In terms of the Dow-Jones Industrials, this approach suggests a probable bear market low of roughly 390-420.

A Third Approach

I hesitate to talk about a third approach—that known as "Timing"—because of the amount of publicity which has been given to the superficial research that has been done in this field. One of the three overlapping cycles that I first discovered in the late 20's (and which has now been tested **in actual practice** for more than 25 years), indicated that a major cyclical peak was likely to be witnessed in the early months of 1956, comparable to the peaks which had been anticipated by late 1936 or early 1937, and in the spring of 1946. (In the first half of 1937, the prevailing view was that we could not have a bear market with money rates so low; while in the spring of 1946 I was told that: "Anyone who thinks the Dow-Jones Industrials will decline by 50 points, or almost 25%, from the 212 level, in light of the pent-up demand for homes, automobiles and almost everything else, has no business being an investment adviser!")

The "Psychology Cycle"

Turning to a final approach—that of the "psychology cycle"—I think we had sufficient warning last summer, and again in the second quarter of this year, that the underpinnings of the stock market were beginning to get rather weak. We started to see increased emphasis placed on (1) "long-term inflation protection," as opposed to near-term earnings' prospects; (2) earnings on a "cash flow" basis, in total disregard of the need for depreciation reserves; (3) cyclical trends which were being confused with long-term growth; and (4) the rise in the birth rate, which really has little to do with either consumer buying power or the cyclical outlook. The situation from these points of view was almost diametrically opposed to that which prevailed in the summer of 1949, when such high-grade, inflation-hedge stocks as Kennecott Copper and Standard Oil of New Jersey were selling at five times their previous year's earnings, and when the Dow-Jones Industrials, at 160-170, had not as yet reflected the revaluation of the gold (or international) dollar which took place in 1935.

Recurrent Propaganda

Another point I should like to mention at this time is that whenever the stock market is extremely high on the basis of Fundamentals, we start to hear a great deal of propaganda about the continuous demand for common stocks from institutional investors, who supposedly would (or could) absorb any selling which might develop on the part of those who suddenly realized that the stock market was not a "one-way street." You may recall this type of reasoning in the late 20's, when many fire insurance companies were buying stocks for the first time because of the original studies developed by Mr. Edgar Lawrence Smith, which were incorporated in his book entitled: "Common Stocks as Long-Term Investments"; and when many new investment trusts were being formed at that time to capitalize on the growing popularity of equities. Today, some people seem to believe that mutual investment trusts and pension funds will prevent any substantial market decline, through an acceleration of their equity purchases on any broad-scale weakness. Unfortunately, a little simple arithmetic will show that even a 100% rise in the current rate of equity acquisitions by pension funds and other institutional security buyers could be offset by the liquidation of an additional 1% or 2% of the total supply of stocks held by other investors!

Returning to my Timing Studies, I might mention that I can see the possibility that the bear market, in terms of the averages, may run its course by as early as November or December of this year. In that event I think we should subsequently expect a "trading market" for at least a year or two, with some stocks making their final lows during the early stages of a long accumulation range, while others might have further substantial declines by say the summer of 1959. Another reason for believing that the beginning of a cyclical base or long-term buying zone might be seen by as early as November or December is that under SEC regulations, we seem to have a tendency to experience broad periods of distribution and/or accumulation, interspersed with very sharp declines or advances which tend to "make up for lost time." In 1937, for example, the market held within a rotating distribution range from November, 1936 to August, 1937, with the Dow-Jones Industrials subsequently declining by 41% in less than 15 weeks, within a total bear market at that time of about 49%. In 1946, this average touched peaks ranging from 205 to 213 from early February until mid-August, and then experienced a 21% decline in nine weeks, out of a total bear market of about 25%. A third reason for believing that an early low is a distinct possibility may be found in my own theory that the Federal Reserve Board may lower bank reserve requirements, and thereby lend additional support to the economy, within a few weeks **after** the Dow-Jones Industrials decline by about 75 to 100 points, from their 1956 high. I do not think that stocks will be in a reasonably safe buying zone, from a cyclical standpoint, until and unless the Federal Reserve Board **does** reverse the policies which have been in effect during the past few years, as the record shows that it has always been desirable to exercise patience and wait until several months **after** a clear-cut reversal in Federal Reserve policies before starting an aggressive buying program. (This was true even in 1953, when the Federal Reserve Banks raised their rediscount rates in January, but then lowered bank reserve requirements in June, or three months before the subsequent stock market lows to date.)

I am sorry that I have not had the space to go into some of my other Fundamental and Long-term Technical approaches, but I do believe that what I have been able to say will suffice to give you the basis for my cyclical views at this time. I hope all understand that I realize the outlook for the market as a whole is only one of the factors which should be considered in deciding if and when any particular stock should be purchased or sold. I think it is something which should not be ignored, even by those who believe in buying stocks primarily for long-term growth, partly because it is much easier to make a sound appraisal of the all-important factor of management during and immediately following periods of business readjustment and intense competition than is the case when the demand for goods exceeds the supply. To be sure, there are certain risks in projecting market trends, but I do not think that these risks are any greater than are those involved in projecting or estimating the prospects for individual companies. It should also be kept in mind that, under current conditions, the majority of stocks can be expected to experience declines of **at least** 40% to 50% on a set-back in the market averages of only 25% to 30%.

I hope all of you have adequate buying power available in your institutional and personal portfolios to take advantage of the opportunities for substantial capital gains which I am confident will be available before we are much older! I know that I may be wrong, of course, but my experience has been that the probabilities of being right are about 4-to-1 when the type of **time-tested** studies I have outlined all point in the same direction.

Continued from page 7

The State of Trade and Industry

amounted to about $372,000,000, down 35% from that of the similar 1956 period.

In the automotive industry passenger car production declined 4.7% last week as some plants prepared for a long Labor Day week end and another entered into model changeover.

"Ward's Automotive Reports" said that the 117,324 cars scheduled for completion in United States plants during the week marked a decline from 123,130 in the preceding week but increased 101% over the same week in 1956.

"Ward's" said the daily rate of new car sales for Aug. 11 to 20 showed a strong 9.5% increase over Aug. 1 to 10, continuing to brighten prospects for an orderly 1957 model cleanup.

The Aug. 11 to 20 sales represented an 11% upturn over mid-July and found General Motors Corp. dealers in particular, showing new sales strength. General Motors dealers moved up to 46.3% of the new car market Aug. 11 to 20 from 43.4% in entire July and Chrysler Corp. continued with a 21% bite for the second straight month.

Down all of the past week for model change was De Soto. At the same time, Cadillac in Detroit plus four Buick-Oldsmobile-Pontiac outsate branch assembly plants operated only four days.

The statistical service said the week's operations netted August an estimated 522,000 passenger car and 87,500 truck completion. The 609,500 combined total represented a sharp 23.6% rise above the 493,007 for August a year ago which included 402,575 cars and 90,432 trucks.

"Ward's" said the auto industry entered the windup of its 1957 model production, with last week's DeSoto shutdown to be followed this week by Plymouth, Dodge, Chrysler, Imperial and Buick. September's second week will see Chevrolet, Pontiac and Oldsmobile fading out.

Only Ford and Mercury, according to the reporting service, will build the 1957 cars into the fourth week of September.

Meanwhile, Studebaker's start on 1958 assembly the past week brought to six the number of producers now building the new models.

The value of new construction put in place in July fell 2% to $4,400,000,000, and was fractionally under the record July 1956 level, according to the United States Department of Commerce. The month-to-month decline reflected cement shortages resulting from the cement workers strike. Although there was the usual seasonal advance in spending on new private dwellings, the total value was 11% less than in July 1956.

Steel Mills Schedule This Week to Yield 82.7% Of Ingot Capacity

New orders for capital goods are showing signs of a pickup, "Steel" magazine stated on Monday of the current week.

Producers of machine tools, foundry equipment and industrial furnaces are reporting better business than they have seen in several months, according to this trade weekly.

It said a large volume of inquiries is making machine tool builders optimistic about a fall upturn. Talk of three major automotive projects bolsters their outlook. Tooling for them would have to be ordered this fall.

With demand for castings from railroad car builders remaining strong and signs of a pickup from the auto and appliance industries, foundries are likely to continue buying equipment or even increasing their pace. The latest figure, that for June, represents the second highest month of the year and the second in a row to show a gain.

July was the best month since March for industrial furnace orders and it represented a substantial rebound from abnormally low June.

Orders placed for steel a month or more ago, when ordering was not brisk, resulted in steelworks producing at 82.5% of capacity last week, or a yield of 2,112,000 net tons. This is a half-point gain over the previous week and the third consecutive week of improvement.

Steel companies are hoping for a significant improvement in steel demand when the auto industry swings into its 1958 models in the next few weeks.

Completion of inventory reduction and an upturn in demand from the automotive industry would suggest that production would rise in the last three or four months of this year, a period which includes October, historically high in steel production.

In the first eight months of this year, steelmakers set an all-time record for the period, that is 78,600,000 tons of steel. It was 6,200,000 tons ahead of the same period last year and 2,600,000 tons ahead of the corresponding period in 1955.

Even though steel output this summer is lower than it was earlier this year, the August yield of 9,180,000 net tons surpassed July's 8,896,000 tons. Output for the month has been better in only two years, in 1953, 9,405,580 and in 1955, 9,594,545 tons.

Running contrary to any significant rise in operations are scrap prices, often regarded as a bellwether of steel production. For the second consecutive week, "Steel's" price composite on steelmaking scrap declined. In the week ended Aug. 28, the composite was $52.17 a gross ton, a drop of $1.33 from the preceding week.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry will be an average of 82.7% of capacity for the week beginning Sept. 2, 1957, equivalent to 2,116,000 tons of ingot and steel for castings, as compared with 82.2% of capacity, and 2,103,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,495,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 79.8% and production 2,043,000 tons. A year ago the actual weekly production was placed at 2,429,000 tons or 98.7%.

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 Rose Somewhat for Week and Was 5.0% Above 1956 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Aug. 31, 1957, was estimated at 12,147,000,000 kwh., according to the Edison Electric Institute. Output the past week was somewhat larger than the level for the previous period.

The past week's output climbed 124,000,000 kwh., above that of the previous week and rose 582,000,000 kwh., or 5.0% above the comparable 1956 week and 1,441,000,000 kwh. over the week ended Sept. 3, 1955.

Car Loadings Rose 1.1% Above Preceding Week But Were 1.5% Under Like 1956 Period

Loadings of revenue freight for the week ended Aug. 24, 1957, increased by 8,500 cars, or 1.1% above the preceding week, the Association of American Railroads reports.

Loadings for the week ended Aug. 24, 1957, totaled 759,140 cars, a decrease of 11,273 cars, or 1.5% below the corresponding 1956 week and a decrease of 28,132 cars, or 3.6% lower than the corresponding week in 1955.

U. S. Passenger Car Output Adversely Affected by Labor Day Holiday and Model Changeovers

Passenger car output for the latest week ended Aug. 30, 1957, according to "Ward's Automotive Reports," declined 4.7% as some plants prepared for a long Labor Day week-end and another entered into model changeover.

Last week's car output totaled 117,324 units and compared with 123,130 (revised) in the previous week. The past week's production total of cars and trucks amounted to 138,367 units, or a decline of 5,254 units below that of the preceding week's output, states "Ward's."

Last week the agency reported there were 21,043 trucks made in the United States. This compared with 20,491 in the previous week and 18,705 a year ago.

Last week's car output declined below that of the previous week by 5,806 cars, while truck output advanced by 552 vehicles during the week. In the corresponding week last year 58,166 cars and 18,705 trucks were assembled.

In Canada, 4,139 cars and trucks were built last week as compared with 6,246 in the preceding week and 500 in the like period a year ago.

Business Failures Edged Upward the Past Week

Commercial and industrial failures edged up to 262 in the week ended Aug. 29 from 260 in the preceding week, according to Dun & Bradstreet, Inc. However, the toll was considerably higher than the 237 last year and the 215 of 1955 and exceeded by 14% the pre-war level of 229 in the comparable week of 1939.

Failures with liabilities under $5,000 increased slightly to 221 from 218 and were up moderately from the 203 of this size a year ago. Small casualties, under $5,000, dipped to 41 from 42 but remained above their toll of 34 in the similar week of 1956. Liabilities exceeded $100,000 for 22 of the week's failures as against 16 in the preceding week.

Wholesale Food Price Index Registers Slight Increase in Latest Week

After declining for two consecutive weeks, the wholesale food price index, compiled by Dun & Bradstreet, Inc., rose somewhat on Aug. 27 to $6.32. This was 0.5% higher than the $6.29 of a week earlier and exceeded the $6.04 of the similar 1956 period by 4.6%

Higher in wholesale cost last week were wheat, rye, oats, barley, bellies, butter, cocoa, beans, eggs, hogs and lambs. Lower in price were flour, corn, hams lard, coffee, cottenseed oil, beef and steers.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Held to a Narrow Range the Past Week

The general commodity price level held within a narrow range last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered 292.10 on Aug. 26 compared with 293.00 a week earlier, and with 295.87 on the comparable date a year ago.

Most grain prices declined during the week and despite an appreciable rise in trade, soybean prices fell noticeably. There was a moderate gain in purchases of oats and prices increased somewhat. Corn trading and prices in Chicago were both close to the levels of the preceding week, while marked decrease in rye prices occurred.

Although wheat trading continued at the level of the prior week, prices fell slightly. The Government reported that 547,000,000 bushels of wheat were put into export during the crop year ended June 30. Exports to Germany and Poland were higher than anticipated.

There was a slight rise in total grain purchases on the Chicago Board of Trade last week. Trading amounted to about 265,000,000 bushels compared with 250,000,000 bushels in the prior week and 219,000,00 bushels a year ago. Average daily purchases totaled about 53,000,000 bushels.

The buying of flour lagged during the week and slight price declines were reported. Flour receipts at New York railroad terminals on Friday amounted to 71,018 sacks with 35,138 sacks for export and 35,860 for domestic use. Wholesale rice inventories were limited and prices were unchanged. Total rice trading was sustained at a high level and the demand from Cuba climbed noticeably.

While prices of raw sugar advanced somewhat, refined sugar was unchanged from the level of a week earlier. Trading in refined sugar showerd no improvement. Cocoa prices rose fractionally, but the volume of trade was sluggish. Warehouse stocks of cocoa expanded moderately, reaching 353,674 bags compared with 414,769 bags a year ago. Total arrivals for this year so far totaled 2,494,855 bags compared with 3,051,676 bags in the similar period last year.

A lag in hog trading last week resulted in a moderate decline in prices. Hog receipts in Chicago were close to those of both the previous week and the comparable 1956 period. Although cattle receipts fell slightly, they were noticeably higher than a year ago. There was a moderate decline in trade, but prices were close to those of a week earlier. A slight rise in purchases of sheep resulted in appreciable price increases. A dcline in lard futures prices reflected the decreased prices on hogs and vegetable oils.

Reports that the United States Department of Agriculture plans to make recommendations for further changes in the farm programs resulted in a slight decline on cotton futures prices. Trading fell last week following indications that domestic consumption of cotton in July registered more than a normal decline. The New York Cotton Exchange estimated that cotton consumption in the United States amounted to 645,000 bales in July compared with 650,000 bales in June and 547,000 bales in July 1956. Average daily consumption in July was 25,800 bales as against 32,500 bales in the prior month and 27,400 bales a year ago.

Trade Volume in Latest Week Rose 1% to 5% Above Year Ago

An upsurge in consumer purchases of children's back-to-school apparel lifted total retail trade moderately over that of both the preceding week and the comparable period last year. There was a slight year-to-year gain in the sales of major appliances and automobiles, while volume in furniture remained close to year ago levels.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 1 to 5% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: Middle Atlantic, South Atlantic and East South Central States +3 to +7; Mountain +2 to +6; East North Central and West North Central +1 to +5; Pacific Coast 0 to +4; West South Central —1 to +3 and New England States —5 to —1%.

Shoppers the past week were primarly interested in boys' sports shirts and jackets and girls' sweaters and skirts. A noticeable rise in purchases of women's Fall dresses, suits and coats occurred and volume moderately exceeded that of a year ago. Sales promotions helped draw attention to men's Fall suits and topcoats and sales equalled those of the similar 1956 week. The call for men's furnishings lagged again last week.

The continued newspaper strike in Boston had more effect on retail trade during the week than a week eariler, noticeably reducing volume in household goods. Retailers in Chicago and Atlanta reported the most considerable gains in sales of men's clothing.

Anticipating a post-Labor Day upsurge in consumer buying, retailers noticeably increased their orders for women's Fall apparel and children's back-to-school merchandise.

Attendance at showings of floor coverings in New York was considerably higher than a year ago and orders showed moderate year-to-year gains. The call for major appliances and furniture was close to the level of the preceding week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 24, 1957, increased 1% above the like period of last year. In the preceding week, Aug. 17, 1957, a gain of 4% was reported. For the four weeks ended Aug. 24, 1957, an increase of 2% was recorded. For the period Jan. 1, 1957 to Aug. 24, 1957, an increase of 2% was registered above that of 1956.

Retail trade sales volume in New York City the past week advanced to 9 to 11% above the comparable week a year ago. An important factor in the favorable sales picture was the cooler than normal weather which obtained during the week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 24, 1957, increased 2% above that of the like period of last year. In the preceding week, Aug. 17, 1957, a rise of 8% was reported. For the four weeks ending Aug. 24, 1957, an increase of 5% was registered. For the period of Jan. 1, 1957 to Aug. 24, 1957, the index recorded a gain of 4% above that of the corresponding period of 1956.

Frank Keaney Joins G. H. Walker & Co.

ST. LOUIS, Mo. — Frank X Keaney has joined G. H. Walker & Co., Broadway & Locust Streets,

Frank X. Keaney

members of the New York Stock Exchange as Manager of the Research Department in St. Louis.

Mr. Keaney has been associated with Stifel Nicolaus & Co., Inc. since 1937 and has been in charge of their research and analysis work.

He is a past president of the St. Louis Society of Financial Analysts and has been a director of the National Federation of Analysts for 5 years. He is presently Chairman of the Program Committee of the St. Louis Analysts Society.

Julian Francis Adds

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Jay Eason and Aaron M. Mayman have been added to the staff of Julian Francis & Co., 291 South La Cienega Boulevard.

With Taylor & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Richard B. McKinney has joined the staff of Taylor and Company, 439 North Bedford Drive. He was formerly with H. E. Work & Co. and the California Bank.

Weston Adds Two

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Alfred R. Mosier and James Ryan have become affiliated with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange.

Two With J. A. Overton

(Special to The Financial Chronicle)

CORONADO, Calif. — Theodore Reinholtz and Hugh D. Ryan have become associated with J. A. Overton & Co., 1134 Orange Ave.

With Arthur B. Hogan

HOLLYWOOD, Calif. — Delmar Gladstone has become connected with Arthur B. Hogan, Inc., 6705 Sunset Boulevard, members of the Pacific Coast and Midwest Stock Exchanges. Mr. Gladstone was formerly with J. Logan & Co.

George Russhon

George Russhon, partner in Rosenbaum & Russhon and a member of the New York Stock Exchange, passed away Aug. 23.

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.

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.

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.

★ B-I-F Industries, Inc.
Aug. 29 (letter of notification) 2,600 shares of common stock (par $10) **Price**—$33 per share. **Proceeds**—To go to a selling stockholder. **Office** — 345 Harris Ave., Providence, R. I. **Underwriter**—Brown, Lisle & Marshall, Providence, R. I.

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.

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.

★ Canada Mortgage Bonds, Ltd., Englewood, N. J.
Sept. 3 filed $1,000,000 of 8% mortgage bond trust certificates. **Price** — At par (in units of $250, $500 and $1,000). **Proceeds** — For purchase of mortgage bonds. **Underwriter**—None.

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.
Aug. 2 filed 124,991 shares of capital stock being 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. Statement effective Aug. 10.

● Comico Corp., Memphis, Tenn.
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. **Offering**—Expected momentarily.

● Commonwealth Income Fund, Inc.
Aug. 8 filed 500,000 shares of common stock (par $1). **Price**—$8 per share (for a 21-day period). **Proceeds**—For investment. **Office**—San Francisco, Calif. **Offering**—Expected in October.

Consolidated Fenimore Iron Mines, Ltd.
June 26 (letter of notification) 150,000 shares of common Co., Ltd., Toronto, Canada, and R. P. Mills & Co., Ltd., stock (par $7). **Price**—At market (closing price on Toronto Stock Exchange as of June 14, 1957 was $1.32 bid and $1.85 asked, per share). **Proceeds**—For mining expenses. **Office**—c/o Roy Peers, 9 De Casson Rd., Montreal, Canada. **Underwriters**—Thomason, Kernaghan & 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.

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.

★ DeLuxe Check Printers, Inc.
Aug. 28 (letter of notification) 25,000 shares of common stock (par $1) to be offered to employees and present stockholders. **Price**—$11.80 per share. **Proceeds**—To acquire new machinery and equipment. **Office** — 530 N. Wheeler St., St. Paul 4, Minn. **Underwriter**—None.

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.

★ Diversified Growth Stock Fund, Inc.
Aug. 29 filed (by amendment) 1,650,000 shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Office**—Elizabeth, N. J.

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**—To be received up to 11 a.m. (EDT) on Sept. 10 at Room 1306, 48 Wall St., New York 5, N. Y.

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. (9/17)
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. **Office**—Jerome, Idaho. **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) being offered for subscription by common stockholders of record August 27 on the basis of one new share for each four shares held, rights to expire on Sept. 18. **Price**—$48 per share. **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.

★ Ex-Cell-O Corp., Detroit, Mich.
Aug. 29 filed $2,000,000 of participations in company's Employee Stock Purchase Plan, together with 52,000 shares of common stock which may be acquired pursuant thereto.

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 continue 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 International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters, Inc., Englewood, Colo.

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. (9/10)**
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. (9/17-18)**
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. Office—Brooklyn, N. Y. Underwriter—Mortimer B. Burnside & Co., Inc., New York.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). Proceeds—To the Attorney General of the United States Underwriter—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). Bids—Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25 D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). Price—$2 per share. Proceeds—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. Address—c/o Positronic Corp., 2572 Ridgemore Road. N W Atlanta, Ga. Underwriters—Armstrong & Co., Atlanta Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. Price—$500 per unit. Proceeds—For expansion and working capital. Underwriter—None named. Offering to be made through selected dealers Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). Price—$1.25 per share. Proceeds—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. Office—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio Underwriter—L. L. LaFortune & Co., Las Vegas, Nev

General Telephone Corp., New York
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) 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 preferred, $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. Offering—Expected in September.

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.

★ **Gulf States Utilities Co. (9/30)**
Aug. 29 filed $17,000,000 of first mortgage bonds due Oct. 1, 1987. Proceeds—To repay bank loans and for

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NEW ISSUE CALENDAR

September 5 (Thursday)

Southern Pacific Co. ---------- Equip. Trust Ctfs.
(Bids noon EDT) $7,500,000

Tampa Electric Co. ---------- Bonds
(Bids 11 a.m. EDT) $18,000,000

September 6 (Friday)

Aloe (A. S.) Co. ---------- Common
(Newhard, Cook & Co. and Scherck, Richter Co.) 7,450 shares

Virginia Telephone & Telegraph Co. ---------- Common
(Offering to stockholders—underwritten by Scott, Horner & Co.; Mason-Hagan, Inc.; and C. F. Cassell & Co., Inc.) 6,756 shares

September 9 (Monday)

All American Life & Casualty Co. ---------- Common
(Offering to stockholders—underwritten by A. C. Allyn & Co. Inc.) 300,000 shares

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

Quaker State Foods Corp. ---------- Preferred
(Childs, Jefferies & Thorndike, Inc. and Syle & Co.) $91,540

Silvray Lighting, Inc. ---------- Common
(Auchincloss, Parker & Redpath; Milton D. Blauner & Co., Inc. and Hallowell, Sulzberger & Co.) 237,039 shs.

Stratford (John G.) Film Corp. ---------- Common
(Joseph Mandell Co.) $299,999

Strato-Missiles, Inc. ---------- Common
(Kesselman & Co.) $300,000

Tampa Electric Co. ---------- Common
(Offering to stockholders—underwritten by Stone & Webster Securities Corp.) 217,286 shares

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

Foremost Dairies, Inc. ---------- Common
(Dean Witter & Co. and Allen & Co.) 200,000 shs.

Hycalog, Inc. ---------- Debentures
(Kelm, Reed & Co., Inc.; Aetna Securities Corp.; and Roman & Johnson) $300,000

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.

Carolina 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

Long Island Trust Co. ---------- Common
(Offering to stockholders—underwritten by A. M. Kidder & Co.) 26,320 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)

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

Empire Sun Valley Mining Corp. ---------- Common
(John Sherry Co.) $600,000

Forest Laboratories, Inc. ---------- Common
(Mortimer B. Burnside & Co., Inc.) $500,000

General Tire & Rubber Co. ---------- Debentures
(Kidder, Peabody & Co.) $12,000,000

Homestake Mining Co. ---------- Debentures
(Eastman Dillon, Union Securities & Co.) $12,000,000

Hudson's Bay Oil & Gas Co., Ltd. ---------- Common
(Offering to stockholders of Continental Oil Co. and Hudson's Bay Co.—no underwriter) 1,750,000 shares

Statham Instruments, Inc. ---------- Common
(Blyth & Co., Inc.) 200,000 shares

UBS Chemical Corp. ---------- Common
(G. H. Walker & Co.) 59,400 shares

September 18 (Wednesday)

National Cylinder Gas Co. ---------- Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $17,500,000

Pacific Power & Light Co. ---------- Bonds
(Bids noon EDT) $20,000,000

September 19 (Thursday)

Jefferson Lake Sulphur Co. ---------- Common
(Offering to stockholders—underwritten by Hornblower & Weeks and Robert Garrett & Sons) between 143,000 to 150,00 shares

Norfolk & Western Ry. ---------- Equipment Trust Ctfs.
(Bids noon EDT) $4,260,000

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

Reading Tube Corp. ---------- Common
(Offering to stockholders—underwritten by Emanuel Deetjen & Co.) 38,124 shares

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 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 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 7 (Thursday)

San Diego Gas & Electric Co. ---------- Bonds
((Bids noon EST) $12,000,000

November 18 (Monday)

Lawrence Gas Co. ---------- Bonds
(Bids to be invited) $2,000,000

Mystic Valley Gas Co. ---------- Bonds
(Bids to be invited) $3,500,000

November 19 (Tuesday)

Ohio Power Co. ---------- Bonds
(Bids 11 a.m. EST) $25,000,000

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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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.

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.

★ **Hampshire Nickel Mines Ltd.**
Aug. 23 (letter of notification) 600,000 shares of common stock (par $1-Canadian). **Price** — 50 cents per share. **Proceeds**—For development of property and for general corporate purposes. **Office** — Suite 607, 320 Bay St., Toronto, Canada. **Underwriter** — H. J. Cooney & Co., New York.

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. (9/17)**
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; rights will expire on or about Nov. 1. **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. (9/10)**
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.

★ **Institutional Shares Ltd., New York**
Aug. 30 filed (by amendment) 1,000,000 additional Institutional Growth Fund Shares and 850,000 additional Institutional Foundation Fund Shares. **Price**—At market. **Proceeds**—For investment.

● **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. Statement withdrawn Jan. 25.

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.

★ **International Resources Fund, Inc. (N. Y.)**
Aug. 28 filed (by amendment) 2,000,000 additional shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment.

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. (9/19-20)**
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 to be first offered in exchange for outstanding preferred stock (par for par). **Price**—At 100% of principal amount. **Proceeds**—To redeem preferred stock. **Underwriter**—Warren W. York & Co., Inc., Allentown, Pa.

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.

★ **Merit Pharmaceutical Corp. of America**
Aug. 26 (letter of notification) 120,000 shares of common stock (par 30 cents). **Price**—90 cents per share. **Proceeds**—For machinery and materials, raw materials and packaging supplies, and working capital. **Office**—12419 N. E. 13th Ave., North Miami, Fla. **Underwriter**—None.

Mississippi Valley Portland Cement Co.
Dec. 26, 1956 filed 1,600,000 shares of capital stock (no par) of which 708,511 shares are subject to an offer of rescission. **Price**—$3 per share. **Proceeds**—For completion of plant, provide for general creditors and for working capital. **Office**—Jackson, Miss. **Underwriter**—None, offering to be made through company's own agents.

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. (9/18)**
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 Distillers & Chemical Corp.**
Aug. 29 (letter of notification) an undetermined number of common shares with an aggregate market value of not exceeding $299,989.37. **Price**—At market (around $23.87½ per share). **Proceeds**—To stockholders entitled to receive fractional share interests in connection with distribution of 2% stock dividend payable Oct. 22. **Underwriters** — Glore, Forgan & Co. and Dominick & Dominick, both of 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.

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** — 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 up to noon (EDT) on Sept. 16.

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.**
July 26 filed 1,822,523 shares of common stock being 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.

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**—To be received up to noon (EDT) on Sept. 12 at 1000 Chestnut St., Philadelphia 5, Pa.

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. (9/9-13)**
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.

★ **Reading Tube Corp. (9/23-27)**
Aug. 30 filed 155,014 shares of common stock (par $1), of which 120,326 shares are to be offered for subscription by common stockholders on the basis of one new share for each five shares held. The balance of 34,688 shares will be reserved against possible conversion of outstanding preferred stock. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans and working capital. **Underwriter**—For 38,124 shares: Emanuel, Deetjen & Co., New York. Certain stockholders have agreed to subscribe for 82,202 shares.

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.

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 condiitoned 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.

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.

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. (9/9-10)**
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.

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.

★ **Springfield Fire & Marine Insurance Co.**
Aug. 21 (letter of notification) 7,620 shares of capital stock (par $10) to be offered to employees under a stock purchase plan. **Price** — Estimated at $39.50 per share. **Proceeds**—None. **Office**—1250 State St., Springfield 1, Mass. **Underwriter**—None.

★ **State Loan & Finance Corp. (9/23)**
Aug. 30 filed $12,000,000 of sinking fund subordinated debentures due Sept. 15, 1977 (with class A common stock purchase warrants attached). **Price**—To be supplied by amendment. **Proceeds**—To redeem debentures due April 1, 1960 and to reduce bank loans and other indebtedness. **Underwriters** — Johnston, Lemon & Co., Washington, D. C., and Eastman Dillon, Union Securities & Co., New York.

Statham Instruments, Inc. (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. (9/9-13)**
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.

★ **Suburban Life Insurance Founding Corp.**
Aug. 19 (letter of notification) 23,000 shares of 6% cumulative convertible preferred stock (par $1). **Price**—$10 per share. **Proceeds**—For general operating fund. **Office**—Silver Springs Bldg., Silver Springs, Md. **Underwriter**—None.

★ **Supervised Shares, Inc., Des Moines, Ia.**
Sept. 3 filed (by amendment) 300,000 additional shares of capital stock. **Price**—At par. **Proceeds**—For investment.

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. (9/9)**
Aug. 2 filed 217,286 shares of common stock (par $7) to be offered for subscription by common stockholders of record Sept. 4, 1957 at the rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Sept. 23, 1957. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter** — Stone & Webster Securities Corp., New York.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

Texas Eastern Transmission Corp. (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.

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.

● **Turbo Dynamics Corp.**
June 27 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—To purchase machinery and equipment; payment on company plant facility; and for working capital. **Office** — Virginia & Truckee Bldg., Carson City, Nev. **Underwriter**—Simmons & Co., 40 Exchange Place, New York, N. Y. **Offering**—Expected this week.

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 312,583 shares of common stock (par $10) being 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**—$19.25 per share. **Proceeds**—For investments in subsidiary companies. **Underwriter**—Kidder, Peabody & Co., New York.

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★ Unified Funds, Inc., Indianapolis, Ind.
Aug. 28 filed (by amendment) 270,000 additional shares of common stock (par $2). **Price**—At market. **Proceeds**—For investment.

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**—To be received up to noon (EDT) on Sept. 24 in Room 2033, Two Rector St., New York, N. Y.

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**—To be received up to noon (EDT) on Sept. 24 in Room 2033, Two Rector St., New York, N. Y.

★ Vanadium Corp. of America
Aug. 30 (letter of notification) 185 shares of capital stock (par $1.) to be issued upon exercise of an option granted on Sept. 25, 1956 to an employee of company. The option is exercisable on and after Sept. 25, 1957. **Price**—$42.40 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

★ Virginia Telephone & Telegraph Co. (9/6)
Aug. 21 (letter of notification) 6,756 shares of common stock (par $10) to be offered to minority stockholders on the basis of one share for each eight shares held as of Aug. 23, 1957. (An additional 27,844 shares will be purchased by Central Telephone Co., the parent.) **Price**—$16 per share. **Proceeds**—For construction purposes. **Office**—417 West Main St., Charlottesville, Va. **Underwriters**—Scott, Horner & Co., Lynchburg, Va.; Mason-Hagan, Inc., Richmond, Va. and C. F. Cassell & Co., Inc., Charlottesville, Va.

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.

★ Western Lead Products Co.
Aug. 26 (letter of notification) 187,500 shares of common stock (par $1). **Price** — $1.60 per share. **Proceeds** — To liquidate obligations accruing in the regular course of business. **Office**—4530 E. Pacific Way, Los Angeles, Cal. **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**—To be received up to noon (EDT) on Sept. 16 at Room 1306, 48 Wall St., New York 5, N. Y.

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.

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 4⅞% 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 Ship Corp.
Aug. 20 it was reported company plans early registration of $6,000,000 6% debentures due 1968 (each $100 principal amount with warrants to purchase one Coastal Ship common share and two McLean Industries, Inc. common shares). **Price**—At par. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

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. **Proceeds**—To help finance 1957 construction program, which is expected to cost approximately $84,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Expected to be received on Oct. 3.

Columbus & Southern Ohio Electric Co.
July 22 company announced it is planning to sell publicly in October an issue of $8,000,000 par amount of cumulative preferred stock. **Price**—To be determined later. **Proceeds**—To reduce short term bank loans. **Underwriter**—Dillon, Read & Co. Inc., New York.

Commerce Oil Refining Co.
June 10 it was reported this company plans to raise about $64,000,000 to finance construction on a proposed refinery and for other corporate purposes. The major portion will consist of first mortgage bonds which would be placed privately, and the remainder will include debentures and common stock (attached or in units). **Underwriter**—Lehman Brothers, New York.

Commonwealth Edison Co. (10/8)
June 25 company stated that it plans to offer $25,000,000 to $50,000,000 of new securities (kind not yet determined); no common stock financing is contemplated. **Proceeds** — For construction program. **Underwriter** — (1) For any preferred stock, may be The First Boston Corp. and Glore, Forgan & Co. (jointly). (2) For any bonds, to be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids** — Expected to be received on Oct. 8.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

Consolidated Edison Co. of New York, Inc. (10/22)
Charles B. Delafield, Financial Vice-President, on July 8 announced that the company has tentatively decided to issue and sell $50,000,000 of first and refunding mortgage bonds (probably with a 30-year maturity). This may be increased to $60,000,000, depending upon market conditions. **Proceeds**—From this issue and bank loans, to pay part of the cost of the company's 1957 construction program which is expected to total about $146,000,000. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on Oct. 22.

● 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 as of Oct. 16, 1957; rights to expire on Nov. 1. **Proceeds** — For construction program. **Underwriter**—Morgan Stanley & Co., New York.

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).

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.

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. (11/18)**
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. 18.

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. (9/11)**
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; rights to expire on Sept. 27. **Price**—$32 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—A. M. Kidder & Co., New York.

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.

★ **Maine Public Service Co.**
Aug. 27 it was announced that company plans to issue and sell publicly 50,000 shares of common stock. **Underwriters** — Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co., both of New York. **Offering**—Expected in November.

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. (11/18)**
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. 18.

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.**
Aug. 29 this company announced that it has deferred until the first half of 1958 its plan 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.

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.

★ **Occidental Life Insurance Co. of California**
Aug. 21 the Federal Reserve Board ordered Transamerica Corp. to dispose of its stock holdings in this insurance company on or before May 9, 1958. **Underwriters**—Probably Blyth & Co., Inc. and Dean Witter & Co., both of Los Angeles and San Francisco, Calif.

● **Ohio Power Co. (11/19)**
Sept. 2 it was reported that this company now plans to issue and sell $25,000,000 of first mortgage bonds due 1987 and has abandoned proposal to sell 70,000 shares of $100 par value preferred stock. **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 19.

★ **Otter Tail Power Co.**
Aug. 29 it was announced company plans to offer to its common stockholders the privilege of subscribing for a new issue of convertible debentures. **Underwriter**—Blyth & Co., Inc., New York and San Francisco.

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.**
July 29 it was announced that company planned to sell a new series of $30,000,000 first mortgage bonds on Oct. 9 at competitive bidding. On Aug. 29 these plans were cancelled and company sought approval of Indiana P. S. Commission to place $35,000,000 of 4⅞% bonds privately. **Proceeds**—To repay bank loans and for new construction.

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.

★ **Ryder System, Inc.**
Aug. 28 it was announced company plans to sell publicly in the Fall an additional 200,000 shares of its common stock. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., 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. (10/31)**
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.

★ **San Diego Gas & Electric Co. (11/7)**
Aug. 27 it was reported company plans to issue and sell $12,000,000 first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Salomon Bros. & Hutzler; Lehman Brothers; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co. **Bids**—Expected to be received up to noon (EST) on Nov. 7.

★ **Shamrock Oil & Gas Corp.**
Sept. 2 it was reported company plans offering in mid-October of $17,000,000 convertible debentures. **Underwriter**—The First Boston Corp., New York.

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 New England Telephone Co.**
Aug. 26 the Connecticut P. U. Commission authorized the company to issue and sell to its stockholders 679,012 additional shares of its capital stock (par $25) on a 1-for-8 basis. **Price**—To be fixed by company. **Underwriter**—None. Warrants to American Telephone & Telegraph may be sold at competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Salomon Bros. & Hutzler; Putnam & Co., Chas. W. Scranton & Co. and Cooley & Co. (jointly).

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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.

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 corporate new issue market will get away to a flying start next week on what promises to be a busy, if not record, Fall season. Scanning the calendar, it now appears that a total of no less than $345 million of new debt issues is on schedule for that period.

In addition there are several equity issues lined up for market. But only one of these, for Lehigh Portland Cement Co., is of really substantial proportions, 380,312 common shares and will be offered first to stockholders.

With this formidable array of new offerings due on the market, the rank and file of underwriters and distributors of new securities must have been impressed by last week's developments.

It now appears that Public Service Electric & Gas Co.'s offering, brought out on a 4.81% yield basis, put the damper on the market, at least temporarily. Prospective buyers would have been interested, it was indicated, around a 4.85% yield basis.

But the sluggish reception accorded the Pegs did, however, help Southern California Edison's offering, also rated Double A, and brought to market with a yield of 4.80%. It appears that the latter company's obligations are outstanding in less volume and therefore were a bit more attractive.

Experienced market observers, it appears, will not count last week's experience as unproductive if it has the effect of making for "realism" in bidding for competitive issues which are up next week.

Buyers in Command

Prospective buyers of forthcoming issues are well aware of the volume of offerings which has piled up, and the busy calendar extends well past the ensuing week.

In the circumstances, it is a foregone conclusion that insurance company buyers and portfolio men for pension funds and other fiduciary groups will be sitting back to look over the field.

So, as the Street sees it, **underwriters who intend to compete for next week's several competitive deals would do well to set their sights accordingly, that is with a view to what the investor demands in the way of return on his funds.**

Negotiated Deals

Several of the week's largest undertakings, including the largest, Sperry Rand Corp.'s $110 million of debentures with stock warrants, will be handled via the negotiated route.

This list also includes $30 million Texas Eastern Transmission bonds and $30 million of Lehigh Portland Cement Co. debentures, not to mention $30 million Kingdom of Belgium bonds.

And it's a cinch that the bankers who are slated to bring these offerings to market will price them in accordance with prevailing conditions. In other words, to afford yields that will attract the buyer.

Other Impending Issues

In addition to the issues already mentioned, next week will see Duke Power Co. open bids for $50 million of its bonds on Tuesday. The same day Westcoast Transmission Co. Ltd. has $25 million bonds due to reach market by negotiated offering.

Wednesday, New Jersey Bell Telephone will sell $30 million of debentures via competitive bidding and on Thursday, Philadelphia Electric Co., opens bids for $40 million of bonds.

Among the equity offerings which are spotted for the week are two bank offerings. Long Island Trust Co. will sell 26,320 common shares on Tuesday and St. Louis County National Bank will offer 30,000 shares the same day.

With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

FLINT, Mich.—Robert A. Green Jr. has joined the staff of A. C. Allyn and Company, Incorporated, Genesee Bank Building.

With Watling, Lerchen

(Special to THE FINANCIAL CHRONICLE)

KALAMAZOO, Mich.—Margaret B. Schau has joined the staff of Watling, Lerchen & Co., Commerce Building. Miss Schau was previously with Wm. C. Roney & Co.

Joins J. Lee Peeler

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C.—Seymour A. Sutorius is now connected with J. Lee Peeler & Company, Inc., Trust Building.

LETTER TO THE EDITOR:

Opposes Fixity in Price Of Monetary Gold

Contributors rebut gold standard article by Frederick G. Shull (*Chronicle*, Aug. 29) with assertion that price inflation since 1934 to date requires corresponding upward change in the monetary value of gold "before we will be able to return to any fixed and redeemable standard." Dr. Gutmann contends redeemability with a $70.00 gold ounce, unlike $35.00, would not require deflation, kill the patient, nor run counter to political and social considerations.

Editor, Commercial and Financial Chronicle:

The article "The Gold Standard: Retrospect and Prospect" [*Chronicle*, Aug. 29 issue] by Mr. Frederick G. Shull, proposes to return to the old Standard on the old basis. This is a deserving commendation, which would only work under the following conditions:

Dr. E. R. Gutmann

(1) Thirty five 1957 dollars would have to be **equal** to thirty five 1934 dollars (the official definition of the Gold Standard). As the value of the monetary unit in 1934 was par (100 cents) and is in 1957—50 cents—the units are **not equal,** they are at variance.

(2) As this discrepancy of 50% is an established fact—a return to the old Standard on the old 100% basis could **not** function because the magnitudes involved are **not** uniform. It would be an assertion of the contrary—a logical incompatibility. We see that a simple declaration of intent to return—full of good intentions as that would be—is not enough—to compensate for the damage already done. More drastic measures are required.

(3) A 1957 dollar under the 1934 Standard would therefore have no chance to run true to type. Instead of the **de jure** proportion of 100:100=35:35 in 1934, we are faced today in 1957 by the **de facto** proportion of 200:100=35:17½.

(4) The above equation demonstrates that thirty five 1957 current or **variable** dollars cannot be reconverted into thirty five 1934 or **constant** dollars — **at par** — because thirty five 1957 dollars are only equal to seventeen fifty 1934 dollars. A Gold Coin brought into circulation at the price of thirty five 1957 dollars would encounter the same fate. It would have to have — **half the size** — or if it should have the **same** size one would have to pay **double** for it. A proportion of: 200:100=70:35 would fill the bill.

Redeemability could also not be turned to use for many highly technical reasons—which I gave in detail in six previous articles in the *Chronicle.* The present relationship between Gold Stock and legally required coverage on the one hand, and domestic plus international withdrawal **potentials on the other** would render Goldcoin Circulation impractical.

(5) The figure of 200 in the equations given above under points 3 and 4 stems from the Consumer Price Index which stands at 200 today in 1957, taking B.L.S. Index 1935=1939 average as par (100). This magnitude of 200 would have to go all the way back to 100, the point of departure with no parts lacking in order to hold and sustain the **old** standard.

(6) Such a procedure is called **"Deflation."** It means that exactly the same amount of dehydration—to become free of water — would have to be applied to compensate for the exact magnitude of inflation or dilution, which already took place in the past.

It is a method which cures the disease by killing the patient.

It is hardly a way which could be expected to be undertaken voluntarily for obvious political and social reasons.

Just as the mechanical and technological interpretation of the **quantity** theory of money can not bring a final solution of this problem, the merchanistic proclamation of the old standard can not restore **quality.**

The attempt to do so would be a regrettable misconception of form and content.

Super money and substitute money will have to be consolidated **first,** before we will be able to return to any fixed and redeemable Standard.

There is no magic in numbers but moneys nature as a function—and organic link—and not an independent force—gives the doubt to people who complacently think that we can muddle through either by a mere declaration of intent or by inertial navigation.

DR. ERNEST R. GUTMANN
60 Broad Street, Room 1603-4
New York 4, N. Y.
Aug. 28, 1957.

Halsey, Stuart Offers 5⅞% Utility Bonds

Halsey, Stuart & Co. Inc. was the successful bidder yesterday (Sept. 4) for $1,500,000 Northwestern Public Service Co. first mortgage bonds, due 1987, naming a price of 100.75% for a 5⅞% coupon. It is expected that the bonds will be reoffered at 101.777% and accrued interest, to yield approximately 5.75%.

Proceeds from the sale of the bonds are to be used to repay a bank loan incurred in the company's construction program.

Northwestern Public Service Co. is engaged principally in furnishing electricity and gas in eastern South Dakota and gas in three cities in northern Nebraska. Cities served by the company include Aberdeen and Huron, South Dakota, and Grand Island and North Platte, Nebraska.

With Barret, Fitch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Gordon H. Hamilton, Jr. has become associated with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange. Mr. Hamilton was previously with Greene & Ladd in Dayton, Ohio.

Rodgers With Fahnestock

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John A. Rodgers, Jr., has become associated with Fahnestock & Co., 135 South La Salle Street. Mr. Rodgers was formerly with Bache & Co. and Fairman, Harris & Co., Inc.

With Bennett, Gladstone

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Michael H. Fitzgerald and Howard F. Werner have become associated with Bennett-Gladstone-Manning Company, 8417 Beverly Boulevard. Mr. Werner was formerly with J. Logan & Co.

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. 8	§82.7	*82.2	79.8	98.7
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 8	§2,116,000	*2,103,000	2,043,000	2,429,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 23	6,788,500	6,836,850	6,922,000	7,126,550
Crude runs to stills—daily average (bbls.)	Aug. 23	¶7,970,000	7,869,000	7,763,000	7,943,000
Gasoline output (bbls.)	Aug. 23	27,999,000	27,261,000	26,556,000	27,523,000
Kerosene output (bbls.)	Aug. 23	1,725,000	1,852,000	1,894,000	2,009,000
Distillate fuel oil output (bbls.)	Aug. 23	12,407,000	12,425,000	11,920,000	13,014,000
Residual fuel oil output (bbls.)	Aug. 23	7,713,000	7,843,000	7,764,000	7,831,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 23	171,897,000	172,136,000	175,698,000	175,816,000
Kerosene (bbls.) at	Aug. 23	32,219,000	33,021,000	30,611,000	31,521,000
Distillate fuel oil (bbls.) at	Aug. 23	149,671,000	146,703,000	133,822,000	134,381,000
Residual fuel oil (bbls.) at	Aug. 23	52,237,000	50,923,000	48,737,000	46,069,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 24	759,140	750,640	736,407	770,413
Revenue freight received from connections (no. of cars)	Aug. 24	618,146	606,828	589,712	640,124
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 29	$436,495,000	$257,744,000	$401,045,000	$616,641,000
Private construction	Aug. 29	162,766,000	104,251,000	206,232,000	465,535,000
Public construction	Aug. 29	273,729,000	153,493,000	194,813,000	151,106,000
State and municipal	Aug. 29	224,456,000	121,201,000	163,732,000	126,907,000
Federal	Aug. 29	49,273,000	32,292,000	31,081,000	24,199,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 24	9,880,000	9,600,000	10,010,000	9,829,000
Pennsylvania anthracite (tons)	Aug. 24	527,000	470,000	569,000	597,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 24	121	115	101	120
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 31	12,147,000	12,023,000	12,474,000	11,565,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Aug. 29	262	260	281	237
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 27	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Aug. 27	$66.42	$66.40	$66.40	$63.04
Scrap steel (per gross ton)	Aug. 27	$51.50	$53.00	$53.50	$58.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 28	27.800c	27.900c	28.450c	39.625c
Export refinery at	Aug. 28	24.925c	25.900c	26.575c	37.300c
Lead (New York) at	Aug. 28	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	Aug. 28	13.800c	13.800c	13.800c	15.800c
‡Zinc (delivered) at	Aug. 28	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Aug. 28	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Aug. 28	26.000c	26.000c	25.000c	25.000c
Straits tin (New York) at	Aug. 28	93.375c	94.125c	96.125c	99.250c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 3	87.60	87.52	87.39	91.18
Average corporate	Sept. 3	89.92	90.20	91.19	100.98
Aaa	Sept. 3	94.12	94.26	95.16	103.97
Aa	Sept. 3	92.35	92.64	93.38	102.80
A	Sept. 3	90.20	90.34	91.62	101.14
Baa	Sept. 3	83.53	84.04	85.20	96.23
Railroad Group	Sept. 3	88.27	88.40	89.92	99.52
Public Utilities Group	Sept. 3	90.34	90.63	91.34	101.47
Industrials Group	Sept. 3	91.48	91.62	92.20	101.97
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 3	3.56	3.57	3.59	3.21
Average corporate	Sept. 3	4.42	4.40	4.33	3.69
Aaa	Sept. 3	4.13	4.12	4.06	3.51
Aa	Sept. 3	4.25	4.23	4.18	3.58
A	Sept. 3	4.40	4.39	4.30	3.68
Baa	Sept. 3	4.90	4.86	4.77	3.99
Railroad Group	Sept. 3	4.54	4.53	4.42	3.78
Public Utilities Group	Sept. 3	4.39	4.37	4.32	3.66
Industrials Group	Sept. 3	4.31	4.30	4.26	3.63
MOODY'S COMMODITY INDEX	Sept. 3	415.8	419.2	430.9	426.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 24	263,400	260,018	246,869	229,682
Production (tons)	Aug. 24	289,054	286,966	282,617	270,150
Percentage of activity	Aug. 24	95	94	93	94
Unfilled orders (tons) at end of period	Aug. 24	447,297	477,075	433,554	425,635
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Aug. 30	110.27	110.39	110.16	108.81
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 10	1,275,240	1,195,170	1,863,070	1,662,390
Short sales	Aug. 10	254,060	210,600	392,820	280,800
Other sales	Aug. 10	1,073,470	1,039,990	1,531,980	1,386,030
Total sales	Aug. 10	1,328,130	1,250,590	1,924,800	1,666,830
Other transactions initiated on the floor—					
Total purchases	Aug. 10	215,170	152,970	394,810	317,940
Short sales	Aug. 10	22,300	12,300	31,700	18,900
Other sales	Aug. 10	229,600	145,720	371,000	321,310
Total sales	Aug. 10	251,900	158,020	402,700	340,210
Other transactions initiated off the floor—					
Total purchases	Aug. 10	396,140	340,870	644,290	682,097
Short sales	Aug. 10	80,540	47,190	75,770	80,310
Other sales	Aug. 10	468,745	367,770	639,970	753,466
Total sales	Aug. 10	549,285	414,960	715,740	833,776
Total round-lot transactions for account of members—					
Total purchases	Aug. 10	1,886,550	1,689,010	2,902,170	2,662,427
Short sales	Aug. 10	357,500	270,090	500,290	380,010
Other sales	Aug. 10	1,771,815	1,553,480	2,542,950	2,460,806
Total sales	Aug. 10	2,129,315	1,823,570	3,043,240	2,840,816
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. 10	1,297,282	1,200,138	1,679,737	1,382,828
Dollar value	Aug. 10	$65,612,799	$60,584,735	$90,589,510	$76,721,948
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 10	902,197	890,848	1,386,929	1,089,328
Customers' short sales	Aug. 10	9,427	8,078	8,180	6,899
Customers' other sales	Aug. 10	892,770	882,770	1,378,749	1,082,429
Dollar value	Aug. 10	$45,043,056	$43,945,336	$72,447,447	$56,535,994
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 10	195,760	229,350	329,050	272,250
Short sales	Aug. 10				
Other sales	Aug. 10	195,760	229,350	329,050	272,250
Round-lot purchases by dealers—					
Number of shares	Aug. 10	585,600	501,190	643,180	555,310
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. 10	459,590	366,710	563,020	497,060
Other sales	Aug. 10	8,308,560	8,840,780	13,316,810	11,418,760
Total sales	Aug. 10	8,768,150	9,207,490	13,879,830	11,915,820
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):					
Commodity Group—					
All commodities	Aug. 27	118.0	118.0	117.9	114.6
Farm products	Aug. 27	92.6	92.1	92.8	88.7
Processed foods	Aug. 27	106.7	106.8	106.1	103.3
Meats	Aug. 27	98.0	97.5	96.3	85.8
All commodities other than farm and foods	Aug. 27	125.6	125.7	125.5	122.3

*Revised figure. ¶Includes 1,202,000 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 ZINC INSTITUTE, INC.—Month of July:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	85,744	90,719	83,080
Shipments (tons of 2,000 pounds)	73,046	69,957	49,531
Stocks at end of period (tons)	146,153	133,455	102,775
Unfilled orders at end of period (tons)	28,296	28,822	53,559
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of July (in thousands)	$260,547,000	$193,303,000	$181,284,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of July 31:			
Imports	$230,647,000	$219,798,000	$270,216,000
Exports	507,145,000	501,593,000	237,205,000
Domestic shipments	13,701,000	15,111,000	13,816,000
Domestic warehouse credits	44,874,000	43,264,000	60,523,000
Dollar exchange	35,209,000	21,459,000	12,685,000
Based on goods stored and shipped between foreign countries	168,532,000	177,700,000	128,747,000
Total	$1,000,108,000	$978,925,000	$723,192,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of July (in millions):			
Total new construction	$4,403	$4,347	$4,420
Private construction	3,047	3,004	3,107
Residential buildings (nonfarm)	1,556	1,526	1,674
New dwelling units	1,125	1,085	1,260
Additions and alterations	391	401	371
Nonhousekeeping	40	40	43
Nonresidential buildings	774	786	788
Industrial	262	270	271
Commercial	307	309	332
Office buildings and warehouses	152	153	146
Stores, restaurants, and garages	155	156	186
Other nonresidential buildings	205	207	185
Religious	75	73	67
Educational	42	43	48
Hospital and institutional	41	43	26
Social and recreational	27	26	25
Miscellaneous	20	22	19
Farm construction	166	156	165
Public utilities	534	517	468
Railroad	41	40	41
Telephone and telegraph	99	96	94
Other public utilities	394	381	333
All other private	17	19	12
Public construction	1,356	1,343	1,313
Residential buildings	40	39	23
Nonresidential buildings	394	405	378
Industrial	41	43	33
Educational	249	254	231
Hospital and institutional	29	32	26
Administrative and service	37	38	35
Other nonresidential buildings	38	38	48
Military facilities	117	110	136
Highways	545	535	518
Sewer and water systems	120	120	122
Sewer	68	66	68
Water	52	54	54
Public service enterprises	33	38	41
Conservation and development	90	83	84
All other public	12	13	11
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of July:			
Manufacturing number	181	179	165
Wholesale number	74	95	85
Retail number	570	553	540
Construction number	153	164	141
Commercial service number	81	93	87
Total number	1,059	1,084	1,018
Manufacturers' liabilities	$14,039,000	$12,966,000	$9,005,000
Wholesale liabilities	4,892,000	7,156,000	12,809,000
Retail liabilities	12,715,000	17,715,000	11,945,000
Construction liabilities	7,629,000	10,066,000	7,488,000
Commercial service liabilities	5,024,000	3,551,000	7,442,000
Total liabilities	$44,299,000	$51,454,000	$48,689,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC. — 215 CITIES—Month of June:			
New England	$28,937,331	$28,928,277	$33,536,576
Middle Atlantic	101,987,405	109,067,241	106,779,549
South Atlantic	53,420,167	47,561,873	42,127,147
East Central	109,146,069	120,042,300	123,645,987
South Central	89,870,993	84,473,659	78,678,584
West Central	36,706,777	35,294,927	39,600,359
Mountain	25,343,009	20,289,611	27,816.615
Pacific	98,481,875	114,620,679	106,671,395
Total United States	$543,893,626	$560,278,567	$558,856,212
New York City	55,200,493	63,632,718	50,349,355
Outside New York City	488,693,133	496,645,849	508,506,857
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of July (000's omitted)	$764,000	$1,679,000	$731,800
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of July 31 (000's omitted)	$459,000	$454,000	$548,000
DEPARTMENT STORE SALES, SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average = 100—Month of July:			
Sales (average monthly), unadjusted	88	111	82
Sales (average daily), unadjusted	87	113	83
Sales (average daily), seasonally adjusted	121	117	116
Stocks, unadjusted	124	126	x116
Stocks, seasonally adjusted	136	134	127
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of July:			
Seasonally adjusted	144	144	136
Unadjusted	135	145	128
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of June (000's omitted):			
Savings and loan associations	$795,096	$839,887	$877,202
Insurance companies	118,516	124,820	165,485
Bank and trust companies	362,805	373,559	494,234
Mutual savings banks	125,546	120,520	161,659
Individuals	289,587	314,405	308,742
Miscellaneous lending institutions	336,919	371,079	410,122
Total	$2,028,469	$2,144,270	$2,417,444
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of July:			
Net sales	------	------	------
Net purchases	$182,398,500	$115,813,200	$49,212,500

Lewis-Davis, Inc. Opens

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Lewis-Davis, Inc. has been formed with offices at 524 South Spring Street to engage in a securities business. Officers are Harry Davis, Sr., President; Lucille F. Lewis, Vice-President; and Howard Lewis, Secretary-Treasurer.

Mutual Funds

By ROBERT R. RICH

SEC Loses Suit in Variable Annuities Case

In a decision of potential far-reaching significance, Federal Judge Robert N. Wilkin ruled on Sept. 3 that companies selling variable annuity life insurance policies are exempt from the jurisdiction of the Securities and Exchange Commission. The judge, according to an AP dispatch from Washington, dismissed a suit brought by the SEC and the National Association of Securities Dealers, Inc., to compel the Variable Annuity Life Insurance Co. of America, Inc., and Equity Annuity Life Insurance Co., to register with the Commission.

Under the variable annuity program, payments by policy holders would be invested in common stocks and the annuity payments would vary in proportion to the profits or losses sustained by the investment portfolio.

The Prudential Insurance Co. of America has been seeking without success in the past several years to obtain authorization by the New Jersey legislature of measures to permit the sale of variable annuities.

Television Fund Position Steady in Market Decline

Despite the decline in stock values in recent weeks, since the completion of its third fiscal quarter, the investment position and policy of Television-Electronics Fund, Inc., has remained unchanged from that reported to shareholders this week.

President Chester D. Tripp, in commenting on the comparatively severe market decline since July 31, said that the fund's management still maintained the long-range viewpoint on the growth potentials inherent in the electronics field in which the fund's assets are concentrated, and repeated his closing statement to be found in the third quarter report, that the "promising outlook for electronics and nucleonics remains unchanged in your management's considered appraisal of the future."

In the report, the fund executive cited anticipated reductions in defense spending and the general outlook for business in the balance of the year as dictating some adjustments in the fund's portfolio.

He told shareholders that, as of July 31, 88.9% of the fund's assets were in a well-diversified list of common stocks and convertible issues in the broad electronics field and that 11.1% was in cash or equivalent, which represents a relatively strong liquid position.

Television Electronics Fund closed its third fiscal quarter with total net assets at a new record of $156,783,659, an increase of 18.2% over the level of resources on Oct. 31, 1956, the end of its last fiscal year. Shares outstanding also reached record proportions, numbering 12,556,998, a gain of 13.3% in the same nine-month period. Net asset value per share, in the same period, increased 4.3%, from $11.79 on Oct. 31, 1956 to $12.49 on July 31, last, after deduction for a distribution of 55.7 cents per share from realized capital gains made in the first quarter.

Adjusting for this disbursement, Mr. Tripp pointed out, the capital value increase for the nine-months' period was 9%, compared with an increase in the general market, as measured by the Dow-Jones Industrial Average, of only 6.4% in the same time span.

The fund's report, which showed investments in 143 companies, detailed the important portfolio changes effected during the quarter. New common stock additions included 5,000 Aerojet General Corp., 16,800 Allegheny Ludlum Steel Corp., 20,000 Carrier Corp., and 22,500 General Motors Corp. The fund eliminated its equity positions in Bell & Howell Co., George W. Borg Corp., Electronics Corp. of America, Photon, Inc., Raytheon Manufacturing Co., Smith-Corona, Inc., and Union Carbide Co.

Major additions to common stock holdings were made in American Telephone & Telegraph Co., Consolidated Electrodynamics Corp., P. R. Mallory & Co., Marchant Calculators, Inc., Minnesota Mining & Manufacturing Co., and Royal McBee Corp. Reductions were effected in equities of Aircraft Radio Corp., Allis-Chalmers Manufacturing Co., Amphenol Electronics Corp., Corning Glass Works, International Nickel Co., Ryan Aeronautical Co., Sangamo Electric Co., and Western Union Telegraph Co.

These, and other changes, in the portfolio, Mr. Tripp told shareholders, do not reflect a basic alteration or deviation from the fund's investment policy nor its management's approach to long-range goals. "They mirror, instead, management's awareness of the fluid character of the investment field in which your fund is keyed," he said.

Pointing out that electronics and nucleonics are not static influences on the national economy, the fund official went on to say that it is "only natural that their pattern of growth should, at times, appear to mark time." This period, he concluded, may be such a "breathing" period and "may logically call for a more conservative disposition of your fund's assets, without in any way changing either the ultimate investment goal or the basic means to achieve it."

Templeton Fund Joins Axe Group

A three-year-old Canadian growth fund became the fifth member of the Axe family of mutual funds when shareholders of Templeton Growth Fund of Canada approved a decision by the Board of Directors to join with the Axe organization.

The fund has been renamed Axe-Templeton Growth Fund of Canada and the addition of the $4 million investment company lifts the total assets of Axe-sponsored funds to approximately $140 million.

Axe-Templeton Management, Ltd., is the fund's new investment adviser and Axe Securities Corporation is the general distributor of its shares. Templeton, Dobbrow and Vance, Inc., the former investment adviser, is under contract to supply statistical and other information regarding Canadian industries and securities.

Emerson W. Axe, President of E. W. Axe & Co., is the fund's Board Chairman, and John M. Templeton remains as President. Mrs. Ruth H. Axe, President of Axe Securities Corporation, is Vice-Chairman. Carl H. Rankin and Everett H. Seymour, Templeton Vice-Presidents, also carry over.

Mr. Axe and Mr. Templeton are Chairman and President, respectively, of Axe-Templeton Management. Mrs. Axe is Vice-President.

In voting to join with the Axe organization, the Templeton directors and shareholders also approved the continuous offering of shares to the public.

The announced objective of the Axe-Templeton Fund is long-term capital growth through concentration of investment in securities believed to represent expanding values in Canadian enterprises and the retention of all earnings at low tax cost.

Mr. Axe and Mr. Templeton, in a joint statement, foresaw the continued impressive growth of Canada's economy, "which is now entering into a new phases of industrial expansion, construction and road building."

"Axe-Templeton Growth Fund of Canada," they said, "has the investment guidance, research facilities and the economists, statisticians and analysts to serve those wishing to invest in the Dominion's future.

"The reputation of the Axe and Templeton organizations, the favorable economic situation in Canada and the tax benefits to investors in a Canadian fund should certainly make Axe-Templeton an acceptable and popular investment medium."

The fund offers investors cumulative purchase advantages and an investment plan for the accumulation of shares through periodic purchases.

Fund Course Offered Again By Harold Oberg

A fully accredited college course devoted exclusively to investment companies will be given during the fall semester at the Bernard M. Baruch School of Business and Public Administration of the College of the City of New York.

Key representatives of the investment company business will be guest lecturers during the course which will meet Thursday evenings from Sept. 19 to Jan. 16. Dr. Harold S. Oberg, Research Director of the National Association of Investment Companies and a member of the College faculty, will supervise the course.

Registration may be made now by mail. In person registration for the two-point credit course, Economics 168, takes place on Thursday and Friday, Sept. 12 and 13.

When the same course was offered previously it attracted one of the largest enrollments in the history of the Baruch school, and marked the first time a course devoted entirely to investment companies had been given for full credit at any college or university.

The subjects covered during the spring semester will include characteristics of open-end and closed-end investment companies, management procedures, investment company policies, management appraisal, methods of distribution, taxation, regulation of the industry by Federal and state laws, types of investment company shareholders and estate planning.

Atomic Fund Buys Into Metals-Controls

Newton I. Steers, Jr., President of Atomic Development Mutual Fund, Inc., announced that the fund has taken advantage of recent market weakness to add to its holdings of selected issues.

Additional shares purchased include 4,500 Homestake Mining, 18,000 shares Preston East Dome Mines, Ltd., 9,100 Combustion Engineering, Inc., and 3,500 Martin Co. Added for the first time to the fund's portfolio were 2,700 shares Metals & Controls.

Commenting on the purchases, Mr. Steers also stated that the fund has still to complete additional purchases of shares of an instrument company which are selling at a low price to earnings ratio considering its growth record and reputation for quality in the instrument and control field.

Martin Co. is looked upon as the logical developer of a nuclear-powered seaplane which, as a result of recent readjustments in the Air Force procurement program, may be produced before a land based atomic plane. Metals & Controls is expected to obtain a sizable share of the large fuel element business arising from the multi-billion dollar atomic navy now under construction.

Assets at High For Incorporated Income Fund

Net assets of Incorporated Income Fund, two and three-quarter years since the start of the fund, reached a new high of $78,320,973 on July 31, the 11th quarterly report reveals. The number of shares outstanding were 9,246,714, held by more than 27,000 stockholders, including a number of pension funds, churches, educational institutions, banks and associations.

Net asset value per share rose from $7.32 to $8.47 during the fund's existence, not including capital gain distributions of 77 cents per share.

Purchases during the three months ended July 31 included American Investment Co. of Illinois, American Tobacco, Atchison, Borg-Warner, Bridgeport Brass, Colorado Fuel & Iron, Commercial Credit, Continental Baking, Federal-Mogul-Bower Bearings, Great Northern, Illinois Central, Iowa Power and Light, KLM, Marshall Field, Montgomery Ward, N. Y., Chicago & St. Louis, Public Service E. and G., Revere Copper and Brass, R. J. Reynolds Tobacco, class B, Rockwell Spring and Axle, Seaboard and Storer Broadcasting; also Chicago, Milwaukee, St. Paul and Pacific 4½%, 2044, Michigan-Wisconsin Pipeline 6¼%, 1977, N. Y. Central-Michigan Central 3½%, 1998, and Compania Anonima Colgate-Palmolive notes, 6¾%, 1962.

Continued from page 2

The Security I Like Best

dex was 323. With the trend to more and more automation in both home and industry, the control industry should continue to outpace both GNP as well as some of the more publicized growth industries.

Control devices are the nerve centers of automation. They are used to regulate pressure and temperature and to measure and control the flow of gases and fluids.

In the residential field, there is an increasing demand for more and more complex control devices in heating, cooking, laundry equipment and air conditioning.

The industrial control field appears to have one of the most dynamic futures. With rising labor costs and pressure on profit margins, more and more control devices are likely to be used in manufacturing and refining processes. While this demand moves primarily with new plant and equipment expenditures, there is also a very sizable replacement and modernization market.

In defense work, control systems are becoming more complex and more important. Control devices are used extensively in aircraft, missiles and other weapons.

There are many competitors in one or more phases of the control business, but the three major well diversified companies are Minneapolis-Honeywell, Robertshaw-Fulton, and General Controls.

General Controls is the third largest of the diversified companies and is often referred to as the "Minneapolis-Honeywell of the West." This comparison is something of a misnomer inasmuch as 60% of sales are east of the Mississippi. The comparison with Honeywell is based not only on its high quality engineering, but because of the similarity of product mix. It operates through five main divisions: heating, industrial, appliance, air conditioning and refrigeration, and specialties. The company ranks first in the production of self-powered heat control systems for natural gas, and with the continuous growth projected for natural gas, this division should continue to show excellent results.

General Controls also ranks first in the manufacture of solenoid valves and this field is tied directly to the trend toward automation.

The company has wisely kept defense business between 10%-11% of sales as compared with over 30% for Minneapolis-Honeywell.

Three recent acquisitions that have added importantly to their base, are the Perfex Corporation (automatic controls), Production Instruments Co., Chicago (electric and mechanical counting devices), and the Potentiometer Division of Electrocircuits, Inc. of Pasadena. The Perfex and Production Instrument acquisitions give them a much broader position in the Middle-West and the East, while the Potentiometer Division puts them into the interesting growth field of precision potentiometers.

A study of the statistics shows that General Controls is no Minneapolis-Honeywell insofar as profit margins and earnings growth are concerned. However, the most interesting and strongest factors in the General Control picture do not yet appear in the figures.

Starting in the depression years with a few relatively simple control devices, the company has had a growth in sales that rivals most of the glamour group. Some idea of this growth is evident from the following index numbers; using the years 1947-1949 as a base:

	Sales Growth	*Net per Share
General Controls	404	155
Minneapolis-Honeywell	453	260
Robertshaw-Fulton	240	118
General Electric	234	185
Minnesota Mining	314	274
Alcoa	255	299
Du Pont	205	240

*Adjusted to Dec. 31, 1956 common shares.

While the sales record has been exceeded only by Honeywell in the above list, the net per share has not been impressive, but there are several reasons. During the postwar period, the General Control management has very wisely concentrated upon a program of sound product diversification and integration. They have been building a base for the future rather than exploiting a few product lines for immediate gain. Three important acquisitions were made through stock. So while earnings have been penalized, the program has given them a product base very comparable to that of the industry leader. They now have over 250 basic product lines serving many industries. During the postwar period, their depreciation has greatly exceeded that of their competitors. Last year, their depreciation as a percentage of sales, was 4.7%, twice that of their leading competitors. Therefore, while reported net earnings last year were $1.49 per share, the cash earnings per share were $3.18 for the same period. The Perfex acquisition has also been a drag on earnings. This division is now on its feet and should be regarded as a plus factor from now on.

At a recent price of around 21, General Controls could be bought at only slightly less than 6½ times last year's cash flow, compared to some 23 times for Honeywell's 1956 cash flow.

It appears that minimum 1957 reported earnings will be $1.65, so at current market, the stock is selling only 12.7 times compared to 27 times Honeywell's estimated $3.75. It is not to be inferred that General Controls' earnings should be capitalized as highly as those of Honeywell, but the great spread does not seem justified. I know of no other true growth stock with such an apparent bright future that can be bought for as little as something over six times cash flow.

The capital structure consists of $3.2 million long term debt, $2.6 million preferred and 800,925 common shares outstanding (1,500,000 authorized). The stock was listed on the New York Stock Exchange in July, and this should greatly widen the market. The current $1 dividend yields 4.8%, an excellent return for a growth stock.

Based on present capacity, I believe they are capable of sales of around $35 million. Last year's pretax margins were only 10%, but it appears that a near term expectation of 10%-12% is not unreasonable. If these margins are attained, near term earnings of between $1.90-$2.30 could be expected. Looking ahead to 1960, and a possible volume of $55 million, it is not difficult to see earnings of up to $3.50-$4 assuming some improvements in margins.

The management is dominated by the four Ray brothers and while this would be a negative factor in some cases, I believe this constitutes one of the General Controls' strongest assets. The Ray brothers are a group of completely dedicated men who literally live and breathe the company. Their goal is to build the company to a position of greater stature in the industry and they are determined, now that the product base has been widened, to concentrate on improving margins and efficiency. They are also supported by a team of 21 first flight personnel in all segments of their operation.

The company's incentive program has resulted in a loyal and high grade group of employees.

All divisions are currently operating at high levels in spite of a dip in new residential construction and a slowdown in new plant expansion.

I expect General Controls to continue an aggressive program of expansion in the future, but even on the present plant, the current market is only 9 to 11 times near term expected earnings. This, I believe, is outstandingly attractive for such a definite growth stock that seems certain to grow in stature and size over the years.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Down through the years the United States Senate has been dubbed the "World's most exclusive club," limited to 96 members.

There is a great deal more truth to the label than most people perhaps realize. Often Democrats and Republicans on the Senate floor verbally tear into each other with fury and "righteous scorn" for the benefit of the "record."

But back in the cloak rooms and in their public and hide-a-way offices it is not unusual for them, on the heels of a battle, to pat each other on the back, offer congratulations on their rip-snorting speeches and biting retorts.

If Republican Senator A meets Democratic Senator B and a group of Senator B's constituents, Senator A is likely to inform them that despite the fact that Senator B is a Democrat he is one of the outstanding members of Congress and a great credit to the Great State of X and to the Nation. Senator A knows that Senator B will do the same thing for him some day.

Constituents from the Great State of X are duly impressed by the brilliant encomium paid their senator by another.

Long-Range "Politiking"

This brief background points up to some of the political angles that took place recently off the Senate floor in connection with the highly political civil rights legislation that was enacted. The law can and probably will have a bearing on the outcome of the 1958 and 1960 National elections.

Few people perhaps, realize that both Senator Lyndon B. Johnson, the Democratic leader from Texas, and Senator William F. Knowland, the Republican leader from California, got "hurt" in the scrap. However, each also came out of the battle with some plus marks to their political credits.

Senator Johnson would like to be his party's nominee at the 1960 Democratic convention. He not only voted for the bill, but discreetly aided in steering it on the course to final passage. He made sure that he neither offended the Old South nor Northern Democrats.

Senator Knowland, who could become the Republican party's Presidential nominee in the event Vice-President Richard M. Nixon becomes sidetracked along the way, is the first Republican leader in a generation to let a civil rights bill come to the floor on a direct vote.

The political stakes are high. Both Johnson and Knowland are in a position to have a powerful voice in the next national conventions of their respective parties.

An Important Speech

While the political civil rights measure was sent to the White House, some members of Congress were still pointing to a pertinent speech delivered in the House in the closing hours by one of the most respected and influential members. Although the speech attracted no National attention, because it was not delivered by a National figure, the remarks have members of both major political parties thinking.

The talk, delivered off-the-cuff and covering about 10 minutes, was made by Representative William M. Colmer. He is dean of the Mississippi delegation and a leader of the Conservative bloc in the House. Ranking Democratic member of the House Rules Committee, he is not a strict party man but is aligned with Republican colleagues oftentimes. Neither Democrats nor Republicans have ever accused him of demagogic remarks.

Perhaps the sharpest political criticism ever directed against him has been unofficial, off-floor remarks as "it is a lot easier for him to be a segregationist in Mississippi than in New York."

Warns Both Parties

He took the floor and called a political spade a spade. Neither Democrats nor Republican leaders liked what they heard. He bluntly told Republicans that as a result of their actions in the civil rights issue they may as well forget about wooing the South into their fold through party realignment.

Then turning to the Democratic side of the historic chamber, he accused, "without bitterness or rancor," Northern and Western Democrats of deserting the South to which they "owe so much." Therefore, he said the South has but one alternative.

"It must," said he, "become like the NAACP, the CIO and the ADA, an organized militant minority group, if its once powerful voice is to again be heard in the political and legislative arenas."

". . . But Lose the Battle

The tall Southerner then dropped some words that nearly everybody already knew, but did not dare say. He said it was obvious Republicans were seeking to recapture the Negro vote "stolen from them" during the Roosevelt administration 20 years ago. On the other hand, he said the Democrats are anxious to try and keep the vote from being taken away from them.

Because the Republicans occupy the White House, he said the vote of the Negro appeared likely to give the "Great White Father in the White House" credit for the "alleged benefits." He added: "Thus, the Democratic high command may win the skirmish, but lose the battle."

For Home Consumption

The whole civil rights scrap pointed up a story attributed to two acid-tongued Congressmen of a few years ago, Vito Marcantonio, an extreme left wing member from New York City, and fiery John E. Rankin of Mississippi.

They tied up in a fierce verbal duel one afternoon. Their bitter words stung each other like whips. After the smoke of battle cleared, Marcantonio (so the story goes) walked off the floor and out in to the Speakers' lobby and patted his colleague on the back. Said he:

"John I don't know what I would do if I did not have you to run against back there in the Bronx." Whereupon Rankin snapped: "You don't hurt me a dang bit back in Mississippi either."

Breaking Motorists' Back?

A tax storm signal, although it could be only temporary, has been raised. The 1956 created Highway Trust Fund has fallen short of estimated yields from the additional tax on motorists by about $60,000,000.

Although not serious, it could become serious if the motorists should restrict his driving because of the ever-rising cost of owning and operating an automobile. Some House Ways and Means Committeemen say they are convinced the tax on the autoist, both open and hidden, have gone as high as they can go, lest there be a gradual decline.

Tax Bills "Lost"

Staff members of the House Ways and Means Committee said it is accurate to say that the total number of "tax reduction bills" introduced in the first session of the 85th Congress will amount to "a few thousand." Only one was enacted. It lifted the transportation tax as far as the movement of personnel in the armed services is concerned on common carriers. The House passed a bill that would reduce the cabaret tax from 20% to 10%, but the Senate Finance Committee took no action on it.

In January, after many members of Congress are back from junkets to Far Away Places, both Democrats and Republicans will seek to gain credit for their parties by trying to reduce taxes in some categories. However, only a modest income tax reduction appears possible at this time.

Hearings on the tax cut proposals will begin shortly after Congress reconvenes right after the New Year begins.

[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

"So!—When my stocks were up I was a shrewd investor—now when they're down I'm a gambler!"

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Roger P. Skinner is now with Merrill Lynch, Pierce, Fenner & Beane, 311 C Street.

With Pac. Coast Secs.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert J. Keane is now connected with Pacific Coast Securities Company, 240 Montgomery Street.

Reynolds Adds Two

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Harry B. Mew and Daniel Nyhan have joined the staff of Reynolds & Co., 425 Montgomery Street.

Joins Lawson Levy

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Rodney C. Morse is with Lawson, Levy & Williams, 1 Montgomery Street, members of the Pacific Coast Stock Exchange.

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.

Blyth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

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