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EDITORIAL

As We See It

Once again in recent weeks the public has been regaled with evidence piled on evidence of corruption among the leaders of labor in this country. This time the revelations have centered about the union of the teamsters who no longer drive horses or mules but the nation's millions of trucks. To some the utter want of contrition on the part of those whose guilt can not be doubted is simply incredible. To them the indifference, or worse, of the rank and file of union members, who are the exploited in these cases, is about equally astounding. Yet, of course, this is unfortunately not the first time that similar phenomena have been observed. On the contrary, the record is replete with revelations of an essentially similar nature.

This is a record which should cause the people of the United States to hang their heads in shame. Yet there is a great deal that such revelations as these do not concern themselves with a great deal which is at bottom, about on a par with the corruption now being blazoned daily across the front pages of the press. Some of the union officials now warrantably condemning the teamsters and their leaders have no apology to offer for the sit-down strikes of the 'Thirties or of the mass picketing of this day and time which does not in practical effect differ much from the sit-down technique. None of the leaders, who may or may not decide to do anything about Mr. Beck and his associates, trouble themselves about the injustice of denying workers the right to employment unless and until they bow to the demands of the union bosses and pay for the privilege that the Constitution of the United States and the laws of the land are supposed to assure them. To all this

Continued on page 26

Atomic Developments for The Railroad Industry

By EDWARD J. KEHOE*
Staff Assistant to the Manager
Albuquerque Operation, ACF Industries, Inc.

Potentialities of atomic units replacing diesels and present fueling equipment, and of radiation sterilization eliminating ice and mechanical refrigeration are explored by Mr. Kehoe who anticipates operation of first atomic locomotive by 1960 and a competitively operating one for long hauls by 1970. Claims there are no technical hurdles which are insurmountable in the design, construction and operation of such a locomotive. Sets forth timetable showing eventual use for an atomic central power plant by a railroad which is already electrified, such as the New Haven.

The purpose of this paper is to review the application of atomic energy to the railroads without delving into the intricacies of nuclear technology, except for a few basic terms. Practical railroad men, are interested primarily in the effects of the atom and not in its internal structure.

Edward J. Kehoe

Whether we like it or not, the atomic age is here. There will be an atomic locomotive. Every major development in the field of atomic energy will affect the railroads one way or another. It is certainly in order that railroad management watch the atom.

We have all heard so much about atomic energy during the last 10 years that many of us, understandably, have become confused. Therefore, we shall consider a few basic properties of our atom before studying the railroad applications. The detonation of the atomic bomb

Continued on page 29

*An address by Mr. Kehoe before the Ninth Pan American Railway Congress, Buenos Aires, Argentina, Sept. 12, 1957.

The Petroleum Industry's Huge Capital Requirements

By R. B. JOHNSON*
Security Analyst, Schwabacher & Co., San Francisco, Cal.

Projecting greatly increased oil demands for 1965 and 1975, oil analyst discerns no insurmountable supply difficulties but does depict enormous upward capital cost trend in making petroleum available. Mr. Johnson refers to estimates showing that in the next decade U. S. oil firms will require $73.5 billion and foreign firms $41.5 billion—or capital expenditures nearly double the existing gross fixed assets of the total free world oil industry. Expects American firms to generate 85% of needed funds internally and the market to supply the remainder; providing the industry's strength and the free nations' prosperity continues.

For most of us the question of petroleum demand suggests a relatively simple solution . . . we drive 'round to the local service station and say "fill it up, please." Petroleum economics is scarcely a consideration. As for the capital costs of petroleum, probably the greatest significance for most of us, lies in the $5 bill we give the station attendant for the gasoline. However, to petroleum economists the terms **demand supply**, and **capital costs** carry added implications. For example, to such professionals the **demand** for petroleum suggests the rate at which America consumes its petroleum supplies . . . not just as gasoline, but in the form of all the 2,000-plus products that are derived from our great reserves of both crude oil and natural gas.

R. B. Johnson

The **supply** of petroleum suggests the rate at which these reserves become depleted. And the **capital cost** of petroleum refers to the monies required to find—and to make avail-

Continued on page 26

*An address by Mr. Johnson before the Downtown Optimists Club of San Francisco, Aug. 14, 1957.

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

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Western Utilities Corp.—Iskander Hourwich, Partner, Hourwick & Co., New York City. (Page 2)

C. G. Glasscock-Tidelands Oil Co.—Lawrence F. Smart, Securities Dealer, New Orleans, La. (Page 2)

ISKANDER HOURWICH
Partner, Hourwich & Co.,
New York City

Western Utilities Corporation

The writer has discussed in these columns during the past several years common stocks of three independent telephone operating companies. Southwestern States Telephone was recommended in September, 1951 at $15 per share as compared with its interim high of $22 (currently, $20\frac{1}{4}$-$20\frac{3}{4}$). Telephone Bond and Share was recommended in September, 1953 at $15\frac{1}{2}$-16. Valuable rights were issued in the ensuing interval on two occasions and the successor company has since been merged with General Telephone at a resulting price to Telephone Bond's stockholders in the neighborhood of 35. Florida Telephone was recommended in December, 1955 at 18-$18\frac{3}{4}$ compared with its recent high of $24\frac{1}{2}$.

Iskander Hourwich

I continue to favor securities of the independent telephone industry as presenting an unusual opportunity to the discriminating investor combining as they do a relatively defensive position, an assured and growing income, and the prospects of impressive capital gains.

Western Utilities common stock in my opinion is the outstanding purchase, currently, in this field.

The corporation, organized 1928, acquired, through merger in June 1955, a stock interest in three independent telephone operating companies, one of which also derives a part of its revenues from the supply of water. Though this ownership in no case is over 16% of the outstanding shares, the management is identical in all three companies with the parent. It is believed to constitute effective control of the affiliated companies.

These companies serve approximately 375,000 subscribers without competition in communities of California, Washington, Oregon, Texas, Oklahoma, Arkansas and Louisiana. In general these communities are in an area showing a population growth substantially above the national average, largely because in many cases the affiliated companies serve the suburban areas of large cities and the trend everywhere is to suburban living. As an example, the Everett District of West Coast Telephone Company includes six communities adjacent to Seattle, Wash. At Richmond Beach in this area, there were 782 telephones in 1946. At the end of 1956 these had grown 514% to 4,801. At Halls Lake the increase in the same decade has been from 1,598 telephones to 10,490. The Beaverton District of the same company serving the general vicinity of Portland, Ore. showed a gain in telephones from 896 in 1946 to 7,215 in 1956, a gain of 705%.

The same growth is being experienced by the other affiliates. For example, in the North Division of the Southwestern States Telephone Company a part of its operations are in the Fort Worth-Dallas Region. The number of telephones in the City of Irving, immediately adjacent to the City of Dallas, increased from 789 in 1946 to a total of 8,749 at the close of 1956.

The Monrovia District of the California Water and Telephone Company, primarily residential in character, nevertheless is well known for the expanding electronics industry. Outstanding companies such as Consolidated Electrodynamics Company have plants in the area. Ten years ago the district served 6,713 telephones. At the end of 1956 this had grown to 26,550.

It is estimated that the overall population served is in excess of 1,000,000 people.

The economic bases of the areas served are unusually diversified. Two major oil fields are served in the Texas operation. Pulp, paper and lumber are important industries served in Washington and Oregon. General agriculture and live-stock raising are of varying importance to all three of the companies. The operations of the California affiliate are primarily in suburban residential centers though substantial industrial activity has developed in recent years even in such centers. About 30% of the gross revenues of this operation derives from the supply of water. Some of the larger communities in the area are Monterey, Carmel, Palm Springs, and portions of Pasadena and Los Angeles.

The principal assets of Western Utilities Corporation are common shares of the following companies:

California Water and Telephone Company: 180,919 shares or approximately 13.29% of the outstanding issue.

West Coast Telephone Company: 160,000 shares or 16% of the outstanding issue.

The Southwestern States Telephone Company: 30,173 shares or 4.72% of the outstanding issue.

Acquisition of Thornhill Publication Co. of Everett, Wash., through the exchange of stock, was announced Oct. 15, 1956. This is a producer of telephone directories to some of the affiliates and other independents.

The scope of the combined operations of the affiliates is impressive.

At Dec. 31, 1956 gross property accounts were over $139,000,000. Gross cash expenditure for construction in 1956 was in excess of $25,000,000. Operating revenues were over $37,000,000. Net income available for dividends on preferred and common shares was in excess of $5,200,000. A total of 256 telephone exchanges were in operation serving 374,161 telephones with a total personnel of about 4,200 employees.

The company reported earnings on the common stock of 35 cents a share in 1956, a slight increase from the 32 cents shown in 1955. However, the earnings represented only that income received in dividends from the affiliates without reference to equity in undistributed earnings. Several of the affiliates have recently increased these dividend rates and the 1956 results do not fully reflect the earning power of the directory affiliate acquired in mid-1956.

The common stock currently sells at about $5\frac{1}{2}$. The book value, based on the balance sheet valuation cost of the company's assets, is $6.45. Based on the book value of the underlying shares owned, without reference to their market prices, the shares of Western Utilities have a book value of $6.04. However, based on the current market value of the shares owned, purchase of Western Utilities can be made at discount of 15% of its $6.60 book value.

Western Utilities is currently paying seven cents quarterly or about 5.1% at the current market. A small year-end extra is possible and likely.

LAWRENCE F. SMART
Investment Securities Dealer
New Orleans, La.

C. G. Glasscock-Tidelands Oil Company

Overlooked in the glamorous Off-Shore oil business is the common and $1.25 convertible preferred of C. G. Glasscock-Tidelands Oil Co. Stocks of many similar companies have justifiably doubled, tripled and gone even higher in the market, whereas Glasscock first offered on Dec. 16, 1954 at 11, subsequently going to a high of $28\frac{3}{4}$ in 1955, never going lower than $10\frac{1}{2}$, is now available under 15. The convertible preferred stock exchangeable into 1.15 shares of common, offered at 25 in early 1956 yields better than 6% at its present price of around 20. Dividends are believed to be non-taxable on the preferred, the amounts received should be used to reduce the purchase price of the stock. Capitalization consists of 1,215,000 shares common (1,613,500 if preferred fully converted) 350,000 shares 1.25 convertible preferred and $4,268,674 long-term debt.

Lawrence F. Smart

Their competent and experienced management dates back to 1917. In addition to successfully producing oil and gas for its own account Glasscock is a major offshore contract driller, being among the three largest companies of this nature. Its equipment, reputation and ability to drill in both the shallow and open waters of the Gulf of Mexico are highly regarded among the major oil companies. The Gulf of Mexico, bordering Texas and Louisiana is estimated to contain 18 billion barrels compared to the 30 billion of reserves in Continental United States. This gives Glasscock, with its know how in the Gulf, future opportunities for participation deals.

Equipment consists of three conventional land rigs, eight barge mounted rigs, and the Mr. Gus II, a large mobile drilling barge capable of drilling in waters over 120 feet deep. This one barge cost over $6 million, total equipment cost $9,814,226.

The Mr. Gus I, costing $4\frac{1}{4}$ million and fully insured, overturned this spring after $1\frac{1}{2}$ years of successful drilling, causing a loss of income of almost $10,000 per day. This accident was due to the Gulf floor caving in under one side of this barge, something unlikely to ever happen again in the Gulf. All equipment has been recovered and restored and will be put to use

Continued on page 40

Outlook for Business And the Stock Market

By RAGNAR D. NAESS
Naess & Thomas, Investment Counsel

For the next number of months, Mr. Naess suggests "reducing common stockholdings on a scale up," and predicts that in a matter of months the downward business readjustment should be completed. Singles out high interest rates, and not the business outlook, for having a dampening and "salutary" effect on stock prices. Emphasizes importance of extreme selectivity, and does not advise making switches in one's portfolio that will reduce quality and long-term performance in order to take advantage of a temporary situation for the time being.

The recent decline in stock prices has again caused a dramatic change in investment sentiment in a relatively short time. This is another example verifying our general attitude towards common stocks over the last year or two that the period we are now going through is a difficult one for investors as well as for investment managers.

Ragnar D. Naess

The forces that work on the security markets at present are extremely complex and difficult to judge because of the great economic and social changes that have taken place during the last two decades. From the point of investment managers the experience of the orthodox "boom and bust" conditions may be easier to appraise and to interpret than the conditions that have prevailed more recently. This is because a "boom and bust" economy and stock market can at least be classified readily as black and white, while the recent business and market developments have been far more complex and can only be classified as grey.

No Serious Decline Ahead

We have experienced a prolonged and powerful boom which perhaps under the more orthodox conditions of past booms might have ended some time ago. This boom, however, has been kept alive by reason of such extraordinary and in some cases historically new developments as the continued and apparently relentless wage inflation, the extraordinary technological advances since the war arising from research, the rapid growth in population, the huge government expenditures for defense and the need for very large public and semi-public expenditures by states and local governments. The result is that as far as one can determine, there have not as yet developed sufficiently serious basic economic maladjustments during this boom to conclude that a serious and prolonged business decline will develop immediately ahead.

During the twenties productivity rose more rapidly than wage rates while so far in this boom, wage rates have increased faster than productivity and real wages have been rising. The wage inflation continues to be a strong and basic impetus for manufacturers to spend for new and more modern facilities. Individual savings rose relatively little in the twenties as against the huge savings which accumulated during the war and the postwar period and the present rate of savings which is still very high. During the twenties corporate tax rates were low as compared with those now in effect so that a sharp rise in the cost of borrowing does not have nearly the dampening effect upon the willingness of industry to spend for capital improvements. Competitive conditions today require a far more forward looking policy for a successful and profitable management record than was necessary 30 years ago.

Among the many facets of this particular basic change we might call attention to the difference in pricing policies now as against those of 30 years ago. Excess capacity and lower demand does not necessarily lead to severe and perhaps ruinous price cutting. In fact, industry has shown a statesmanlike attitude as exemplified by the present pricing policies in steel and autos. Despite extremely competitive conditions these industries have been able to absorb the increased cost of labor through price increases.

Another important change that has occurred has to do with the character of economic readjustments. Since the war piecemeal readjustments by individual industries have avoided the accumulation of more serious and general economic maladjustments which would require a serious decline in business for their resolution. This happy state of affairs may have been a matter of luck or happenstance, but whatever the cause, it contrasts with the character of economic readjustments in the past.

A detailed appraisal of present economic trends lead me to the conclusion that we are not faced with a serious business decline during coming months. We are and have been faced with a moderate downward readjustment in business which should be completed at the latest within a matter of months.

Explains Stocks' Weakness

The weakness in common stock prices at the present time must therefore be explained largely by factors other than the business outlook. Among these, I continue

Continued on page 17

INDEX

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Withdrawal to Prepared Positions

By DR. IRA U. COBLEIGH

Enterprise Economist

Some contemporary field notes on the assumption of a defensive position in the market through purchase of convertible bonds.

Today's topic is borrowed from military tactics. It refers specifically to a definite move into a defensive position, for the time being, to provide reasonable assurance against losses, and frequently to consolidate forces for a renewal of the offensive later on. The phrase has a peculiar aptness for our security market today. Many leading investment trusts (especially so-called balanced funds) and quite a few of the large individual accounts, particularly those supervised by investment counsel, have, in the past year, moved substantially out of stocks into bonds. This has been done either under the guidance of some formula or principle calling for increased switching into bonds as the stock market advances above certain points, or out of recognition of the simple fact that bond vis-a-vis stock yields are presently more attractive than for 22 years.

Ira U. Cobleigh

On either basis, the real reason seems to be that opportunities for important gain in the stock market are not thought to be numerous, and the possibility of at least a short range decline in share prices is anticipated by a considerable group of informed and erudite investment managers. Hence the retreat to prepared positions—to be specific, quality bonds.

Obviously, in implementing investment defense against market decline, not just any old bond will do. A move, for example, into second grade bonds or all but the very highest grade preferreds, will not achieve the defensive purpose as such securities, although technically senior ones, may follow the stock market down, and prove poor bastions of defense. We must have high grade, highly marketable bonds (or, for those of a storm cellar mind, cash).

Many sensible investors yearn, however, for some middle ground. They may perceive the need for a sturdy defensive position, i. e. good bonds, yet are always casting a longing look over their shoulders at the stock market which is ever able, in its own capricious way, to confound the savants and rise to new heights on an event or a state of mind, in apparent defiance of statistical realities. For such investors, the genius of the "economic man" has indeed provided a middle ground, the hero of today's piece — the convertible bond.

The dual or, you might say, schizophrenic nature of this exciting financial hybrid, has caused the coining of many phrases respecting it—"two strings to your bow," "hedging your bet," "having your cake and eating it too," "a straddle," "the bond without a top," "a switch hitter," etc. (If you have other cute descriptive phrases about "converts," send them in to me. I collect them — the phrases, not convertibles!)

Now there are, of course, dozens of convertible bonds around, but we must arbitrarily rule out a lot of them. Many are not of high enough grade to qualify for the defensive assignment we have in mind, and some, frankly, are little more than common stocks with coupons. So we rule them out. What we're looking for is the convertible debenture of a major top grade company, selling just as closely as possible to an investment yield basis (the price it would sell at if it has no conversion privilege). In other words we want the conversion privilege, but we hope to pay as little a premium for it as possible. Secondly, we'd like the conversion price to be fairly near at hand, preferably within ten percent of today's quotation on the subject common stock. Thirdly, we ought to be bullish about the long run possibilities of the company's common. If we don't think it's going anywhere why buy the "convert?" Fourth, we should seek as long a conversion period as possible (preferably for the life of the bond). We'd like the conversion price to remain constant, too, and not be stepped up after a couple of years. We don't see any sense in listing the "yield to maturity" on converts since few of them remain outstanding till maturity anyway. Most are called in for redemption, usually to force conversion.

It so happens that right now we have a broader selection of "converts," meeting most of the foregoing specifications, than at any time in years. The recent sell-off in the stock market has knocked ten or twenty points off a lot of convertibles, and placed them definitely in a buying range. Further, in certain growth companies, where the practice has been to retain the lion's share of net earnings for internal expansion, the income from investment in the convertible bond is actually equal to or higher than from dividends on an identical sum of money placed in the common. (Burroughs 4½s of 1981, Dresser 4⅛s of 1977 and General Telephone 4½s of 1977 fall into this category.)

Switching, for the moment, from the investor viewpoint to that of the issuing corporation, there is much sense in floating convertible bonds today. They are easily saleable, and involve less underwriting cost than raising the same capital through a stock issue. Further, with interest rates moving up the way they have been, there's an important interest saving in a "convert." A convert can be sold at the same price bearing from a ¼% to a ½% lower coupon than a straight debenture. And, of course, the ultimate effect of all convertible debentures is to sell to the public common stock at a price substantially above that prevailing at the time of the bond flotation.

Now since good "converts" are such a fine thing both for the issuing corporation and for the investor who wants a defensive position on a two way street, it's high time we got down to the business of selecting issues that can perform effectively all the functions of defense delineated, and afford, at the same time, a fine vehicle for capital gain, should the market zoom again. A list of those we like will be found in the accompanying table.

Here then is an attractive shopping list of convertibles of merit. By no means complete, but quite representative. Only three sell at a premium and those are included on the basis of quality, yield or potential for market gain—or all three. Note particularly the major recession of these issues from their 1957 high, and the very real buying opportunities presented on the basis of current yield.

Invariably when such a list it presented, there are those who complain that X issue was omitted and those who inquire which one is the very best to buy right now. About the omissions, we have already apologized for same. As to which is the best value, lacking a sensitive enough crystal ball, we can't provide the answer. At present levels it would rather seem that Douglas Aircraft 4s and RCA 3½s are the least likely to sell below current quotes. On the up side, the best performer during the next 12 months would probably be found in Colorado Fuel, Combustion Engineering or Phillips Pete.

To conclude our remarks on this lively current topic, let's say that a group of converts like this would be a rather confortable list to hold currently; that these issues enjoy splendid market activity and are magnificent bank loan collateral; and considering average yield, they afford an excellent and quite inexpensive call on eight lively equities. The defense rests.

Quotations Below Taken From Market Closing 9/6/57

Issue	Price	Approxi. Investment Worth	Conv. into No. Shs. Common	Value in Stock	Current Yield %	1957 High
American Machine & Foundry 5s due 2/1/77	108½	93	26.1	97¼	4.80	116
Colorado Fuel & Iron 4⅞s due 1/31/77	98¾	90	33.3	96¼	4.91	108⅜
Combustion Engineering 3⅜s due 6/15/81	97	82½	33.3	93¼	3.50	115½
Douglas Aircraft 4s due 2/1/77	89	88	10.5	68¼	4.49	108⅜
W. R. Grace 3½s due 5/15/75	97	85	19	93¼	3.61	110¼
General Telephone 4½s due 6/1/77	101¾	91	21.7	87	4.47	109
Phillips Petroleum 4¼s due 2/15/87	105½	95¾	20	86	4.06	115
Radio Corp. 3½s due 12/1/80	92	85¼	20	69	3.89	102¾

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 in the main suffered some curtailment the past week, due to the Labor Day holiday. In the steel industry a current forecast by one trade authority asserts that steel ingot production this year could be the second best in history, adding that there is a good chance that more than 116,000,000 ingot tons of steel will be made this year as compared with 115,000,000 tons in 1956 and 117,000,000 tons in 1955. Another encouraging sign is the fact that steel operations have pointed upward for four consecutive weeks.

The automotive industry continues this week to be optimistic with respect to the reception of its 1958 models and, according to "Ward's Automotive Reports," is showing no concern over the 1957 model cleanup sales and the current 800,000-unit-plus new car inventory.

During August, work in the construction field hit a record $4,600,000,000, or 4% above July's total, a joint report of the United States Departments of Commerce and Labor states. The two departments jointly issue the measurement of actual construction work accomplished each month, as distinguished from housing starts of projects completed.

The August rise from the month before was more than the usual seasonal upswing, the report revealed, but July's level had been lower than usual because of widespread cement strikes.

The principal source of strength in construction activity this year is increased spending for practically all types of public work, the departments further noted.

The total value of construction contracts awarded in July $2.9 billion, down 4% from July 1956, according to the F. W. Dodge Corporation. While non-residential construction showed a year-to-year decline of 11%, residential climbed 13% over last year. The number of housing units contracted in July totaled 95,696, 7% higher than those of the similar 1956 month. The cumulative total of all contracts for the first seven months of 1957 exceeded that of the comparable period last year by about 3%.

In the copper industry large American copper producers on Tuesday of last week cut their price by 1½ cents a pound to 27 cents, the lowest quotation in more than four and a half years. Custom smelter concerns went down a half cent to 26½ cents and the price in London hit another four-year low, slumping on the Metal Exchange to the equivalent of 24⅞ cents bid, a new low since early August, 1953, when free trading was resumed after a 14 year shutdown stemming from World War II.

World over-production of copper and a protracted slump in consumer buying are the twin factors mostly to blame for copper's price plight, industry sources declared.

However, some copper trade authorities are looking for a pick-up in buying this fall.

Taking a look at the nation's employment situation it is noted that new claims for unemployment benefits filed by workers under the Federal-state jobless insurance program rose slightly in the week ended Aug. 31, according to the United States Department of Labor.

In the latest week, new claims totaled 190,100, up 4,400 from the preceding week. They were 15,200 above new claims in the like week last year.

The department stated that 21 states reported increases in initial claims, notably Michigan with a rise of 7,300 and Ohio with an increase of 1,500. The Michigan rise was attributed to temporary layoffs for model changes by auto plants. A shutdown of two Dayton auto plants for inventory-taking caused the increase in Ohio.

During the week ended Aug. 24, the report noted, total insured unemployment declined by 20,600 to 1,139,800, the lowest weekly total so far this year. Seasonal improvement in outdoor work and in the textile, apparel and food-processing industries was reported responsible for the reduction.

However, total insured unemployment in the latest reported week remained above the year-ago figure of 1,046,000.

Despite the gloomy talk making the rounds on steel, ingot production this year could be the second best in history states "The Iron Age," national metalworking weekly this week. It says there's a good chance that more than 116,000,000 ingot tons of steel will be made this year. This would be better than last year's 115,000,000 tons and would approach 1955's record 117,000,000 tons.

Meanwhile, steel men are busy this week fanning the flames of the fall pickup in their market. The fire is small as yet and some mills profess disappointment over the slow start. But there

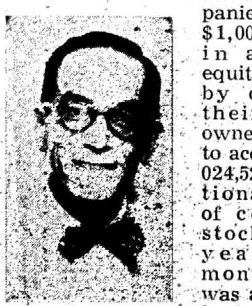
Continued on page 31

Observations . . .

By A. WILFRED MAY

THE POPULAR RIGHTS OFFERINGS

The stock right as a financing medium goes on at an ever accelerated pace. During the first half of this year 27 N. Y. Stock Exchange companies raised $1,008,622,819 in additional equity capital by offering their share owners rights to acquire 24,024,520 additional shares of common stock. This year's six-month total was almost as large as the $1,119,097,636 which 41 listed companies raised through rights offerings in the full year 1956.



A. Wilfred May

Unfortunately, this popularity is not matched by the understanding of the implications to the shareholder, particularly regarding the potential dilution of his interest via the practice of offering additional shares at a price below the current market. For example, an authoritative periodical currently comments "undoubtedly it was a source of satisfaction to the owners of the 27 common stocks that *all* of them closed at mid-year above the prices paid for the additional shares sold in the first half of the year."

Actually, such excess of market price over the subscription price in cases where the outstanding stock is selling below its equity value, creates proportionate dilution of the interest of the shareholder who does not subscribe to the offering. (The "common share equity" represents the difference between the total assets and the liabilities, including prior capitalization.) In such a *discount* situation the stockholder must subscribe to protect himself—which may create an "assessment" effect.

On the other hand, in a *premium* situation—that is, where the outstanding stock is selling above its equity value, the shareholder who sells his rights instead of subscribing, not only escapes dilution but enjoys a net over-all gain.

The crucial test of the net overall benefit of the *discount* arrangement with its accompanying dilution lies with the use to which the new money is to be put, and whether equity rather than debt financing is the more advantageous to the existing stockholder.

In the case of much of such financing done by closed-end investment companies there is no valid business reason justifying dilution of the interest of the shareholder who does not — perhaps through financial inability—subscribe to the additional stock. Should there in some instances be an advantage to the stockholders to raise more funds for management's portfolio operations, the money could usually be better secured through debt financing.

On the other hand, in many cases a rights offering involving dilution vulnerability is justified. This may rest on a sound business need or advantage being the motive. A timely example is furnished by the current financing by Employers' Group Associates. This company whose wholly owned subsidiaries have been writing multiple lines of insurance, other than life, title and mortgage, are seeking the additional funds mainly to form and secure a 51% participation in a life insurance company—presumably to participate in that very prosperous and growing related area.

With the outstanding stock previously having an *equity value* of $87.53 and a market price of about 57, additional shares are being offered at the subscription price of $48 on a one-for-four basis.

Another facet of constructiveness of this offering, underwritten by a Morgan Stanley group, is the prospectus' unusually clear and detailed exposition of the dilution potential, for the enlightenment of old and new shareholder. A full page, to which attention is directed in two other places, is devoted to the tabulated calculation of the comparative values, before and after the rights issuance, showing their effect on the stockholder's interest under separate calculations including tax incidence. The early years' dilution of *earnings* also through the nature of the new insurance to be started is likewise spelled out.

Apart from the merits or demerits of the technique of financing through rights, such clarification of his alternative status for the lay shareholder should habitually be included.

* * *

A MEDAL HAS TWO SIDES

And speaking of insurance, we are reminded of the investment community's demonstration of its chronic foible of exclusively selecting for its comment those particulars of an external factor that will support the expected continuation of the market's existing course. Now for example, it is commonly overlooked that deflation would be helpful to the insurance companies, in reversing the severe damage that has been inflicted on their underwriting results through the failure of premium rates to keep pace with claim costs inflated with the rising price level. A deflation economy's benefit to earnings would similarly apply to the public utility industry.

The prevailing worrisome ill wind of high money rates also entails the compensatory benefit of increased income to banks and their shareholders. Highlighting this "other side of the medal" is the announcement of Marine Midland's dividend raising; and also the report by the Federal Reserve Bank of New York that in the first six months of 1957 net profits of New York City's member banks were more than 16% above the comparable period of 1956, representing an annual return on capital of 7.9%; and that for all member banks net profits advanced to an 8.2% return on capital.

Beneficiaries of offsets to the casualties of deflation and hard money in other areas can be readily identified by the thoughtful market analyst.

* * *

THE CONSTRUCTIVE "LINE"

One practice accompanying an intra-company proxy battle which should be carried over into times of corporate peace, is the devotion of increased care and intelligence to the selection of directors. Witness the current nomination of Helen Hayes MacArthur and Bennet Cerf by the pro-management faction in the present Loews embroglio.

Miss Hayes' kind of directorial service would seem to be appropriate in this industry, in conferring the experience of the dean of working members in the profession.

Mr. Cerf combines personal professional achievement in the company's entertainment field with practical experience in finance via the fiscal management of his publishing firm. So, if elected to the Loews Board, he will now be quintupling as corporate director, publisher, author, raconteur, columnist, along with, somewhat ironically, identifying other individuals' professions on the popular weekly TV program *"What's My Line?"*.

COMING EVENTS

In Investment Field

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. 17, 1957 (New York City)
Cashiers Division, Association of Stock Exchange Firms, fall golf tournament at Garden City Country Club.

Sept. 17, 1957 (Detroit, Mich.)
Bond Club of Detroit golf party and outing at Orchard Lake Country Club.

Sept. 19, 1957 (Des Moines, Iowa)
Iowa Investment Bankers Association Field Day at Des Moines Golf & Country Club.

Sept. 19, 1957 (New York City)
Corporate Transfer Agents Association annual golf tournament and outing at Colonia Country Club, Colonia, N. J.

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.

Sept. 27, 1957 (Philadelphia, Pa.)
Bond Club of Philadelphia 32nd Annual Field Day at the Philmont Country Club, Philmont, Pa.

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.

Press Conference to Be Held on Austrian Dollar Bond Payments

Kenneth M. Spang, President of the Foreign Bondholders Protective Council, announces that an important press conference relating to resumption of debt service by the Government of Austria will be held on Friday, Sept. 13 at 11 a.m., at the Council's offices, 90 Broad Street, New York City.

Mr. Spang, together with representatives of the Austrian Government, will be available to explain the offer which the Austrian Government is making to holders of its pre-war dollar bonds. Information will also be available concerning the validation procedure and the offers being made by certain private companies.

First Southern Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Mrs. Dorothy C. Woods and George B. Yancey have been added to the staff of First Southern Corp., Peachtree at Ponce de Leon.

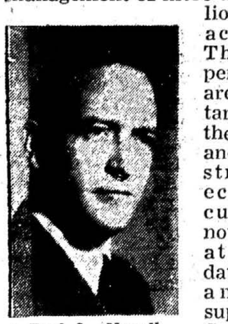
Pension Fund Operations Should Carry Full Disclosure

By PROFESSOR PAUL L. HOWELL*
Partner, Paul Howell Associates, Financial Consultants; Research Director, Pension Fund Survey, Twentieth Century Fund; Adjunct Professor of Finance, Columbia and New York Universities

Mr. Howell asserts pension funds are a new financial giant having an important and growing significance in many areas of the economy ranging from social security to the capital markets. Maintains their size, growth, investment policies, and financial integrity are matters vitally affected with a public interest. As such, he concludes their operations should be disclosed as required of insurance and investment companies.

I
Economic Security of the Workers

In terms of money, pension plans involve the raising of more than $4 billion annually, and the management of more than $30 billion already accumulated. That these pension funds are an important part of the individual and collective struggle for economic security need not be labored at this late date. They are an important supplement to Social Security and are relied upon as assistance not only by the retired worker but his dependents and those on whom he might otherwise become a charge. Secretary of Labor Mitchell has estimated that over 12,000,000 workers are vitally affected economically and socially by these pension plans.



Paul L. Howell

This alone shows the overwhelming "public interest" with which pension fund contributions and accumulations are affected. Pension grants have emerged from the cocoon of self-interest to public interest. Pension funds thus cease to be *juris privati*. They become *juris publicum*. Many years ago the Supreme Court said there was "nothing private or confidential in the activities" of the railroads. (Smith v. ICC, 245 US 33, 43, 1917). This applies with even greater force to pension funds because of the important human welfare aspects.

Pensions are a Part of Wages —Compulsory Savings

Sometimes a point is made that most of these funds are "non-contributory" — that the employee pays nothing and the employer pays all the annual contributions which go to build up the assets of the pension trust. I do not consider this important from the point of view of economics, though it no doubt has its psychological aspects.

Payment to a pension fund is part of the labor cost. It is part of the compensation paid to the employee whether union negotiated or not. Payments for the account of the pension funds, are, in essence, part of the pay of the employee though made to the fund for later use instead of being paid to him now for present spending. As a matter of economics the ultimate beneficial interest in these funds belongs to the employees and to no one else. Payments made into the pension trust or the insured fund, as the case may be, are payments made for the account of the employee beneficiaries. The workers rely on these benefits in accepting employment, in determining the amount of their savings, and in making provisions for their retirement or old age. These payments are, in effect, compulsory or forced savings imposed on them.

As a matter of law these pension funds belong to the workers. (See Inland Steel Co. v. NLRB, 170 F. 2d 247, (1949) 336 US 930 (1949).) The workers are the beneficial owners. Under Treasury Internal Revenue Service regulations, in order to get tax deductibility for these payments, they must be unconditionally divorced from the corporation and dedicated irrevocably to the payment of worker benefits. This means that these pension funds no longer belong to the corporation. They belong in fact and in law to the beneficiaries, namely, the workers as a group. That they belong to the workers is a legal fact, notwithstanding that title to identifiable amounts may not vest in specific individuals. Collectively these funds belong to the worker and not to the employer. The worker has the equitable beneficial interest.

Union and company committees or bank trust departments are merely trustees or fiduciaries. As beneficial owners, the workers have proprietary rights. As proprietors they are entitled:

(a) to have their funds managed for their sole benefit, according to the highest standards of trusteeship; and,

(b) to be fully informed about the management of their property by their stewards, i. e., to have an accounting.

Owners have an inherent right to know what is going on and to be informed. The importance of these pension funds to the worker is of far greater importance than were the securities to the monied investor when the "Truth in Securities Act" was passed in 1933. Investors, at least, had the right to vote at annual meetings. Employee beneficiaries do not have this voice. Their rights and interests need to be recognized and protected.

Protection of Actuarial Soundness —Ability to Perform as Expected

Regulation has long been used as a tool to offset the ignorance of the individual or his unequal legal position or inferior bargaining power. This was done in the case of life insurance contracts and for bank depositors. Employee-beneficiaries have an equal if not greater stake in the ability of pension funds to perform as expected. The workers' interest is a long term one. Managements come and go. Investment management of a portfolio of securities requires a high order of ability. Actuarial soundness is a technical subject not to be hidden in the back room. Ability of the fund to perform according to expectations should be brought out into the open. The interests of the worker-owner-beneficiary can only be protected by a system of registration, disclosure, periodic reports, and interpretative accounting and actuarial audits.

Disclosure of composition of portfolio holdings and earnings rates has not been detrimental to insurance companies. The worker-beneficiaries would be benefited by knowing what is going on about their property. Bank trustees cannot object to reporting the stewardship of their trust. The fact that it may result in increased competition among the banks and with insurance companies is in itself a beneficial result in a freely competitive economy.

Fifty years ago insurance was unreliable. After the Hughes investigation, better regulatory statutes, reports, and audits insurance performs as expected. Registration and disclosure is a step to ensure the ability of pension funds to perform as expected and thus avoid the insurance debacle of 1906.

Need for Economical and Efficient Administration

As in other matters there is need for economical and efficient management in pension funds. This is impossible to achieve unless you have the facts and information. Without registration and disclosure how can performance be evaluated? If you do not know the composition of the investment portfolio; the amount of idle cash; the investment policy; the rate of earnings; by whom and how administered; how can these evaluations be made?

Prevention of Abuses

That there have been abuses; excessive expenses and fees; conflicts of interest or absence of arm's length dealing; fraud and outright theft; in the handling of pension funds is well known. Registration and supervised disclosure of their administration would greatly thwart future abuses in pension funds. Similar regulatory laws, reports and governmental audits have had a leavening effect on banks and insurance companies. Despite all this there have been bank and insurance company embezzlements and failures due to mismanagement.

Truth and disclosure in securities has had a prophylactic effect. As to benefits, we need only compare the sickness of 1933 with the current health of the securities market. Similarly, disclosure of pension funds will help prevent internal rot and disintegration. This deterioration may not become apparent until the workers need the funds later in their old age. It is then too late to make remedial changes. Young workers have an interest in pension funds which may extend for more than 50 years. Have we any guarantee, in these times of rapid technological change, that the employer will be around to make good on his "private contract"?

II
National Economic Aspects of Pension Funds

I wish now to turn from a consideration of the individual plans and workers to the broader national economic aspects of pension funds.

First, I would like to say that the national economy cannot be sound unless the workers are economically well off. His welfare is not adequately taken care of if he is going to hunger and want in his old age. This makes for insecurity, restlessness and even social revolution. Pension funds will play an important part in the maintenance of the American way of living.

The Capital Market and the New Financial Giant

Collectively pension funds are a new dynamic giant in the capital markets. They represent the saving of millions. Even now they aggregate some $30 billion and they are growing more rapidly than other financial institutions. In a decade they may amount to $75 to $100 billion. They increase at the rate of $4 billion a year.

By any standard of measurement they are an important dynamic force in the capital markets in capital formation; in the direction of investment; and the availability of funds for new investment during times of tight money and high interest rates.

What is being done with this amount of savings is of the greatest significance to business expansion, to employment; to the financing of social security; to the Treasury in its financing of the government debt; to the general banking system and the money markets; and, to the general tax rates and tax exemption and the equitability thereof.

There may well be important elements of concentration of financial power and control which are of importance to the national economy and hence to Congress in the aggregation of pension funds in the hands of a few banks.

Inadequacies of Available Statistical Data on Pensions

At present we have no reliable statistical data on the size and rate of growth of these funds. This is absolutely necessary for those charged with the responsibility of the formation of legislative policy.

New York Superintendent of Banking Mooney's study of 1955 was only a one-shot study, for a given year and covered only New York funds. It was merely a summary report. It did not reveal details. Submitted schedules remain confidential. Such a study is of little help to the worker-beneficiary or governmental economist or legislator.

Similarly the Securities and Exchange Commission staff studies are helpful but quite inadequate. Again the report is voluntary and submitted only on the basis of the identities remaining undisclosed.

The Internal Revenue Service filings are inadequate and very secret. There is nothing in them on investment policy or earnings results. Form 990-P is tailored only to one objective — the determination of the eligibility for tax exemption.

An institution which looms so important in the national economy with $30 billion of savings and growing at a prodigious rate should not be ignored in the evaluation of economic trends or the subject of guesswork.

III
Need for Independent Administration of Pension Disclosure Act

There are a number of agencies which might be eligible to administer a pension disclosure act. Among these are:

(1) Department of Commerce.
(2) Bureau of Labor Statistics.
(3) Health, Education and Welfare.
(4) Internal Revenue Service.
(5) Federal Reserve Board.
(6) Securities and Exchange Commission.

I have nine years of Civil Service experience and have observed the workings of governmental regulatory activities for an even longer period. It is my considered judgment that the administration of a pension registration and disclosure act should be turned over to an independent agency. Disclosure administration should be taken out of "politics" concerning labor and management; social security; monetary policy; and, tax investigation and exemption.

There are two basic reasons why the Securities and Exchange Commission should be charged with the administration of the disclosure Act. The SEC is an independent agency relatively insulated from the day-to-day pulling and hauling of labor disputes, collective bargaining, and the political arena. The Executive Departments, quite properly, have special programs and policies which they espouse. The sole objective of the SEC, as administrator, should be the accurate filing and public disclosure of all pertinent data with respect to pension and welfare plans.

A supplementary but major reason why the SEC should be entrusted with the administration of the Act is its recognized impartiality and the many years of successful administration of the "Truth in Securities" Act, a similar disclosure type of statute.

IV
Conclusion

In conclusion I wish to say that there is no valid reason for secrecy in the handling of other people's money just because an employer or bank or an insurance company is the trustee. Both from an individual as well as national point of view pension funds are a public trust. There is no place for secrecy in the handling of a public trust or a business "affected with a public interest."

*Excerpts from testimony presented before Senate Committee on Labor and Public Welfare.

Exchange Cashiers to Hold Golf Tournament

The Cashiers Division, Association of Stock Exchange Firms will hold their Fall Golf Tournament on Tuesday, Sept. 17, 1957, at the Garden City Country Club, it has been announced by Myrvan P. Burns of Bear, Stearns & Company, president of the division.

Members of the organization's golf committee are: H. C. Brewer, Jr., of the First National City Bank of New York, Chairman; Barclay J. Conway, Purcell & Co.; Carl L. Mochwart, Manufacturers Trust Company; John J. Moriarity; Ladenburg, Thalmann & Co.; and Frank J. Trautwein, New York Stock Exchange.

Phila. Inv. Women Meet

PHILADELPHIA, Penna.—Miss Marie A. Weeks, Chairman of the Entertainment Committee of the Investment Women's Club of Philadelphia, announces the first dinner meeting of the 1957-1958 season on Monday evening Sept. 16, 1957 at The Barclay. This dinner will be in honor of Past Presidents of the club.

Mrs. Effie J. Towner will be guest speaker.

How to Make the Case For Private Property

By LEONARD E. READ*
President, The Foundation for Economic Education

"Libertarian" Read recommends to those desirous of reversing socialism's growing, agreeable acceptance, but unable to present an attractive and persuasive case for private property, limited government, free market philosophy, to make the effort to advance their own understanding of their belief. The economic educator contends that the right method to increase one's freedom of choice over one's income dollar is by developing intellectually and spiritually attractive leaders and not by pursuing the "selling the masses" approach. Holds government cannot control or bring about creative actions, instead it inhibits or destroys such activities, and that we must have faith in the creativeness of free men.

One of the leading issues in the world today is posed by the question, "What is mine and what is thine?" Lined up on one side are those who believe that any person has the moral right to the fruits of his own labor. Such believers, if consistent in their thinking and actions, are supporters of private property, free market, willing exchange, limited government concepts. The grandfathers of these folks called themselves "liberals," meaning that they believed that man should be freed or liberated from government domination. Now that this term, with its favorable semantic overtones, has been successfully expropriated by those with opposite convictions, these devotees of liberty call themselves "individualists," "conservatives," and increasingly, "libertarians."

Leonard E. Read

Lined up on the other side are those who believe that the individual should produce and live his life for the group, for society, for the collective. The matter of rights is reversed. Instead of the individual having a right to the fruits of his own labor, they hold that the individual has a right to the fruits of the labor of all others. Such a belief has no manner of fulfillment except in "public ownership" — a nice-sounding term for government control and domination of the means of production. These folks, composed of Democrats and Republicans, now call themselves "liberals," although a few quite proudly confess to being "socialists," or even "communists."

The author proudly classifies himself as a libertarian, the espousal of this philosophy being both his vocation and avocation. He is primarily interested, in the problem of how private property and related concepts can gain a wider acceptance. The fact that our side has been losing the argument, that socialism under numerous other labels is more agreeably accepted today than yesterday, than two decades ago, or at any time since the signing of the Declaration of Independence, suggests that the solution lies deeper than most of us are prone to believe. Let us, therefore, probe briefly into the subject of freedom, for unless a person is free to do as his conscience dictates with the fruits of his own labor, there can be no such institution as private property.

Probes Subject of Freedom

The problem of freedom is both psychological and sociological. By all that is good and holy, we should be devoting ourselves exclusively to the psychological part of the problem: This has to do with man freeing himself from his own fears, his own superstitions, his own frustrations, his own meager perceptions, his own ignorance. This is a chore of infinite dimensions.

By all that is good and holy, we should not have to spend a moment of our time on the sociological part of the problem, this having to do with man imposing his will upon other men; this having to do with authoritarianism. What moral right, for instance, has any person on this earth to control or to forcibly direct what another shall discover, invent, create; where he shall work, what wage he shall receive, what hours he shall labor, or what and with whom he shall exchange? Most of us will agree that no person has any such right, nor any two persons, nor any 170,000,000 persons.

Man's moral right to inhibit the action of others is extremely limited. To demonstrate: Man's energy manifests itself in two ways—destructively and creatively. If I were to use my hand to paint a picture, to write a book, to build a dynamo, to strew seed, these would be examples of my energy manifesting itself creatively. If I were to make a fist of this same hand and sock you in the eye, that would be an example of my energy manifesting itself destructively.

Man has the moral right to inhibit the destructive energies of others; he has no moral right to control or to forcibly direct the creative energies of others. Yet, herein lies the root of this issue. To establish the fact that it is the issue, let us take a few brief glimpses at our own history.

We Began With Communism

We began in a condition of pure and unadulterated communism. I refer to the year 1620, to our Pilgrim Fathers. It made no difference how much or how little any member of the colony produced; everything went into a common warehouse under authority, and the authority doled out the proceeds according to the authority's idea of the need. This procedure—from each according to his ability, to each according to his need—was held forth two centuries later by Karl Marx as the ideal of the Communist party.

There was a compelling reason why this communistic practice was discontinued. Many members of the colony had starved. Too often the warehouse ran out of provender. Governor Bradford, in discussing the problem with the remaining members of the colony, decided that, come next spring, they would forego the communistic way of life and try another plan—that each was to have what he himself produced! Came next spring and not only were the fathers in the fields, but the mothers and the children were there also.

It was the adoption of this private property practice, the acceptance that each had a right to the fruits of his own labor, the approval of "to each according to his merit," that began the American Way of Life, that initiated an era of progress and prosperity.

Sooner or later, such a way of life was certain to have its influence on the political institutions. The Declaration of Independence, the Constitution and the Bill of Rights were natural outgrowths of a freedom to act creatively as one chooses.

The Real Revolution

This was the real American Revolution — not Valley Forge, Yorktown, and other military conflicts. The American Revolution was a revolutionary idea! It was a revolt from the Old World form of a sovereign state and a subject people to the New World pattern of a sovereign people and a servant state. These American political instruments were not aimed as prohibitions against the people; they were limitations on government, and unprecedentedly successful limitations. Government was limited to inhibiting and penalizing the destructive actions of men, of doing for everyone equally that which each had a moral right to do for himself, of invoking a common justice.[1]

What were the effects of thus limiting government? First, there wasn't a citizen who turned to government for succor. Government had nothing to dispense nor did it have the power to take from some and give to others. Under these circumstances the citizens assumed the responsibility for their own welfare. This made for a self-reliant people. Second, with government limited to inhibiting destructive actions and with no control over creative actions, the creative energies of the people were freed, released. The combination of self-reliance and the freeing of creative human energy seem to have had a major part in the phenomenon we refer to as the Miracle of America.

However, something happened to this wonderful pattern. Government is nothing more or less than individuals organized into a compulsive apparatus, individuals who are no more immune to affluence and power over others than are the rest of us. These individuals, having a monopoly of force at their command, soon discovered that they could intrude into the creative activities and the productive enterprises that the citizens had reserved for themselves. They also found out that they could, by the use of force, collect the wherewithal to make up the deficits their operations incurred.

I would like to suggest that the extent to which government in America has departed from its negative function of inhibiting destructive actions and has entered into the control of creative actions, to that extent has socialism or communism grown in our homeland; to that extent have private property, free market, limited government concepts and practices been destroyed.

Can we be at all precise in measuring the growth of socialism and the consequent loss of freedom? Not too precise, but we can get an idea of the trend by measuring the loss in freedom of choice the average citizen has experienced over the years with his income dollar.

Freedom to Use One's Income

A little more than a century ago the average citizen had a 95-98% freedom of choice with each income dollar. That was because the take of government—Federal, state, and local—was 2-5% of all earned income. But, as government departed from its limited position and entered into enterprise after enterprise, and as it assumed more and more the responsibility for the welfare of the citizens, the take of all earned income, percentagewise, increased. Today, the take is about 33%.

Some persons who dislike facing up to problems contend that this is not too serious, that, on the average, the citizen still has a 67% freedom of choice with his income dollar, that that's not bad. Such persons, however, fail to realize what experience reveals—the tendency toward inflation—increases in the volume of money — as the government's take of earned income grows larger. This increase in volume of money results in a lowering of the money's value and prices rise correspondingly.

Government in America has rather rapidly increased its take of earned income. Have we increased money volume? Yes, about 700% since we began deficit financing and the monetization of debt. What has happened and is happening to dollar value and to the price level needs no more comment than the fact that our

Continued on page 20

1 Slavery was one of several exceptions to the American principle.

*An address by Mr. Read before the Twenty-fifth Annual Convention of the Edison Electric Institute, Chicago, Ill.

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.

Automation—In the September issue of "The Exchange Magazine"—The Exchange, 11 Wall Street, New York 5, N. Y.—$1 per year—10 cents per copy. Also in the September issue are articles on "New Capital via 'Rights'," and "Taxes vs. Dividends."

Baruch: My Own Story—Bernard M. Baruch—Henry Holt and Company, Inc., Dept. FC-1, 383 Madison Avenue, New York 17, N. Y.—$5.

Boron—Survey—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **American Can, Colorado Fuel & Iron.**

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

Financial Facts and Comment (Canada)—Bulletin—Annett & Company, Limited, 335 Bay Street, Toronto 1, Ont., Canada.

Government Agency Obligations—Appraisal—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Growth Utilities vs. Growth Industrials—Comparative figures—Alfred L. vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y. Also in the same bulletin is an analysis of **Fairchild Camera & Instrument Corp.**

Indian Stock Market—Bulletin——Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India. Also available is an analysis of the Indian stock market and the second economic plan.

Japanese Stock Market—Monthy survey of economic picture—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

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

Looking Ahead Toward Better Things to Come—Bulletin of new developments—Second Bank-State Street Trust Company, 111 Franklin Street, Boston 6, Mass.

Market Review—With a discussion of Stocks for Income with Defensive Strength—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

New Treasury Cash Financing—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

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

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

Stock Market Behavior—William P. Sargeant. [Mr. Sargeant is a partner in J. K. Hogle & Co., Salt Lake City, Utah—Ed.]—Exposition Press, Inc., 386 Fourth Avenue, New York 16, N. Y.—$2.50.

Robert R. Young & Alleghany Corporation—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y.

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Allied Laboratories, Inc.—Analysis—Amott, Baker & Co., Incorporated, 150 Broadway, New York 36, N. Y. Also in the same bulletin are data on **Worthington Corp., Climax Molybdenum Company, Bucyrus Erie Co., Anglo Canadian Telephone Co.** and **Pubco Petroleum Corp.** Also available are the Amott-Baker **Real Estate Bond & Stock Averages.**

Allyn & Bacon—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also available are data on **Southern California Edison.**

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

American Can Company—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

American Can—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are brief surveys of **Irving Trust Company** and **Westinghouse Electric.**

American Fidelity & Casualty Company—Analysis—Plymouth Securities Corporation, 92 Liberty Street, New York 6, N. Y.

American Trust Company—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Cities Service Co.**

Bell & Howell—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

Consolidated American Services—Report—Shearson, Hammill & Co., 520 South Grand Avenue, Los Angeles 17, Calif.

Consolidated American Services, Inc.—Analysis—North's News Letter, 414 Mason Street, San Francisco 2, Calif.—$2.

Douglas & Lomason Co. — Memorandum — General Investing Corp., 80 Wall Street, New York 5, N. Y.

Elox Corp. of Michigan—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich.

Goebel Brewing Company—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a bulletin on **Century Food Markets Company.**

Harshaw Chemical Co.—Memorandum—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Hoffman Electronics Corporation—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same circular are data on **Tung Sol Electric.**

Kingsford Co. — Memorandum — Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

P. Lorillard Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Merck & Company—Report—McDonnell & Co., 120 Broadway, New York 5, N. Y. Also in the same brochure are reports on **Eli Lilly & Co., Texas Company, Standard Oil Company of California, United Aircraft Corporation, Ford Motor Company,** and **Chrysler Corporation.**

National Lead Co.—Memorandum—Talmage & Co., 111 Broadway, New York 6, 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.**

Roosevelt Raceway Inc. (Westbury, N. Y.)—Bulletin—Hunter Securities Corporation, 52 Broadway, New York 4, N. Y.

Three States Natural Gas — Data — Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, Dallas 1, Tex. Also available are data on **Pioneer Natural Gas.**

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

F. W. Woolworth & Co.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

Alfred F. Tisch

We are pleased to report that Col. Oliver J. Troster, of Troster, Singer & Co., New York City, has again favored us with a half page advertisement for our Year-Book Convention Supplement of the "Financial Chronicle." We know we can always count on the Colonel's support. K. I. M.

Oliver J. Troster

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

Stalker to Direct West Coast Operations Of Kidder, Peabody

Kidder, Peabody & Co., 17 Wall Street, members of the New York Stock Exchange, announces the appointment of Alfred J. Stalker as Director of the firm's operations on the Pacific Coast. He will have headquarters in Los Angeles where the firm is establishing a general sales office. Kidder, Peabody has had an office in San Francisco for the last 5 years.

Alfred J. Stalker

As of Jan. 1, Mr. Stalker will be admitted to the firm as a general partner.

Mr. Stalker joined Kidder, Peabody & Co. in 1950, assuming charge of the firm's dealer relations. Prior to that he had been with Shields & Company. He served as co-manager of George D. B. Bonbright in Syracuse, N. Y., for a number of years before coming to Wall Street in 1946.

A graduate of Syracuse University, Mr. Stalker served in the U. S. Naval Air Corps during World War II as an administration officer and was released to inactive duty with the rank of Lt. Commander.

He is currently a member of the Education Committee of the Investment Bankers Association and of the planning committee of the Institute of Finance sponsored jointly by the IBA and Wharton School of Finance and Commerce, University of Pennsylvania. Mr. Stalker is a member of The Bond Club of New York and has been a member of the Wall Street chapter of Kappa Beta Phi for the past few years.

Join Mountain States

(Special to The Financial Chronicle)

DENVER, Colo.—Frank D. Malone, Gerald D. Sampson and Stanfill D. Stanfill have been added to the staff of Mountain States Securities Corporation, Denver Club Building.

With First International

(Special to The Financial Chronicle)

DENVER, Colo. — Burchell Q. Cross, Roy J. Hayes, and Edward L. Reed are now with First International Corporation, Denham Building.

Analyzes Common Trust Funds' Growth

Cleveland Trust Company survey shows 195 banks and trust companies now manage 243 common trust funds, indicative of a decade of rapid growth. Common stocks at end of 1956 comprised half of total holdings, but of the slower growing new money invested last year, 55% was placed in bonds and 33% in stocks.

The Cleveland Trust Company's analysis of Common Trust Funds, based on the data obtained from the Federal Reserve Board's recently published second annual survey, shows that "the number of common trust funds has increased rapidly in the last ten years. These funds are operated by banks and trust companies as trustees. Their purpose is to combine relatively small trust accounts into one pool, so as to obtain broader diversification of investments. A few were started in the 1930s and early 1940s, but the big development came after World War II. At the end of 1946 there were 39 such funds. Five years later, in 1951, the number had grown to 119. By the close of 1956 it had reached 243 (managed by 195 banks and trust companies) with assets of almost $2 billion at market value."

The August issue of the *Business Bulletin*, published by the bank, refers to the Federal Reserve Board's recently published second annual survey of this type of institutional investment. "The report," the *Bulletin* states, "covers all common trust funds operated by banks and trust companies under the Board's Regulation F. It shows that at or near the end of 1956, common stocks comprised half of the total holdings, at market value, of all funds combined. Bonds amounted to 37% of the total; preferred stocks, nearly 11%; and other investments plus cash, about 2%."

Bonds Favored in 1956

"Market value of holdings amounted to $1,974 million at the end of 1956, as compared with $1,869 million a year earlier. The Board's survey states that the growth during 1956 was less than half of that in the preceding 12 months. This was due to smaller additions, larger withdrawals, and a net decline in market value as against appreciation in 1955. Of the new money invested last year, it is estimated that 55% was placed in bonds, 33% in stocks, and the rest in real estate loans, savings accounts, or cash awaiting investment.

"At the close of 1956 common trust funds were concentrated rather heavily in the eastern states, with more than one-third of the total number being in Pennsylvania, New York and Massachusetts. However, one or more funds were being operated in 38 states plus the District of Columbia and Hawaii. There were 8 such funds in Ohio, where they were legalized in 1943. By Federal Reserve Districts, 44% of the total number and 60% of the assets were in the Boston, New York, and Philadelphia Districts. The Cleveland Federal Reserve District, which includes all of Ohio and parts of Pennsylvania, Kentucky, and West Virginia, had 20 funds with assets of $190 million at market value.

"In size of assets, the funds vary all the way from less than $1 million to more than $50 million. At or near the close of 1956, about 71% of the total number were in the range of $1 million to $25 million."

M. B. Robertson Opens

TULSA, Okla.—Mahlon B. Robertson is engaging in a securities business from offices at 1211 South Harvard.

Margraf, Sledge With McManus & Walker

McManus & Walker, 39 Broadway, New York City, members of the New York, American and Midwest Stock Exchanges, announce the expansion of their over-the-counter operations with the addition of Joe Margraf and Robert Sledge to their Trading Department. They will specialize in Natural Resource Securities of the Southwest through the McManus & Walker private wire system, which, with recent additions, now extends to 37 cities from coast to coast.

Joins Harrison Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Anthony R. Fox has become connected with Harrison and Company, Fifth Third Bank Building, members of the New York and Cincinnati Stock Exchanges. He was previously with Clair S. Hall & Co.

From Washington Ahead of the News

By CARLISLE BARGERON

For relaxation, I occasionally like to read Mrs. Roosevelt's column. There was a time when she used to inflame me but we have both gotten older and, I hope, mellower. So I seldom get indignant now, I just read her and it is difficult to describe what my reaction is.


Carlisle Bargeron

She is at present visiting Russia. I'll bet there is not another person in a thousand who would have such philosophical observations. Bear in mind we have been hearing nothing but bluff, threats, scares and braggadocio from Russia for 20 years. Russia is ahead of us in everything, in jet planes, in guided missiles, in snorkels, in building, in human progress.

Yet in all this 20-year period any American visitor to Russia, after hearing all these things, is completely disillusioned. Conditions may have improved but when I was there, some 20 years ago—admittedly a long time but at a time when the propaganda in this country was that Russia excelled in all things materialistic and beautiful—the people were going around the streets of Moscow, the capital city and naturally the nation's show place, with croker sacks around their feet for shoes. We were at the low point of our depression but we didn't consider it a matter of great progress to erect a two-story building, but the erection of a two-story building in Russia was an international event, an accomplishment cited to the whole world as an example of what a planned economy could do.

Well, Mrs. Roosevelt is over there now. She finds the buildings, particularly the American Embassy office building, run down. Instead of wondering about this, instead of wondering about the great Russian workmanship of which we have heard so much, she dismisses it with the observation that this is but natural because the Russians have been through a great war. So have the Germans, of course.

Buildings naturally had to be erected rapidly after the war, says Mrs. Roosevelt, so there is nothing unusual about a lot of them having difficulty now in standing. We had the same experience in this country, she says. After the war we had to have quick buildings so many inferior structures were put up.

I can't say from first hand knowledge just what happened in Russia but we are not so philosophical in this country about the cheap buildings that have been erected since the war, under GI loans, FHA loans, farm loans and what-not. There have been many inferior ones all right, some, for example, in which the roofs fell in or the basements dropped out after a few months. But most of us have not been so understanding about this as has Mrs. Roosevelt. We don't consider that it is a case of builders, doers, men trying to rehabilitate an economy quickly and erring in the process. We consider them to be just plain crooks, trying to make a quick dollar. A lot of them, indeed, have been sent to jail.

But this is, of course, a difference in viewpoint. If one wants to have an evil mind that is something Mrs. Roosevelt abhors. To her, all of this inferior building in Russia and in this country is just an effort on the part of men to do right, and in their zeal to do right they often err, but at least they tried.

Mrs. Roosevelt is a goodly woman, thinking wrong of nobody. I suppose I shall never forget the experience of a friend of mine during World War II. Aside from Eisenhower, Patton and a few others of that stripe, I doubt if any man had a more interesting experience than my friend.

He was with Roosevelt at Casablanca, Cairo, Teheran and Quebec. With Roosevelt he met Stalin and Winston Churchill and even Chiang Kai-Shek. Oh, what a book he could write, as intimate as those books written by Churchill, by Harry Butcher; such as that of the papers of Harry Hopkins.

But one experience which my friend had, seemed to overawe him. It stood out in his mind to erase everything else. He frequently sat down with pen in hand to do his opus but everytime his one outstanding experience would blanket out everything else.

This was the time he accompanied Mrs. Roosevelt to Australia. As they started back across the Pacific, he instructed his Sergeant to be sure to get two quarts aboard the plane as they had a long flight ahead.

A few hundred miles at sea my friend asked the Sergeant where the two quarts were and, lo and behold, the dumb Sergeant had hidden them under the mattress in Mrs. Roosevelt's berth. Mrs. Roosevelt didn't like liquor around her. In the days of prohibition she had been a member of the WCTU.

Well sir, my friend almost had the hebejeebes. But he knew that sooner or later there would be an opportunity to retrieve the liquor from its hiding place. So he sat, watchfully waiting. When Mrs. Roosevelt finally got up he rescued his two quarts and for the rest of the flight was at peace.

But his experience stands out to him until this day as one of the high marks of the war.

American Stock Exch. Golf Tourney Winners

The American Stock Exchange held its 17th annual golf tournament Sept. 5 at the Baltusrol Golf Club. Henry C. Hagen and Joseph F. Reilly tied as low gross winners for the Chairman of the Board Trophy. Bernard Rhaesa received the President's Trophy as low net winner.

The Investor Needs to Know: What Constitutes Electronics?

By ALFRED C. BONI

President, Boni, Watkins, Jason & Co., Inc., N. Y. City
Management and Economic Consultants

A real danger to investors interested in the electronics industry, according to New York consultant, is the lack of precise information about this vast, fast growing, nebulous, diverse industry which is so difficult to define. Mr. Boni suggests that investors carefully ascertain what particular part of the electronics industry they are dealing with before investing their money.

The word, electronics, is magic today and it has a glamorous appeal to investors. The field is a huge one, and it offers all kinds of investment opportunities. The merger, diversification and growth potential of the industry is incalculable. But the size and diversity of "electronics" also presents a very real danger to the investor. As the oft-quoted Alice once said, things are not always what they seem. She was talking about something else, but her comment is apt as far as the electronics industry is concerned. What is it? How big is it? Where does it start and where does it end? No one seems to know, not even the government, which tends to be fairly precise about such things.


Alfred C. Boni

Two Definitions

One definition of the electronics industry simply has it merging into electrical machinery at one end and into atomic energy at the other.

An analyst or investor who likes to take a broad view— because, after all, to be sound in the long run an investment should be in a growing industry — would be hard put to pin down the meaning of statistics based on such a definition.

By this definition no two sets of figures can describe the same thing. Exactly where does electrical machinery stop, and at what point are we into atomic energy?

Another current definition of the electronics industry takes in home black-and-white and color television, radios, phonographs and records, commercial and military application of radio, television, electronic controls and electronic calculating and data processing, the various forms of broadcasting, and servicing and installation costs of everything that has been mentioned.

By this definition, the industry volume last year was more than $10 billion.

Ventures based on good information are hazardous enough. The predicament of the investor forced to make a decision while being buffeted by information totaling $10 billion is certainly not to be envied.

Half-Truths

Yet the investor is constantly beset with indices about electronics that amount to little more than half-truths because they are too broad. When headlines speak of a good year or a bad year in electronics, are they weighted by any particular segment? Probably they are, because, for example, TV set production plays such an important part in the industry.

Do industry growth prospects mean the owner of a small factory should seek public financing to expand his operation? Will he succeed in getting it? He'll have to take his chances with investors under the influence of an "electronics" report burdened by what is going on in some other segment.

That is the pitfall. It may not even be possible to define the boundaries. Nevertheless, calling apples and oranges by the same name is fruitless enterprise.

Suppose, for argument's sake, that the application of transistors in television sets suddenly expanded rapidly. Transistors, the manufacturers say, live forever. Unlike tubes, they have practically no replacement market. To say nothing of the tube industry. This could grievously hurt the TV service business, even as blacksmiths were smitten by the horseless carriage. Certainly, in such a circumstance, breathtaking analyses of growth would be very misleading to the electronic serviceman.

Far fetched? Well, take the case of consumer television. It's in a ticklish state. It composes something like 20% of the electronic industry's fabric. Is the outlook for the "industry" to be judged by figures under the influence of TV set production? Or would it be more realistic, in making predictions, to give weight to industrial television, or the great advances many persons believe are in store for computers?

Investing Money

The electronics industry's vast research program along military, commercial and domestic lines holds very bright promise. But that's a wide generalization. Anyone thinking of putting his money into it should make sure he knows what particular part of the industry he is dealing with.

For example, while TV set production may find the going sticky until color breaks through, government spending for electronic equipment is clearly in a pronounced uptrend that should continue through the '50s, and beyond. Military electronics, however, is not the most profitable business, because government procurement men are driving hard bargains.

Commercial applications of electronics amounted to about $800 million last year. What this year will show is hard to guess, but indications are that there will not be too much of an advance because of expected lower capital expenditures in general. However, there is no doubt that electronics is a growth industry in business machinery, factory automation and control and data processing and computation.

This big pitfall facing the investor in electronics, lack of precise information, is easy to point out. Bridging this danger is something else again. The best that can be done now is to put up signs along the investment highway. The least these signs can do is to read: "Caution, Statistics At Work."

Klotz With Alex. Brown

WASHINGTON, D. C. — Alex. Brown & Sons announce that Herbert W. Klotz is now associated with their Washington, D. C. office in the American Security Building. Mr. Klotz was formerly head of Texas Securities Corporation of New York.

Wider Sterling Margins: A Futile Devaluation Device

By PAUL EINZIG

Writing on the future direction of British sterling, Dr. Einzig condemns attempts to widen the margin between the upper and lower limits of the fluctuation of sterling and points out it "is but a hypocritical version of favoring a floating pound." Terms relaxation of the ban on lending sterling to foreign bankers "a major blunder"; answers new argument advanced that a lower margin would prevent further gold drain; and holds speculators would be encouraged during a wave of distrust in sterling to believe the margin would be widened further.

LONDON, Eng.—Although it had been generally expected that the monthly figures of the Sterling Area gold and dollar reserves would disclose a substantial loss for August, when the figures were announced at the beginning of this month, the extent of the loss came as an unpleasant surprise to most people. It brought rude awakening to those who had entertained the illusion that, because sterling was under almost continuous adverse pressure ever since the Suez crisis, there was a worldwide short position in sterling which would prevent any further large scale speculative selling. It now seems that, even though many overseas banks and other overseas holders of sterling had reduced their holdings to a minimum before the pressure in August, there had been many others with liquid sterling resources that could be realized whenever a fresh wave of pessimism would develop.

Dr. Paul Einzig

Moreover, the possible extent of purely speculative selling of sterling had also been grossly underrated by experts. In this respect it is now obvious that the relaxation of the ban on lending sterling to foreign bankers was a major blunder. The Government was over-persuaded during a period of comparative calm in the foreign exchange market that it would be worth while to take this additional risk for the sake of encouraging dealings in the London foreign exchange market.

It is now evident that in this respect, as in several other respects, the policy of "dash to freedom" has accentuated the pressure on sterling. There can be little doubt that the Government's Socialist opponents will exploit this mistake by intensifying their campaign to persuade the British electorate that the defense of sterling would be easier under a Labour Government free of *laissez-faire* ideological dogmatism.

Flexible Pound Pressure

Mr. Macmillan's Government has now come under pressure to resort to the expedient of widening the margin between the upper and lower limits of the fluctuation of sterling. A margin of 10% is freely canvassed by the supporters of this idea. They include all those in favor of a flexible pound with no declared limits of its fluctuations. Even though the widening of the spread would not fully meet their demand, it would constitute an important departure from the Bretton Woods principle of rigid stability.

In addition to the supporters of a floating pound, the camp of supporters of wider margins includes all those who favor the taking of the line of least resistance in face of pressure on sterling. If these people were honest they would come out openly in favor of another devaluation, to provide a shot-in-the-arm that would enable Britain to inflate with comparative impunity for a year or two. It has long been understood that support to the idea of a floating pound was but a hypocritical version of favoring devaluation. It will no doubt be clear before long that support to the idea of wider exchange margins is but a hypocritical version of favoring a floating pound.

Those of the believers in the floating pound who now profess to be content with a widening of the margins regard this concession to their demands as a first step, to be followed by further widening of the margins beyond the proposed limit of 10% as and when that limit would come to be regarded as untenable.

Would Encourage Speculators

Those who advocate wider margins fail to realize that a pressure on sterling such as the one experienced in August would tend to bring exchange rates to the vicinity of the support point, whether that point is $2.78 or $2.70 or $2.60. They believe that speculators would hesitate to go short in sterling if, as a result of the widening of the margins, they were to risk more than the present spread between $2.78 and the present maximum rate of $2.82. They overlook the possibility that during a wave of distrust in sterling speculators would be inclined to take the view that, in face of the adverse pressure, the authorities might decide to widen the margin further. They would certainly be encouraged in that belief by a decision to widen margins if it is taken at a moment when sterling is subject to selling pressure. After all, it is only the first step that is difficult. If the Government shows that in the existing situation it is inclined to take the line of least resistance, speculators would not be unreasonable to assume that under further pressure a similarly weak attitude would be adopted.

A new argument put forward recently in support of wider margins and flexibility is that the present system of rigid stability tends to induce the Government to favor the settlement of excessive wages claims, for fear that a major strike would result in a further loss of gold. This argument is based on the assumption that if the present support point of $2.78 is lowered the result of a strike would be a depreciation of sterling without any loss of gold. If the Treasury does not cover the counterpart of the surplus demand for foreign exchanges, then the rate would decline to a level at which speculative buying of sterling would provide that counterpart. But, as was indicated above, it would not be safe to assume that any such speculative buying would be forthcoming above the lowered support point. During a wave of distrust the authorities would be losing as much gold if they supported sterling at a shade above $2.60 as they are losing now by supporting it a shade above $2.78.

Strikes and Trade Deficit

What is even more important, a depreciation of sterling during a major strike would not be helpful from the point of view of preventing a deterioration of the balance of payments. The reason why a major strike would increase the trade deficit is because it would reduce the exportable surplus and it would increase import requirements. Much depends, of course, on the nature and extent of the strike, but generally speaking it is justifiable to say that a major strike would widen the trade deficit, and that exporters would not be in a position to take advantage of the stimulus given by a depreciation of sterling's exchange value. Indeed, since such a depreciation would change the terms of trade against Britain, it would tend to increase further the trade deficit. For the same volume of exports would yield less foreign exchange to pay for imports.

Amidst such circumstances the Government would be likely to feel that it would have more reason, not less, for discouraging resistance to excessive wages demands if sterling were made more flexible by a widening of its margins. The idea that the Treasury would view with indifference a depreciation of sterling to the vicinity of its lowered support point is clearly absurd. The chances are that on balance more gold would be lost and not less as a result of a major strike, in addition to the various disadvantages of a depreciation of sterling. For this reason it is to be hoped that the Government will not allow itself to be persuaded into the proposed experiment. It should resist the temptation of carrying out a "respectable" devaluation—which is what a widening of exchange margins in existing conditions would amount to in practice.

Wm. Blair & Co. Add Three to Staff

CHICAGO, Ill.—William Blair & Company, 135 South La Salle Street, members of the New York and Midwest Stock Exchanges, have announced that C. Wolcott Henry, Jr., William E. James and Robert B. Jarchow have joined the firm.

Mr. Henry was associated with the Mead Paper Company for three years, representing them in Ohio, Michigan and Indiana.

Mr. James was for many years in the trading department of Halsey, Stuart & Co. Inc. and is a member of the National Securities Traders Association and the Bond Traders Club of Chicago.

Mr. Jarchow has had broad experience in the investment field and formerly managed the Chicago office of Van Strum & Towne, Inc., investment advisors.

Now With Murch & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Clair L. Strawcutter has become connected with Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange. He was formerly with J. N. Russell & Co., Inc.

Industrial and Mineral Expansion In the Province of Alberta

By H. E. MARTIN
Department of Economic Affairs
Government of the Province of Alberta

A glowing account of the tremendous economic development of Alberta centers on this Canadian Province's famed mineral, manufacturing and agricultural wealth. Mr. Martin cites data showing how Alberta ended, in 1956, its "golden decade" with economic achievements exceeding "the brilliant forecast made by economists 'ten years ago'." Claims proven reserves of 2½ billion barrels of oil and 18 trillion cubic feet of natural gas indicate Alberta will stay in the oil-gas limelight for some years; expects coal decline to reverse itself after 1960; believes petro-chemical growth is still in an infant stage compared to its potentialities; and praises doubling of iron-steel production in past five years.

With a veritable sea of oil and natural gas underlying a rich topland, Alberta in 1956 continued to outstrip the brilliant forecast made by economists as little as 10 years ago. Development rose sharply in secondary industries utilizing petroleum, timber and farm products. Ideal weather through the summer and fall months proved a boon to farm production. It also enabled the construction industry to chalk up an unprecedented record in residential, commercial and industrial building.

H. E. Martin

The economic achievements during Alberta's "golden decade" ending in 1956 fall into sharper focus when compared with authoritative predictions made in 1946. At that time, after three years of exhaustive studies, and just prior to the memorable oil discovery at Leduc, a government-appointed Postwar Reconstruction Committee reported on current resources and forecast likely lines of development over the next ten years.

It was thought that annual sales of new passenger cars would reach about 4,700; actual 1956 sales exceeded 30,000, valued at over $80 million. The committee thought that 630 homes, valued at a little under $2 million should meet annual requirements but in 1956 over 10,000 new homes were erected at a cost of more than $135 million. Higher employment in manufacturing facilities was expected to be $11 million, a figure that fell more than $550 million short of the striking total realized in the period.

Strong Agricultural Position

Notwithstanding Alberta's famed mineral and manufacturing wealth, 1956 estimates show that the agricultural industry maintained a strong position in the provincial economy. The gross production value of $694,646,000 was $46.9 million higher than in 1955 to set an all-time record. For the first time in the history of Alberta, agriculture lost the lead to a growing rival, manufacturing, which grossed well over $700 million in 1956.

As a result of an exceptionally fine growing season, marred only by frost to the late crops, farmers turned out $446,260,000 worth of field crops. Potatoes and rape seed showed the largest increase with the former up 666,000 bushels and the latter 25,080,000 pounds over 1955. In the three principal grain crops, wheat was up 3,000,000 bushels over 1955 to 136,000,000; oats up 38,000,000 bushels to 143,000,000; and barley 21,000,000 bushels higher for 121,000,000.

A tight grain marketing situation prevailed on the farm front. As a consequence, production emphasis has remained on livestock, with a greater percentage of coarse grains going into farm feeding. Cattle, sheep and hog production rose by $7 million over the previous year, ranking Alberta as one of the top provinces in livestock production. Farm livestock products, dairying inclusive, were up $2.5 million in the year.

As irrigation continues to expand in the normally arid south of the province, its economic impact on the rest of Alberta becomes more evident. In the past year, 30,000 acres were added to irrigable acreage, bringing the current total to 800,000 acres. Sugar beets retained the crop lead, with 36,200 acres planted. Yield of 463,000 tons added $6,945,000 to farm income. In processing the crop three sugar refineries turned out $13,500,000 worth of sugar, up $2.1 million from 1955. By products such as pulp and molasses supply a growing market in the western provinces for a high quality livestock nutrient.

Other principal vegetable crops include corn and peas, in order of importance. Six vegetable canneries in 1956 received 27,242,000 pounds of corn grown under contract on 4,180 acres, and 11,220,000 pounds of peas grown on 5,730 acres. Combined production value of the six plants in 1955 totaled $4,472,000.

Experiments are continuing in search for a tomato variety adaptable to growing conditions in the irrigated districts. When a suitable one is found, it is anticipated that manufacture of canned pork and beans, all the ingredients for which would then be at hand, will vie with sugar refining.

Manufacturing Takes Top Spot

Tremendous growth of Alberta's manufacturing industry during the past few years has propelled it into top spot in the province's economy in 1956 to dominate agriculture the first time. Gross value of production for the year is estimated at $719.6 million, 12% above the 1955 figure of $641.3 million. Foods and beverages still lead the galaxy of industries, accounting for $295 million of the total. In classified grouping, meat packing leads the way, with a 1956 production value of $137 million, an increase of $11 million over 1955. Packing plants processed at total of 361,600,000 pounds of meat as compared with 325,000,000 pounds the year previous. Exports rose by 11% in quantity and 9% in value.

Products of petroleum and coal, the second largest industrial grouping, were valued at $132 million, up from the 1955 value of $115,861,000. The increase of $16.1 million is surpassed only by foods and beverages, which rose by $24.2 million. A jump of $13.1 million in iron and steel products accounted for most of the remaining rise in total gross manufacturing value. Petroleum refineries again recorded marked gains over previous years, with 1956 gross sales of refined products to the end of November exceeding $133 million, a 10% gain over 1955.

Vast Oil and Gas Development

Development of Alberta's vast oil and gas reserves has not only been at the root of industrial expansion in this province but has given greater impetus to industry in other parts of Canada where it in exported. This growing demand has spurred search activities throughout the province, leading to discovery of many new fields and extension of established areas. Due to the immensity of known reserves, accent of activity in 1956 was on development rather than exploration. Total footage drilled in both exploration and development exceeded 10,000,000 feet for the first time. Development drilling alone recorded a footage approximately equal to the earlier year's combined total of 8,440,000 feet. Steel completions in the year numbered 1,300 of which 900 were in the Pembina field southwest of Edmonton. This was an increase of nearly 200 over the banner year of 1955 and almost double the 1954 figure.

Early in 1957, Royalite Oil Company Ltd., announced a $50 million project to extract oil from the fabulous Athabasca tar sands in the Fort McMurray area. Calculated by geologists to hold the greatest petroleum reserves known in the world, they have long baffled oilmen and scientists in search for a pratical method of extraction. Various extraction processes, including utilization of atomic energy, have been tested and then shelved. Royalite proposes separation through a centrifugal process. The company's long-range program calls for an initial construction start in 1957 and in a few years a pipeline is scheduled to connect the field with Edmonton. Great activity was also shown by the pipeline industry during 1956. The province's natural gas distribution network was greatly extended as 22 towns were tied into utility systems. The major gas pipeline constructed connects the field in the Alexandria Indian Reserve area to a new power plant at Wabamun and the Pulp plant at Drinnan. A line was constructed to connect the new fertilizer plant at Medicine Hat with the gas field at Etsikon. Another line connects Vermilion and Lloydminster. The Fort Saskatchewan field is now connected with the Edmonton distribution system, while all the towns between Calgary and Red Deer are now linked as well.

Oil pipelines were extended principally in the southern part of the province. The Cromona pipeline connects Calgary refineries to the Sundry and Westward Ho fields. The line ending at Big Valley was extended to give West Drumheller oil and outlet at Edmonton. The line to Westrose was extended to Rimbey and another line now links that point with Gilley and the west end of the Joffre field.

New outlets for Alberta's tremendous reserves of natural gas are now in the offing. During the year, both Trans Canada and Westcoast Transmission gas lines were launched. Trans Canada will carry Alberta natural gas to Eastern Canada and eastern American states. Westcoast Transmission will gather natural gas in the Peace River area and make it available to the Pacific northwest.

Tremendous Proven Reserves

Proven reserves of two and one-half billion barrels of oil and 18 trillion cubic feet of natural gas indicate that Alberta will stay in the oil and gas limelight of the world for some years.

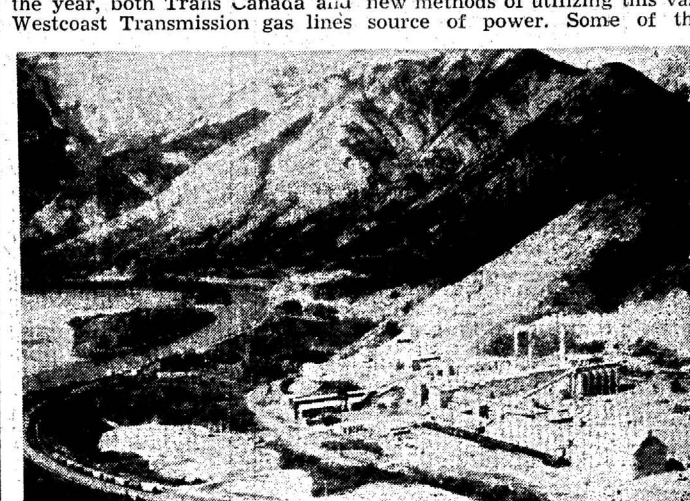
Crude oil production increased from 113,035,046 barrels in 1955 valued at $247,026,722 to an estimated 144,300,000 barrels in 1956, valued at $353,545,000. This was only four million barrels short of the province's cumulative production up to 1951. During the year, the $4 million refinery of North Star Oil Ltd., has begun construction of a $3 million absorption plant at Nevis. A $4 million sulphur plant by the same company at Pincher Creek is nearing completion. It will supply elemental sulphur to the $25 million fertilizer-chemical plant of Northwest Nitro Chemicals Ltd., at Medicine Hat, which went into production later in the year. Another $3 million absorption plant, by Imperial Oil Limited, is under construction at Redwater.

Other petroleum expansion included a $2 million refinery addition by British American Oil Co. Ltd., at Edmonton and $1.5 million lubricating oil plant by McColl Frontenac Oil Co. Ltd., also at Edmonton. Wainwright Producers and Refiners Ltd., renovated and expanded its refinery at Wainwright in 1956 at a cost of $2.5 million. Combined processing capacity of the 11 refineries located in the province at the end of the year was 80,000 barrels per day.

Decline in Coal

The advent of Alberta's oil and gas boom has spelled a serious decline in coal production, once the mainstay of the province's mineral wealth. Over the past seven years, production has been dropping gradually with a 1956 estimated output of 4,361,274 tons, valued at $23,512,617. By way of comparison, the peak years, 1946 and 1949, showed respective production and values of 8,824,455 tons, $33,197,261; 8,616,983 tons, $44,541,538.

But the end of this decline may now be in sight. According to a submission made to the Gordon Commission, coal mining should reach its lowest ebb by 1960 and predicts its future will be much brighter. Experiments are being carried on by both private and government agencies to develop new methods of utilizing this vast source of power. Some of the



Other mineral products besides the "black gold" of the petroleum industry are important to Alberta's economy. Here is a view of the Canada Cement Plant at Exshaw, on the way to Banff.

possible uses are: fuel for locomotive engines operating on the principle of coal fired gas turbine engines; conversion of coal into chemicals for specific manufacturing processes; production of coking fuel for use in steel industry; use in thermol electric generation plants; use in industrial heating as price becomes more competitive with fuel oils and natural gas.

Processing approximately 48% of Canada's known supplies Alberta has enough coal to maintain production of 10 million tons per year for the next 2,000 years.

Petro-Chemical Growth

Alberta's petro-chemical industry, utilizing extraction derived from processing of oil and natural gas, is growing to major proportions. In 1941, production of chemicals and chemical products was but a fraction over $1 million and in 1951 it has risen near the $10 million mark. In the five years since then, expansion has more than quadrupled production value, to an estimated $40 million in 1956. Even so, the industry is still regarded as being in the infancy stage in relation to potentialities. In the past year alone, two large new plants went into production in Edmonton, Canadian Marietta Company Ltd., and Monsanto Chemicals Ltd. Phenolic resins will be the main product coming from the $350,000 plant of Canadian Marietta, while Monsanto's $500,000 plant will concentrate on industrial glues. Wester Chemicals Ltd., put a $200,000 addition to its plant at Duvernay, northeast of Edmonton, to step up production of caustic soda and chlorine.

Iron and Steel Expansion

Activity in the iron and steel industry has also shown radical growth in recent years. Value of iron and steel products, transportation equipment excluded, almost doubled in the five year 1951-1955, rising from $21,099,553 to $40,851,000. The greatest annual production increase, however, was reported in 1956, when gross value reached an estimated $54 million. Contributing to this rapid growth last year were a large new plant and several extensions in Edmonton. Alberta Pheonix Tube and Pipe Company Ltd., began manufacture of steel pipe in its $7 million addition of its steel rolling mill. Both projects were in Edmonton. Horton Steel Works Ltd. completed a $450,000 addition to its Lethbridge plant and Standard Iron and Steel Works Ltd., began construct on of a new $1.5 million fabrication plant in Edmonton. In addition, there were numerous plants and expansions listed in metal works and drilling equipment.

Poplar, once the weed tree of Alberta forests, has turned into the modern Cinderella of timber. Considerable stockpiling of this timber was done in 1956, in rediness for the demands of the new $33 production in 1957. Substantial quantities of poplar cordwood were also stockpiled to meet demands of two large new plywood plants opened in Edmonton. These were the $1 million plant of Zeidler Plywood Corpo a on Ltd. and the $1.5 million plant of Western Plywoods Ltd. A third new $1.5 million project is contemplated in the far north, Fort Fitzgerald area. With addition of the older established Northern Plywoods Ltd. plant at Grande Prairie, combined production capacity of the three mills is approximately 170,000 board feet of plywood per day. Ideally suited for musical instrument and furniture manufacture, this high grade, hardwood plywood also has found ready acceptance with the building trade.

Forestry and Wood Products

The overall forestry and wood products industry in 1956 showed a gross production value estimated at $62 million, up from $58,340,000 in the record year of 1955. This was accomplished in spite of a drop of 45 million board feet in the amount of lumber cut on crown lands, which totaled 430,000,000 board feet the year previous. Gross value is expected to rise considerably in future years as the newly established pulp and plywood industries swing into maximum production.

Excellent construction weather experienced in the fall was a large factor in boosting the total value of construction in Alberta to a record high of $724,923,000 for 1956. Previous year's figure was $125.6 million lower, or $599,328,000. Estimates place the number of contracts awarded through the year at 8,649 units valued at $275,613,000 an increase of $45.3 million over the previous year. Despite tightened credit financing, new dwelling units completed to the end of October totalled 9,320, as compared with 8,922 in 1955.

A breakdown of contracts awarded in 1956, giving number of units and value, shows: residential, 7,299, $82,949,100; business, 984, $91,533,300; industrial, 124, $21,101,600; engineering, 357, $80,-029.

Expanded Electric Power

Keeping pace with demands of rapid industrial development has necessitated drastic expansion of electric power generating facilities. Available capacity of 462,515 kw. in 1955 was increased to 560,515 in 1956. Power consumption in the year is estimated in excess of two billion kilowatt hours, up from 1.7 billion kwh. the year previous. The increase of 98,000 kw. in capacity resulted from completion of two plants. The $7.6 million plant of Calgary Power Ltd. at Wabamun added 66,000 kw. while the $5.8 million coal fired steam plant of Canadian Utilities Ltd. at Forestburg boosted capacity by 32,000 kw. Scheduled for completion in 1957 is a $1.8 million 18,000 kw. addition to Calgary Power's hydro plant at Cascade in the Banff area. New plants and expansion projected by three companies and two cities over the next three will add another 300,000 kw. to total capacity in Alberta, which will bring it to 860,000 kw. by 1960.

Highways and Tourists

The annual influx of tourists in Alberta has moved tourism into one of the top roles in the province's economy. In 1956, an estimated total of nearly two million tourists spent about $56.5 million in the province. The number of visitors was up approximately 135,000 over 1955, while tourist revenue climbed about $5 million. Registrations at national parks were near the 1.5 million mark. The remaining portion of tourist entries were by way of customs ports and train, bush and airlines, with the former predominating.

Aiding the growth of tourism is the expanding network of provincial highways, many of which are of first-class pavement linking the provinces top attraction spots. One of the most recent highway projects is the David Thompson Highway. Scheduled for completion this year, it will branch off the main Calgary-Edmonton highway at Red Deer to connect with the Banff-Jasper Highway in the mountains. A new innovation of 1957 will be the highway department's construction of roadside camping grounds at strategic locations. Further tourist attractions are provided by 32 provincial parks, a number of which offer complete facilities in accommodation, sport and recreation.

From all estimations of potential, provincial and national, Alberta would appear to be in a most favorable position in the years ahead. It possesses the natural resources, properly exploited and administered, to attract industries of many types. Its many natural attractions draw tourists who add materially to the wealth of the province. And its bucyant optimism attracts new residents by many hundreds. Today's population of 1,123,000 is expected to grow at a comparable rate in the years to come.

The petrochemical industry in Alberta is playing an increasingly important role in the national economy. The variety of materials manufactured from petroleum products are still unlimited. Here is an aerial view of the Canadian Chemical Plant at Edmonton.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

WORCESTER, Mass.—Henry E. Manning, Jr. has become connected with Paine, Webber, Jackson & Curtis, State Mutual Building. He was formerly with Hanrahan & Co., Inc.

Albert Frank-Guenther Law Receives Advertising Award

Albert Frank-Guenther Law, Inc., of San Francisco, was recipient of a Full Term-Western Advertising Campaign special merit award at the Annual Press-Radio-TV Dinner ceremonies at the California State Fair and Exposition. A campaign for Dean Witter & Company won the coveted award. Receiving the award from Governor Knight is M. C. Cozzins, who is associated with Dean Witter & Co. in Sacramento.

A Cancer on the State

By JOSEPH MOSBY HORNOR
San Antonio, Texas

In his review and interpretation of monetary and Governmental policies and practices since 1932, Mr. Hornor singles out what he considers are indictable offenses corroding and cancerating our economy and morality. The author questions the: departure from the original provisions of the Federal Reserve Act; illegal issue of military invasion money in 1943; lowering of gold reserve requirements behind Federal Reserve notes and deposits; and present day meanings assigned to such words as value, exchange, honest and sound money. Proposes return to gold coin standard and return of the public to its rightful power over the "purse."

The Importance of Considering Present Monetary Policies

Although not alone among monetary and banking conditions adversely affecting us, the two current conditions stated below are bad enough to remind us of the importance of considering our Government's monetary policies.

J. M. Hornor

In *The Commercial and Financial Chronicle*, March 7, 1957, on page seven, Dr. Walter E. Spahr, Executive Vice-President of the Economists' National Committee On Montary Policy, said:

> In January, 1957, the purchasing power of our dollar, as measured by the index of wholesale prices [index for 1947-1949 equals 100], reached the lowest level on record since 1914, when The Federal Reserve System was established.

The other condition is shown by the two items below:

> (1) Eisenhower's $72 billion budget tops total Federal spending in the nation's first 132 years, including World War I.—*The Wall Street Journal*, March 22, 1957, Col. 5, last paragraph.

> (2) In 1890, the total expenditure of the Federal Government was $318,000,000. The interest on the public debt was only $36,000,000. The total public debt was only $1,222,000,000 . . . which is to be compared with 1957 when the public debt is $274,573,938,354.—*San Antonio Light*, April 17, 1957, Col. by George E. Sokolski.

The uncorrected 24 year old corroding evil, our Government's disavowal of a free use of gold coin, has extended and will extend its malignity in our living State as surely as all untreated corroding evils, or cancers, associated with human ill health do extend their malignity while life lasts.

The feasibility of avowing the principle of a free use of gold, coined at the present standard of our dollar unit's value, has been shown clearly by highly competent authorities. Therefore, here, no effort will be made to add to their well reasoned advice on the subject any suggestions on how to return to the path of honor; but an endeavor will be made to show the seriousness of our present dishonorable course.

"New Deal's" Monetary and Banking Policies Founded on Dishonesty

On Nov. 4, 1932, the candidate for President, Franklin D. Roosevelt, in a speech at Brooklyn, N. Y., said in part:

> Far up in the Northwest at Butte I repeated the pledge of the [Democratic Party] platform, saying "Sound money must be maintained at all regards." In Seattle I reaffirmed my attitude on this question. The thing has been said . . . in plain English three times in my speeches. It is stated without qualification in the platform and I have announced my unqualified acceptance of that platform in every plank.—To be found in Rexey Smith and Norman Beasley, *Carter Glass* (Longmans, Green & Co., New York, 1939), pp. 321-322.

Said James P. Warburg, in his book, *Still Hell Bent* (Doubleday, Doran & Co., Garden City, New York, 1936), p. 28: "Even Mr. Roosevelt's supporters recognize his lack of steadfastness to principles, and I do not see how they can deny his repudiation of promises."—*Monetary Notes*, Oct. 1, 1952, "The Record," by Walter E. Spahr, p. 4.

Often stated have been the details of the violation of the Democratic Party's pledge, endorsed and greatly emphasized by Mr. Roosevelt. It took place in the very beginning of the Revolution, called "New Deal," marked, in point of time, by Roosevelt's inauguration. To observe some of the evil's resultant manifestations, it is suggested that we become and remain mindful that the "infection" was introduced as soon as possible, and that, to date, it has been cultivated instead of being checked. For this reason the following early activities, though widely known for years, are mentioned as suitable reminders of our Government's first "New Deal" transgressions.

In an address by Dr. James Washington Bell, as reported in *The Commercial and Financial Chronicle*, April 3, 1953, is the statement below:

> It looked suspiciously as if the plan of the incoming administration was to let the banking system collapse.

The President, on March 6, 1933, proclaimed a banking holiday, beginning then and to last until the 9th, and authorized gold to be used during that period only under license. The Treasurer of the United States was prohibited from making any payments in gold during that period unless licensed to do so by the Secretary of the Treasury.—*Annual Report of the Secretary of the Treasury for 1934*, p. 201.

The bank moratorium was an excuse and a step toward the abandonment of the gold standard.—Dr. Bell's address abovementioned.

In support of the foregoing is the following:

> After the bank holiday, banks holding 90% of the Nation's deposits were found to be in a satisfactory condition and were reopened for business. Insofar as the national banks not allowed to reopen were concerned, by far the most of them could not have been in a seriously unsound condition inasmuch as many soon paid depositors 100 cents on the dollar or more.—Note on p. 77, *What Will Deflation or More Inflation Mean to You?*, by American Institute for Economic Research.

All people were required to deliver their gold to the United States Treasury, and the exportation of gold was prohibited, except as authorized.

The President forbade the holding of gold coin, gold bullion, and gold certificates with certain minor exceptions. — *Report of the Secretary of the Treasury*, mentioned above, pp. 201-202.

Possession of the gold was impliedly as if it were in trust. —*The Revolution Was*, by Garet Garrett.

Seizure widely appeared to be a temporary action for the protection of the public interest.—See Dr. Bell's address, above-mentioned, and *Money and Banking*, by L. V. Chandler, 1953 edition, p. 147.

A most important purpose of the revolutionists was to have the Government gain and keep control of the "purse." So long as we had remained in the path of honor, the "purse," to a large extent, had been within the control of the people. During that time the people's power to demand redemability in gold coin sustained such control. The amount of gold coin, of course, was limited; the number of promises to pay money, hand to hand, or credits, therefore, was limited by the confidence of the people in our Government's ability to fulfill its promises to pay money, metallic coin.

Since 1933, foreign central banks, holding our promises to pay dollars, have had the right to draw gold from the gold reserves of the Federal Reserve banks and the Treasury. Domestic holders of our promises to pay dollars have not had such right. Hence, our Government has controlled the "purse."

All gold clauses in contracts were abrogated. — *Report by the Secretary of the Treasury*, abovementioned, p. 203. Other activities, equally pernicious, helped to characterize the "revolution's" opening period.

The review given above shows the early naked evil, a glaring dishonesty in our Government's money policies. The many excuses made by Mr. Roosevelt and his supporters have rested solely on the shifting sands of expediency.

Corrosion Sets In

Setting in at once, like the action of a strong acid or caustic alkali, in some chemical processes, was the eating away of certain State supports by the introduced foreign body, namely, a disavowal of an honest principle which had governed our Government's previous money policies.

Preceding the abrogation of gold clauses in contracts, in point of time by less than three weeks, and readily viewed as probably planned at the same time as was abrogation, were the following mentioned movements to depreciate our currency: Authorization, May 12, 1933, of the President to cause the issuance and circulation of an enormous sum of fiat money; all of our money was declared full legal tender for debts (parenthetically, it is worth remembering that our Constitution contains no statement of a power given to Congress to make anything a legal tender in payment of debts); authorization of the President to change the content of the dollar; authorization of the President to subsidize silver interests, to a serious degree, and to expand the currency by issuing a certain large amount of Silver Certificates.—*Report*, pp. 202-203.

History has recorded the thoroughly disgraceful process of buying and selling gold to select a value of a unit, one dollar, for a new monetary standard in 1933-1934. In place of the long established value of our standard gold dollar, which was 25.8 grains, 9/10 fine, the new one selected was 15 & 5/21 grains, 9/10 fine.—See among other sources, "The Morgenthau Diaries," *Colliers* (Oct. 7, 1947).

Reserving for another place in this paper a certain fact about regulating the value of the coin, at this point, a different observation will be made. Carefully withholding from Congress the power to impair the obligation of contracts, the Constitution authorizes Congress to lower, or to raise the value of the standard unit, as follows:

> Congress shall have the power "to coin Money, regulate the Value thereof, and of foreign Coin. . . ."

As used here, the world *value* means *degree of substance*, and the qualifying adjective *exchange* is in no way implied. Obviously, the word *regulate* was chosen because, unlike the simpler *control*, it rarely expressed the simpler thought, "to control," but almost invariably it expressed the more extended thought, "to control by rule."

This word *regulate* was so badly interpreted by President Roosevelt and many others, when starting the "New Deal" revolution, that the following reminder of its application in 1792 will be given, for then Congress exercised for the first time its power to regulate the value of domestically coined metal and of foreign coin. The coin far more widely used than any other on this continent at that time, and hence the coin considered most suitable for our new system, pending wide circulation of our domestic unit, yet to be coined, was the Spanish dollar. Convinced by Alexander Hamilton that 371.25 grains of silver best expressed the actual average value of the coin in use, and that this silver dollar was equivalent in exchange value to 24.75 grains of gold, Congress proceeded to *regulate*—to control by rule, not simply to *control* — the value—the degree of substance—of the Spanish dollar and, when coined, of our domestic silver dollar and our domestic gold dollar.

The rule, in part, was that 371.25 grains of silver, 9/10 fine, was to be the value of the degraded Spanish dollar and of our adopted silver dollar. In its only other respect, the rule was that 24.75 grains of gold, 9/10 fine, was to be the value of our adopted gold dollar. The rule was plain and the power to control by that rule—to regulate—existed.

It is impossible to reconcile the 1933 interpretation of "to regulate the value" with that of 1792. Attention now is directed to Congress' early action in the "New Deal" revolution. By a Joint Resolution this great law-making body declared the gold clause in all cases to be a thing contrary to public interest because it obstructed the power of the Government to regulate the value of money; and on this ground it made the gold clause invalid and illegal as to every kind of obligation, public or private. — *The Saturday Evening Post*, Aug. 12, 1933, "The Hundred Days," by Garet Garrett, 3rd. sentence, 3rd. paragraph, column 3, p. 65. So when the President began buying and selling gold—an action unauthorized by the Constitution—he said:

> My aim in taking this step [buying and selling gold] is to establish and maintain continuous control. This is a policy, not an expedient. It is not to be used merely to offset a temporary fall in prices. — Quoted in paragraph 1, p. 13, *An Appraisal of the Monetary Policies of Our Federal Government, 1933-1938*, by Walter E. Spahr,

Continued on page 22

Critical Period Ahead In State-Local Finance

By DR. WALTER W. HELLER*
The University of Minnesota

Dr. Heller maintains pressures from population changes and prosperity for local improvements must be transferred to Federal Government in the absence of the capacity and willingness to tax ourselves at the state-local level. Cites serious impact of inflation. Lists local governments' still unexploited financing potentials, as in the taxation area. As indispensable for putting their fiscal house in order, prescribes a detailed "agenda for fiscal action." Concludes willingness of municipal and state authorities to overhaul tax rates, and of the voters to support them, will constitute real measure of American people's belief in self-government and responsibility.

Introduction

In our national preoccupation with Federal budget woes, we seem to have lost sight of the dramatic postwar resurgence of state-local government. Since World War II, state-local spending and debt have more than tripled (with expenditures rising from $12½ to $40 billion and debt from $16 to over $50 billion), and taxes have more than doubled (from $13 to $33 billion). In the last four years, state-local spending has jumped by an average of $3 billion each year, in contrast with Federal increases averaging $1½ billion annually.

Dr. Walter W. Heller

There is as yet little evidence that these figures reflect a conscious assertion of states' rights, a renewed pursuit of the virtues of local self-government. Rather, this impressive comeback of state-local government is a response to the irresistible pressures of (1) population, the multiplying numbers who require education, highways, welfare services, and the like; (2) the flight to the suburbs, adding vast new construction needs to an already large backlog born of depression and war; and (3) prosperity, bringing with it the demand that we use our economic abundance to generate higher levels of human well-being.

In contrast with the crises of economic and military survival we faced in the 1930's and 1940's —crises which demanded centralized action and financing — the main impact of these new pressures is focussed on the states and localities. They are the ones to whom we naturally turn as we seek to maintain and upgrade our educational efforts, improve our physical and mental health, clear city slums, build better and safer highways, and equip our suburbs with water systems, sewers, roads, parks, schools, and the like. Though there is a national interest in many of these fields which the Federal Government should not shirk, the primary responsibility rests with the states and municipalities. Can they do the job? Or will it pass by default—or perhaps by preference—to the Federal Government? The answer lies largely in our capacity and our willingness to tax ourselves at the state-local level.

The New Fiscal Perspective

Any illusions we may have had of solving the problem of cutting back the scope of government as a whole have been rudely dispelled by recent developments at all levels of government. At the Federal level, in spite of a substantial cut in military and related expenditures since 1953, we find our cash expenditures running at the highest level in our peacetime history—over $78 billion in the fiscal year 1957. Small wonder that the *New York Times* in its "Study of Four Years Under Eisenhower" a year ago was moved to say: "In the long run, the most significant result of the first Republican management in 20 years is the discovery, and indirect admission, that government spending cannot be cut." The evidence at the state-local level is even more striking. State tax collections alone jumped by $1.7 billion, or 15%, between fiscal 1955 and fiscal 1956, far above any previous one-year increase. Even more recent evidence was provided last November: voters approved nearly $2.5 billion of state and local bond proposals, nearly $1 billion above the previous high in 1949. These chickens are coming home to roost in the greatest outpouring of municipal bonds in history. $2.5 billion of new municipal bonds were sold in the first four months of the year, a seasonally adjusted annual rate of nearly $8 billion [a vote which has slackened somewhat in May and June].

In the face of a population boom and an expanding economy, then, the problem is not **whether** government will expand, but **where**—at the Federal or at the state-local level. The next few years, when the tax-absorbing part of the population is expanding much faster than the tax-paying part, will be the hardest. For example, during the five-year period ending in 1960, total population is rising by 8% but public school enrollment is leaping by 22%. Long before the hoped-for easing of pressure occurs in the sixties or seventies when population balance is restored, the hard choices between the "pains" of raising state and local tax rates and the "pleasures" of transferring costs to the Federal Government will have to be made.

The entire setting today for a consideration of state-local fiscal needs and their relation to Federal finance is vastly different from that of 25 years ago, or even 10 years ago. In 1932, the setting was one of widespread unemployment, relief loads which state and local governments simply could not carry, widespread municipal bankruptcy, and enormous disparities in the fiscal capacities of various states (with per capita incomes ranging from $124 in Mississippi to more than five times as much, $658, in New York). Under those circumstances, the Federal-State-local interrelationship could only be a rescue operation in which the national government relieved state-local financial pressures by taking over functions and pouring our Federal aid on an unprecedented scale.

The Great Depression started state and local governments on the long slide that carried them from their lofty position of the late twenties, when they accounted for nearly four-fifths of all government activity in the United States, to their lowly position just after World War II, when they accounted for only one-fifth. Under the impact of depression and war, public attention shifted from city halls and state houses to the national capitol, and public resources were directed into Federal rather than into state-local channels. As a result, both the fiscal problems and the physical facilities of state and local governments were neglected.

Yet, state and local governments came out of the war in a position of apparent financial ease. Lush revenues and limited expenditures during the war left most state and local treasuries full to overflowing a decade ago. State-local demands on the Federal Government were at a minimum.

But today we realize that the feeling of financial ease was deceptive. State-local government is in the midst of an aggressive, almost explosive, expansion. I have already mentioned the triple pressures of population, prosperity, and public works postponement (compounded by accelerated family formation and the flight to the suburbs) as moving forces in this expansion. But inflation and, curiously enough, increased productivity have also exerted disproportionate pressure on state-local government. On one hand, price rises have been most marked in the very field, heavy construction, in which state-local expansion has been greatest. On the other, a very large part of state-local budgets goes for personal services, such as teaching, which necessarily share less in the increases in productivity than they do in the increases in wages.

Under these combined pressures, the state-local proportion of total government spending has risen from $1 out of every $5 in 1946 to $1 out of every $3 today. And no early abatement in the upward sweep of state-local activities is in sight. For example, an estimate made about two years ago by the Tax Foundation anticipated an increase of $22 billion in state-local expenditures (at stable prices) from 1953 to 1965.[1] Yet, within the first three years — only **one-quarter** of that 12-year period — expenditures have risen by $11 billion, or **one-half** of the total projected increase. With the benefit of two years of hindsight, then, it seems reasonable to predict that state-local spending will reach at least $60 billion by 1965, rather than the $52 billion projected by the Tax Foundation. Since the higher figure represents an increase of only 50% in the 1956-65 decade as against a 200% increase in the 1946-56 decade, one should be quick to acknowledge that it, too, may be an underestimate.

The Fiscal Potential of State-Local Governments

These projections bring us back to the basic question of whether the states and municipalities can handle the fiscal job implicit in this tremendous expansion. Do they have the required fiscal capacity and the will to tax? If they do, the Federal Government can be cast in the supporting role of providing a favorable economic and fiscal environment for state-local tax efforts. If they don't, the irrestible pressure for government services may force it to assume the dominant role of taking over the performance and/or financing of important state and local functions.

The fiscal capacity question is partly one of underlying economic potential and partly one of availability of fiscal instruments to convert this potential into state and local revenues. Underlying economic capacity depends, first, on the size and growth of our national economy and, second, on the size of the Federal Government slice of economic pie. Here the perspective for the decade ahead is decidedly reassuring. The basic taxable capacity is there. State and local taxes are taking roughly 8% of our gross national product (GNP) today as against prewar levels of 9 and 10%. Further, under the impact of rapid economic growth, Federal tax revenues have been rising faster than Federal spending. This holds out the promise of Federal tax cuts which will provide more financial elbow room for state-local government.

If, as expected, our GNP grows to $550 billion in 1965, **existing** taxes would generate about $110 billion of Federal and $45 billion of state-local receipts. But state-local spending is spurting toward a level of $60 billion or more by 1965, leaving a gap of $15 billion. Perhaps $6 or $7 billion of that gap will be filled by Federal aids (which are already nearing $5 billion a year). But to fill the rest will require state-local rate tax increases averaging $1 billion each year between now and 1965. Can Federal tax cuts provide this much leeway? Since Federal revenues will rise by $3 billion a year at present tax rates, the answer in the aggregate is "yes" **if** Federal spending does not rise by more than $2 billion each year.

Unrelated State Potentials

Do state-local governments have the necessary tax tools to do their $60 billion share of the job, and are they prepared to use them? It is often suggested that they lack the tools or that the available ones are already stretched to the limit. Without denying that it is difficult or impossible to translate $1 billion of Federal tax cuts into $1 billion of state-local tax increases, one can readily cite facts which suggest that the limits on state-local tax capabilities have been overstated. Several states have demonstrated the potential of particular taxes. Three states of widely differing characteristics—New York, Wisconsin and Oregon—draw nearly half of their state taxes from the income tax, although the 48 states as a whole draw only about one-sixth of their

Continued on page 24

*An address by Dr. Heller before the Municipal Finance Officers Association of the U. S. and Canada, St. Paul, Minnesota. Text also appears in the August, 1957, issue of *Municipal Finance*.

1 The Tax Foundation, Inc., *Government Finances in 1965*, New York, 1956. Outlays of government-owned liquor stores and public utilities have been excluded for purposes of this discussion.

THE MARKET . . . AND YOU

By WALLACE STREETE

The reports of the post-Labor Day week's market sessions differed mainly in relating *how* prices fell—that is, whether on the lightest volume of the year, or accelerated activity to the 1,870,000 on Tuesday; with small and then large number of issues traded, or with varying groups showing particular weakness. In any event, the market ended its career-of-the-week, after a feeble rally Wednesday, with a net loss of 3% on the Dow-Jones Industrial Average, 3% on the rails, and 1% on the utilities. The retailers and the banks practically provided the only issues making a respectable stand against the selling onslaught; while the rails and metals were the most uniform losers.

* * *

Money stringency and cost, profit-squeezing, slowed order-backlogging, industrial plant expenditure curtailment, production cut-backs, the Syrian agitation, the deadlock of the London disarmament Conference were the factors most prominently cited as responsible. Little matter, in the Street's present mood that they have been long-standing or are self-contradictory; or that items of good news, as in the retail, construction and steel areas, has been persistently ignored.

High Money Rate Beneficiary

The fillip from high interest rates to the welfare of the commercial banks — the 18 New York City institutions enjoyed a 21% increase in profits during the first six months of this year—is highlighted by this week's hiking of its dividend rate by the Marine Midland Corporation from an annual basis of $0.90 to $1.00. In addition to rising interest rates, this New York State bank holding entity will be benefiting from Federal approval of the program to exploit Niagara's great hydro-electric potential, the St. Lawrence Seaway, and from the New York City-to-Buffalo Thruway. Earnings per share have risen from $1.37 in 1955 to $1.62 with further advances being currently registered. In fact, this year's income might reach $1.80, which would give the shares, at 19, a satisfactory earnings yield of almost 10%. Irving Trust, traded off-the-exchange is another bank stock eliciting considerable favor. In addition to its general banking activities and large trust business, it gets earnings from its well-known head office building at Broadway and Wall Street. Contrary to the experience of other New York City banks last year, Irving scored a good gain in deposits. Operating earnings have increased each year since 1948, reaching $2.56 last year. Dividends are 40 cents quarterly, with at least repetition of last year's extra of 10 cents expected—which would afford a 4.9% yield on the market price which is steady at 35. Guaranty Trust and First National City are other New York City banks stocks liked for their present earnings outlook and actual dividend yields—respectively 4.5% and 4.7%.

Buying of Canada's Mutual Funds

In the face of declining markets, or because of them, American investors have been buying large amounts of mutual funds in Canada as well as here. In line with the trend in the U. S., during the first half of the year net sales of new Canadian investment companies shares to U. S. investors reached a record total of $46 million; with net sales of *all* Canadian securities to non-residents aggregating $90 million.

Upstanding Carrier Issue

Truly outstanding above the sea of unpopularity of railroad issues is Western Pacific. Midst the rampant pessimism toward the carriers, enhanced by dissatisfaction over the ICC's rate rise announcement as too late and too little, or even as too much, traffic diversion to competitive forms of transportation, accentuated cost-price squeezing, Western Pacific's management has come out with the sensational prediction that this year's earnings will show an increase of almost 60%—to $10 from $6.29 per share last year. This carrier which has over the years elicited interest from "special situation" financiers, and analysts is uniquely well-off in possessing modern plant, operating efficiency, growth record, and a small common stock capitalization. The stock's present price of 60, which is nearer the high than the low of the year, provides a 5% yield on the well-secured $3 cash dividend, in addition to which 2% in stock was paid last year.

Mr. Wolfson Buys Again

Little wonder at the market steadiness of Merritt-Chapman & Scott in the light of the disclosure by Louis Wolfson concerning an additional large acquisition at a price considerably above the market. Already owning, with his family and associates, 215,000 of the 5,569,132 M.C.&S. shares outstanding, Mr. Wolfson has agreed to buy 250,000 shares from Abraham Savin at $23, or a total cost of $5,750,000. This purchase price compares with their outstanding market value of $4,250,000, based on the current price of 17. There are indications that Mr. Wolfson is making a good investment apart from any corporate management considerations that may be involved. Earnings are predicted at $2.50 for this year vs. $2.26 in 1956.

Well-Sustained Blue Chips

In the face of its highly-publicized introduction of the new Edsel car, Ford stock this week hit a new low for the year, a fraction of a point above its all-time bottom. On the other hand, and combatting the general worry over potential unmanageability of dealers' car inventories, General motors, at about 42, has been maintaining itself at some 10% above its 1957 minimum. Although GM is widely recognized as the nation's "tops" in management quality, sometimes its very real growth characteristics are not fully realized. Between 1947 and 1955 sales more than tripled, from $3,815,000,000 to $12,443,000,000; before receding by about 13% last year. The market effect of the Court-ordered spin-off of du Pont's GM stock is now getting increased thought, with the reported acceleration of the Government's efforts to bring the matter to conclusion—and "the hard way."

* * *

American Can is another Dow-Jones average leader that has stood up comfortably above its low-of-the-year (low 39⅞, high 45⅞, current price 43). In fact, it actually advanced midst Tuesday's market decline. Not only is AC the largest manufacturer of metal and composite containers for the packaging of food and other commodities, but it is also looming large in the packaging of milk; and via the recent acquisition of Dixie Cup, as producer of paper cups and nested containers. Other recent acquisitions include Pittsburgh Plastics, Bradley Container, Sun Tube, Kienle Co., Metal and Thermit Corporation with its three detinning plants. The Dixie Cup merger is very important in giving American Can representation in the fast-growing consumer products field. Also manifesting the company's expansion was the formation of an International Division at 1956 year-end.

[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.]

Bright Future Ahead for Drug Industry and Medicine

By J. W. LANSDOWNE*

Manager, Customer Promotion Services, Eli Lilly & Co.

Eli Lilly official traces phenomenal success of the drug industry, despite decline in unit drug retail establishments, and calls attention to the new, vigorous, smart market now developing. Mr. Lansdowne attributes the "bloom on the boom" to the startling growth of the American middle income and middle-rich classes as well as to other causes accounting for the strength and expansion of the economy. Singles out: the more rapid increase in ethical market as compared to proprietaries; five-fold rise in prescription sales since 1939; changes occurring in pharmaceutical forms; and marked increase in use of chemicals and drugs of animal extraction. Shows costs of drugs and medicines have declined relative to income.

Nobody can really guarantee the future. The best we can do is to size up the chances, calculate the risks involved, estimate our ability to deal with them, and then make our plans with confidence. It is with these thoughts in mind that I should like to discuss the current trends in the drug industry. I sincerely hope this will start a train of thought, bolster courage, and provide facts on which one can build plans.

The drug business is no "peanut" business anymore. It is a vigorous, dynamic part of our economy that has passed over the threshold of a $5-billion enterprise. No longer is the drug business the stepchild of our great industrial family, and we can keep the business growing — make it even bigger and more important than ever before in direct proportion to our willingness to do an honest day's work. I believe we can paraphrase one of the great philosophical gems of Plato who said, "We have the kind of government we deserve," . . . and say to ourselves, "We have the kind of business we deserve—the kind of profession—the kind of industry—the kind of ethics we deserve."

I don't believe for a minute that the continued growth of the business—both in volume and prestige—starts in the deliberations of committees or in the enactment of various and sundry types of legislation. It is my firm belief that the responsibility lies with the people concerned . . . their ability to pursue and conduct affairs not for the immediate but for longer effects, tracing their consequences not to special groups but to all people alike. This means that continued progress and growth is contingent on determination to do good performance in a particular field of endeavor—a brand of good performance that can be understood and appreciated by people. Although it may seem fantastic, I am sure that by accepting and carrying out individual responsibility, difficult situations, we now call "problems," would vanish quickly.

Tripling of Sales

In the industry today we have approximately 50,000 licensed drug stores in the United States which, incidentally, represents a decline of about 5% from the total in 1939. Yet, total sales have more than tripled. There are also a few more than 6,800 accredited hospitals in this country. These drug stores and hospitals, along with the medical and allied professions, are charged with the responsibility of serving the health needs of our entire population—more than 170 million people.

Another important segment of the industry is represented by approximately 300 service wholesale drug houses serving the retailers and hospitals of America from basement to roof, from the front door to the back, carrying more than $150 million in inventory, employing 3,600 sales representatives, and more than 1,000 specialists to take orders over the telephone. These service wholesalers will do well over $1 billion gross business a year.

This year average retail drug sales, according to reports analyzed, reached an all-time high of a little better than $100,000. By and large, the success of any business is usually measured in dollars and cents, and I don't believe anyone can deny that from an average sales of $35,000 per year in 1940 to better than $100,000 in 1956 represents phenomenal success—phenomenal success not only from an increased-sales and total-income point of view but also success in serving the health needs of our rapidly growing population.

New Market Developing

But one cannot rest on past laurels or take future growth for granted. One msut continue to apply good performance to the very best of our ability to keep a healthy growth-trend in the future. I think it is important to know that over the past 10 years the industry lost over 18 million customers. Never to sell them anything again because they died. During that interim, however, there have been 23 million marriages consummated and with reference to that fact, and which perhaps was the cause, there have been 42 million babies born. Over one-third of our families (or consumer units) today have come into being during the past decade. Sixty-three percent of the people today do not remember World War I and more than half (about 52%) do not remember conditions before World War II. I mention these facts merely to point out that today we have a new, vigorous, smart market. More population than ever before is represented in the new-born and the older people who are living longer. It is interesting to note that every morning the sun comes up in these United States, there are 7,000 additional mouths to feed. Think of it! In one week's time a population growth sufficient for the establishment of a city of 50,000 people, which could easily support 10 good drug stores.

This tremendous population growth imposes additional responsibilities on each established retail drug store for the simple reason, as we pointed out earlier, that there has been a 5% decrease in the number of stores in the last 16 years. But business cannot exist without markets. Regardless of whether commodities or services are for sale, there must be markets.

So, what are markets. Markets are people, money, and demands. Certainly we have more people than ever with a population that is growing at the rate of almost two million per year. Certainly we have money—more money than at any time in the history of our

Continued on page 33

*An address by Mr. Lansdowne before the 80th annual meeting of the Pennsylvania Pharmaceutical Association, Atlantic City, N. J.

Continued from page 3

Outlook for Business And the Stock Market

to believe that the rise in interest rates is of great importance, not only because bonds obviously compete with stocks on a yield basis, but also because higher interest rates have an unfavorable psychological effect upon common stock investors. If interest rates rise sufficiently, the higher cost of money should ultimately have some adverse effect upon business even though it may be moderate in scope and long in coming. I feel that the dampening effect of high interest rates on stock prices during the last two years has been salutary in the light of the high prices of many individual stocks. In fact, I have stressed the vulnerability of these stocks ever since the summer of 1955 and my recommendations to reduce common stock holdings several times was based largely on this consideration and with the knowledge that as long as business conditions remain favorable, prices of stocks can advance to even higher levels.

Extreme Selectivity

The result of all this has been that the stock market has been unable to rise to new highs for more than a year. Neither has it suffered a serious decline from the peak prices. This condition may well continue as long as business conditions remain reasonably good in terms of economic activity, employment, earnings and dividends. In the past few years maladjustments in individual industries have been resolved piecemeal accompanied by severe price drops in individual stocks. The result has been and continues to be a state of extreme selectivity in the stock market. Holders of some stocks can suffer paper losses of a size amounting to minor or even more than minor bear markets. Holders of other stocks are hardly aware that serious declines are occurring in many stocks (see accompanying table.)

The table shows that if some of these stocks had been bought at their highs one would have suffered a 50% paper loss, while, on the other hand, if one had bought other stocks even in the same industries, one would not be much concerned about any decline in stock prices.

If business activity should remain relatively high and commodity prices should remain firm or rise further, the demand for credit will continue high and interest rates will also remain high for some period ahead.

Advisory Conclusions

Looking ahead over the next number of months, I see no reason to change our basic policy which has been in effect for about two years. This calls for reducing common stock holdings on a scale up. These holdings are now around 65% with 35% in some short-term and some long-term high-grade tax-free obligations.

My recommendations to reduce common stocks over the last two years were made in the face of a favorable business outlook and investment climate on the premise that common stocks were high and, therefore, vulnerable to unexpected adverse news developments. There is no reason to alter this premise at this time. If it should appear that the outlook for business is one of substantial deterioration, however, I will not hesitate to recommend further cutbacks in common stocks, even though prices are much below the highs.

Aside from major policy, selection of individual stocks continues to be of paramount importance. I see no reason to change our basic attitude that clients should own only stocks of those companies that have exceptionally capable managements and the most promising long-term future. In the last two years many of the stocks in these companies rose to prices which appear to us to be inordinately high and we have, therefore, avoided their purchase. It might well be that some of the stocks which are not nearly as good long-term investments will do better marketwise for the time being than our favorites. We will not make switches in portfolios, however, which will reduce quality and long-term performance to take advantage of a temporary situation.

Decline in Individual Stocks
From High of 1956-1957 Period to Recent Price
(Stocks in 25 Industries)

Stocks With Severe Declines	%	Stocks With Mild Declines	%
Minneapolis Moline	48.0	Case, J. I.	5.5
North American Aviation	56.0	General Dynamics	20.6
Kaiser Aluminum	50.0	Aluminium Ltd.	22.6
Borg Warner	25.5	Electric Auto Lite	9.8
U. S. Plywood	42.3	Otis Elevator	7.8
Hooker Electro	44.3	American Cyanamid	12.5
Lehigh Portland	36.2	Ideal	6.6
Marathon	43.7	Anchor Hocking Glass	9.5
Brown Forman	32.0	Glenmore	9.1
Schering	18.7	Pfizer	13.6
Clark Controller	36.1	General Electric	11.1
Pillsbury Mills	28.8	National Biscuit	2.5
Food Fair	26.7	Jewel Tea	3.3
Bucyrus Erie	33.3	Ingersoll Rand	13.5
Copper Range	59.7	Kennecott	33.8
Cerro de Pasco	52.6	Climax Molybdenum	12.7
Underwood	47.7	Addressograph-Multigraph	12.7
Phillips Petroleum	26.3	Texas Company	9.2
Triad Oil	50.0	Calgary & Edmonton	15.8
St. Regis Paper	50.0	Kimberly Clark	19.0
J. C. Penney	22.8	Marshall Field	12.8
U. S. Rubber	31.7	Firestone	5.0
Youngstown Sheet & Tube	28.0	National Steel	8.7
Industrial Rayon	52.0	Cannon Mills	12.5
American Tobacco	16.7	Reynolds Tobacco	6.9
Average	38.4	Average	11.9

With Hall & Hall

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Arthur Guske is now with Hall & Hall, Bank of America Building.

Frank Knowlton Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Lois K. Danielson is now affiliated with Frank Knowlton & Co., Bank of America Building.

Cannon Nominated by I.B.A. New York Group

Francis A. Cannon, Vice-President and a director of The First Boston Corporation, has been nominated by the New York Group, Investment Bankers Association of America, to be Chairman for the coming year. Mr. Cannon will replace Walter H. Steel, partner in Drexel & Co., who will serve one year ex-officio on the executive Committee. At the same time, Cushman McGee, partner in R. W. Pressprich & Co. was named to be Vice-Chairman of the Group and William S. Renchard, Vice-President of the Chemical Corn Exchange Bank, was named to the slate as Secretary-Treasurer.

Francis A. Cannon

Elections will be held on Oct. 16, at the Waldorf-Astoria Hotel when the local group convenes for its 37th annual dinner meeting.

Named to serve on the Group's Executive Committee were: Edward Glassmeyer, Vice-President of Blyth & Co., Inc., and John F. Curley, partner in Paine, Webber, Jackson and Curtis, for terms of three years; Harold H. Sherburne, partner in Bacon, Whipple & Co., for two years; and Donald S. MacFadden, partner in Eastman Dillon, Union Securities & Co., for one year.

Hudson Lemkau, partner in Morgan Stanley & Co., was also nominated to serve one year ex-officio on the Executive Committee.

Lawson, Levy, Williams & Stern to Be Formed

SAN FRANCISCO, Calif.—Effective October 1 the firm of Lawson, Levy, Williams & Stern will be formed with offices at 1 Montgomery Street. Partners of the firm, which will hold memberships in the American Stock Exchange and Pacific Coast Stock Exchange, will be Jessey M. Levy, Jr., Harold B. Williams, Carl W. Stern, Richard Lawson, Leon Morse, Angelo Lamperti, Harry F. Flachs, Joseph A. Johnson and Richard S. Lesser. Mr. Stern, Mr. Flachs and Mr. Johnson are officers of Carl W. Stern & Co., Inc., which will be dissolved. Other partners are members of Lawson, Levy & Williams.

Sutro Co. Adds Two

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Mary A. Canter and Lawrence Hertz are now with Sutro & Co., Van Nuys Building.

Joins Waggenseller, Durst

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Ralph E. Phelan is now with Wagenseller & Durst, Inc., 626 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Phelan was previously with Witherspoon & Company, Inc.

Two With Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Joseph Lombardi and James Y. M. Wu have joined the staff of Schwabacher & Co., 100 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Atomic Energy—Oversold Or Undersold

By WALTER A. HAMILTON*

Manager, Contract Operations, Nuclear Development Corporation Of America

Observing from the vantage point as an official in a small atomic enterprise firm, which combines no-profit research, no-profit partnerships, and low-profit services to the rest of the atomic industry, Mr. Hamilton outlines four alternate courses open to companies interested in atomic activities ranging from venturesome to conservative policies. Surmises we should know if the atomic promise is real by 1965-1970, and points out that the incentive in the United States is fascination rather than need—compared to other countries. Suggests adopting a reflective attitude on profit prospects and claims supposed to come about from atomic developments.

Do we have enough energy? The convenient resources that give us most of our energy today are coal, oil and gas. They are capital resources, not replenishable. How about other energy resources, such as harnessing the tides, wind power, earth heat pumps, solar energy, and others? Most of these are not generally available in the areas where we need energy. All of them require for efficiency mechanical inventions leading to modest cost. we need energy. All of them require for efficiency mechanical inventions leading to modest cost. Despite large efforts, no significant contribution from these sources is yet in sight.

Can atomic fission or fusion help? Well, uranium and thorium reserves—the two metals usable in reactors—are estimated at 25 times all coal, oil and gas. So atomic fission which we know how to control holds great promise. I won't go into the fusion process except to say that our knowledge of harnessing atomic fusion for useful energy is at least 20 years behind our knowledge of atomic fission. In other words, we haven't yet had the first good idea. The first moderately large atomic fusion plant is being authorized by Congress this year. It is not a power producer but a large experiment. If we get an idea out of it, even with crash efforts it will take 20 more years to get the first commercial plant on line. That's the standard application or hatching time and almost a law of nature.

So, atomic fission as a source of energy is important to our civilization. But does that mean it is profitable now or that investment in atomic energy is a sound investment today? The answer is not the same for everyone. For a great nation concerned with the welfare of future generations, there can be only one answer. The United States is presently spending about $2 billion a year on atomic production and development. But like democracy, atomic energy is essential even though not always efficient.

For the individual and the specific corporation, the decision as to what to do about atomic energy is very complex. Let me discuss companies here, since the number of alternate courses open for individuals is far too great to permit generalization. Corporations must strike some balance—as always—between sharing the risks of new ventures and not sharing the gains. Now we are all in favor of sharing risks, but few of us are anxious to lead the movement to share the wealth. Where does the balance lie in atomic enterprise?

Four Alternate Courses

There are four principal courses open. The first and simplest—at least initially — is to stay away from it. For a long time, many companies did this. Then, as a few began to be active, the others got worried, fearful that their competitor was onto a "good thing" and might steal the future market. I would include both manufacturers and privately-owned utility companies in this grouping. The utilities feared that public power —through Federal investment in atomic energy—might drive them out of the expanding electric industry.

The second and third courses are mutually exclusive. One can invest modestly of one's own funds, seeking to gain knowledge and be prepared for the future. In atomic energy this turns out to be difficult because the cost of going alone is very high. Atomic experiments are just plain expensive—multi-million, tens of millions expensive. Most companies who chose to go alone have welcomed the Federal-Government partnership plan of the Eisenhower Administration. In practice, however, a lot of government controls come along with a little government money.

The third course is to work for the government making things the government wants and needs. This includes atomic weapons, operation of atomic materials production plants, and manufacture of atomic power plants for military or semi-military vehicles like submarines, merchant ships, aircraft carriers, and airplanes. This course has one beautiful advantage. Within modest limits, the government pays its bills and allows a small profit. However, in the atomic field, the profit has become so small as to be at the vanishing point.

The fourth course is to do research for the government. This is almost the most interesting route, but unfortunately has serious financial pitfalls. First, every idea developed belongs to the government. Atomic patents aren't like patents flowing out of other military programs. You don't get any rights worth mentioning if government money paid the bills. Second, an interesting philosophy is being applied to the government atomic research program. Since this is all in the long-term national welfare, and since the government is subsidizing atomic research until the atomic industry can stand on its own feet, profits are not allowed. Oh, there are fees, but there are also new rules for disallowances which make this kind of research work truly profitless prosperity.

I should add that this no-profit philosophy is applied even more stringently for those who accept government assistance on their own private projects. A dollar of government atomic assistance is really only about 95 cents. You pay the other nickel.

Venturesome and Conservative Firms

When one has the occasion to inquire as to the significance of a particular company's atomic activities or its future profitability, its credit rating, it is essential to look carefully to see what course the particular company is following. The choice made by management may well have great significance for the next several years. Conservative companies are building atomic power plants for military vehicles — ships, subs, aircraft. If they are in a favorable tax position, they are also diverting some of their taxes into partnership atomic power ventures with the government. More venturesome companies are trying the partnership route only, sustaining their corporate growth on profits from their other current business ventures.

There are a few jugglers, as companies go, in this category. Smaller companies entirely atomic in nature who combine no-profit research, no-profit partnerships, and low-profit services to the rest of the atomic industry. For these companies, growth is the key— they're getting bigger and better so that they will be at the starting line when profitability is possible. This course takes a flair for risk-taking, sizable technical knowhow, and a lot of business judgment. Perhaps my feelings show through a bit, because I'm in this category. It's very exciting.

Realizing the Atomic Promise

But it is only fair to ask how long things atomic will be like this. Guesses range from a few years to 20 years. Striking a statistical median, we should probably know if our atomic promise is real by the mid to late 60's. By then, enough plants will have been built to give us a base of experience. We will have made a few million kilowatts of electricity, heated some homes, preserved some food, operated some merchant ships, and maybe even have flown a plane or run a locomotive.

To us in the United States, these developments are interesting, but we still are driven more out of fascination than need. Our coal, oil and gas are being used up rapidly, but we still have quite a lot. We shouldn't feel any pinch for another 30 to 40 years. Some of our friends and allies aren't so fortunate, however. The British know they will be lighting their homes and trying to produce goods competitively in 1960 with $20-a-ton coal. France and all of Europe have just experienced the painful near-strangulation of the Suez on the flow of oil. India is fast reaching a state of industrialization in which it takes a lot more than the dung burned by Indian peasants to keep their economy growing and India has almost no conventional fuel.

Profitability

If the United States, as a matter of national policy, concludes that peaceful uses of atomic energy must be made available sooner for our friends and allies than would be possible by normal evolution, then the rate of development and production could increase. This need not mean early profitability, however. It could be just more profitless prosperity.

Atomic energy is many things to many people. Some claim the atom will soon make the deserts flower. They are right. It can and may, if by soon you mean in the lifetime of our children. Others say the whole thing is a fraud and will never be practical. Let's hope they are wrong, because we will need atomic energy with increasing urgency in many areas of the world and in many ways.

But undersold or oversold, always remember this—When you meet a man who says he's in the atomic energy business, look again. He may look like the next fellow, but he really isn't. He's really a little crazy, something of a gambler, philosopher, and pioneer all rolled into one. Get out your new special yardstick to take his measure. He is different and he may be worth the trouble.

*From a talk by Mr. Hamilton at the Annual Convention of National Association of Credit Men, Miami Beach, Fla.

Some Observations on Economic Stability and Monetary Policy

By MARRINER S. ECCLES*

Chairman of the Board, First Security Bank System

Former central banking head analyzes current price inflation; recommends continuation of restrictive Federal Reserve monetary and credit policy; advises business, Federal and local governments, to spread out and reduce expenditures; urges increased savings; and suggests making wage increases dependent upon productivity gains.

The public is greatly concerned today about the rapid increase in the cost of living, or inflation, which has increased more than 5% during the past year. There are many and conflicting reasons given as to the causes and cures of this disease. I believe the principal causes are:

Marriner S. Eccles

(1) The supply of money and its use has exceeded the growth in production and employment, meaning the demand for goods and services exceeded the supply.

(2) Huge public expenditures by Federal and local governments. These amount to nearly 30% of the total national production leaving around 70% to the private economy. This load is too heavy for the private economy to carry without cutting back its capital and consumer expenditures.

(3) The most important is the increase in wages and fringe benefits, especially by organized labor, which have far exceeded productivity. This has even happened in many industries where there is an excess supply of goods.

The income of workers has increased since 1950 from 64% to 70% of the national income; whereas, the profit of all corporations in this same period of time has decreased from 9% of the national income to only 6%. It is apparent from these figures that business cannot absorb out of profits, as labor contends, increased wages without increasing prices— which makes for inflation.

Out of corporate earnings more than half must be paid in Federal and state income taxes, about one-fourth in dividends to the millions of stockholders, including pension funds, insurance companies, educational institutions and various foundations all owned by the public, and the balance must be retained for capital needs, which amount in recent years has been inadequate, forcing many companies to go to the capital market for funds.

Policy Recommendations

To meet the inflationary situation:

A continuation of the restrictive monetary and credit policy of the Federal Reserve must be maintained. This cuts down spending by increasing the price of money. In effect, this substitutes an increase in the price of money for an increase in the price of goods. The tightness of money over the past year has resulted from increased demands of borrowers and not from an actual restriction in the supply of money and credit. The available supply has been left to those borrowers who are willing to pay the higher price. If the Federal Reserve had permitted the supply of bank credit to increase to satisfy all demands, it would have added greatly to the inflationary pressures and would have added nothing to the supply of goods and labor available.

If Federal and local governments would reduce their expenditures, inflationary pressures would be reduced accordingly and there would be just that much more money and credit to purchase goods and services which would then be available to the private economy. I feel there is room for substantial cuts, especially in the Federal Government expenditures —particularly in the military and foreign aid programs. I am glad to see that this view is gaining support in Washington. In the final analysis, investment, public and private, must be financed primarily by taxation or by real savings from current income. The advantages of a stable dollar should outweigh the disadvantages of temporarily postponing additions to housing or plant and equipment which cannot be financed out of savings, or schools, roads and other local government projects which the community is unwilling to finance out of taxes.

So long as organized labor demands increased wages and fringe benefits, which have no relation to increased productivity or cost of living and therefore must be reflected in prices, there will be unbridled inflationary pressures. A continuation of the present restrictive monetary policies under these conditions will bring about unemployment and idle facilities as there will not be sufficient money and credit to finance the purchase of goods and services at rising costs. I believe that the wage-price spiral has already jeopardized the real interests of labor by pricing many of their goods and services out of the market. This is because the income of two-thirds of the population is not keeping pace with that of organized labor. This dis-equilibrium is fast planting the seeds of a business downturn. Wage advances and fringe benefits must be paid out of increased productivity of labor. There is no other continuous source out of which these costs can be met without inflation and ultimately unemployment because nearly 80% of the entire cost is labor.

Finally, what is needed to obtain stable prosperity is to increase savings, postpone and reduce, wherever possible, public expenditures — both Federal and local government; spread out capital expenditures of business; and make further increases in wages, salaries and fringe benefits of labor dependent upon increased productivity.

*From a talk by Mr. Eccles before the Western Economic Association 32nd Annual Meeting, University of Utah, Salt Lake City, Aug. 28, 1957.

Dempsey-Tegeler Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — David B. Earhart and Henry B. Sait have been added to the staff of Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Earhart was formerly with J. Logan & Co.

With Lester, Ryons

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Mark F. Cote is now with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Daniel D. Weston & Co., Inc.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The appointment of Jack A. Peyman as a Vice-President of the **Chase Manhattan Bank, New York** was announced on Sept. 9 by George Champion, President. Mr. Peyman joined the Bank in 1934 and was appointed to the official staff as an Assistant Manager in 1950. He was named an Assistant Cashier in 1952 and advanced to Assistant Vice-President in 1956. He is in the branch administration department at the Bank's head office.

Arthur F. Beck, George J. Meara, Arthur J. Stead and Henry C. Whitney were promoted to Assistant Vice-President in domestic branches. Edwin A. Stephenson was appointed an Assistant Vice-President in the bond department.

J. Michael Carter and George M. Williams were named Assistant Treasurers at head office. Appointed Assistant Treasurers in domestic branches were David W. Adolfson, Frederick A. Graefe, Charles V. McGreevey and William H. O'Neill.

William E. Rowand, former Assistant Manager, has been appointed Assistant Secretary of **Chemical Corn Exchange Bank, New York,** it was announced on Sept. 16 by Harold H. Helm, Chairman. John G. Corbett and George C. Jamison have been appointed Assistant Managers. All are members of the bank's Customers' Securities Department at 30 Broad Street.

* * *

Irving Trust Company, New York opened on Sept. 9 a branch office at 400 Park Avenue at the corner of 54th Street. This office, operating on two spacious floors, will offer complete banking facilities for businesses and individuals.

Lester F. Grieb is Vice-President in charge and other members of the official staff include G. Robert Leslie, Jr., Assistant Vice-President and James M. Waters, Assistant Secretary.

* * *

Long Island Trust Company, Garden City, N. Y. is offering to its stockholders of record on Aug. 30, the right to subscribe to 26,320 shares of Capital Stock at $32.00 per share on the basis of one new share for each seven shares held. The stockholders may subscribe, subject to allotment, for shares in addition to those for which they have basic rights to subscribe. Rights to subscribe will expire at 3:00 p.m. on Sept. 27.

A. M. Kidder & Co., the Underwriter has agreed, subject to certain conditions, to purchase from the Bank at the subscription price any shares not subscribed by stockholders.

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Kenneth B. Lange has joined the **Security National Bank of Huntington, New York,** in the newly created post of Director of Business Development, according to an announcement by George A. Heaney, President.

* * *

Citizens Trust Company of Fredonia, N. Y., and the **Manufacturers and Traders Trust Company** merged effective Aug. 30, under the title of the latter bank with the approval of the New York State Banking Department. The announcement of the proposed merger appeared in the July 18 issue of the "Chronicle" on page 289.

Manufacturers and Traders Trust Company, Buffalo, N. Y., was given approval by the New York State Banking Department to increase its capital stock from $9,179,490 consisting of 1,835,898 shares of the par value of $5 each, to $9,429,490 consisting of 1,885,989 shares of the same par value.

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The Marine Trust Co., Buffalo, N. Y. elected Robert S. Scheu Vice-President.

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Suffolk Savings Bank for Seamen and Others and **Franklin Savings Bank, Boston, Mass.** may merge and become the third largest mutual savings bank in Massachusetts. Directors of both banks will meet on Sept. 19 to vote on the merger. The new bank will be named the **Suffolk Franklin Savings Bank** and have assets of more than $200,000,000.

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A merger was approved by Directors of **Merchants National Bank of Salem, Mass.** and **Warren National Bank of Peabody, Mass.** The Bank would have assets of $23,000,000, capital accounts of about $1,500,000 and loans of $10,000,000.

Plans will be brought before stockholders of both banks on Oct 9. The consolidated bank would have 60,000 shares of $10 par stock and would have the title of **Merchants-Warren National Bank of Salem.**

* * *

The People's National Bank of Keyport, N. J. increased its common capital stock from $315,000 to $367,500 by a stock dividend and from $367,500 to $420,000 by the sale of new stock effective Aug. 28. (Number of shares outstanding—16,800 shares, par value $25.)

* * *

It was announced by M. A. Cancelliere, President of **Western Pennsylvania National Bank, McKeesport, Pa.,** that the merger of the **Bank of Brentwood, Pa.** and Western Pennsylvania National has been completed. Shareholders of both institutions have approved the merger and final okay was received from the Comptroller of Currency at the close of business, Sept. 7.

John K. Blair, Vice-President and Cashier of the Bank of Brentwood, has been elected Assistant Vice-President of Western Pennsylvania National Bank and will continue to manage the Brentwood Office. Vincent J. Lostetter will serve as Assistant Manager. All other personnel will retain the same responsibilities and positions as before.

Members of the Board of Directors of the Bank of Brentwood will continue to serve the bank as members of the Advisory Board to the Brentwood Office. This group includes: Elmer A. Barchfeld, Earl A. Colteryahn, Homer M. Halboth, A. G. Kaufmann, Frank Petrovich, R. A. Schneider, and Albert C. Storch.

The completed merger brings the total resources of Western Pennsylvania National Bank to approximately $165,000,000. Western Pennsylvania National has grown in the last four years from a single bank in McKeesport to a multiple location bank with offices in 15 western Pennsylvania communities.

The preliminary announcement of the merger was given in the July 4 issue of the "Chronicle," page 95.

* * *

A merger was approved Sept. 5 by shareholders of the **First National Bank** and **Second National Bank of Wilkes-Barre, Pa.** The merged bank will be open Sept. 16 and will be called the **First-Second National Bank and Trust Company of Wilkes-Barre.** Capital and surplus would be $5,650,000.

* * *

Frank C. Rathje, President of the **Chicago City Bank and Trust Company, Chicago, Ill.,** and Chairman of the Board of Directors of **The Mutual National Bank of Chicago, Chicago, Ill.,** announced on Sept. 6 that he had executed an agreement for the sale of shares of the two banks.

Mr. Rathje said that he has agreed to sell the shares of both institutions owned by him and stated that all other shareholders are afforded an equal opportunity to sell their shares on the sae basis.

The contract respecting the sale of shares of the Chicago City Bank and Trust Company was made with The Murmanill Corporation of Dallas, Tex., the principal stockholders of which are Gerald C. Mann, who is President of the corporation, and Clint W. Murchison of Dallas, Tex. The Murmanill Corporation was represented by Mr. R. C. Adams, Jr., a Vice-President.

A separate contract was entered into covering the sale of shares of The Mutual National Bank of Chicago. The purchaser in that situation is Jacques Mossler of Houston, Tex.

The Chicago City Bank and Trust Company has resources of $114,000,000 and the resources of The Mutual National Bank of Chicago exceed $70,000,000.

For many years the two institutions have been operated on an affiliated basis with Frank C. Rathje as Chief Executive Officer of both banks. It is understood that Mr. Rathje contemplates no immediate changes in his personal activities and that he will continue for a period of time at least in his present posts in respect of both banks. No changes in personnel of the two banks are contemplated.

The Chicago City Bank and Trust Company was organized May 3, 1893. It has had only two Presidents, the first President and one of the founders was Louis Rathje, who was succeeded as President by Frank C. Rathje in 1926.

The Mutual National Bank of Chicago commenced business in 1917. Mr. Frank C. Rathje was one of the founders of this institution and has served it in an executive capacity since its organization.

* * *

By a stock dividend the **Melrose Park National Bank, Melrose Park, Ill.,** increased its common capital stock from $200,000 to $300,000 and from $300,000 to $350,000 by the sale of new stock effective Aug. 28. (Number of shares outstanding—17,500 shares, par value $20.)

* * *

F. W. Misch, Director and Vice-President of **Chrysler Corp.** was elected a Director of the **National Bank of Detroit, Mich.**

* * *

Election of Herman Kucharo as President and Chairman of the Board of **First Federal State Bank, Des Moines, Ia.,** was announced on Aug. 31.

The Board of Directors also announced election of Edwin F. Peters as Executive Vice-President and Cashier.

Mr. Kucharo, already Board Chairman, assumed the Presidency succeeding Erwin W. Jones, President for three years, who retired before the annual meeting.

Mr. Peters becomes the administrative officer of the bank, and succeeds William J. Marks as Cashier. He has been a Director.

Mr. Kucharo also is a Director of the **Norwalk-Cumming State Bank.**

Other officers elected are Floyd L. Fiene, Vice-President; Margaret Johnson, Vice-President and Auditor; and Kenneth G. Miller, Richard C. Newlin and Ardell E. Kurschinski, Assistant Cashiers.

Directors besides Mr. Kucharo and Mr. Peters are Gregory Brunk, his wife, Martha Goodwin Brunk and Robert E. Dreher.

* * *

American National Bank of North Little Rock, North Little Rock, Ark., was issued a charter by the Office of Comptroller of the Currency on Aug. 28. The bank has a capital of $350,000 and a surplus of $262,500. The President is J. C. Barnett and its Cashier, Edw. H. Cherry.

* * *

The common capital stock of the **First National Bank of Pompano Beach, Fla.,** was increased from $350,000 to $500,000 by the sale of new stock effective Aug. 27. (Number of shares outstanding—50,000 shares, par value $10.)

* * *

The Deer Park National Bank, Deer Park, Tex., was issued a charter by the office of the Comptroller of the Currency on Aug. 29. The bank has a capital of $200,000 and a surplus of $150,000. The President is H. C. Donahue and the Cashier L. A. Hill, Jr.

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San Angelo National Bank of San Angelo, Tex., increased its common capital stick from $400,000 to $600,000 by a stock dividend effective Aug. 27. (Number of shares outstanding — 60,000 shares, par value $10.)

* * *

Gordon A. Owen has been appointed Supervisor of branches in Nova Scotia and Prince Edward Island, according to an announcement on Sept. 9 by **The Royal Bank of Canada, Montreal, Canada.** Mr. Owen succeeds Kenneth MacKenzie who retires on Oct. 31.

Bond Club of Chicago Luncheon Meeting

CHICAGO, Ill.—There will be a luncheon meeting of the Bond Club of Chicago, Thursday, Sept. 19, 1957, at 12:15 p.m. in the Red Lacquer Room of the Palmer House.

Guest speaker will be John P. Carmichael, Sports Editor of the Chicago "Daily News."

Reservation should be made with F. Girard Schoettler, Wayne Hummer & Co. Members may avail themselves of the opportunity to invite guests at a charge of $4 per person.

Continued from page 7

How to Make the Case For Private Property

dollar has lost 27% of its purchasing value in the last 10 years.

Inflation in France

To assess the fiscal consequences of government run riot, it is useful to take a look at France, which, in numerous economic respects, resembles the U. S. A. In 1914 France began a program of governmental expansion, of the government assuming the responsibility for the welfare of its citizens. It is clear that these governmental welfare and economic direction and control programs are more and more financed by inflating the money. The people too often demand this head-in-the-sand means of escaping the penalty of their errors. What, in the brief span of 43 years, has happened to the value of the franc? It has lost more than 99½% of its purchasing value!

And, what has happened to the price level? I recall having a dinner in Paris in World War I days. The price was five francs, the equivalent of a 1918 dollar. My next visit to Paris was in 1947. I took a friend to luncheon. The check was for 3,400 francs. Two of us went to the same restaurant two years later and the check was for 4,100 francs.

Visualize with me, please, a young Frenchman in 1914. He was 22 years of age, forethoughtful, concerned about 1957 when he would reach retirement. So, to protect himself, he purchased a paid up annuity, one that would return him 1,000 francs per month beginning January, 1957. In 1914 he could have lived adequately on such an income. But, today, that 1,000 francs wouldn't purchase more than a very poor meal—one very poor meal in a whole month! Careful examination will reveal that the reason for this starvation conclusion is precisely the same reason that caused members of the Pilgrim Colony to starve: *applied socialism!*

Should you care to test the historical validity of the above cause and effect sequences, I would refer you to some of the countries that we regard as being in socialistic and financial difficulties. As short a time as 28 years ago, the take of earned income by government in Russia was 29%. At that time in Germany, it was 22%; in France and England, it was 21%. I repeat, we are now at 33% and there isn't a single bulwark against greater and greater takes except unreliable and unpredictable political expediency.

What can we do about this menacing situation?

Meeting the Menace

The first necessity is a clear understanding of the type of unwisdom that grows so rapidly. What is the cell in the body politic, that has such a capacity for inordinate growth; that gives rise to the social cancer? We aren't likely to solve any problem until we know from where the strouble stems.

This cell can be isolated and defined. It is in the form of a belief, a rapidly growing belief. **It is a belief in the use of organized police force—government—as the means of controlling and forcibly directing the creative activities of the citizens within our society.** Think of the distinction between this use of force and the use of force limited to the inhibition of **destructive** actions.

Government housing will illustrate the point as well as TVA or any other of numberless socialistic ventures.

I can remember the time when and if we wanted a house or housing, we relied on private enterprise. First, we relied on the person who wanted a house. Second, we relied on the one who wanted to construct it. Third, we relied on the one who wanted to loan the money for the tools, the labor and the material to build it. Under this system we built more square feet of housing per person than ever existed in any place on earth. Yet, in spite of this remarkable accomplishment, more and more persons are currently believing that the only way we can have adequate housing is to use the agency of force—government—to take the earnings from some and give these earnings, in the form of housing, to others. In short, we have here again the belief in and the application of the Marxian ideal—"From each according to his ability, to each according to his need"—by force.

There is not a segment of the whole economy left untouched by this Marxian practice, for it is in the economic bloodstream, the medium of exchange.

Now, as this belief in the use of force increases, the belief in free men acting privately, competitively, voluntarily, cooperatively, decreases. As the belief in compulsion rises, the belief in freedom falls. Isn't this axiomatic?

The solution to this problem, then, must take a positive form; namely, the restoration of a faith in free men. This is much easier to admonish than it is to accomplish.

Who Should Deliver the Mail?

Let me give you examples of how faith in free men is lost. If I were to ask "Should the government deliver the mails?", most would reply, "Certainly!" Why this certainty? The answer seems clear. Our government has had a monopoly of this particular, productive activity for so many decades, has preempted it for so long, that all entrepreneurs have given up any thought as to how it might be conducted as a private enterprise. They don't even speculate on it as a possible opportunity.

Recently, I asked myself several questions: Don't we deliver more pounds of milk every day than mail? Isn't milk more perishable than a loveletter or a catalogue? Isn't milk delivered more promptly, more efficiently, more cheaply than mail? Why couldn't private enterprise deliver the mail? We deliver freight. That's heavier. But, no, we have lost faith in ourselves as free men to undertake this simple task. Men who get coal out of the ground in Pennsylvania, transport it to New York, convert its energy into an invisible power that flows through wires to heat my ovens, light my home, wash my dishes, sweep my floors, shave my whiskers, cool my food, wash and dry my clothes, warm my bed, and perform numberless other miracles; men who build winged things that can convey more than 100 individuals from Seattle to Baltimore in less than four hours; these men—most of them—have lost faith in themselves to deliver a letter! This is no less a fact than it is an absurdity.

Now, for a hypothetical example: Imagine that the Federal Government had, 180 years ago, decreed that all children should receive, for free, shoes and stockings from the time of their birth until adulthood; that this practice had been going on since the very beginning of our political establishment. Next, imagine someone today questioning this practice, insisting that shoes and stockings should be a family, not a government, responsibility. Do you know how most persons would respond to such "heresy"? They would say, "But, you would let the poor children go unshod!" However, in this imagined example, where we haven't invoked the use of government force as yet, we can observe that children, rich and poor alike, are better shod here where the responsibility is on the family than in countries where the responsibility for welfare is entirely governmental.

Or consider this depressing but not too unlikely possibility: In the year 2000 A.D., only 43 years hence, the power and light industry may have been nationalized or "municipalized"—in any event, socialized—for more than a decade. Then, let any one of us suggest that power and light ought to be a private enterprise activity. I can assure you that the suggestion would be received with the same degree of popularity as it would if it were made in Moscow today. American men, in these circumstances, would have lost faith in themselves, acting freely, to produce and distribute electrical energy.

Renewing This Faith

Would you like to know what my faith is in free men? It can be stated in one simple sentence: **I actually believe that you—and I don't care who you are—can control your creative actions better than I can control your creative actions.** Reflection will reveal this to be a most radical view, so radical that few persons share it. This, it seems to me, is the kind of a faith that must be renewed where it has been lost and discovered where it is unknown, if the belief in force as a means of inducing creative action is to halt and then recede. The building of this faith is the essence of making the case for private property.

Those who are in the power and light industry must not remain idle except when socialism is dimming your own lights. Socialized housing or farming of medicine or whatever requires the same alertness on your part as does socialized light and power. Would you be any less alarmed if your physician reported that you had cancer of the large intestine instead of the brain? Well, the belief in force as a means of creative accomplishment is of the same order. It matters not where the belief manifests itself; all else in the body politic is threatened thereby. You cannot, for instance, admit the propriety of price support to farmers or government housing or government loans to foreign countries or government delivery of the mails or subsidized navigation aiming at lower priced coal without making the case for government light and power. Involved, when admitting the expediency of socialism in any creative activity, is the radiation of the same evil principle that nearly destroyed the Plymouth Colony. It is as necessary that you stand for private property principles for all productive enterprises and for all creative activities as you do for your own industry. The exception-maker is socialism's only ally. For there isn't a sane man on the face of the earth who is a consistent socialist, who believes 100% in coercion as a means of creative accomplishment. Marx, Lenin, Stalin were but glaring examples of exception-makers. They differed from American exception-makers not in kind but only in degree.

It ought to be clear how woefully ineffective all of us are who come to life only when our own ox is being gored. But imagine the effectiveness of the medics and others coming to the aid of the power and light industry when "public ownership" campaigns are on the rampage! And, equally, how effective they would be when making the private property case for others! Thinking of each industry and of each profession as a minority, I am reminded of this wise advice:

"If these minority groups would save their own skins and their own souls, they would first fight for the rights of all men; second for the rights of others than their own; and last, if at all, for their own."

Developing a Free Society

I will conclude this paper by discussing briefly the methods for developing a body of private property, free market, limited government understanding. The most popular method is referred to as "selling the masses," or, "selling the man in the street." We have been admonished so often to "sell the man in the street" that recently, figuratively speaking, I rushed into the street to see what kind of an educational chore it would be to educate the man in the street. Whom do you think I found in the street? None other than myself!

This "selling the masses" approach is founded on the unsupportable notion that you or I can, if we have money enough and adequate broadcasting facilities, reform someone else. The shallowness of this popular fallacy can best be exposed by presenting what I, at least, believe to be the right method.

Widening an understanding of private property and related institutions does involve influencing other persons, but we need to reflect on the nature of influence lest we do more damage than good.

There is, for instance, influencing others to buy soap, autos, watches, corn flakes, Revlon—things that satisfy desires of the flesh. This, however, requires a far different approach than the influence which has to do with the communication of ideas, ideas being accomplishments of the intellect.

Few Can Explain Freedom

Confining my observations to the communication of ideas, it seems that this type of influence divides into two parts—the rational and the nonrational. The nonrational type is useful for our adversaries, those who would destroy a free society. Slogans are of this type. The slogan, "Kill All The Jews," was most influential in getting millions of Germans to follow a mad man. Clever cliches qualify as nonrational. Such cliches as, "Human rights are above property rights," or, "What would you do, let them starve?", have effectively influenced Americans to elevate charlatans to important public offices. My best example of a nonrational device is the man with a messianic voice, one who can stand before a crowd of a hundred thousand people and whip the crowd into a maniacal frenzy. This frenzied mob can be ever so influential in maiming, killing, destroying. But can you imagine the frenzied crowd inventing, discovering, creating? What I am trying to suggest is that our work must not be in the nonrational, destructive area, but rather in the rational, creative area. By this I mean the advancement of understanding. Of what? Of our own philosophy!

There are many causes for socialism's growth, but one cause is in crystal clear outline, a cause with an attainable solution. It is this: So little stands against socialism! In short, there are very few among all the millions in America who are skilled, accomplished expositors, explainers, interpreters of the private property, free market, limited government philosophy. Oh, yes, there are many who despise socialism, who damn communism, who resent present trends, but how few there are who can attractively and persuasively make the case for our own concepts! A convincing way to grasp the import of this deplorable situation is to examine our own personal acquaintances. How many in all the hundreds we know qualify not in my, but in our own, estimation? Few, I'll wager!

A Learning Problem

The solution to this problem, then, must be the advancement of an understanding of our own philosophy. It's a learning problem. Now, the learning process presupposes two conditions:

(1) A person who has the desire to learn a given subject. (No person can ever know how to make the case for private property unless he has the **desire** to learn how to do it.)

(2) A source from which the learning may be drawn.

It follows from this reasoning that we need many thousands—tens of thousands—who have a desire to learn libertarian ideas and ideals. What is it then, that can create this needed, widespread desire? It is the second part of the above equation, **a source from which the learning may be drawn.**

Let me illustrate: Until recently there was no widespread desire to understand nuclear fission. But the moment someone discovered how to release atomic energy, the moment this knowledge existed in the mind of an individual and was communicated, that moment witnessed a desire to learn about it on the part of thousands of others, others who had an aptitude for the subject. It was the source of the understanding that created the desire to learn.

Sources of Understanding

It seems, therefore, that we are confronted with the problem of developing **sources** of private property understanding. Now, the technique for developing sources of understanding is vastly different from the "selling the masses" approach. Let me illustrate this important distinction:

I belong to a golf club composed of 250 dubs among whom I am a distinguished incompetent. Let's assume that my object in this golf analogy is to get all of the members of St. Andrews to become scratch golfers. Suppose I try the "selling the masses" technique—admonishing, exhorting my colleagues to play scratch golf; I, the dub, doing this. Such behavior on my part, I submit, would be repellent and, if I persisted in it, my resignation would soon be suggested.

Now, let's try solving the problem of increasing the number of scratch golfers the other way around, the way I insist we must approach the problem of increasing private property understanding. First, let me try desperately to become a scratch golfer myself. Next, make the assumption that I succeed. This attainment, I submit, would be attractive. All of my friends would come to me and say in effect. "Read, won't you please teach me?" In short, this development-of-self or improvement-or-source method is the only way I have of improving the golf of others and I contend that this same method is the only way either you or I have of improving the private property understanding of others.

I wish I could claim credit for the following verse:

"And so I hold it is not treason
To advance a simple reason
For the sorry lack of progress we decry.
It is this: Instead of working
On himself, each man is shirking
And trying to reform some other guy."

The twin institutions of private property and the free market—neither is possible without the other—compose the kingdom of the Golden Rule on earth. This is but another way of saying that when each is permitted the fruits of his own labor, is free to participate with all others in willing exchange, and is protected against unwilling exchange, that then and only then are we not doing to others that which we would not have them do unto us.

We must, moreover, fully appreciate that these institutions have only been approached; that they are by no means easily attainable realities, but, instead, are ideals toward which to aim and strive; that they can be supported with the same zeal and pride as can the virtues of justice and integrity. And we must confess to ourselves that our inabilities to understand and to explain them, attractively and persuasively, are shortcomings in the most fundamental aspects of business management and entrepreneurship.

Of greatest importance is a realization of who is to blame for these shortcomings. It is improper for me to lay the blame on someone else. So far as I am concerned the blame is mine. It is appropriate for each of us to examine the potentially skilled libertarian in ourselves.

Our philosophy will prevail only when it has thousands of sources, individual wellsprings from numerous walks of life, persons who qualify as teachers. Teachers, however, are never self-designated. The dub golfer or the would-be chef may try to bend others to his arts, but, unless they regard his accomplishments as superior to their own, they will pay no heed to his counsel. They, not he, decide who their teachers will be. Others select their teachers precisely as you and I choose ours: We sit at the feet only of those who in our judgments have something to give. In short, it is the person with the receiving set who does the tuning in, not the broadcaster. The broadcaster is constantly faced with the problem of his own perfection, that is, if he would be "tuned in."

It is not enough for us to be against so-called public ownership. Nor is it enough to be for private ownership. The right to control the fruits of one's own labor, without which neither private property nor liberty can exist, depends on nothing short of eloquence — the skillful articulation of the ideas and ideals on which this right rests.

I am not contending that everyone can become a great master of private enterprise exposition. I am arguing that every last one of us can and should make the effort, not half-heartedly, not as an off-hour exercise, but as an integral part of our every word and deed. Nothing less is at stake than the fulfillment of our personal obligations as business stewards, the existence of productive enterprises and the open door to opportunity for all, now and as far into the future as we can see.

And, finally, let us not be so busy building our skyscrapers higher and higher that we can find no time to examine their foundations.

May the historians a millenium hence, when reflecting on this era, be inspired to observe: Men, bearing heavy and grave responsibilities, all of a sudden became acutely conscious of their society's mad rush into political giantism. Instead of trying to reform others they perfected their own understanding and their skills of exposition to the point that great numbers sought their counsel and heeded their words. They became leaders by becoming intellectually and spiritually attractive and thus they replaced the pseudo leaders whose only tool had been might. Later generations, appreciating the fact that they had come to the aid of their country in the nick of time, referred to them in such approving terms as, "The good builders," and, "The practical men of the twentieth century."

Halsey, Stuart Group Offers Duke Power Co. 4⅞% Debentures

Halsey, Stuart & Co. Inc. as manager of an underwriting syndicate offered yesterday (Sept. 11) $50,000,000 Duke Power Co. 4⅞% sinking fund debentures, due Sept. 1, 1982, at 102% and accrued interest, to yield approximately 4.74%. Award of the debentures was won by the underwriters at competitive sale on Sept. 10 on a bid of 101.261%.

Net proceeds from the sale of the debentures will be applied by the company to finance in part the cost of its continuing construction program, including the reimbursement of the company's treasury for expenditures made in connection with the construction program, and payment of short-term borrowings made or to be made as part of the financing of the expansion program.

The new debentures are to be redeemable at optional redemption prices ranging from 108.38% to par, and at special redemption prices receding from 101.87% to par, plus accrued interest in each case.

Duke Power Co. is engaged primarily in the business of the production, purchase, transmission, distribution and sale of electricity in 50 counties in the Piedmont Section of North and South Carolina. This business is presently producing over 98% of the company's total gross operating revenues. Other businesses in which the company is engaged are the operation of urban bus transit systems serving four municipalities and the operation of water supply systems serving three municipalities.

For the 12 months ended June 30, 1957, the company had total utility operating revenues of $132,519,155 and net income of $19,295,776.

Joins Fairman Staff

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Ralph F. Chatillon has joined the staff of Fairman & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange.

Two With J. A. Hogle

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Clifford M. Mulqueeny and Thomas Zee are now with J. A. Hogle & Co., 507 West Sixth Street.

L. M. Jacobs Retires—In Inv. Field 70 Years

Louis M. Jacobs, a registered representative with Bache & Co., retired Sept. 6 at the age of 88 after serving 70 years in the investment field.

Mr. Jacobs who joined the Boston office of Bache in 1936, previously served with Edward Hamlin and Clark Childs & Co., also of that city. He began his career as a runner with the firm of Thomas W. Lawson in 1887.

A specialist in stocks and mutual funds, Mr. Jacobs has handled the investments of many prominent people.

Continued from page 14

A Cancer on the State

Professor of Economics, New York University.

Thrown to the winds was the power to regulate—to control by rule—the value of money—coined metal—and of foreign coin. In its place was a false assertion of a power to control the exchange value of money; and the consequent use of that so-called "power" in lowering the value, the degree of substance, or weight and fineness, of the gold dollar.

A result of devaluation was, of course, gross dishonesty practiced against all owners of the seized gold. However, a statement here of the action seems important. Giving the owners of the gold $20.67 per ounce in settlement, the Government credited itself with this seized gold at $35 per ounce, and called the difference in the totals an increment to which the Government was entitled. No time has been lost in using this ill-gotten "profit," another "New Deal" name for the difference. The "total increment was $2,819,484,252.45. . . . Unexpended balance of increment, $144,692,431.94"—*Treasury Bulletin*, November, 1956, p. 55.

The Corrosion Spreads

A most painful revelation from examining this subject is that a subordination of moral principle for the sake of facilitating an end spreads in every direction.

Concealment of the purpose to alter seriously the relation of the Federal Reserve banks to their member banks is seen in the following mentioned incident, a splendid example of such expediency as is referred to above. The original Federal Reserve Act of 1913—63rd Cong., p. 263—says:

> Nothing in this Act contained *shall* be construed to prohibit such notes, drafts, and bills of exchange secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount; . . . (*italics supplied.*)

The Banking Act of 1933 reads, *in part, as follows:*

> Sec. 3(a) The fourth paragraph after paragraph Eight of Section 4 of the Federal Reserve As Amended (U. S. C., title 12, Sec. 301), is amended to read as follows:
>
> Said board of directors shall administer the affairs of said [System] bank fairly and impartially and without discrimination in favor of or against any member bank or banks and *may*, subject to the provision of law and the orders of the Federal Reserve Board, extend to each member bank such discounts, advancements, and accommodations as may be safely and reasonably made. . . . (*italics supplied.*)

Here we see a sly and contemptible practice of deceit. The key word affecting member banks when borrowing from the banks of the Federal Reserve System had always been *shall* (see the 6th word of the quotation above from the Act of 1913). This word, with the inception of the revolution, was changed without explanation, or excuse, or even especial mention, to *may* (see 29th word in the quotation above from the Banking Act of 1933). The late Garet Garrett, in his *The Revolution Was*, on page 19, calls attention to the evil of this substitution of the word *may* for the word *shall*. A strong right was changed to a weak privilege.

The decisions of the Supreme Court in support of the early "New Deal" legislation on monetary matters were appallingly injurious. Deserving much greater attention than it has received, is the following from a letter for publication on March 11, 1935 to the Editor, *The Wall Street Journal*, the writer having been Alexander Sidney Lanier, Washington, D. C. After saying that he unreservedly (with nearly 40 years experience as a lawyer) concurs with the opinion of the dissenting judges, he adds:

> The majority opinion is based solely upon opportunism and material considerations. It utterly ignores the fact that all law, worthy of the name, is grounded in morality, and metaphorically speaking, has its origin in the bosom of God, from which only right, justice, and morality can emanate. The decisions are in marked contrast to the action of the man mentioned in the Bible of whom it is said, "He sweareth to his own hurt and changeth not. . . ." The most priceless possession of a nation as well as of an individual is character. We have bartered our national character for a mess of pottage.

Evidence of Continued Corrosion Ten Years After It Set In

Beginning Dec. 12, 1942, a great wrong was committed by the Treasury and the Federal Reserve banks, acting in collusion and in violation of statutory law. A complete account of this operation appears in a pamphlet entitled *The Manipulation of Our Federal Reserve Bank Notes*, by Dr. W. E. Spahr (The Economists' National Committee On Monetary Policy, May, 1944). Below is a quotation from a report of this account which appears in *Monetary Notes*, October, 1952, p. 7:

> Beginning Dec. 12, 1952, the Treasury and Federal Reserve banks, acting in collusion and in violation of law, began the issuance of $660,000,000 of unissued Federal Reserve bank notes as a Treasury currency. By this manipulation, the Treasury obtained that amount of deposits, to which it was not entitled on the books of the Reserve banks by depositing these notes, labeled "National Currency Notes"—for which there was not provision in law—with those banks. The Reserve banks, in turn, accepted these notes as reserve cash, although the notes, if properly issued, would have been liabilities of those banks. Thus the Reserve banks, by this illegal manipulation, received $660,000,000 of reserves to which they were not legally entitled. At the reserve ratios then prevailing, that $660,000,000 fiat money reserves would support $9,900,000,000 of additional deposits in our banking system.

The New York Times, Aug. 3, 1943, p. 4, col. 4, reported, "Invasion Money To Get Wide Use," and on Aug. 6, 1943, p. 14, col. 3, this paper reported that great secrecy was employed by the Treasury in issuing this currency. The main facts about what had been done and what was being planned were kept secret, at least, in the beginning. Then, on the 17th—p. 3, col. 3—this paper said that no explanation was given as to the nature of the military currency, who was liable for its redemption, what the reserve was against it and under what authority it had been issued. Questions, it said, of Secretary Morgenthau by Dr. Walter E. Spahr as to the manner of redemption, the reserves supporting the notes, etc. went without specific answers. In *Monetary Notes*, above-mentioned, on page 7, Dr. Spahr reported:

> This currency was declared to be legal tender by the Allied Military Occupation Authorities, and some of it was redeemed by our Treasury. The institution of this currency and its redemption in part were without the prior knowledge or approval of Congress.

Dr. Spahr doubted if Congress had investigated with adequate thoroughness the details of these transactions or made the general public sufficiently aware of the facts involved.

Omitted here will be the details concerning disgusting operations by the United States and Russia, as to Invasion Currency in Germany after the Occupation, a subject rather widely observed a decade ago.

More "Money"

On page 7 of *Monetary Notes*, Oct. 1, 1952, appears the following:

> On June 12, 1945, the President signed the bill which reduced the minimum reserve requirements for Federal Reserve banks from 40% against Federal Reserve notes and 35% against deposits to 25% against both.

The author of the foregoing, Dr. W. E. Spahr, reasoned with great care as to the exact process by which the Treasury, the Federal Reserve System and the latter's member banks could then proceed to cause a total expansion of $74,193,568,000 in Federal Reserve notes and deposits in the commercial banking structure.

What a change! Obviously the framers of the original Federal Reserve Act selected the amounts of the reserves to be held against Reserve notes and deposits by member banks in the Reserve banks with the sole view of protecting the integrity of such notes and deposits, while, of course, they kept in the Act proper requirements as to the securities which the member banks had to give to complete the support of the notes and deposits in the Federal Reserve banks. The obvious motive now was to acquire the power to expand the notes and the deposits.

To meet an emergency and to expire March 3, 1933, Section 16 of the Federal Reserve Act was amended by the Glass-Steagall Act of Feb. 27, 1932, so as to authorize the Federal Reserve banks to utilize United States Government securities as collateral, above the reserve requirement of a minimum of 40% in gold, against Federal Reserve notes. Despite its original nature of an emergency measure, this authority's date of expiration was extended repeatedly, and on June 12, 1945 it was made a permanent part of the Federal Reserve Act. —See *Monetary Notes*, abovementioned, p. 8. This modification of the Act made possible the issuance of Federal Reserve notes against United States Government securities to such a degree as to permit the wholly unlawful monetization of the Federal debt.

June 12, 1945, was a momentous day. On that day the two activities above reported enabled the "money" managers, henceforth to arrange for more "money" with a callous disregard for the proven need for banks to secure bank notes and demand deposit credits with quickly convertible securities, and a substantial proportion of gold coin. It is as if our Government deliberately blinded itself to the original wise precautions of the authors of the Federal Reserve Act. Its eyes were fixed on a great increase of its wrongfully acquired power over the "purse."

In still another way, for the last 15 years, this inordinate desire for control of the "purse" has been exhibited. Through a provision of the Second War Powers Act of March 27, 1942, the Federal Reserve banks were authorized to purchase directly from the Treasury up to $5,000,000,000 of United States Government securities, direct and guaranteed. Upon its expiration, Dec. 31, 1944, this law was renewed for another limited interval. Renewal followed and has followed at the end of several successive intervals. As indicated below, the latest renewal has recently been made:

> *Treasury Borrowing:* The President approved a bill to extend for another two years, until June 30, 1958, the authority of the Federal Reserve Banks to purchase U. S. obligations directly from the Treasury.—*The Wall Street Journal*, June 26, 1956.

The regrettable general attitude of Congress in this matter in 1942 is shown by the following:

> Only by strenuous efforts were Senator Taft and his associates able to place a limit of $5,000,000,000 on such dumping beginning in 1942 — *Monetary Notes*, July 1, 1950, p. 2.

The Reserve System's policy in dealing with the Treasury in the aforementioned manner is contrary to sound central banking, but far more serious is the provision's purpose, as is shown below:

> The fundamental purpose of this provision which enables Federal Reserve banks to purchase government securities (as distinct from one-day overdrafts) directly from the Treasury is to free government officials still further—beyond the freedom given them by an irredeemable currency—from such controls as the people might exercise on an open money market over government spending.—*Ibid.*

The Cancer Today

Attention now is asked to some examples of the malignant evil's continued extreme extensions.

Perhaps the most important extension is that one which has caused a bad attitude of our leaders as to conserving what the nation has. The will of those in power today to expend countless billions of dollars is manifested in many, many ways. It must be remembered that the 24 year old cancer, or corroding evil, has been our Government's disavowal of a free use of gold coin; and that it is this which keeps "the sky the limit" with reference to the ease with which those in power issue our present false promises to redeem deposits to the credit of others, and bills of credit, called "money."

In a preceding space here it was indicated that, in addition to the things related there about the power to regulate the value of the coin, something about it would follow subsequently. Accordingly, given below is the observation which was reserved.

It was noticed that President Roosevelt, when announcing his program to buy and sell gold, said that he did this "to establish and maintain continuous control [of the purchasing and debt paying power of the dollar]." As was observed above, this had been preceded by Congress' gross misinterpretation of the power to regulate the value of money. During that same period, when the revolutionary announcement was made, on July 3, 1933, to be exact, President Roosevelt in his message to the London Economic Conference, said, among other things:

> Let me be frank in saying that the United States seeks the kind of dollar which a generation hence will have the same purchasing and debt-paying power as the dollar value we hope to attain in the near future. — *The Public Papers and Addresses of Franklin D. Roosevelt* (Random House, New York, 1938), Vol. II, pp. 264-265.

Twenty years after Roosevelt's announcement, the one below was made by Secretary of the Treasury Humphrey at Seattle, Dec. 1, 1953:

> By "honest money" we mean money that will buy as much next week, next month and next year as it will buy today. —As quoted by *Monetary Notes*, Dec. 1, 1953, p. 1.

The New York Times, Sept. 19, 1953, reported the following as having been said in New York on the day before by Dr. W. Randolph Burgess, Deputy to the Secretary of the Treasury:

> The Administration was trying to institute the measures necessary for "sound, honest" money, and listed three essentials to that end — a balanced budget, a monetary policy and the arrangement of the national debt so that it would contribute neither to inflation or deflation.

April 25, 1957, this sentiment was repeated by Dr. Burgess, as shown in *The Commercial and Financial Chronicle*, April 25, 1957, which quoted from "Burgess On the Public Debt." On Feb. 2, 1956, Mr. William McChesney Martin, Jr., Chairman of the Board of Governors, Federal Reserve System, stressed our central banking system's importance in having sole full-time responsibility for the dollar's purchasing power. See his "New Horizons in Money and Banking," the *Chronicle*, Feb. 2, 1956. In 1956, the Republican Party Platform said:

> The Republican Party believes that sound money, which retains its buying power, is an essential foundation for new jobs, a higher standard of living, protection of savings, a secure national defense, and the general economic growth of the country.

The four above stated evidences of the continuation of the evil bring to mind its most dangerous, result, namely, our leaders' great indifference to the Constitution of the United States. Not one word appears in the above statements about the meaning of the Clause giving to Congress the power to "coin money, regulate the value thereof. . . ." Completely ignored since 1933 has been the fact that, in this clause, the word *money* means "metallic coin" — its only meaning in every English dictionary in the year 1787. The word *value* means "degree of substance, namely, weight and fineness," while, as would be required to sustain the "money managers," the qualifying adjective *exchange* cannot be considered as implied.

The use of the adjective *sound* to modify *money* by Mr. Burgess and the authors of the Republican Party Platform is almost laughable; for *sound* means "founded on truth or right," while *money* certainly is something other than an irredeemable promise to pay money.

The Lack of Authority Not a Deterrent of "Money Managing"

The Board of Governors of the Federal Reserve System at Washington are not deterred by a lack of authority to do such things as to them seem expedient in "money managing."

Increases in rediscount rates at some of the Federal Reserve banks have caused the Federal Reserve authorities to appear to be tightening up on the use of Federal Reserve credit by member banks. A rise in rediscount rates, if not offset by something else, might be markedly effective. But the Reserve authorities are adding to the reserves of member banks by the use of the Float.

For the benefit of such readers as, for some reason, may be unacquainted with the nature of the "float," the following is given:

The "float" consists of checks, drafts, and other items in process of collection through the Federal Reserve banks for member and non-member clearing banks. Obviously the proceeds of these uncollected items do not belong to the banks being serviced until collected. Yet the present practice of the Reserve authorities is to permit the member and non-member clearing banks to count as cash reserves a portion of the uncollected checks and drafts floating through the mails or some other collecting agency.

The practice is wholly inexcusable. No one has a right to represent as existent an asset which does not exist. Regulation J. Series of 1916, of the Federal Reserve Board says:

> It is manifest that items in process of collection cannot lawfully be counted as part of the minimum reserve to be carried by a member bank with its Federal Reserve Bank.—*Annual Report of The Federal Reserve Board* for 1916, p. 170.

An unpleasant confirmation of the Federal Reserve System's will to violate the foregoing law, appeared in *The Wall Street Journal* of April 26, 1957, wherein a staff reporter related the following:

> Delays in deliveries of checks caused by the Railway Express Agency's partial embargo on air shipments, resulted in the week ended Wednesday in a sharp increase in "float"-credit extended by Federal Reserve Banks to member banks to cover checks in transit.

Under #3, p. 4, *Monetary Notes*, Dec. 1, 1956, comments on this subject as follows:

> While much stress has been laid upon borrowing from the reserve banks (discounts and advances), the float has been more important, ranking next to government securities held by the Reserve banks, as part of Reserve bank credit outstanding.
>
> In 1953, the average of the weekly figures for discounts and advances was $646,300,000; the average for the float was $777,500,000.
>
> In 1954, the average of discounts and advances was $264,-300,000; that for the float was $669,700,000.
>
> In 1955, the average of discounts and advances was $663,-000,00; that for the float was $897,500,000.
>
> For the first 44 weeks of 1956, the average of discounts and advances was $856,000,000; that for the float was $1,076,000,000. The highest figure on record for the float was $1,875,000,000 on Dec. 28, 1955. The float is the second most important means by which the Reserve banks extend reserves to their member and clearing non-member banks.

One of the corrosive evil's extensions is as an influence upon people outside of officialdom. For example, *The Wall Street Journal*, Jan. 25, 1957, p. 5, reports a strongly backed proposal by the American Bankers Association for the lowering of reserve requirements of Federal Reserve member banks to a flat 10% of demand deposits and 2% of time deposits. The *Journal* says:

> A main reason behind the proposal, according to the A.B.A.'s [economic policy] commission is "to enable the banking system to accomodate the monetary and credit needs of our growing economy."

Apropos seems a letter on this incident to the *Journal*, Feb. 11, 1957, from Mr. O. B. Johannsen, Roselle Park, New Jersey, from which the following is an excerpt:

> No doubt, if the reserve requirements are reduced to 10%, it will not be long before the cry of tight money will arise once again. In keeping with its expressed policy of enabling "the banking system to accomodate the monetary and credit needs of our growing economy," will the A.B.A. commission then recommend the reduction of reserves an additional 10 precentage points to zero?

The extensiveness of the influence above referred to may be seen in the quotation below from "Newsgram," p. 7 of the *United States News and World Report* (Feb. 15, 1957), one of this nation's most highly regarded periodicals:

> Money, today, is managed, not tied rigidly to gold. *"Tight" money* will become *"easy" money* at the first sign of a real sign of a downturn in business.

In other words, "leave it to the 'money managers,' the *controllers* of the exchange value, not the *regulators* of the value, of money."

Great as is the evil's influence on the public, up to now, it has been trivial as compared to its mastery of officialdom.

Bad as the Income Tax Amendment is from any point of view, it is interesting to find discussed a much too little observed perverted interpretation which arises from the corrupt disavowal of the use of gold coin, the cancer on the State. Reference is to an able article, "The Capital Gains Myth," by William Chamberlain, Director American Natural Gas Company, Saratoga, Calif. (See *The Commercial and Financial Chronicle*, Feb. 28, 1957.) Mr. Chamberlain clearly shows that it is unjustifiable to levy taxes on a write up of values which conform to a new and reduced unit of measurement. Among other things, the author says:

> Constitutional rights are denied under the curious doctrine that, in fixing a Constitutional return, only the name of the monetary unit matters, its lawfully reduced and market established value being irrelevant.

Foreign Aid seems to be practiced without the slightest concern as to how the funds to be used can be obtained, if Congress consents, and this body of lawmakers is invariably compliant except as to small proportions of the totals called for. The departure from our obligation to follow Article I, Section 8, Clause 1 of our Constitution corrosion has been complete. Consider the words below:

> The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States. . . .

The power to provide for the common defence and general welfare of any country except our own United States has not been delegated to the United States by the Constitution, nor prohibited by it to the States; and the 10th Amendment has not been repealed.

The increased malignancy of the evil is shown clearly in the operation of "Social Security." "Social Security" means the freeing of society from want in old age. The policy consists of our Government's forcing certain funds from most wage and salary earners and their employers; also like sums from many self-employed workers. These sums, according to the statutory law pertaining to their application by the authorities, are then intended to be held in trust for specified time periods for the wage and salary earners and self-employed persons involved. However,

> In the matter of banking social security funds it has been publicly stated that in place of cash, the Government puts its own IOU's—government bonds —into the reserve funds. Instead of an asset, therefore, the trust fund turns into an interest-bearing liability.—*The Commercial and Financial Chronicle*, Jan. 2, 1957, p. 22 "Social Insecurity," by Walter Sonneberg.

Conclusion

The fact reported at the beginning of this piece regarding the present level of the purchasing power of our dollar shows a complete failure in the effort to control this level, a primary aim of the State which has been emphasized by the authorities for 24 years. As shown next and remarked on elsewhere in this paper, we have extreme wastefulness by our Government.

At this point the following quotation seems suitable. George Mason of Virginia, an owner of slaves at the time, said to his distinguished associates assembled in the Federal Convention at Philadelphia:

> Every master of slaves is a petty tyrant. They bring the judgment of Heaven on a country. As nations cannot be rewarded or punished in the next world they must be in this. By an inevitable chain of causes and effects providence punishes national sins by national calamities.—*Records of the Federal Convention, "Journal,"* Aug. 22, 1798, by Max Farrand, p. 370.

Foresaking the false policy of expediency, and following the advice of well-known highly competent authorities on monetary matters, let us return to the path of honor and thus enable the public to recover its rightful power over the "purse." Only by this course can our nation avoid a sure and severe calamity.

Gracia Appointed by Puerto Rico P. A.

Eduardo Gracia, has been named Executive Director of the Puerto Rico Ports Authority, succeeding Salvador V. Caro who has resigned. Mr. Gracia formerly was Controller of the Puerto Rico Economic Development Administration.

Eduardo Gracia

The Puerto Rico Ports Authority is a public corporation with assets amounting to $37 million, including $28 million in airports, maritime terminals, and a mass transportation system for the San Juan Metropolitan Area. As Ports Authority Executive Director, Mr. Gracia will supervise all matters involving air and sea transportation to and from the United States, which supplies most Puerto Rican imports and is also the major market for exports.

Mr. Gracia attended Wharton School of Commerce, University of Pennsylvania, where he received a Master of Business Administration degree in 1950. During World War II, he served as an officer in the Transportation Corps, U. S. Army.

Free Piloting Classes Offered in N. Y. C.

The North River Power Squadron of the United States Power Squadron will conduct piloting classes at the Downtown Athletic Club beginning Monday, Sept. 16, from 6:30 p.m. to 8:30 p.m., and continuing each Monday through Dec. 2. Instructions will include "Rules of the Road," "The Compass," "Charts and Piloting," etc.

Classes are given gratis in the interest of better and safer boating.

Further information may be had by contacting: Paul S. Morton, Peter P. McDermott & Co., New York.

Joins Smith, La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — John R. Margo is now with Smith, La Hue & Co., Pioneer Building.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

The Lincoln National Life Insurance Company of Fort Wayne was organized in 1905 and commenced business in that year with a paid-in capital of $110,300. Capital was increased from time to time to the present $20,000,000, with unassigned surplus of $105,237,823. There are 2,000,000 shares outstanding, par value $10 per share. In 1951 and 1952 Lincoln purchased all of the 30,000 outstanding shares of Reliance Life Insurance Co. of Pittsburgh, absorbing the assets and business of that company in 1953. It maintains reinsurance arrangements with a number of companies, and, as with so many other life underwriters in recent years, has benefited by the inflationary pressure.

Writings include ordinary life, non-participating and participating, annuities, group accident and health personal group and sickness. Its life reinsurance is of substantial proportion. It issues salary savings and sub-standard business. It operates in all states except Vermont, New York, District of Columbia, Canal Zone, Hawaii, Virgin Islands, Puerto Rico, and Canada. A combination of a prosperous public and improving mortality rates has contributed to the growth of Lincoln's business, as has been true with so many of the other well managed units in the field. After absorption of Reliance Life on Jan. 1, 1953, volume of business in force jumped from $5,760,000,000 to $8,026,000,000 at the close of 1956; and in the five years ended with 1956 net premiums written rose from $8,881,000 to $24,306,000. Net reserves are $804,242,000.

Assets and Liabilities—Dec. 31, 1956

U. S. Govt. Bonds	$95,949,252	Net Policy Reserves	$820,308,096
All Other Bonds	520,346,009	Other Reserves	65,421,820
Savings & Loan Stocks	250,010	Policy Claims	11,622,988
Common Stocks	32,508,688	Dividend Accum.	16,829,301
Preferred Stocks	25,815,819	Advance Prem.	3,021,045
Mortgage Loans	370,932,906	Premium Deposit Funds	11,434,047
Real Estate	40,100,931	Comm., Taxes, etc.	8,177,539
Policy Loans	57,047,479	Pension Benefit Funds	7,746,367
Guarantee Notes	7,684,730	Valuation Reserves	28,612,488
Collateral Loans	2,488,901	Policy Reval.	52,195,000
Cash	12,219,224	Other Reserves, Contin'cy	22,507,390
Life & Annuity Prem.	24,729,410	Reins. Liabilities	16,196,102
Acc. & Health Prem.	1,356,287	Other Liabilities	10,299,830
Investment Income	8,190,942	Annual Dividend	4,992,612
Other Assets	4,981,860	Capital	20,000,000
		Unassigned Surplus	105,237,823
Admitted Assets	$1,204,602,448		$1,204,602,448

Bonds constitute about 51% of admitted assets; stocks, common and preferred, 5%; mortgages 31%; real estate 3%. The last listed item has been marked down to about 79% of cost. Mortgages appear to be of excellent quality. There is only one small issue of bonds in default; and the bond list appears to be of excellent quality too.

The company's income account for 1956 showed total premiums of approximately $167,005,000. Other income brought the total to $223,282,997. Death benefits, increased reserves and all other charges totaled $194,262,791, leaving a net gain from operations of $29,020,206, or $23,816,502 after provision for life policyholders' dividends of $5,203,704.

For the past five years the average net interest earned has been 3.62% on stocks, bonds, mortgages, and realty, approximately the average for the industry. Mortality is favorable, lapses moderate, and the net cost to the policyholder has been low. Operating expenses are quite low.

In keeping with the industry, dividends have been quite conservative. In 1956 a total of $1.75 was paid to shareholders, of which 35 cents was an extra. The proportion of profits that may be paid to the stockholders from the participating business is 10% of gross.

Ten-Year Statistical Record—Per Share

	Net Und. Profit	Net Inv. Income	Book Value	Dividend	—Price Range— High	Low
1947	$2.46	—$0.13	$14.10	$0.25	25	12
1948	3.31	0.18	16.34	0.38	16½	13⅝
1949	5.34	0.70	19.83	0.38	21⅜	15⅜
1950	5.37	1.14	24.05	0.38	39¾	19⅝
1951	6.24	1.68	25.51	0.50	65	36⅛
1952	4.18	2.31	30.99	0.75	87½	55¼
1953	5.98	3.46	37.08	0.75	96¾	77¼
1954	5.92	4.73	45.04	0.88	190½	96½
1955	5.92	5.55	53.68	1.25	265	180
1956	5.15	6.76	62.62	1.65	246	191

Adjustments have been made to compensate for stock dividends of 100% in 1950 and 1956.

Alfred M. Best Company, a leading insurance statistical service characterize the results of this company as "most favorable," and state that the unit has substantial over-all margins for contingencies. The management ranks high in its field.

Securities Salesman's Corner

By JOHN DUTTON

Benjamin Franklin's Method of Evaluating a Situation

Every day each one of us is called upon to make certain decisions. Some of these decisions are not too difficult for us and we can arrive at a proper course of action. Others can be quite involved and at times it is not too apparent just what is the proper course of action. I am reminded often of the way Benjamin Franklin used to make up his mind when he was faced with the necessity of coming to a conclusion on an important matter.

First he would marshall the facts that were available to him. Then he would take a blank piece of paper and draw a line down the middle of it. On one side he would put the word "for" and on the other "against." Then he would proceed to evaluate the favorable factors and those which were unfavorable. He would add up his result and by this simple method of putting his findings down on paper he would more often than not come to the proper course of action.

The Evaluation of Securities

Practically every investment that you can find has its pros and cons. Using Franklin's methods, a simple and practical listing of the factors which should influence judgment in respect to a particular situation could be set up on a formula basis that would be very helpful in making at least a preliminary analysis of any security that may be before you for investigation. Here are some salient features of every investment that should be checked before you are ready to make a decision to recommend it. Possibly you can improve this formula, but it at least could be a good time saver and a sound beginning as to whether or not you wish to go further with your investigation.

	(Check below) For	Against
STATISTICAL RECORD		
Past earnings in previous years	----	----
Sales in past years	----	----
Percentage of pre-tax net to sales	----	----
Growth of book value	----	----
Record of net per share past five years	----	----
Current position	----	----
Net working capital	----	----
Financial structure, ratio of debt to preferred and common	----	----
Status of maturing obligations	----	----
OUTLOOK FOR THE INDUSTRY		
What are the growth possibilities?	----	----
How large is the labor factor?	----	----
Are there depletion and depreciation advantages?	----	----
Can this company control its source of raw materials (if a converter)?	----	----
MANAGEMENT FACTORS		
Is the equipment modern and efficient?	----	----
Is management capable and aggressive?	----	----
Is it expansion minded?	----	----
Is the product-mix broad enough?	----	----
MARKET FACTORS		
What was the price range or security past 18 months? Past 5 years?	----	----
Are the stocks of this industry group in a favorable position marketwise?	----	----
Are there sufficiently broad market interests in the security in question?	----	----
FINANCIAL SPONSORSHIP		
Banking connections	----	----
Investment Banking affiliations	----	----
MISCELLANEOUS		
New products	----	----
Possible mergers or acquisitions	----	----
Status of convertible debt and preferred as well as any optioned stock	----	----

Weighting Your Factors

Admittedly the foregoing list is not intended as a comprehensive and detailed analytical study of any security the way a large and informed statistical department would go about it. But for those who are faced with the task of selecting suitable situations to offer to their clients it can serve as a rule of thumb guide to a better evaluation of the situation than if you just set out to see what you can discover from the usual statistical sources. Many smaller organizations have been able to select promising and undervalued, but sound growth situations, by using just such a rule of thumb (even though crude) set of factors as we have listed here.

The strange part of such an analysis is that in most instances if certain of the factors that are vital to the success of any company have been conspicuous by their absence, it will show up in your "For" and "Against" very clearly. If past earnings have been poor you can usually find the reason by evaluating the condition of the balance sheet, the industry outlook, the management factors, and the statistical record, which we have indicated in this quite simple formula. If profit margins have been too low then possibly labor costs or inadequate equipment have been the reason. If the industry is highly competitive and the product-mix too inadequate, it will be apparent. There is no perfect security, no investment without some disadvantages, but if you can put your plus factors and your minuses down on paper the way Dr. Franklin suggested, possibly even some of the less apparent pitfalls that we wish to avoid in the proper selection of securities for our clients can be negated. If there is a doubt on your part after you have made such a study you can either go farther with your investigation, or you can pass the suspect by.

Individual salesmen, and smaller firms, have the problem of making individual analyses of particular recommendations constantly. If you can evolve such a simple method or improve on this one, it can save your time and assist you in doing a better job for clients. At least you will know the questions you should ask, and the answers you should receive, from reliable sources before you say "yes" or "no."

I once knew a most successful individual investor who used a very similar method of investigation before he bought any security. Over the years he was able to acquire a substantial estate and also AVOID some costly mistakes.

Continued from page 15

Critical Period Ahead In State-Local Finance

taxes from this source. Similar comparisons could be made for the sales tax with states like Ohio and Illinois and Washington leading the pack. Or one can approach the problem qualitatively and show that there are substantial possibilities of broadening the bases of existing taxes, e.g., in the case of the income tax, by tightening up deductions, perhaps lowering exemptions and raising the starting rates; or, in the case of the sales tax, by including expenditures for various services which are now tax-free.

When speaking of unexploited state and local tax potential, it is worth reminding ourselves (without any necessary policy implications) that only 31 states have a personal income tax, only 32 have a sales tax, and only 19 have both. Also, we may note that state cigarette taxes range from 2 cents to 8 cents per pack, and beer taxes from 50 cents to $13 per barrel. There must be some untapped capacity here!

To convert tax capacity into tax revenue requires the removal of certain intangible barriers that seem to be hobbling the tax thinking of state and local officials and their constituents. There seems to be a national psychosis that we are at or near the limits of our taxable capacity. What we lack is not so much the economic **capacity**, but the **will** to tax. If and when we become convinced that in allocating the increases in our national income, we should give a higher priority to public health, public welfare, public parks, public roads and so on, even at the expense of private outlays for an extra suit, color TV, porterhouse steaks and the like—at that point, our collective will to tax will be restored.

Perhaps state and local officials should examine the evidence on Federal taxes which suggests that when the facts and issues are made clear, the American taxpayer is more willing to endure taxes than he lets on. Within the 15 months following the outbreak of war in Korea, Congress enacted and the American people accepted $15 billion of income and profits tax increases. Evidence from a different setting was offered by *Business Week* not long ago when it pointed out in reference to the Federal tax cuts of 1945, 1948, and 1954: "There have been three separate reductions in taxes since the peak rates of World War II. In each case, the party in power when the cuts went into effect nevertheless lost control of Congress in the next election." At the moment, to be sure, it appears that this evidence is being ignored in a headlong rush to slice the budget as a prelude to Federal tax cuts.

Another attitude that seems to thwart tax action, specifically at the state-local level, is the fear of interstate competition. While it is true that a government proceeds at its peril in levying taxes on industry and wealth, no responsible study has rated taxes among the top five factors determining the location of industry in general (though it undoubtedly is the straw that breaks the camel's back in specific cases). Harold Groves went to the heart of the matter when he said, "If no state or municipality ever had the temerity to regulate or tax industry over its protest, civilization would still be medieval or all legislative power would have moved from the state capitols to Washington."

Self-Financing Versus Federal Support

This brings us back to the uncomfortable dilemma: shall we incur the pain of additional state-local taxes or seek the pleasure of increased Federal financial support? To increase state and local tax rates is a hazardous undertaking, both politically and economically. Many a state and local official has been retired to inactive duty as the indirect consequence of supporting the higher taxes required to finance the services his constituents demanded. Even though such cases may be a minority, they are dramatic and lead to undue caution on the part of incumbents facing similar hard choices. Moreover, the tax-increaser faces the ever-present charge that his action will drive industry and wealth out of the state. The easy way out may be to drop the problem politely but firmly in the lap of Congress, inviting it to foot the bill either by taking over the function in question or by pumping more aid into the state-local bloodstreams.

This somewhat sardonic suggestion is meant neither as an implicit plug for "states' rights" nor as a gratuitous slap at Federal aids. All too often, those who wave the banner of states' rights do so chiefly in the dual conviction that "that government governs best which governs least" and that state government nicely fills this bill. One might say they stand on states' rights so they can sit on them. What one should seek, instead, is a reassertion of states' rights in the positive, constructive sense of making our state and local governments an effective instrument for serving the demonstrated needs of their citizens.

To be sure, in fields where there is a strong and clearly identified national interest, they can best serve their citizens by drawing in part on the superior fiscal powers of the national government. The Eisenhower Administration has followed this principle in the huge new highway program, in its proposals for Federal aid for public school construction, in its suggestions for using Federal funds to expand medical school facilities, and so on. But it is one thing for state and local governments to join in these programs **by design** on the basis of assuming their fair share of a joint responsibility. It is an entirely different thing if, for fear of the consequences or discomfort of higher taxes, or for failure to put their fiscal houses in order, they give up their functions to the Federal Government **by default.**

Strengthening State-Local Finances

To do this job of putting our fiscal house in order, every community should have an "agenda for fiscal action," and agenda calling for action at the local, state and national levels. Let me indicate a few key items that deserve a place on such an agenda.

At the State-Local Level—

(1) At the top of my list would be: reform the property tax, which produces nine-tenths of all local tax revenue. This tax has fallen into a shocking state of disrepair. To be sure, many states are working on the problem of equalization and a few, like Oregon, have undertaken courageous, far-reaching programs to overhaul this tax. Overhaul almost inevitably involves a stronger state voice in selection of assessing personal and supervision of assessments. It tends to run afoul of "home rule" sentiment, and therefore lose support in state legislatures. But if these reform measures strengthen the tax which is the very backbone of local fiscal independence, who is to say that the cause of local autonomy has suffered?

(2) Explore alternative local taxes and new methods of administering them. Local enactment but state collection of supplements to state income or sales taxes (as in California) may be one of the best answers.

(3) Improve state-local financial management.[2]

(a) Mobilize the cash balances of all governmental units and manage them more efficiently. In recent years state and local governments have been carrying cash balances in the range of $12 or $13 billion. The Federal Government spends almost twice as much as these units with a cash balance less than half as large. Each of the states and larger cities could appoint a finance or investment officer who would take over and manage the cash of all agencies of that unit. He would estimate consolidated cash requirements and would dispose of the total funds so that those requirements could be met. He would do for all the agencies of the unit what the commercial banker does for the community and in the same way as the commercial banker would cut down drastically on total balances required.

(b) Sell a part of the United States obligations held in various state funds and instead buy state and local securities. Over and above reserves in the Unemployment Trust Fund, state and local governments are now holding some $15 or $16 billion of United States obligations. These represent the investment of unneeded cash balances, sinking funds, retirement funds, and so on. They have been mad over the past 15 years or so largely because Federal obligations were more liquid and carried a higher yield than state and local bonds. That differential has now narrowed considerably or disappeared.

(4) Put the superior credit rating and lower interest rates of the state governments at the disposal of the smaller local governments through programs for state purchase or guarantee of their bond issues.

(5) Install modern collection techniques like withholding of income taxes (already adopted by 12 states) and installment payment of property taxes; adopt modern machine techniques of processing and verifying tax returns; increase salary scales and other incentives that are essential to attract the technically competent personnel needed for the tasks of assessing property and auditing income tax returns, tasks which lie at the very heart of effective tax administration.

(6) Remove other man-made barriers to an intelligent state-local tax system, e.g., anachronistic prohibitions of income taxes

2 The examples given are two of several suggested by Benjamin U. Ratchford in his testimony of Feb. 1, 1957, before the Mills Subcommittee of the Congressional Joint Economic Committee.

through uniformity clauses in state constitutions and fiscal hobbles in the form of inflexible property tax and debt limitations.

(7) Improve the structure of governmental units both by eliminating unnecessary taxing units (over 60,000 have already been eliminated in the past 15 years) and reorganizing our fragmented local taxpaying units in large metropolitan areas to enable them to cope with area-wide problems.

(8) Beyond these administrative and institutional improvements lies the basic job of revising state and local tax structures in the interests of equity and economic growth. Only through such revision can state-local government reduce the Federal Government's differential advantage in the equity and economic aspects of taxation.

At the Federal Level

Beyond the tough jobs at the state-local level are some important responsibilities of the national government in support of state and local finance. On its agenda, one might put three main assignments:

(1) That Federal monetary and fiscal authorities bend every effort to maintain a briskly expanding, fully employed, noninflationary economy. State and local governments have a direct stake in the revenue flows from their own sources generated by a healthy, growing economy and an important indirect stake in the Federal tax reductions made possible by sustained growth. For example, Minnesota's normal individual income tax grew from $35 to $50 million, or 42%, between 1951 and 1956 without any change in tax rates.

Prevention of inflation and depression is also of key importance. Relying heavily on regressive revenue sources like property and consumption taxes, state-local tax systems do not respond as readily to the upthrust of inflation as the Federal tax system, which draws about three-quarters of its revenues from income taxes. But inflation hits state-local spending with full force since so large a part goes for construction (over one-quarter, nearly $11 billion, in 1955) and other goods and services which are sensitive to inflationary pressures.

(2) That the President and Congress earmark part of the revenue bounty of economic growth for tax reductions or tax sharing rather than expenditure increases.

(3) That the Federal Government put its fiscal relationships with state and local governments on a sound basis of constructive cooperation, e.g., (a) that it structure its tax reductions so as to facilitate the expansion of state and local revenues; (b) that it adjust its monetary and debt policies to relieve the states and localities of undue economic pressures and restrictions both in booms and in slumps; (c) that it strengthen administrative ties between Federal and state-local tax enforcement agencies.

Federal Tax and Monetary Policy

The second and third points require further comment. If Federal budget leeway develops as expected, or at least hoped, the President and Congress should add to the three traditional canons of taxation — equity, economic betterment, and ease of administration and compliance—a fourth one of equal rank; maximum contribution to state and local fiscal capacity.

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

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

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

Like Federal tax policy, Federal borrowing and money policies are of prime concern to state-local government. Tight money has been pinching state-local borrowing operations. Unless it is alleviated by even broader measures than President Eisenhower's proposal for a $750 million loan fund for school construction, state-local governments may have to take a back seat in the process of sharing in our economic abudance. The tax-exemption privilege enjoyed under the Federal income tax by state and local bonds is losing much of its force in reducing state-local borrowing costs. In fact, with state and local gross debt now exceeding the $50 billion mark, the point of saturation of the upper income brackets which benefit from this tax privilege is rapidly being approached. So the interest rates on such securities are subject to the dual upward impact of tight money and lessened tax attraction. In Minnesota, for example, the median interest rate on school bonds rose last year from 3% in January to 4% in December. This means an increase of $200,000 in the cost of a $1 million bond issue repayable in equal installments over 30 years, an amount equivalent to the cost of several classrooms.

It is time to re-examine ways and means by which the Federal Government can relieve the pressures on state-local borrowing. To be sure, state-local gross debt now equals only 12% of gross national product, in contrast with 16.5% in 1929 and 22% in 1939. Also, interest rates on municipals are still below the levels of the twenties and the thirties. So the basic capacity to incur debt is still substantial. But the capacity is poorly distributed, needs are great, and state-local construction faces the tough competition of a private construction and investment boom. Under these circumstances, two moves to alleviate the credit squeeze on state-local government merit careful consideration.

One is a recasting of the hit-or-miss subsidy now granted to state and local borrowing in the form of Federal income tax exemption. The loss of revenue to the U. S. Treasury under this exemption is growing by leaps and bounds as new issues pour out and interest rates rise. Yet, the proportion of this loss which operates to hold down state-local borrowing costs is obviously shrinking significantly. If the full amount of the Federal revenue loss now realized as tax savings to bondholders, were made available directly to states and municipalities in the form of lowered borrowing costs (on future issues), the subsidy would be on a sounder and more equitable basis.

The revamping of the subsidy could be coupled with the establishment—as Dr. Gerhard Colm, several Governors, and others have recently suggested — or a "National Fund" which would issue its securities with a Federal guarantee and use the resulting funds to purchase bonds at reasonable interest rates from state and local governments and agencies. In booms, such an agency could relieve state-local government of the tight-money pressure which might otherwise cut off many projects of high social priority—higher than others which would get the available loans funds under existing institutional arrangements. In recessions, the Fund could give states and localities readier access to loanable funds and thereby help avoid the restrictive practices which forced them into net debt repayment and even bankruptcy during the depths of the Great Depression.

Conclusion

From the foregoing review, it is clear that state-local fiscal decisions today are being made in a new and challenging setting. First, unlike the desperate problems of the Great Depression and World War II, which gave us no choice but to turn to the national government, the focus of today's triple pressures of population, prosperity, and pent-up construction demands is primarily on state-local government. Coupled with this, as the threat of war recedes, has been a gradual reduction of the Federal Government's claim on our national resources, e.g., from 20.7% (Federal expenditures as a proportion of GNP) in 1952 to 17.1% in 1956.

Second, the rapid growth and relative stability of the national economy have endowed state and local governments with greatly increased fiscal capacity. The growth in their over-all capacity is reflected in the expansion of per capita real income in the United States from $773 twenty-five years ago to $1,051 in 1940 and over $1,700 today (all in 1956 prices). In addition, there has been a marked improvement in the distribution of that income among the several states. The ratio of the highest to the lowest state per capita income has been cut in half, the high of $2,513 per capita in Delaware in 1955 is a little over two and a half times the low of $946 in Mississippi, in contrast with the ratio of 5 to 1 in 1933. This gap is still much too large to justify any complacency, and it strongly supports the case for increasing Federal aids. But the figures also suggest that state and local governments' ability to cope with their own financial problems is increasing and will continue to increase as the gaps are further narrowed by continued economic growth and greater economic stability.

The central fact of the 1957 setting of state-local finance, then, is this: that municipal and state electorates have at their command enough fiscal power to exercise real freedom of choice in deciding which levels of government shall perform and finance the costly public services they are demanding. To meet their demands without undue reliance on Federal support calls for intelligent action to overhaul state-local tax structures and painful action to raise state-local tax rates. The willingness of municipal and state governing bodies to take such action — and of their electorates to support them at the ballot box—will be the real measure of how strongly the American people believe in the virtues of local self-government and responsibilty.

Complete Belgian Financing

Belgian Ambassador Baron Silvercruys (seated at left) signs contracts with investment bankers and World Bank head covering $40,000,000 Belgium is borrowing in U. S. market. Seated with the Baron is Eugene R. Black, President, World Bank. Standing at left is W. Fenton Johnston, partner in Smith, Barney & Co., with Allen Northey Jones, partner in Morgan Stanley & Co.

The Kingdom of Belgium is borrowing $40,000,000 in the United States in a simultaneous transaction with the investment market and the World Bank. The transaction consists of a public offering of $30,000,000 of Belgian bonds by an underwriting group of 63 investment banking firms headed by Morgan Stanley & Co., and Smith, Barney & Co., and of a loan of $10,000,000 by the World Bank.

The bonds, publicly offered yesterday (Sept. 11) are Kingdom of Belgium external loan 15-year sinking fund 5½% bonds due 1972. The bonds are priced at 97½% and accrued interest to yield approximately 5.75% to maturity.

The bonds are direct obligations of the Kingdom of Belgium and principal and interest will be payable in New York City in United States currency. They are not redeemable, except through operation of a sinking fund, prior to March 1, 1968. The sinking fund provides for payments of $1,500,000 semi-annually commencing in 1963, designed to retire the entire issue by maturity. The average life of the bonds will be 10 years 3 months. The sinking fund redemption price will be 100%.

On and after March 1, 1968 the bonds are subject to optional redemption at prices ranging from 101½% if redeemed before March 1, 1969, to the principal amount on and after March 1, 1971.

Belgium will make application to list the bonds on the New York Stock Exchange.

The $10,000,000 World Bank loan, which is being made concurrently with the bond offering, will also have a term of 15 years. Amortization will be in 20 semi-annual installments of $500,000, beginning on March 1, 1963 and ending on Sept. 1, 1972. Interest on the loan, including the 1% commission which is allocated to the Bank's Special Reserve, will be at the rate of 5¾% per annum. The loan agreement between Belgium and the World Bank was signed in New York on Sept. 10 by Baron Silvercruys, Belgian Ambassador to the United States, and Eugene R. Black, President of the World Bank.

Belgium will use the proceeds from the $30,000,000 issue to help in meeting capital expenditures authorized by the country's 1957 extraordinary budget for public works, including modernization of the canal system, port improvements at Antwerp, construction of school and university buildings, improvements to the Malsbroeck commercial airport at Brussels and expansion of the nuclear experimental station at Mol. The funds received from the World Bank will be used to help finance the improvement of the Charleroi-Clabecq canal, which links the great coal and steel industries in southern Belgium with Brussels and Antwerp, the country's largest ocean port.

In a similar transaction in December, 1954, the Kingdom of Belgium borrowed $50,000,000 in the United States market and from the World Bank. An underwriting group headed by Morgan Stanley & Co. and Smith, Barney & Co. sold publicly $30,000,000 external loan bonds and the World Bank made a loan of $20,000,000.

Belgium is noted for its highly industrialized position among the nations of Europe, and as an exporter of manufactured goods, which includes ferrous and nonferrous metals, machinery and other metal products, textiles, clothing, shoes and chemicals. Its national income improved in each of the five years 1951 to 1955, inclusive.

Continued from first page

As We See It

the public has become so accustomed that little or nothing is thought of it, but that does nothing to lessen the offense against right and justice and true Americanism.

The American people would do well to ask themselves soberly how this state of affairs came into being. If they do so in candor they will find themselves to be at least equally guilty with the offenders among the unions. Earners of wages and salaries are not particularly different from the rest of us. They, no more than the others among us, lean toward crime or unworthy behavior. They live their lives in accord with their own code of ethics even as you and I. Yet here we have a state of affairs in many, nay in virtually all of the unions, which few among us would for a moment permit or condone in our personal affairs. Why?

A General Attitude

The answer is found in an attitude that has developed concerning the relationship between employer and employed. This trend of thought is in substantial part imported, brought from abroad by the "oppressed" of other lands whom we welcomed here through the decades. Somehow we have grown to feel—or far too many of us have—that the man who employs others is apt to be conscionless, predatory and bent upon exploiting those whom he employs. There are those who even go so far as to say that the only way a profit can be made is by the exploitation of labor. But whatever the philosophy behind it all may be, it has become a too commonly accepted idea that the employed man or woman is quite likely to be downtrodden and that almost any type of conduct within broad limits is accordingly to be condoned if it enables the employed to protect themselves against the greed of the employer.

When unions came into existence, often in response to real need, it was but a short step to the conclusion that they were not only to be tolerated but encouraged and endowed with many privileges not accorded to other organized groups in the community. Social philosophers, not averse to rationalization, soon began to preach the gospel that labor was generally at a disadvantage in bargaining with employers, and that broad exemptions and special privileges must be accorded them. Such ideas have become part and parcel of the mores of the people. Picketing developed and the courts presently found this practice a "right" of the unions, asserting that the privilege was a part of the right of free speech guaranteed by the Constitution—as if free speech were in any way related to intimidation and violence in an effort to prevent men from working when and where they wished!

New Deal Extremes

When Franklin Roosevelt entered the White House and launched the New Deal, he carried all this to extremes which not even the more ambitious labor leaders had envisioned. It is a fact, of course, that there are many more people earning wages and salaries than there are employers of men and women, and each of them has a vote. They had even before the New Deal been organized more effectively than most of the other elements in the community. President Roosevelt conceived the idea of marshalling the unions, along with the farmers, into a solid phalanx of support for himself and his followers. He undertook in all the ways at his command to encourage the growth of the unions. He again and again and again encouraged these organizations to combine in order to eliminate competition among them and to enable them to present a united front to employers—and incidentally to the public in general.

So it came about that for a while at least it reached a point where many almost believed that labor could do no wrong. Among the members of the unions the feeling is very strong that the way to be effective is to turn the affairs of the organization over to "strong" men who are capable of standing toe to toe with "big" management and slugging it out. The creed of the unionist demands obedience to their own bosses and no disposition to ask the reason why or to inquire into the niceties of procedures—but only to count up the "benefits" received and be content. There are, of course, various kinds of unions and various degrees in which they conform to the model pattern, but no one can well doubt that this description fits most of them all too well.

In these circumstances it was all but inevitable that unethical, unreasonable and un-American practices should arise, and that unworthy men should on more than one occasion rise to the top and proceed to feather their own nests very liberally. It was all but inevitable that "gangster" elements be attracted to the unions. The picking was too easy for them to pass it by. The truth of the matter is that the practices of even some of the better unions are at bottom not very dissimilar to the extortionist procedures of the gangsters. What most people now, we suppose, heartily condemn as an ordinary garden variety of dishonesty in certain of the union leaders, and what all ought to condemn in the day-to-day tactics of the unions themselves, are direct and inevitable outgrowths of the attitude of the public toward the unions and unionism.

The question is what are we prepared to do about it all?

Continued from first page

The Petroleum Industry's Huge Capital Requirements

able — enough new reserves to satisfy our ever increasing demand.

Demand being the first of our economic criteria, let's consider this aspect of the petroleum future for a moment. During the next few years we are apt to witness a number of significant— and important — changes in the petroleum picture. For instance, by 1965, according to reliable estimates, America's consumption of petroleum will be nearly 13 million barrels a day . . . approximately 80% more than it was in 1955.

Also, by 1965 the consumption of petroleum in the "free foreign world" will equal, or possibly even surpass, that of the United States. This will represent an increase of more than 100% in the free foreign demand for oil. Considered together the daily average consumption of petroleum products by the entire free world will be at least 80% above 1955 levels.

This will require a tremendous increase in output—assuming, of course, that we are not to reduce the rate of our industrial advance. The free world will have to produce more oil within the next decade than the entire production of the United States up to the year 1955.

There is no question that we can do this. But, the cost of such an increase in production will be enormous, it is expected to **exceed $115 billion.**[1]

Nineteen sixty-five is, after all, not too far away. Therefore, let's look for a moment at some projections for 1975. By then the United States will, undoubtedly, be using something like 20 million barrels of petroleum a day. It is expected that the free foreign world will be consuming more than 27 million barrels a day. Such a phenomenal increase in our production can also be achieved. But, once again, the cost will be high . . . only a rough approximation can be made at this time, but it is reasonably certain to exceed $200 billion . . . $200 billion is more than two-thirds the present size of our country's national debt.

Whence Oil?

Now as to the second factor—that of **supply.** A fair question at this point might be: Where will all of this oil come from? Historically, estimates of the total amount of oil available have proven something less than completely accurate. However, this should not be construed as an immediate indictment of those upon whom we rely for such projections. Techniques, by means of which estimates are made of the size of oil deposits, are at best inadequate. As one Ph.D. observed ". . . gauging the size of invisible deposits of oil and pockets of natural gas is a kind of scientific blindman's buff, the results of which must always be somewhat conjectural."

In 1941, for example, the most optimistic estimate of "ultimate" total production for the future was another 100 billion barrels of oil. By 1955 petroleum companies had already discovered more than 80% of that "ultimate" total. Moreover, we now know that there is from two to three times as much oil awaiting discovery as we thought existed 15 years ago. It is interesting to note that one of the most intensively drilled areas in the world—the North Texas area of some 33,000 square miles—is still the scene of active drilling and increasing production, despite the fact that more than four wells per square mile have been drilled in this area.

There is a peculiar consequence of drilling for oil. Instead of exhausting the **total** oil and gas resources, oil well drilling has, in effect, constantly added to such resources. This apparent paradox derives from two facts:

(1) The very act of drilling itself increases our knowledge of the earth's geophysical formations and, thus, permits more successful prospecting for oil.

(2) Drilling leads to production. Production, in turn, leads to financial returns which provide the economic incentive to search for still more oil. Thus, as oil and gas production have increased, so has the volume of proven reserves.

There are other significant points concerning the supply of petroleum which deserve consideration. The first point concerns the fairly recent discovery of the huge offshore oil fields and their virgin reserves. According to one oil company executive, the figures show that each offshore well—exploratory or development — has added to our reserves almost nine times as much oil or gas as the average well drilled onshore during approximately the same period.[2]

A second point concerns the fact that professional estimates of reserves are presently calculated on the basis of recovering only 40% of the oil that is believed to exist in any given reserve area. Therefore, even a small scientific improvement—and research is constantly going on which is aimed at improving oil recovery—could add billions of barrels to reserves without the need to drill another well.

Substitute Storehouse

A third point: One should consider the truly vast reserves which exist in the form of shale, tar sands, and coal. While it is true that oil produced from these sources cannot, today, compete commercially with oil brought up by the drill, this does not preclude the possibility that at some future time this vast potential storehouse may be exposed.

At this point another question might be: If one totals all the foregoing factors in the supply picture, how much oil does the future assure? One answer comes from the Department of the Interior and reads as follows: "Considering that trends in production and discovery are still headed upward and that significant improvements are now being accomplished or promised, in the future, a total of 300 billion barrels as the ultimate reserves of the United States and of the adjoining Continental Shelves seems to be a reasonable figure."

Three hundred billion barrels is a lot of oil, especially when we reflect upon our estimated demand — during the period from 1956 to 1965—of 71 billion barrels.

Meeting the Deficit

The Chase Manhattan Bank, in a recently prepared petroleum study, assumes that the total domestic supply of oil currently available will, by 1965, have increased only by one-third—to 10 million B/D. This supply, it is further assumed, will be sufficient to fill only about 75% of our daily needs of 13 million barrels. Thus, the obvious question: Where will the difference of 3 million B/D come from?

This "deficit" would have to be made up from increased production of the free foreign world. Estimates of crude oil production for the year 1965 in the free foreign world slightly exceed 15 million B/D. From this figure must be deducted the approximate 12 million B/D which the free foreign world will need to satisfy its own expanded requirements. This leaves a surplus of 3 million B/D, enough to cover our own deficit.

Thus, it would appear that we are not in any danger of being unable to **supply** our ever increasing **demand** for petroleum, but— and this is significant—these projections suggest only that the **technical** problems of meeting that demand can be solved. The critical problem, it would seem, involves the **capital cost** of making this petroleum available.

Problem of Financing

Therefore, let's now look at this third aspect of our treatise—**the capital costs of petroleum.** Despite the fact that any attempt to project future happenings is inevitably clouded with uncertainty, one fact in this particular analysis is outstanding: The capital cost of making available this needed supply of oil is going to be very large.

Irrespective of the fact that we may reasonably assume the actual **existence** of sufficiently large reserves of petroleum, it has become increasingly **expensive** to effect a conversion from the reserve status to that of production. The average oil well today is more than 4,000 feet deep — or some 30% deeper than in 1925. Moreover, the deepest wells descend some 22,000 feet as compared with a record of 8,000 feet just 30 years ago. And each foot that we go down adds—and adds **dis**proportionately—to the cost of recovering the oil. A recent petroleum company's study reveals that whereas it costs $13 to go down another foot in the 3,750 to 5,000 foot range, that cost figure soars to $106 for each foot drilled below the 15,000 foot level.

Similarly, the costs for offshore wells run six times higher than the average for onshore wells. Furthermore, deep wells drilled over water cost an average of more than three-quarters of a million dollars **each.**

Therefore, the fact that we are not running out of oil reserves does not, in itself, lend assurance that the demand for oil in 1965 will be met. There is still the possibility that we might run out of **money.**

Every available survey shows an upward long term trend of capital outlays for producing oil. In 1946 expenditures for exploration and development, to keep

1 Petroleum Department, Chase Manhattan Bank.

2 Ira H. Cram, Continental Oil Co.

pace with increasing demands, were 84c per barrel of net crude oil produced. By 1955 this figure had risen to $1.83 per barrel—an increase of 118%.

From the difference between these costs and the price obtained for crude oil, the petroleum industry must recover its operating expenses, its taxes, and a return on its investment.

$115 Billion in Ten Years

It is, of course, impossible to say exactly how much it will cost to increase our domestic petroleum **supply** to the point at which it meets our **demand.** Nevertheless, we can get some idea of the magnitudes involved from a further reference to the Chase Manhattan Bank study. This study assumes that we will fill our increasing requirements, in considerable part, from increased foreign production. According to estimates of the Bank's petroleum economists, in the 1955-65 period it will require $73.5 billion of capital expenditures on the part of American oil companies—and $41.5 billion by the petroleum industry of the rest of the free world. The total figure—$115 billion—would mean nearly a doubling of the existing gross fixed assets of the entire free world oil industry.

One might ask: How can this enormous sum be generated?

If we can rely on past experience, it should be safe to say that the necessary funds will probably be raised within the oil industry itself. For example, looking back at the years 1951-1955, a representative sampling of 35 companies raised 85% of the $23.7 billion they spent on new capital goods—from **cash income.** (Cash income includes earnings plus charges for depreciation, depletion, and other funds recovered from previous capital expenditures.) In actual figures these 35 companies generated $25.3 billion from operations. They paid out a little over $5 billion in dividends and put all the rest—$20.2 billion—into new capital goods.

However, even this was not enough. For the companies had to sell stocks and bonds, or borrow from banks and other lenders. In other words, they had to go to the outside capital market for another $3½ billion in order to finance their program of expansion.

15% Must Be Raised Outside

Nevertheless, the pattern is clear. Of the $56 billion spent by the oil industry for expansion, since the end of World War II, the greater share has come from the money generated by the industry's own operations—principally from the sale of its products.

It is, therefore, reasonable to expect that the financing of the future growth of the petroleum industry will follow the same course. Projecting past experience, petroleum economists suggest the following solution to enable the United States oil industry to raise the $73.6 billion which it will require in the years 1956 to 1965:

(In billions of dollars)

Cash Income	$78.3
Dividends paid	15.2
Retained Cash Income	63.1
Necessary capital expenditures	$73.6
Funds needed from capital markets	10.5
	$63.1

Thus, if the performance of the past is duplicated, American oil companies should be able to generate about 85% of the needed funds internally. In other words, recourse to the "outside" capital markets should be limited to the remaining 15%. Conceivably, the $41.5 billion needed by free foreign world companies could be generated in much the same way, for foreign companies, historically, have depended upon outside financing to an even lesser degree than have domestic oil companies.

Once again, what these estimates seem to reveal is what **can** be accomplished, not necessarily what **will** be accomplished. Such estimates illustrate clearly that the provision of the needed capital—great as it is—is not beyond the bounds of possibility. Of course, whether the oil companies will realize sufficient income to **permit** these expenditures is another matter. This depends—as in the past—upon the price structure, on the over-all prosperity of the United States and the free foreign world economies, on the rate of taxation, and other economic considerations.

Summarized Conclusions

It would now appear possible to make certain basic conclusions with respect to the economics of petroleum.

Predicated upon the best projections petroleum economists can make of the future, the **demand** for petroleum will show a vast increase by 1965—with a still larger increase in the years beyond.

The **supply** of petroleum, while it cannot be as accurately predicted, seems to indicate no physical shortage of oil—irrespective of whether we choose to figure the United States reserves "optimistically" or "pessimistically."

The critical factor then will be the **capital cost** of petroleum. Under any reasonable assumptions, it is clear that a vast and unprecedented financing effort will have to be made by the petroleum industry. On the success of that effort will depend not only the industry's own strength, but the prosperity of the nations which it serves.

Sources of Data:
United States Bureau of the Census
United States Bureau of Mines
American Petroleum Institute
American Gas Association
American Association of Petroleum Geologists
Oil and Gas Journal
World Oil

Railroad Securities

Illinois Central R. R.

Earnings of Illinois Central R.R. so far this year have been quite disappointing. Net income for August amounted to only $.46 a share as compared with $.80 a share in the like 1956 period. For the first eight months net income amounted to only $9,618,013, as compared with $15,099,056 in the 8 months of 1956.

In view of the decline in earnings during a large part of this year, there has been some doubt that the regular $1.00 quarterly dividend rate will be maintained. However, at current levels the stock would continue to provide a substantial yield even if the dividend rate was reduced.

As a large coal carrier in its territory, the road is benefiting from the increased demand for bituminous coal from steam utilities and industrial consumers. A major factor in the growth of this system has been the rapid expansion of the gulf ports. In particular has been the growth of the Port of New Orleans which is one of the largest import and export ports in the United States and which is the southern terminus of Illinois Central.

Earnings of Illinois Central in the final months of this year are expected to show considerable improvement due to recent freight rate increases and expansion of its dieselization program.

The company has conservatively estimated 1957 net income before sinking fund requirements at about $19,000,000, for the equivalent of $6.10 a common share, against net income of $23,759,206, or $7.66 a share reported in 1956. Officially, gross operating revenues are anticipated to total about $300,000,000, as compared with $298,418,524 last year. The recent freight rate increase by the Interstate Commerce Commission probably will add about $11,000,000 annually to gross revenues, if the railroad applied all of the higher rates allowed. However, because of competitive conditions, the Illinois Central is not increasing its rates at the present time as allowed by the Commission's decision.

Completion of full dieselization of this carrier, which is expected in 1958, should do much to increase its operating efficiency. One of the principal factors in the reduction of operating expenses will be the elimination of steam repair facilities. For tax purposes, these facilities also are a deduction. Of great importance, of course, will be the greater utilization of locomotive power.

The industrial growth in the road's territory, particularly along the Mississippi River and the Gulf ports, has been increasing constantly in recent years. In this respect, outside of competition from other railroads, the major factor in the movement of traffic is competition from the barge lines. As rail rates have risen, it appears the waterways will take more of the transportation of bulk commodities such as sand and gravel, sugar and coal.

Illinois Central is regarded as being in a strong financial position. Current items amount to some $60,000,000, and net working capital at around $45,000,000. This carrier has no maturity problems and has done an outstanding program of slashing its debt and charges in the postwar period. It has been able to refinance its mortgage debt at low coupon rates which has further improved its financial condition to withstand any possible further decline in the nation's economy.

Edwin A. Jacobs With Greene & Company

Edwin A. Jacobs has become associated with Greene and Company, 37 Wall Street, New York City in the trading department. Mr. Jacobs was formerly with L. D. Sherman & Co.

Edwin Jacobs

Form Gen. Securities Corp.

SIOUX FALLS, S. D.—General Securities Corp. has been formed with offices in the Boyce-Greeley Building to engage in a securities business. Officers are Reinhart L. Nordness, President and Treasurer; George J. Danforth, Jr., Vice-President; and Alice Peterson, Secretary. Mr. Nordness was formerly with King Merritt & Co., Inc.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

[Terms of the new money raising by the Treasury should be announced late today or tomorrow. Guesses are that it will embody another issue, with optional call by holders, reopening of the 2/4s, a certificate, or even larger weekly bill offerings.]

In spite of the lack of breadth in the Government bond market, the tone is on the constructive side with reports that there is more of a tendency now among the pension funds and certain other small institutional buyers to increase the size of their commitments on price weakness. There is, however, no evidence yet that the bulk of the price changes in these securities is accounted for by other than professional operations. Exchanges between various Government issues appear to have picked up recently, and the tax angle seems to be the main reason for these switches.

The demand for short-term Government securities continues to be very sizable and the favorable return which is available in these obligations has not been a drawback as far as some of the new buyers of these issues are concerned. It is reported that more and more common stock money is being put to work temporarily in Treasury bills.

Inflation Psychology Dimming?

The money market seems to be giving evidence that there is a somewhat less inflationary psychology in the atmosphere, and the defensive action of the equity market appears to be indicating that the economic picture is a bit on the uncertain side, to say the least. According to advices, the interest in fixed income bearing obligations continues to expand, even though the large supply of new offerings of corporate, state and municipal bonds is preventing interest rates from decreasing to any appreciable extent yet. To be sure, the non-Government sector of the money market is in one of its heaviest offering periods, and the way in which these new issues will be received in the next month or so will go a long way toward determining the immediate course of interest rates. Institutional buyers of securities are being attracted by the favorable yields that are now available in fixed income obligations, and this applies to Treasury obligations (even though in a more limited way) as well as non-Government issues.

Investors Eschew Equity Market

There are considerable amounts of money, according to reports, being put to work in Treasury bills, that, under more certain economic conditions, would ordinarily be invested in the equity market. Also, funds are being taken out of the common stock market and these are being reinvested in short maturities of Government securities with the recently offered two year-four year 4s being among the favored ones for this kind of operation. Money which had been in savings accounts as well as Government savings bonds are also finding an outlet in the 4s of 1961. There is growing evidence that small savers are being attracted more and more to the new issues of non-Government bonds which are coming into the market.

Switching for Tax Purposes

Advices seem to indicate that a fairly large amount of switching is being done to Government bonds, with the 2½s of 1964/1969 as well as the 2½s of 1965/70 and the 2½s of 1966/1971 being involved in these exchanges. It is reported that tax considerations are very important in these swops, although maturity distribution also has some bearing on these trades.

Reports have been prevalent that the 2½s of August, 1963, have been bought in some instances and sold in others, even though the buy side appears to be the better side for this bond at present. It is the smaller out-of-town commercial banks with heavy savings deposits that are reportedly the principal ones involved in these exchanges.

Institutional Bond Buying Prevalent

Because of the long bear market in bonds, it seems as though not a few institutional investors, including the mutual funds, are now making larger commitments in fixed income bearing obligations. It is evident that not an unimportant part of this buying is for hedge purposes, along with the belief that present yields cannot go too much higher even with existing high tax rates, without bringing about some decrease in projected new financing. A slow down in new offerings of non-Government bonds would have a very favorable effect on the future course of interest rates.

Savings banks, it is reported, have been sellers of selected issues of Treasury obligations, and it is indicated that a large amount of these funds have been reinvested in corporate bonds with lesser amounts going into tax-free securities. Public pension funds continue to be modest buyers of long-term Government bonds from time to time.

Iowa Invest. Bankers Annual Field Day

DES MOINES, Iowa—The Iowa Investment Bankers Association will hold its annual field day Sept. 19 at the Des Moines Golf & Country Club. Fee for members is $20; for guests, $25.

Chairmen of the Field Day Committees are Ray Allender, Carleton D. Beh Co., General Chairman; Victor F. Becker, Becker & Cownie, Inc., Hotel reservations; Douglas Conway, Conway Brothers, transportation; Norman Conway, Conway Bros., prizes; William Becker, golf; Joe H. Becker, Carleton D. Beh Co., food; James Shaw, Shaw McDermott & Co., refreshments; Joseph Casey, Carleton D. Beh Co., special; Lester Boyle, Merrill Lynch, Pierce, Fenner & Beane, publicity.

Form Sterling Secs.

ODESSA, Texas — Sterling Securities Co., Inc. has been formed with offices in the First State Bank Building to engage in a securities business. Officers are Hulan F. Bass, President; Jesse Bass, Vice-President; and J. A. Bass, Secretary-Treasurer.

Public Utility Securities

By OWEN ELY

Community Public Service Company

Community Public Service is one of the smaller "growth utilities" in Texas and New Mexico, with annual revenues of about $12 million. "It supplies electricity and gas to 67 municipalities in Texas and nine in New Mexico, the areas served having a population estimated at 224,000. Revenues are about 96% electric and 4% gas.

The Texas territory, which contributes all the gas revenues and 81% of electric, includes two farm areas in the central and northeastern parts of the state; a wheat producing region in the Panhandle section; a section, including Texas City, on the Gulf coast south of Houston, where there are several oil refineries and considerable export trade; an agricultural section in the southwestern part of the state; and several communities in which oil is produced. The New Mexico area, contributing 19% of electric revenues, includes two mining centers. Electric revenues are about 42% residential, 34% commercial, 21% industrial and 3% miscellaneous.

Last year the company bought about 86% of its electric requirements and generated 14%. Power was purchased from utilities adjacent to the several areas served—Houston Lighting & Power, El Paso Electric Company, Texas Power & Light Company, Texas Electric Service Company and Southwestern Public Service. Contracts for power vary as to dates of expiration, renewability and other provisions, but rates for purchased electricity conform substantially with those charged by these suppliers for similar service in the same areas.

The company last year obtained a number of franchises which will run for 15 to 30 years and at present it has no franchises which expire within the next 10 years. The virtual ending of the long drought in the southwest is a favorable development. However, in past years the growth of industry and expansion of military and defense establishments, combined with oil activity, has cushioned the effect of reduced farm income due to prolonged dry weather. In many communities served by the company, large numbers of the working population are employed at defense or industrial plants located at nearby areas. Light industries, particularly in the textile and garment fields, have tended to move away from large cities to smaller towns, which has benefited the company.

Community's capitalization is simple, with long-term debt of about $15 million (including a recent $3 million issue), and common stock equity of $13 million, making the equity ratio about 47%. The company's postwar record has been as follows (data from Standard & Poor's):

Year	Revenues (Millions)	% Earned on Invested Capital	Common Stock Record Earned	Paid	Approx. Range
1956	$11.4	7.7%	$1.82	$1.20	25½-22
1955	10.4	7.5	1.74	1.05	27½-22½
1954	9.6	7.5	1.69	1.00	23¼-19¼
1953	9.2	7.4	1.60	1.00	21½-16½
1952	8.0	7.6	1.48	.77	17¾-10¾
1951	6.7	6.0	1.05	.75	11¾-10
1950	6.8	6.6	1.09	.70	15 - 9½
1949	7.3	6.2	1.10	.56	9¾- 7¾
1948	6.9	6.5	1.11	.56	8½- 7
1947	6.3	6.2	.93	.56	9¾- 7½
1946	5.6	7.1	.97	.56	11¾- 8½

Last year electric revenues increased in all classifications. Residential customers increased 7% in number and used 14% more kwh. per customer. Industrial sales gained 20% and municipal and miscellaneous 12%. The southwestern New Mexico area recorded the largest percentage gain in revenues, with an increase of 29%; this resulted from a resumption of mining activity in the Silver City area, expansion of military and civilian personnel at Air Force installations near Alamogordo, and the company's purchase of electric distribution systems serving two communities in Grant County. Revenue increases in Southeast Texas were affected by a rate reduction, and in West Texas by a decline in irrigation pumping loads.

Earnings continue to improve in 1957. For the 12 months ended June 30th share earnings were $1.87 compared with $1.69 for the preceding 12 months, a gain of nearly 11%. Community Public Service trades on the American Stock Exchange and has been selling recently around 23¾. With a dividend of $1.20 the yield is a little over 5%. The price-earnings ratio is only 12.7 compared with the industry average around 14, and higher P-E ratios for the large "growth utilities."

* * *

CORRECTION

Public Service Electric & Gas

Referring to the article on the above-mentioned company in the August 29 issue, Vice-President Keane has commented as follows:

"(1) The basic Btu value of our gas was 525 instead of the 540 which you used.

"(2) With respect to the earnings for the year ended June 30, 1957, on the basis of the shares of common stock outstanding on that date, it seems to me that if you use the shares of our common stock at the end of a period, because of conversions you are obligated to restate the dividends which would have been paid on the shares of the $1.40 dividend preference common stock outstanding as of the same date. On this basis, our earnings instead of being $2.07 would have been in fact $2.20 per share.

"(3) As noted on our news releases of statements of income neither the earnings nor losses of the company's subsidiary, Public Service Coordinated Transport, nor the effect of such earnings or losses on Federal income taxes are included in the company's income.

"(4) Because of the dissolution of Public Service Corporation of New Jersey and the recapitalization of the company which became effective July 1, 1948, the figures for the year 1949 are the earliest ones that are comparable to present day operations. On this basis, 1949 vs. 1956, the decline in return on invested capital from 6.2% to 5.2% would be 16% as compared with your decline of one-third since 1947."

Auto Industry Seen Key to Vigorous Business Rise

First National City Bank is uncertain whether sideways movement of recent generally prosperous months represents a prelude to a downturn, further expansion, or merely to more "rolling adjustment." . . . Finds hope for a good fall pick-up dependent more and more on the automobile industry since mild housing and farm upturn cannot provide "needed push to get business off dead center" in the face of leveling off of private plant and equipment and cut back in Federal defense orders.

"The month of August has rounded out the summer without evidence of decisive change in the business situation," according to the First National City Bank's September "Monthly Letter" on business and economic conditions. The showing has continued to be mixed, with the over-all trend apparently still sideways at a high level. Despite the absence of any conclusive clue to the trend of fall business—or perhaps because of it—confidence in a vigorous upturn has become more restrained. This shift of sentiment has been accompanied by weakness on the stock exchanges, with the usual effect of casting further suspicion on the business outlook.

"So far as over-all figures of production and trade are concerned, the picture is still impressive. Industrial production in August, as measured by the seasonally adjusted Federal Reserve index (1947-49 = 100), appears to have been maintained close to the June-July level of 144, and only slightly below the December, 1956 peak of 147. Employment continues at record levels, as a high percentage of workers laid off in industries going slack find jobs in other lines still needing help. In July, unemployment, officially reported at approximately 3 million, was below a year ago. Measured against a labor force of 70 million, this represents substantially full employment, if not over-employment.

"Latest seasonally adjusted figures for personal income, retail sales, construction, and aggregate output of goods and services tell the same story of record or near-record performance. Rising wholesale and consumer prices indicate the continued presence of inflationary forces. Whether the sideways movement of recent months represents a prelude to a downturn in business, to a further expansion, or merely to more 'rolling adjustment,' there is no doubt that, despite soft spots, the country generally is still enjoying exceptional prosperity.

Declining Order Backlogs

"All this would be bullish indeed were current high levels of production and employment supported by an equivalent flow of incoming orders to the factories and outgoing shipments. Actually, this does not appear to be the case. . . .

"Total defense spending is scheduled to drop from the annual rate of $40.2 billion during the first half of calendar 1957 to the rate of $38 billion budgeted for fiscal 1958, according to Defense Secretary Wilson. However, since the cutbacks also involve a shift in emphasis from manned aircraft to guided missiles, the impact on individual firms and localities will be sharper than the over-all 5% reduction would indicate.

Boom Getting Tired?

"The current faltering in new ordering is, however, by no means confined to government business. It reflects a general easing in the demand-supply situation all along the line, including sectors heretofore solidly booked for protracted periods ahead.

"Signs that the boom may be getting a little tired continue to crop up here and there. Purchases of industrial equipment, recorded as a component of the gross national product figures, dipped slightly during the second quarter, after a steady rise since the first quarter of 1955. Machine tool backlogs have been slipping for some time. Even the market for heavy structural steel shapes and steel plates—until lately one of the tightest of any of the markets for steel products—is now reported to be nearing balance. Demand for nonferrous metals, always regarded as a barometer of industrial buying, has continued sluggish, and copper prices have declined further. In fact, it would be difficult to find many important items for which ample productive capacity does not now exist.

"No doubt signs such as these prompted Chairman Martin, of the Federal Reserve Board, to remark to a Congressional committee: 'I think savings are increasing rapidly. I am inclined to think we are reaching a leveling out process (in business) and interest rates may stabilize and even decline.'

Rising Retail Sales

"To a great extent, ordering by private business this fall will reflect retailers' and distributors' appraisal of consumer demand. Retail sales have been rising, on a seasonally adjusted basis, and in July they reached a new record of $16.9 billion, 7% greater than in July, 1956. Retailers generally, except for auto dealers, have been holding inventories down so that their stocks are lower not only in relation to sales but also in overall volume than they were a year ago. So far, nonautomotive retailers appear mildly optimistic rather than enthusiastic over prospects for the fall and Christmas season. There is little doubt that consumers' incomes will be at or near a peak; the question is how much they will be willing to spend and what types of goods will strike their fancy.

"As noted earlier, a strong spurt in business ordering is needed to rebuild backlogs and stimulate output. Should orders fail to pick up, further retrenchment of production is indicated, leading almost inevitably to new moves on the part of business to reduce inventories and perhaps to curtail or stretch out capital expenditures.

Hopes Centered on Autos

"With private plant and equipment spending leveling off, and Federal defense orders being cut back, hopes for a good fall pick-up in business center more and more on the automobile industry.

"To be sure, State and local government spending for roads, schools, and other public projects is due to increase steadily. The decline in private homebuilding appears to have bottomed out and may give way to some mild upturn under the stimulus of lower downpayments and the advance from 5 to 5¼% in the allowable interest rate on FHA-insured mortgages. Also, the farm situation has improved over last year.

"These factors, of themselves, seem unlikely to exert the needed push to get business off dead center. The automobile industry, however, is bracing itself for a determined attempt to capture consumers' interest. Striking changes are being made in major makes and promotional efforts are being stepped up. Dealers' stocks of new passenger cars have been built up to 805,000 cars on Aug. 31, close to the spring peak and 215,000 more than a year earlier. Much of the buildup has been deliberate in view of somewhat later new model introduction dates for some makes and the highly competitive sales battle expected during the next few months.

"Such is the importance of this industry, not only as an employer of labor and a consumer of materials but also as a barometer of the spending mood of the American people, that a successful reception of the 1958 models would undoubtedly have a powerful tonic effect upon the whole economy."

H. E. Cook to Join E. F. Hutton & Co.

H. Earl Cook, Chairman of the Federal Deposit Insurance Corporation, will return to private business life and join E. F. Hutton & Co., nationwide securities investment firm, as Manager of its bank underwriting department with headquarters in Kansas City, Mo., effective Nov. 1. Mr. Cook has been in government service for the past ten years as a member of the F.D.I.C. board of directors, and served as its Chairman since 1953. His present term of office expires on Sept. 6.

H. Earl Cook

A native of Bucyrus, Ohio, he was Superintendent of banks for Ohio and former President of the Ohio Bankers Association and the National Bank Division of the American Bankers Association.

John Latshaw, resident partner of E. F. Hutton's Kansas City office, announced that Mr. Cook's association with the firm will, for the first time, put it in a position to arrange for the purchase, sale, and underwriting of bank capital stock on a national scale, and also enable it to serve as consultant to banks on their securities problems.

In a letter from President Dwight D. Eisenhower to Mr. Cook, in which the Chief Executive reviewed the "notable" accomplishments of the F.D.I.C. Chairman on the eve of his departure from government service, President Eisenhower wrote:

"A strong banking system which has and merits the confidence of our people is a foundation stone of a sound economy in a healthy society. In helping achieve this essential goal, the F.D.I.C. is playing an important part, and the personal knowledge that you have contributed toward that goal must continue to be a source of pride to you."

The 71-year-old banker once taught in a one-room country school near his home town following his Ohio State University training. His colorful career in finance began as a messenger and bookkeeper for the Second National Bank in Bucyrus at the age of 21. Twenty-two years later he was elected President of the bank.

A member of the faculty of the University of Wisconsin's Central State School of Banking since

1949, Mr. Cook has given two lectures there each year of the past decade on the role of the F.D.I.C.

Dillon, Read Group Offers Texas Eastern Transmission Bonds

Dillon, Read & Co. Inc. heads an investment banking group which offered yesterday (Sept. 11) $30,000,000 of Texas Eastern Transmission Corp. first mortgage pipe line bonds, 5⅝% series due 1977, priced at 99% to yield approximately 5.71% to maturity.

A semi-annual sinking fund beginning March 1, 1960, will retire approximately 96.3% of the bonds prior to maturity. The bonds are not refundable for a period of 10 years at an interest cost of less than 5.71% but are otherwise redeemable at the option of the company at any time at prices scaling from 105.5% to 100%.

Proceeds from the sale of these securities will be used by the company in connection with a $235,000,000 program which contemplates an increase of 250 million cubic feet in the daily delivery capacity of the company's natural gas system and the reconversion of a major portion of the "Little Big Inch" pipe line to transportation of petroleum products. Of this amount, approximately $214,000,000 has been provided by previous financings, and the balance will be provided by the sale of these bonds. The remainder of the proceeds from the sale of these bonds will be used by the company for another currently authorized expansion program estimated to cost $30,000,000, under which approximately 126 million cubic feet of gas per day would be delivered to certain of the company's present customers.

A further expansion program adding 100 million cubic feet of capacity and costing appproximately $50,000,000 is proposed for 1958 but has not yet been authorized by the Federal Power Commission.

The reconversion of part of the "Little Big Inch" will enable the company to furnish a petroleum products transportation service extending from Beaumont, Texas to Moundsville, W. Va., and through a lateral now under construction to Indianapolis and Chicago.

Boston Inv. Club First Fall Meeting

BOSTON, Mass.—The Boston Investment Club, now in its 12th year, will hold its first meeting of the Fall season on Wednesday, Sept. 18, 5:15 p.m. at the Boston Yacht Club.

The speaker will be Charles Revson, President and a founder of Revlon, Inc. the world-wide manufacturer of cosmetics and toiletries. Revlon is also a producer of proprietary drugs through a wholly-owned subsidiary as well as the sponsor of the popular television philanthropies, the $64,000 Question and the $64,000 Challenge.

Mr. Revson was born in Boston and educated in New Hampshire. At the age of 25 and at the height of the depression he founded the firm which has since revolutionized the cosmetics business through its development of new products and imaginative merchandising. Mr. Revson has chosen as his topic, "The Wonderful Cosmetics Industry."

Irvine Bennett Co.

SEATTLE, Wash.—Irvine Bennett Co. is engaging is a securities business from offices at 2800 Thorndyke Avenue. Irvine Bennett is proprietor.

Continued from first page

Atomic Developments for The Railroad Industry

on Hiroshima, was in a certain sense, a new kind of high explosive. The things that were new about it were "fission" and "radioactivity." This latter term was seized upon because of its sensationality and was the subject most emphasized in many accounts of the bombing. Actually, radioactivity only caused 15% of the deaths at Hiroshima. The overemphasis of radiation has, in my opinion, caused it to be feared by many people to a far greater extent than the facts warrant.

Radiation is an effect produced by the disintegration of atoms, a mechanism used by nature to achieve a nuclear balance. A somewhat similar phenomenon is that of water seeking its own level to accomplish a mechanical balance. The effect of radiation on the human body is an attack on the living cells. A cell ordinarily recovers from light damage but severe injury may cause it to die. If sufficient cells are destroyed or badly damaged, the person is severely injured or dies; however, the important point is that an extremely severe exposure to radiation is necessary to actually cause death.

To say simply that something is "radioactive" does not mean that it is necessarily lethal or that it is to be feared; to say that something is "radioactively contaminated" is not being sufficiently definitive and does not necessarily mean that we cannot have any contact with it. As a matter of fact, we have all been living with radiation for a long time. Even before man existed, the radiation of cosmic rays was striking down upon the earth from the skies.

Radiation can be controlled. To illustrate, the average radiation received by all workers at the Hanford and Oak Ridge plants of the U. S. Atomic Commission is less than half the amount which residents of Rocky Mountain cities receive from cosmic rays. Radioactive elements, like radium in the earth itself, give off radiation. Many of the most popular mineral waters drunk by people in the United States are naturally radioactive. Your face gets more radiation when you get your teeth X-rayed than it would receive over a period of a year if you worked in one of the plants operated for the U. S. Atomic Energy Commission. During the entire period of operation of both the Manhattan District and the Commission there have been only two deaths due to radiation. And although the over-all safety experience of the Commission compares very favorably with the average for all American industries, over 100 accidental deaths, in which radiation was not a factor, occurred in the same 10-year period.

The maximum allowable radiation exposure level used for employees doing routine work in atomic energy plants and laboratories is extremely low because they may be exposed day after day, year after year, for their entire working lives. An individual who is exposed to radiation only on rare occasions—as, for example, in an emergency situation such as a train wreck—can take as many as 500 times the daily level set for continuous exposure without any serious after effects. You might be subjected to 50 times the daily maximum permissible dose during certain types of fluorascopic X-ray examinations.

Fission

You will recall that during our school days we were taught that matter was indestructible. Our nuclear scientists have now proven that that concept was wrong and that under certain conditions mass can be converted into energy. The theoretical equation which shows the relationship between energy and mass is the famous:

$$E = Mc^2$$

wherein E is energy, M is mass, and c^2 the velocity of light squared. The reason we can get so much energy from an atomic bomb burst or an atomic power plant is due to the c^2 factor. Obviously, when you multiply anything by the velocity of light squared, you really get up into big numbers. To illustrate, if we use gram-calorie units in our equation, it becomes:

$$E = M \times 21{,}500{,}000{,}000{,}000$$

Nuclear scientists have found that there are a few heavy elements such as plutonium and certain kinds of uranium which can be broken down into lighter elements under certain conditions. The important thing is that in the process of doing so, which we call fission, a small amount of matter is also converted into energy in accordance with the mass-energy law.

In an atomic bomb, military destruction is the objective and everything possible is done in weapon design to get as much fissionable material as possible to react as quickly as possible in order to release as much energy as possible. That our efforts in this direction were quite successful was evidenced by the bomb dropped on Hiroshima which was the equivalent of 20,000 tons of TNT and reached a temperature of over one million degrees at its core. The temperature referred to is Centigrade, although there is some question as to whether one need be concerned about Centigrade or Fahrenheit if the temperature exceeds a million.

In an atomic power reactor, such as would be used in an atomic locomotive, everything possible is done to bring the materials to the critical point and thereafter to release the energy gradually in the form of heat. This release is controlled to attain a temperature sufficiently high to produce steam to turn a turbo-generator. Atomic power reactors are now in operation. In an atomic bomb, the fission once started is uncontrolled. In an atomic power reactor, the fission is controlled.

As we all know, the United States is stockpiling atomic weapons. The major portion of the cost of the weapons of the uranium and plutonium type is represented by the fissionable material which has practically no deterioration. Consequently, if it should be determined that some or all of these weapons are unnecessary for military purposes, the fissionable material in them could be used in atomic power reactors to generate electricity or drive locomotives.

In an atomic power plant or atomic locomotive, what we are doing is simply harnessing the energy of the A-bomb.

Fusion

As I have stated, in the "fission" reaction used in the atomic bomb, we break a heavy element into lighter ones and convert a part of the uranium or plutonium into a large amount of energy. In a so-called hydrogen bomb reaction, certain light elements such as a lithium-heavy hydrogen compound are joined to form heavier elements, and again a portion of the mass is converted into energy. However, in this process which is called "fusion" much more energy is released than in fission. One kilogram of lithium-heavy hydrogen compound releases in fusion of the order of 60,000 tons of TNT energy equivalent compared to the 20,000 ton equivalent of the model-T A-bombs.

Hydrogen power fuel is more abundant than uranium and its price is lower. Also, it is easier to handle, with fewer hazards and no radio-active waste products to dispose of. The Chairman of the U. S. Atomic Energy Commission announced at the Geneva conference in August 1955 that the Commission is working on harnessing the hydrogen reaction; how soon, is anybody's guess, but there is no doubt but that we will have fusion power.

Radioactive Isotopes

In an atomic reactor it is possible to make many elements radio-active. They are called "radioactive isotopes" which simply means that they are a radioactive variety of the element. The significant thing is that the radioactive isotope has exactly the same chemical and physical properties as its parent element; only its nuclear properties are different. Since the radioactive form of an element behaves exactly the same chemically as its non-radioactive form, it can be used to "tag" a material and to follow its chemical reactions.

The industrial uses of radioactive materials are quite interesting. Radioisotopes are used in mapping sewers and locating pipeline obstructions. They serve as boundary markets for successive shipments of oil in pipe lines. Radiocobalt can function as a level gauge to indicate the height of a liquid without the necessity of a mechanical connection. General Aniline and Film is using radiocalcium to study synthetic detergents. Radioactive elements are used by American Tobacco to trace specific components in tobacco in an attempt to develop better strains. The Bell Telephone Laboratories employ radiostrontium in searching for better preservatives for telephone poles and better methods for using such preservatives. A very sensitive and accurate type of thickness gauge which does not damage materials is actuated by a radioactive source.

The medical applications are equally as intriguing. For example, saline solutions can be tagged and used to trace the flow of various fluids through the human body. Not only will we have an atomic locomotive someday, but we may also be able to tell whether the little liver pill actually gets to the patient's liver!

In addition to tracer research, radioactive isotopes such as cobalt can be used to emit radiation for nondestructive testing, for example, to X-ray castings to determine whether flaws exist. For testing purposes, radioactive cobalt has properties comparable to radium and can now be bought for what it formerly cost to simply rent radium.

The Atomic Locomotive

The fission reaction of the atomic bomb can be harnessed by the railroads both in individual atomic locomotives and in central stationary power plants feeding into an electrification system. I shall first review the atomic locomotive.

While the technical problems involved in developing an atomic locomotive are many, perhaps one of the greatest handicaps to its completion are exaggerated fears concerning the danger to operating personnel, the possibility of it blowing up like an atomic bomb and the calamatous nature of a wreck involving such a locomotive. Let us consider these problems, recognizing that any hazards involved must be evaluated precisely and neither exaggerated or underestimated.

The routine operation of an atomic locomotive will be no more dangerous to its engineer than the diesel or electric locomotive. The nuclear reactor will be adequately shielded so that operating personnel will receive no radiation in excess of the maximum permissible level.

An atomic locomotive could blow up. So could a steam locomotive. However, if an atomic locomotive did blow up, the explosion would be in no way like that of an atomic bomb. Remember that the atomic bomb involves uncontrolled reaction and the atomic locomotive a controlled reaction.

The controls on an atomic power plant are not one but many. For example, there are over 50 different devices for controlling the reactor at Brookhaven National Laboratory; many of these devices are automatic. In reactor design, consideration is even given to protection against earthquake, lightning, falling aircraft and so forth.

If we have an atomic locomotive, its reactor will have every safeguard for controlling the reaction which nuclear engineers and scientists can design. Nuclear reactors have now been operating over 10 years in the United States, including those early years when our reactor technology was comparatively meager; during those 10 years there has not been a single instance wherein one of our reactors has "blown up" nor a single fatality.

Even if all controls failed and a reactor "blew up," the resulting explosion would only be a minor fraction of the force of an atomic weapon explosion because of the tendency of the reactive parts to blow themselves apart thereby dropping the fission material below the critical point.

Personnel can be killed or injured in any serious train wreck, regardless of whether the locomotive is atomic powered or not. If an atomic locomotive is involved in a wreck, the only thing different from any other kind of a wreck would be the presence of the nuclear reactor. If the reactor were physically damaged despite tremendous structural strength, there is a possibility that radioactive material could be scattered about. In such a case, contamination would be a factor because the protective shielding would not be operating. Radioactivity cannot be destroyed but its effects can be controlled by time, by distance and by shielding. To illustrate, if radioactive material were spread about on a railroad right of way, it would not represent an unsolvable problem. Properly trained and equipped personnel could remedy the situation using techniques warranted by the circumstances. For example, such methods could involve washing down the area with hose lines or removing dangerous material with remote-control devices, or adding ballast and perhaps new ties. A wreck involving a spread of radioactive materials would obviously involve more delay in reopening the track than a wreck without the radioactivity factor. However, it would only involve a temporary disruption of service, as occurs in any serious wreck, not permanent abandonment of the line.

Much of the development work on the diesels now used in so many of our locomotives was done in submarines years ago. This same sequence may well be repeated with the atomic power reactor. As you know, the United States now has two atomic submarines in operation.

The Denver and Rio Grande Western Railroad, the Baldwin-Lima-Hamilton Corp. and U. S. Atomic Energy Commission are presently cooperating on a study of a new nuclear-power reciprocating engine for locomotive propulsion. They constitute an extremely competent group and I am convinced they will give us an atomic locomotive. A recipro-

Continued on page 30

Continued from page 29

Atomic Developments for The Railroad Industry

cating atomic locomotive would not have to stop for fuel and if provided with a condenser, would use little water. The American Locomotive Company has contracted with the U. S. Atomic Energy Commission to build an experimental package nuclear power plant which can be transported by air.

If the time comes when atomic units completely replace diesels, present fueling equipment would become unnecessary, just as the diesels did away with extensive water facilities. Also, the higher capital cost of the atomic unit would be offset by lower operating costs such as reduced lubrication requirements and elimination of diesel fuel.

No Insurmountable Hurdles

There are no technical hurdles which are insurmountable in the design, construction and operation of such a locomotive. Based on the rapid progress of reactor technology, the railroads can have their first atomic locomtive in operation in 1960. The first unit will be a prototype and will probably be unable to compete with diesels in cost. Atomic locomotives will first be able to justify their existence economically in high speed, higher power service; this could be done by 1970. Thereafter, the atomic locomotive should be able to compete with diesels under average operating conditions.

While reactor "know-how" is advancing, the U. S. Atomic Energy Commission is making remarkable progress in the refining of fissionable material and that is what fuels an atomic locomotive. While the exact cost of the material is classified, we do know that it is being reduced daily.

Central Power Plants

The atomic locomtive will first justify its existence economically on long haul railroads which are not electrified. On short haul roads and roads which are already completely electrified, or electrified to a considerable extent, a central power plant will no doubt prove to be the better use of the atomic reaction. I wish to emphasize this point: A railroad which is already electrified such as the New Haven is in an ideal position for a central power plant!

There is no longer any question as to whether or not we will have atomic power. It is already here. The reactor at West Milton, New York, is now feeding into the Niagara Mohawk System. Duquesne Light Company is building the first United States full scale atomic power plant at Shippingport, Pennsylvania. Others are to be constructed in Massachusetts, Michigan, Nebraska, Illinois and New York. The technical problems involved are many but there are none which cannot be licked!

Naturally, these initial atomic power plants will not be economically competitive with conventional plants. However, the long range trend is that the cost of atomic power will continually reduce whereas the cost of power produced from coal and oil will increase.

Atomic power plants will first compete coastwise in areas such as New England section of the United States where water power, coal and oil are practically nonexistent. Atomic power will develop much faster in New England than in other areas of our country.

The U. S. Atomic Enery Commission estimates that by the year 2000 fully one-third of U. S. electricity will be atom generated. However, it is important to recognize that his percentage will be much higher in areas such as New England where the cost of conventional power can be much more quickly overtaken.

For example, to sum up the atomic power vs. coal situation in New England, I suggest this timetable:

1955-1960—Power almost 100% conventional.

1960-1970—Atomic power coming into the picture, ranging from 1% of New England's power in 1960 to 25% in 1970.

1970-2000—Trend towards atomic power increasing until 100% atomic power is reached in 2000.

This timetable is based solely on the development of atomic power. We must bear in mind that it may be accelerated considerably as soon as we harness the hydrogen reaction.

On the pessimistic side, the railroads must realize that atomic plants will generate power far from coal or water power supplies with obvious ramifications as concerns the hauling of coal. However, the overall advantages of atomic energy to the railroads will far exceed this problem.

Railroad Uses of Radioactive Isotopes

An item of great potential significance to the railroads is the radiation sterilization of foods to eliminate ice and mechanical refrigeration. In this process, the food is exposed to radiation from cobalt which kills the microorganisms which normally cause rotting; there is no residual radiation and no health hazard.

The U. S. Army is interesting primarily in long-term storage and has found that foods can be so radiated with various degree of success, showing:

Good Promise	Fair Promise	Poor Promise
Asparagus	Applejuice	Banana
Bacon	Applesauce	Beans, lima
Beans, green	Beefsteak	Cantaloupe
Beef liver	Bread	Celery
Broccoli	Cabbage	Cheese
Brussel sprouts	Cherries	Lemon juice
Carrot	Corn	Lettuce
Chicken	Frankfurters	Milk
Codfish cakes	Halibut	Oranges
Onions	Ham	Orange juice
Pork	Hamburger	Squash
Pork sausage	Lamb chops	Strawberry
Potatoes	Peas	Sirup
Waffles	Spinach	Tomato juice

Both the U. S. Government and industry are spending over a million a year in this research.

Differing from the Army's long term storage problem, the initial interest of the railroads is in creating only sufficient protection by radiation to permit freight handling and movement without ice or mechanical reefers. The less protection required, the less radiation is needed. Testing is presently in progress. This radiation sterilization is fairly new but offers considerable promise.

Cobalt can also be used wherever non-destructive testing is desirable for quality control purposes, for example, to X-ray axles, wheels and castings for flaws.

In research and testing, railroads must recognize the advantages of radioactive isotopes in tracer chemistry. All that is required is a little imagination and know-how to put the atom to work. To illustrate, wear rates of engine components can be determined in a matter of hours without tearing down the engine when bearing surfaces contain radioactive iron.

Conclusion

It is obviously important for the railroads to work with the atom. We have too big a stake in industry to stand idly by and lose by default. Fortunately, the Association of American Railroads established a Committee on Atomic Energy some three years ago. The membership includes appropriate representatives of various railroads.

This group was originally organized to study the atomic locomotive. However, as we have seen, there are many additional applications of atomic energy to the railroads and the scope of the Committee has been expanded; to wit: "To investigate all applications of nuclear energy to all phases of the railroad industry, and to report appropriate information and make recommendations to the A. A. R. Coordinating Committee on Physical Research."

In conclusion, the atom is here to stay and I urge that every railroad management do something about having nuclear engineers on its staff. This can be done by hiring nuclear engineers or by sending some of its young engineers for appropriate training. There is no time to wait; progress is fast in the atomic age.

Van Alstyne, Noel Group Offers Alsco Common Stock at $7

Van Alstyne, Noel & Co. and associates yesterday (Sept. 11) offered 200,000 shares of common stock of Alsco, Inc. (Akron, Ohio) at $7 per share.

Alsco, Inc. was incorporated in Delaware last June and succeeded by merger to the business and property of an Ohio corporation of the same name which was organized in 1945. It since has acquired Alsco Products of Canada, Ltd. and Summit Aluminum Smelting Corp., with plants in Ohio.

The company's principal operations include the conversion of aluminum ingot and scrap into billets and slabs, the extrusion of billets into various shapes, the fabrication of windows, storm windows and doors, and the production of lap-siding, curtain walls and awnings from aluminum coiled sheet. The main uses of the company's products have been for the improvement of homes.

Part of the net proceeds from the sale of the shares will be applied to payment of $926,475 sundry indebtedness, including bank loans of $550,000. The balance of the proceeds will be used for additional working capital, made necessary by additional plants and expanded operations of the company.

Sales of the company in the year ended May 31, 1957 combined with those of Alsco of Canada and Summit Aluminum totaled $16,220,236. Net earnings amounted to $819,493.

The company intends to adopt a policy of paying dividends quarterly and accordingly intends to declare a quarterly dividend of 12½c a share on the common stock, payable not later than Dec. 31, 1957.

Joins Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Seymour M. Niles has become connected with Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

O. W. Erringer, Inc. Formed

DALLAS, Texas — Orville W. Erringer, Inc. has been formed with offices at 3228 Rankin to engage in a securities business. Officers are Orville W. Erringer, President; Joseph B. Erringer, Vice-President and Secretary; and V. J. Erringer, Treasurer.

LETTER TO THE EDITOR:

One Way to Get Out of Debt Is by Printing Paper Money

Writing from Florida, Attorney Dunscombe would solve the problem of retiring Federal bonds by "simply printing enough paper money . . . [to] get out of debt and avoid paying interest on the bonds." Suggests, also, raising the monetary value of gold to facilitate the issuance of paper dollars and believes this will not be an inflationary step.

Editor, Commercial and Financial Chronicle:

Due to the failure of the government to support the price of its bonds the longer maturities fell to 86 and those who held them either had to take a serious loss if they sold them or wait until they matured and demand payment at par.

In the recent refinancing, and even though the interest rate was raised to 4%, it was not stated how many refused to accept new bonds and demanded cash, but it is significant that the amount of paper money outstanding increased some two billion dollars and therefore it may be concluded that was the amount that cash was demanded in payment.

But the amount of paper dollars outstanding is not included as a debt of the government, although it is difficult to perceive how or why it is not a liability unless of course the government intends to depreciate its value to nothing.

If the paper dollar is not an obligation of the government it would seem that Anderson's problem can be solved by simply printing enough paper money to retire the outstanding bonds and so get out of debt and avoid paying interest on the bonds.

It would not be inflationary to use paper money to pay the maturities, but as the paper money is supposed to be backed by 25% in gold the value of the hoard at Ft. Knox must be increased or more gold obtained. There has been no recent increase in the hoard at Ft. Knox except some 800 million recently received from the International Monetary Fund in exchange for paper dollars and short-term notes, so the assets of that fund now consist of such security that constantly declines in purchasing power.

But due to Dexter White's plan, that gold hoard is subject to demand by foreign countries of some 50% in amount so the gold hoard can hardly be carried as backing for the paper money for more than 50% of its amount. And therefore if the paper money is used to pay the bonds, the 25% gold backing be observed, the value of the gold will have to be increased for two reasons. First to allow more paper money to be printed and second to make it less attractive for demand by foreign countries. Of course paper money could be used to purchase gold and that would allow four times the amount so purchased for the issuance of more paper money.

Due to the failure to support the price of the bonds and refinance them on a long time basis before interest rates were raised, if there is enough gold available at present prices enough could be purchased to permit enough paper money to be printed to pay the bonds, and then increase the value of gold for added backing and deter demands on the hoard.

Apparently no control is required to use the money received from the sale of the goods the bonds were issued to pay for in the first place while all such proceeds should be required to be applied to retire the debt incurred and not for the operation of the government.

It's hard to reconcile lip service that every attempt is made to deter inflation and then raise minimum wages, increase the pay of government employees and their number and vote a $30 billion road expansion bill, to create more demand for materials and services.

CARROL DUNSCOMBE

Attorney-at-Law
Stuart, Florida
Aug. 22, 1957

First Boston Group Underwrites Lehigh Portland Cement Offers

The First Boston Corp. and associates offered publicly yesterday (Sept. 11) an issue of $30,000,000 in Lehigh Portland Cement Co. 4⅞% sinking fund debentures, due 1979, at 100% and accrued interest.

In addition, the company is offering its common stockholders of record Sept. 10, 1957, rights to subscribe at $2 per share for an additional 380,312 shares of common stock, par $15, at the rate of one new share for each 10 shares then held. The First Boston Corp. is manager of the group that will purchase any unsubscribed shares at the termination of the offer at 3:30 p.m. (EDT) on Sept. 25, 1957.

The proceeds from the sales of the debentures and of the stock will be used in part to prepay a presently existing $25,000,000 term bank loan incurred in connection with the company's improvement and expansion program, and the balance will be employed for additional expenditures for the program. From the close of World War II through June 30, 1957, the company spent $134,000,000 in capital improvements and replacements; expansion plans currently in progress are expected to increase this total outlay to $161,000,000 by the close of 1958. During the period 1945 through 1958, Lehigh's productive capacity will have increased from 19.3 million barrels of cement annually to an estimated 30.5 million barrels a year.

The new debentures are not redeemable prior to Oct. 1, 1967 from the proceeds, or in anticipation of the issuance of any indebtedness for money borrowed having an interest cost to the company of less than 4.875% per annum. Otherwise, the debentures are redeemable at redemption prices ranging from 105.5% for those redeemed prior to Oct. 1, 1961, to 100% for those redeemed on or after Oct. 1, 1977. The debentures may also be redeemed for the sinking fund at their principal amount together with accrued interest to the redemption date; approximately 93% of the issue is to be redeemed prior to maturity through operation of the sinking fund.

Lehigh Portland Cement Co. operates 14 plants in New York, Pennsylvania, Maryland, Virginia, Florida, Alabama, Indiana, Illinois, Iowa, Kansas and Washington. In the course of its expansion, the company completed, in 1952, construction of a 1,500,000 barrel plant at Bunnell, Fla., midway between St. Augustine and Daytona Beach. Since that date, the plant has been enlarged twice, doubling the original capacity. Because of Florida's rapidly increasing importance as a cement consuming market, Lehigh is presently building another plant in that state, just west of Miami. The

Miami plant is being designed for an initial capacity of 2 million barrels and is expected to start producing cement sometime next year. In addition to these two new plants, Lehigh has enlarged existing facilities at a number of other locations.

For the six months ended June 30, 1957 total revenues of the company amounted to $34,157,000 and earnings for the period to $4,154,000, compared with total revenues of $34,886,000 and earnings of $5,024,000 for the same period of 1956. For the calendar year 1956, total revenues amounted to $75,867,000 and earnings to $10,725,000.

Quarterly cash dividends on the common stock are currently at the rate of 25 cents per share.

Straus, Blosser Group Offers Krueger Stock

An underwriting group headed by Straus, Blosser & McDowell on Sept. 10 offered to the public 100,000 shares of W. A. Krueger Co. common stock ($5 par value), at a price of $8 a share.

The company, with headquarters at Milwaukee, Wis., is engaged in lithographic printing and specializes in color work.

The proceeds from the issue will be added to working capital primarily for expansion of inventories; applied toward the construction of a new plant and used to pay equipment obligations.

W. A. Krueger Co., in the fiscal year ended June 30, 1957, had net income of $248,927, equal after preferred dividends to $1.41 a share compared with $173,899 and $1 a share the year before.

E. F. Hutton to Open New-Concept Branch

The new branch office of E. F. Hutton & Co., securities investment firm, will open at 650 Madison Avenue on Sept. 30, it has been announced.

Reported to be the newest concept of local brokerage service, this addition to the company's national network of 33 offices will become its only New York branch.

The Madison Avenue street-level quarters, which replaces E. F. Hutton's Plaza Hotel mezzanine office, will feature the latest refinements of design and automated facilities, according to Ruloff E. Cutten, managing senior partner of the 53-year-old firm.

He said that the office will be a departure from the current type of brokerage branch, displaying a "modern personality" and offering an expanded service. At the desk of each account executive, he pointed out, will be a two-way pneumatic tube station which will whisk written transactions to the order room in a matter of seconds via an extensive under-the-floor system.

Another service feature, unusual for a branch office, will be the inclusion of bond and commodities specialists and a research coordinator among its staff of 28. Senior member of the staff will be Walter Watson, 93, who is regarded as the nation's oldest account executive still actively engaged in the stock brokerage field. He was the first manager of the Plaza office when it opened in 1916, and continued in that capacity for 34 years.

The new quarters will be amphitheatre-shaped since all columns have been eliminated from the working area and glass-fronted private rooms have been arranged in tiers. A semi-circular electric board carrying the prices of 320 stocks and commodities will be in full view of every desk in the office. The layout will include a financial library and reference room that will be available to interested investors.

Continued from page 4

The State of Trade and Industry

is a chance the upsurge will approach bonfire proportions before the month is out.

"The Iron Age" states that a lot depends on the automotive industry. Detroit buyers have been making tentative passes at the market and heavy tonnages have not materialized as yet. Still, there are signs that the vital sheet and strip market could break upward in a hurry.

It further notes that even without much help from automotive, sheet and strip delivery promises are lengthening in Chicago. Two weeks ago, Chicago mills were offering to deliver cold-rolled carbon sheet and strip in three to five weeks. This week, the best they can do is four to six weeks on strip and seven to eight weeks on sheets.

For the most part, the auto people are holding off on their commitments. Apparently they want to go easy until they get an inkling of the demand for new models. But, as "The Iron Age" pointed out last week, next year's labor negotiations in automotive are bound to have an effect on Detroit's thinking. For this reason the automakers are expected to lay in steel later this year and early next year as a hedge against possible labor trouble.

The mills generally concede that business has picked up in the last several weeks. Some companies find business for September about 10% ahead of August and a better ratio is expected for October. Yet a few outfits are becoming edgy. They had expected a better market situation to have developed by this time. The casual attitude of Detroit and some other users has them worried.

An "Iron Age" check suggests that the pessimistic views of some steel people may be overdrawn. Some firms this week are booking at a higher rate than they are shipping. This is the first trend of this kind in steel in many weeks.

Consumers added $355,000,000 to their instalment debt during July, the Federal Reserve Board recently reported. The increase was higher than the year-ago month, but well under the like month of 1955.

Last year, instalment debt grew by $213,000,000 during July, while in 1955 the rise for the month was $545,000,000.

The board said instalment debt outstanding during July totaled about $32,700,000,000, a $2,400,000,000 increase over a year ago.

Non-instalment debt, however—such as service credit, charge accounts and single-payment loans—went down by $235,000,000 for July, the first drop since March. Despite this decrease, total consumer debt for July was just short of $42,400,000,000, an increase of $120,000,000 for the month and more than $2,800,000,000 higher than a year ago.

In the automotive industry shutdowns for model changeover dropped Chrysler Corp. to 12.2% of United States passenger car production the past week from 21.5% the week before, "Ward's Automotive Reports" stated on Friday last.

At the same time, several Ford Division plants scheduled assembly for Saturday to offset the Monday Labor Day loss; the holiday helped to slash industry passenger car output 23.5% for the week.

"Ward's" counted 90,709 car and 18,300 truck completions in United States plants last week against 118,563 cars and 20,815 trucks in the prior week. In the same period last year only 47,827 cars and 14,655 trucks were built.

A severe decline in truck making was averted during the week by resumption of Chevrolet operations at the Willow Run, Mich., plant following an output halt the week before.

The statistical service said Dodge, De Soto and Imperial combined posted near-zero production during the week because of model changeover and Buick plus Plymouth will follow suit this week.

"Ward's" noted that 22% of September passenger car production will be devoted to the 1958 models, which Lincoln, Edsel, Studebaker Rambler and Nash-Hudson already are assembling.

It is expected that all Chrysler Corp. divisions will join the 1958 production parade by the end of the month with General Motors plus Ford and Mercury divisions following in October.

This trade weekly pointed out that no concern is being voiced over the 1957 model cleanup sales and the current 800,000-unit-plus new car inventory. Retail sales are holding firm and the customary dealer price discounting at this time of year is being offset by generous if not all-time record factory rebate programs rewarding dealers with up to $200 per unit for each new car sale.

Higher steel prices figured in a 3% gain in manufacturers' sales in July over the June rate, adjusted for seasonal changes, the United States Department of Commerce reported.

All manufacturing sales, at the seasonally adjusted rate, totaled $29,000,000,000, compared with $28,100,000,000 for June. Durable and non-durable goods industries shared in the increase.

Manufacturers added to their inventories at a rate slightly higher than the average monthly increase for this year, the report continued

Inventories, again adjusted to seasonal changes, totaled $54,100,000,000, up $300,000,000 from the end of June. Average monthly increase this year has been $250,000,000. The entire July rise occurred in the durable-goods industries, the Commerce Agency said, with transportation equipment producers accounting for one-half the total increase.

In actual dollar value, inventories were up $4,000,000,000 over a year earlier.

Unfilled orders on the books of manufacturing companies declined $1,000,000,000 in July, continuing the steady decline in backlogs evidenced so far this year. The backlog at the end of July totaled $59,400,000,000, about $3,000,000,000 below the year-ago figure.

Steel Operations This Week Expected to Reach 83.1% Of Ingot Capacity

Steel demand and production are up slightly, although not every product is sharing in the order increase, "Steel" magazine reported on Monday of the current week.

Cold-rolled carbon sheets are the most favored in the upturn, according to the national metalworking weekly. This is largely due to automakers' initial needs for 1958 models. Also in stronger demand are hot-rolled carbon sheets, cold-finished carbon bars and high carbon spring wire for autos. Despite the upturn in ordering for those products, most producers can still make September deliveries on them.

For four consecutive weeks, steel ingot production has risen. Edging up a half a point over the preceding week, output registered 83% of capacity in the week ended Sept. 8 or a yield of 2,124,000 net tons. Production is 4.5 points above the year's low mark of 78.5% which occurred in the week ended July 7.

The publication said that demand for sheared plates continues in excess of supply. Less demand for seamless and electricweld pipe is being reported as oil companies retrench on domestic programs. Mechanical tubing is slow. Demand for galvanized sheets is still much below capacity and tin plate is showing the development of several slowing factors.

The auto industry is not alone in exerting increased demand for steel. The farm implement industry can be counted, too. It is operating at 15 to 20% above year-ago levels, with the prospect that this increased pace will continue. Agricultural implement demand has also risen and is close to what it was in 1955.

"Steel" said that a 10% boost anticipated in production of household equipment next year will mean more business for partmakers, but it added that the long term trend among appliance makers is to make rather than to buy. Component suppliers were hit hard by this year's 10 to 15% drop in appliance production.

Sales of scientific apparatus are headed for another record year, standing a good chance of equaling the 21.5% gain made in 1956 over 1955. Sales of laboratory apparatus, optical and industrial instruments will hit about $340,000,000 this year.

The magazine said that it is possible 1957 may go into the record books as the nonferrous industry's greatest production year. But it may also be marked as the year of a sharp drop in demand and a buildup in producers' stocks.

Scrap prices continue to sag, declining for three consecutive weeks. The latest decline in "Steel's" price composite on steelmaking grades lowered the composite 34 cents to $51.83 a gross ton in the week ended Sept. 4. Its composite on finished steel base prices remained at $146.19 a net ton.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry, will be an average of 83.1% of capacity for the week beginning Sept. 9, 1957, equivalent to 2,126,000 tons of ingot and steel for castings, as compared with 81.0% of capacity, and 2,073,000 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 80.6% and production 2,062,000 tons. A year ago the actual weekly production was placed at 2,477,000 tons or 100.6%.

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 Curtailed in Labor Day Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 7, 1957, was estimated at 11,678,000,000 kwh., according to the Edison Electric Institute. Output the past week suffered some curtailment due to the Labor Day holiday.

The past week's output decreased 469,000,000 kwh., below that of the previous week but rose 723,000,000 kwh., or 6.6% above that comparable 1956 week and 1,523,000,000 kwh. over the week ended Sept. 10, 1955.

Car Loadings Fell 1.8% Below Preceding Week and Were 5% Under Like 1956 Period

Loadings of revenue freight for the week ended Aug. 31, 1957, declined by 13,957 cars, or 1.8% under the preceding week, the Association of American Railroads reports.

Loadings for the week ended Aug. 31, 1957, totaled 745,183 cars, a decrease of 39,183 cars, or 5% below the corresponding 1956 week and a decrease of 44,539 cars, or 5.6% lower than the corresponding week in 1955.

U. S. Passenger Car Output Cut 23.5% in Labor Day Holiday Week

Passenger car output for the latest week ended Sept. 6, 1957, according to "Ward's Automotive Reports," declined 23.5% as a result of the Labor Day holiday.

Last week's car output totaled 90,709 units and compared with 118,563 (revised) in the previous week. The past week's production total of cars and trucks amounted to 109,039 units, or a decline of 30,339 units below that of the preceding week's output, states "Ward's."

Last week the agency reported there were 18,330 trucks made in the United States. This compared with 20,815 in the previous week and 14,655 a year ago.

Last week's car output declined below that of the previous week by 27,854 cars, while truck output decreased by 2,485 vehicles during the week. In the corresponding week last year 47,827 cars and 14,655 trucks were assembled.

In Canada, 2,000 cars and 641 trucks were built last week as compared with 2,501 cars and 837 trucks in the preceding week and 2,475 cars and 1,661 trucks in the like period a year ago.

Crude Oil Output Touched a 22-Month Low Point In Latest Week

The nation's output of crude oil took a further dip during the week ended Aug. 30 to the lowest level in 22 months. Production

Continued on page 32

Continued from page 31

The State of Trade and Industry

for the period averaged 6,766,250 barrels daily, a decline of 22,250 barrels from the previous week and some 340,000 barrels daily under a year ago. Production in the latest week was the lowest since the week of Oct. 28, 1955, when daily crude output averaged 6,749,500 barrels.

The Aug. 30 week, however, witnessed a sharp rise in the operations of the oil industry's refineries. Daily runs averaged 8,327,000 barrels, a gain of 357,000 barrels, for the highest rate since the week of Dec. 28, last year when refinery runs averaged 8,395,000 barrels daily.

Contributing to the above increase in refinery runs were the return to operation of some strike-bound plants.

The nation's crude oil stocks dropped to 284,223,000 barrels in the week ended Aug. 31, down, 3,445,000 barrels from the week-earlier total, the United States Department of the Interior reported.

The decline, the first in several weeks, resulted from a 3,201,000-barrel decrease in stocks of domestic crude and a drop of 254,000 barrels in stocks of foreign crude, the agency noted.

Business Failures Taper Off in Holiday Week

Commercial and industrial failures declined to 208 in the Labor Day holiday week ended Sept. 5 from 262 in the preceding week, according to Dun & Bradstreet, Inc. While the toll was slightly above the 196 in the similar week last year and the 205 in 1955, it remained under the pre-war level of 209 in 1939.

Failures involving liabilities of $5,000 or more fell to 185 from 221 in the previous week, but exceeded the 172 of this size a year ago. A decline also occurred in small casualties with liabilities under $5,000, which dropped to 23 from 41 in the prior week and compared with 24 in the corresponding week of 1956. Twenty-three businesses failed with liabilities in excess of $100,000 as against 22 in the preceding week.

All industry and trade groups had fewer casualties except wholesaling where the toll edged to 25 from 22. In manufacturing, failures dropped to 24 from 54 a week ago and in commercial service to 15 from 30. A milder decline prevailed in retailing, down to 113 from 124 and in construction, dipping to 31 from 32. Trends from 1956 were mixed; trade and construction casualties exceeded last year but manufacturing and service were slightly lower. The most marked rise from a year ago took place among wholesalers.

Six of the nine major geographic regions reported a noticeable decline in failures during the holiday week. The toll in the Middle Atlantic States fell to 53 from 78, in the Pacific States to 57 from 73, in the West South Central to 11 from 23, while the toll in the East North Central dipped only slightly to 30 from 31. Contrasting with these declines, South Atlantic casualities rose to 26 from 16. Business mortality equalled or exceeded last year in most regions. The only appreciable decrease from 1956 appeared in the Middle Atlantic States.

Wholesale Food Price Index Unchanged From Prior Week, But Was 4.5% Ahead of 1956 Level

At $6.32 on Sept. 3, the wholesale food price index, compiled by Dun & Bradstreet, Inc., was unchanged from the level of the preceding week. However, it exceeded the $6.05 of the corresponding date a year ago by 4.5%.

Commodities advancing in price last week were wheat, rye, barley, beef, butter, cottonseed oil, cocoa, eggs, raisins, steers and lambs, while flour, corn, lard, coffee, hogs, hams and bellies declined.

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 the Past Week Registered Slightly Lower Level

There was a slight decline in the general commodity price level last week. On Sept. 3, the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 290.69, compared with 292.10 a week earlier and 296.58 on the corresponding date a year ago. Price decreases on most grains, flour and steel scrap offset increases in livestock, butter, eggs and cocoa.

Heavy movement to distribution points of Commodity Credit Corporation holdings and the anticipation of large carryover on June 30, 1958 resulted in a marked decline in corn futures prices last week. In addition, cash corn prices slipped, despite a slight pick-up in trade. Following the downward trend in corn prices, costs of rye and oats decreased and trading in Chicago dipped noticeably. In contrast, prices on new-crop wheat advanced moderately, but purchases fell considerably below those of the preceding week.

Although soybean trading dropped considerably, prices were sustained at a level close to those of a week earlier. Total grain futures trading on the Chicago Board of Trade declined to about 211,000,000 bushels from 265,000,000 in the prior week and 227,000,000 of the corresponding period last year.

Flour wholesalers reported another decrease in prices, and trading was sluggish. The Commodity Credit Corporation released 1,100,000 bushels of wheat to mills for grinding into flour to be shipped for relief to domestic and foreign outlets. Although rice harvesting picked up during the week, wholesale stocks were again limited. Rice prices remained at the level of the preceding week. There was another rise in orders from Cuba.

While prices of refined sugar were unchanged, wholesalers expect decreases in some regions within the next few weeks. Sugar buying last week continued close to that of a week earlier. The buying of coffee improved, but prices showed little change. Although trading slackened at the end of the week, cocoa prices advanced somewhat. Warehouse stocks of cocoa in New York expanded to 354,378 bags, while a year ago they totaled 411,451. Total arrivals of cocoa in the United States for the season to date amounted to 2,522,082 bags compared with 3,089,533 bags a year ago.

Small receipts and a slight rise in trading resulted in a noticeable rise in hog prices last week. A moderate rise in prices of cattle reflected a gain in purchases. While lamb receipts showed no change from the prior week, they were considerably below those of a year ago, but lamb prices climbed substantially. Lard futures prices in Chicago moved up somewhat during the week.

Mixed trends prevailed in the cotton futures market last week, but prices on Friday moderately exceeded those of a week earlier. Trade was stimulated by reports of favorable growing conditions. The Census Bureau reported that cotton consumption in July reached about 637,000 bales, up slightly more than expected. Average daily consumption in July was 25,500 bales compared with 32,500 in June and 27,400 in July, 1956. The domestic carryover from the recent season amounted to about 10,863,000 bales against 14,529,000 bales in the previous season.

Trade Volume Boosted in Past Week by Fall Promotions

Post-Labor Day sales promotions helped boost total retail trade noticeably over the previous week and moderately above the similar 1956 level. Retailers reported appreciable gains in sales of fall apparel, furniture and some major appliances. Volume in passenger cars advanced slightly and was close to that of a year ago. Dealer inventories continued to show moderate year-to-year increases.

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 States +4 to +8; Mountain +3 to +5; South Atlantic +2 to +6; West North Central +1 to +5; East South Central 0 to +4; East North Central and West Central —1 to +3; New England —2 to +2 and Pacific Coast States —3 to +1%.

There was an upsurge in the buying of children's apparel as consumers sought girls' sweaters and dresses and boys' shirts and sports coats. Purchases of women's sportswear, dresses and coats mounted, but interest in suits remained at the level of a week earlier. Men's apparel volume expanded moderately and somewhat exceeded that of a year ago.

The buying of household goods rose moderately over that of both the prior week and the corresponding 1956 period. Furniture stores registered the best gains. A slight rise from the previous week in the call for automatic dishwashers, lamps and lighting fixtures occurred. Although interest in linens and floor coverings improved, sales of draperies were sluggish.

Increased purchases of poultry, fresh meat and frozen foods offset declines in dairy products, soft drinks and canned goods. Interest in fresh produce, sugar and coffee was sustained at a high level.

Contrary to the national trend, purchases of household goods in Dallas and Minneapolis showed noticeable year-to-year declines. The end of the newspaper strike in Boston helped lift retail trade close to year ago levels. Los Angeles merchants blamed hot weather for the decline in consumer buying.

There was a considerable rise in re-orders for Fall clothing last week as retailers sought to replenish depleted stocks. The most noticeable gains occurred in purchases of children's back-to-school merchandise. Wholesalers of men's clothing reported substantial gains in topcoats, suits and some furnishings, boosting volume somewhat higher than that of the similar 1956 period.

Transactions in the textile market advanced moderately during the week. Marked gains in bookings in wide industrial fabrics were reported, while volume in cotton gray goods continued to lag. The call for woolens and worsteds was sustained at the level of the preceding week and prices were unchanged. A slight rise in interest in carpet wool occurred.

The buying of floor coverings expanded again last week, but bookings in draperies and linens were sluggish. Another slight rise in orders for automatic laundry equipment and dishwashers occurred offsetting declines in refrigerators. Furniture wholesalers reported a moderate gain in new orders.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Aug. 31, 1957, increased 5% above the like period of last year. In the preceding week, Aug. 24, 1957, a gain of 1% was reported. For the four weeks ended Aug. 31, 1957, an increase of 3% was reported. For the period Jan. 1, 1957 to Aug. 31, 1957, an increase of 2% was registered above that of 1956.

Retail trade sales volume in New York City last week rose 13 to 15% above the level of the comparable week in 1956, estimates of store executives show. Cool weather was a contributing factor in the week's good showing.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Aug. 31, 1957, increased 10% above that of the like period of last year. In the preceding week, Aug. 24, 1957, a rise of 2% was reported. For the four weeks ending Aug. 31, 1957, an increase of 7% was registered. For the period of Jan. 1, 1957 to Aug. 31, 1957, the index recorded a gain of 4% above that of the corresponding period of 1956.

Hardy & Co., Distributing Yield & P. E. Calculator

Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, have initiated an educational investment program among their clients. As part of the program they are sending them a Calculator which will enable them to determine at a glance the yield and price-earning ratio of any security.

The Calculator consists of two circular wheels, fastened so that they move concentrically. To obtain the yield of a security that, let us say, pays $1.20 per year in dividends or interest and which sells for $24 per share, all that one does is to "line up" $1.20 on the outer wheel with the $24 on the inner one. Then he looks on the left side of a special "window" next to "% yield" and the arrow points to 5.0. This means that the yield is 5%. However, should he want to determine the price-earning ratio of the same security, he follows a similar procedure. To illustrate: if the same company that is selling for $24 earns $2 annually, the price-earning ratio is found by placing the $2 on the outer wheel next to $24 on the inner one. He then looks on the **right side** of the same window next to "Price Earning Ratio" and the arrow points to 12. This means the stock is selling for $12 for every dollar it earns.

Robert N. Kullman Becomes Benedict

Robert N. Kullman, Managing Partner of John J. O'Kane Jr. & Co. was married Saturday, Sept. 7 to Joan Linda Mottino, daughter of Herk Mottino, of Harris, Upham & Co. Mr. Kullman is the son of the late Philip C. Kullman, Jr., one of the founders of John J. O'Kane Jr. & Co. He was formerly associated with Carl M. Loeb, Rhoades & Co. Trading Department.


Robert N. Kullman

Ye Old Dutch Tavern on John Street was the scene of a pip of a bachelor party given in his honor by about 40 of his friends in the financial district.

Phila. Bond Club to Hold 32nd Field Day

PHILADELPHIA, Pa. — George L. Morris, partner of Hornblower & Weeks and President of the Bond Club of Philadelphia, announced the appointment of chairmen for the various committees to handle the 32nd Annual Field Day of the Club to be held on Friday, Sept. 27, at Philmont Country Club, Philmont, Pa.

William Gerstley, II, of Gerstley, Sunstein & Co. and Richard L. Newburger of Newburger & Co. have been named co-Chairmen of the Outing. Other committee chairmen are John M. Hudson of Thayer, Baker & Co., registration committee; Harold F. Carter of Hornblower & Weeks, publicity committee; Theodore E. Eckfeldt of Stroud & Co., Inc. and George J. Ourbacker of Yarnall, Biddle & Co., co-Chairmen of the Stock Exchange.

Other committee chairmen are: Thomas J. McCann of Gerstley, Sunstein & Co., golf committee; Joseph E. Smith of Newburger & Co., attendance committee; William Z. Suplee of Suplee, Yeatman, Moseley Co., guests committee; W. Marshall Schmidt of Hornblower & Weeks, tennis committee; John H. Derickson, Jr. of Blair & Co., Inc., entertainment and minor sports committee; Spencer D. Wright, III, of Wright, Wood & Co., transportation committee; Robert E. Daffron of Harrison & Co. and Phillips B. Street of The First Boston Corporation, co-Chairmen of the door prizes committee.

Corp. Transfer Agts. Golf Tournament

The Corporate Transfer Agents Association of New York are holding their 11th Annual Golf Tournament and Outing on Thursday, Sept. 19, at Colonia Country Club, Colonia, N. J.

The day will consist of golf, dinner and entertainment by the Korn Kobblers.

Prizes will be awarded by Cort Pohle of the Entertainment Committee.

Members of the Entertainment Committee are:

Chairman, L. E. Steiner, R.C.A.; Vice-Chairman, R. L. Mulkeen, Wabash RR. Co.; Theodore Stone, Cities Service Co.; C. G. Pohle, Consolidated Edison Co. of N. Y.; W. J. McDermott, U. S. Steel Corp.; Wm. V. Bryson, Sterling Drug, Inc.

Continued from page 16

Bright Future Ahead for Drug Industry and Medicine

country — $297 billion expendable income.

"Bloom On the Boom"

But money alone is not entirely the answer. It is the distribution of money that plays an important part in our economy. I honestly believe that the one single thing that has kept the "bloom on the boom" is the startling growth of the American middle-income and middle-rich classes. For example, in 1929 less than 20% of consumer units (families) had incomes of $4,000 to $10,000. Now 48% are in this range and 55% will be there by 1965. Bringing these figures into the range of our own memories, the number of consumer units (families) with incomes of $4,000 or more has increased by 85% since 1941—just 16 years. This fact alone has had a tremendous influence on our increasing markets, changing buying habits, and rising standards of living.

The fact that we have more people and more money means that we have more demands. I should like to point out at this time the difference between a demand and a need: Demand is **always** accompanied with purchasing power, while need is **never** accompanied with purchasing power. For example, impoverished countries . . . they have no money and, therefore, no credit. They are in need. Had they purchasing power, their needs would automatically change to demands.

There are certainly other causes for this tremendous strength and expansion in our economy. It is perhaps the cumulative force of several factors. One, of course is the upsurge in population that we have. Others are the growth of scientific knowledge, the onrush of technology, the obsolescence of what we used to regard as fixed capital, the development of investment budgets by all types and kinds of industries, the improved control of inventories of all kinds, and the intensified pace of business competition.

Intensified competition is an important factor in today's business. There was a time not so long ago when it was thought that markets were drying up. That was not true. The fact was that competition was becoming more intensified in every field of endeavor, and I think that today competition is far more keen than it has ever been.

Upgraded Desires

Another tremendous factor in our economy and the growth of our business is the insistent desires of people to earn more and live better . . . the development of mass markets to match mass production . . . the general recognition of government's responsibility in helping to maintain a stable prosperity . . . and the growing understanding of people that public policy must protect economic incentives if enterprise, innovation, and investments are to flourish.

All of these factors are important to future growth and point out many opportunities for progress . . . incentives for development. With these changes in mind, let's take a look at the ethical drug market and some figures that might be of interest as to what is happening . . . what is bringing about some of the things we call problems . . . for the purpose of helping to chart the course for tomorrow in order to take advantage of today's opportunities, laying aside perhaps that great barrier to progress—tradition.

Ethical Drug Market

The growth of the pharmaceutical market, both ethical and proprietary, from 1939 to 1957 has been phenomenal — from $318,000,000 to $1,362,000,000. This is an increase in the last 15 years of a little more than 400%. Of the total market, the proprietaries increased only 150% while the ethical market zoomed to an increase of 427%. In 1939 the ethical market and the proprietary market were about 50-50. But in 1957 the ethical market represented 70.1% of the total and the proprietaries 29.9%. Little wonder then that total sales in retail drug stores have increased more than 300% since 1939—from $1.5 billion to nearly $5 billion.

Prescription sales during the same period of time have increased better than five times. As a matter of fact, the increase was 583% — from 166 million to 957 million. The number of prescriptions filled in 1939 amounted to 182 million, while in 1956 more than 450 million.

According to recent authoritative reports, prescription revenues today account for 29.5% of average drug-store sales. This compares with the 11.8% figure in 1939. Here again it is easy to undertand why the ethical market is now 70.1% of the total. Little doubt, also, as to which department of the retail store offers greatest profit and service opportunities.

Other Changes

Now let's take a look at the changes which have taken place in pharmaceutical forms such as pills, ampoules, powders, ointments, tablets and the like. These changes were quite surprising to me and I think they will be most revealing.

The first pharmaceutical market studies were made in 1921. At that time the sale of ampoules accounted for only 2.9% of the ethical drug market. Today ampoule medication accounts for more than 26% of the market. This is a most noteworthy trend and certainly merits consideration for planning prescription department promotional activities.

Capsules accounted for 3% of the total ethical market in 1921. Today they account for 21.6%. To be sure, there are a lot more people today than there were in 1921 —also a much larger market; however, an increase of seven times certainly points out a trend that should be noted.

Here is another. Fluid extracts accounted for 14.5% of the ethical drug market in 1921. Today they account for only 0.42%—less than ½%.

In 1921 pills accounted for 4.75% of the market—today, only 0.8%.

In 1931 powders accounted for 13% of the ethical market—today, only 0.77%.

Tablets still remain the most commonly accepted therapeutic dosage form. There has been relatively little change, since tablets accounted for 23% of the market in 1921—today, a little better than 19%.

Now how about the ingredients. Chemicals, for example, in 1921 accounted for 37% of the ethical market. Today they have climbed to 53%. Drugs of animal extraction accounted for 11% of the ethical market in 1921—today, 18%. The trend lines in both chemicals and drugs of animal extraction are steadily going up. Products of vegetable origin in 1921 accounted for 39% of the ethical market, but today they account for only 0.8%. What a change;—less than 1% today compared to nearly 40% in 1921.

Back in 1940 vitamin products, which prior to that time had not been considered so much as marketable items, have skyrocketed to a sales figure of more than $200 million a year at manufacturers' selling price.

Since 1940 sulfonamides have jumped to about $35 million per year in sales. Then the antibiotics came along, which at this time represent more than a $350 million market.

Shows Cost Relative to Income

Although the total drug market has shown phenomenal growth, many people may be led to believe that growth causes increased cost for drugs and medicines. But that is not true. People in the United States in 1939 spent 0.87% of their income on drugs and medicines. Last year they spent only 0.64% of their income on drugs and medicines.

This is a terrific story and answer the vicious propaganda that the cost of drugs and medicines are out of proportion to costs of living and family incomes. Customers should be told the truth about the cost of medical care. These are a few highlights on what has happened in the pharmaceutical market, the trends and the implied problems that come with the growth in ampoule medication as well as the use of more chemical and less vegetable drugs and the like. These are the factors that bring about the many changes in the pharmaceutical catalogues. The listing over the past 20 years has dropped from more than 4,000 items to a listing of 1,200 to 1,500 items.

Looks at Retail Operation

Now a quick look at the retail business itself. On considerable interest is the fact that over the years gross margins in retail drug stores, percentagewise, have remained at a fairly steady level—from 32 to 33.5% of sales. Operations expenses, however, have continued to go up at a slightly more rapid rate than sales or gross margins. Here is a management problem and, like every other drug-store problem, it is an individual one. I think it should be pointed out that one cannot get profits out of costs; they must come out of competent management—selling goods at a markup that will provide a satisfactory margin and the vigorous promotion of the departments of the store which offer the best profit opportunities.

With today's dynamic economy, intense competition, and continually changing buying habits, I believe that of all times, now is the time for every retail druggist to appraise the three essential factors which alone can determine success or failure. They are location, personnel, and management.

With Barret, Fitch

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Vernon J. Helmers is now with Barret, Fitch, North & Co., 1006 Baltimore Avenue, members of the Midwest Stock Exchange.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

AKRON, Ohio—Robert J. Porter is now affiliated with Merrill Lynch, Pierce, Fenner & Beane, First National Tower.

With L. A. Caunter

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Thomas J. Eline has joined the staff of L. A. Caunter & Co., Park Building.

Joins Vercoe Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, O.—Mit R. White is now with Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange.

Bond Club of Detroit Elects Officers

DETROIT, Mich. — At a recent meeting, the directors of The Bond Club of Detroit elected the following officers and directors for the fiscal year 1957-58, beginning Sept. 1:

Milo Osborn

President, Milo O. Osborn of Paine, Webber, Jackson & Curtis, Vice-President, Wilfred J. Friday of Friday & Co.; Secretary-Treasurer, Julius Pochelon of Kenower, MacArthur & Co.

Directors elected for three year terms were Richard J. Wallace of Brown, Bosworth & Co. and John G. Martin of First of Michigan Corporation, who will serve along with the officers and Herbert Schollenberger of Campbell, McCarty Co., retiring President, and H. A. McDonald, Jr. of McDonald-Moore & Co.

The Club, which this year is observing its 42nd anniversary, will entertain its members at Orchard Lake County Club on Sept. 17 with a Golf Party and Outing to open the current year activities.

Joins Amott, Baker

Ronald E. Ledwell has become associated with Amott, Baker & Co., Incorporated, 150 Broadway, New York City, members of the New York Stock Exchange, as a Registered Representative. In the past Mr. Ledwell was with Shields & Company of Houston, and prior thereto was with Wyatt, Neal & Waggoner and Hancock, Blackstock & Co. in Atlanta.

St. Louis County Nat. Bank Rights Offer

Holders of outstanding capital stock of St. Louis County National Bank are being offered the right to subscribe for 30,000 additional shares of capital stock (par $10) of the Bank at $31 per share at the rate of one new share for each 5⅔ shares held of record as of the close of business Sept. 10, 1957. Subscription warrants will expire at noon (CDT) on Sept. 30, 1957.

The following underwriters have agreed, subject to certain conditions, to purchase any of the unsubscribed shares and, both during and following the subscription period may offer shares at prices to be announced at the time of the offering: G. H. Walker & Co.; Newhard, Cook & Co.; A. G. Edwards & Sons; and Reinholdt & Gardner.

Secondary Offering of Foremost Dairies Made

An investment banking syndicate headed by Dean Witter & Co. and Allen & Co. yesterday (Sept. 11) publicly offered 200,000 shares of common stock (par $2) of Foremost Dairies, Inc. at $16 per share.

The corporation will receive no part of the proceeds, which are to go to Grover D. Turnbow, its President.

Associated in the offering are: First California Co.; Hallgarten & Co.; Reynolds & Co.; Paine, Webber, Jackson & Curtis; A. C. Allyn & Co. Inc.; A. M. Kidder & Co., Inc.; Auchincloss, Parker & Redpath; E. F. Hutton & Co.; Hirsch & Co.; Stroud & Co. Inc.; and Sutro Bros. & Co.

Joins Columbine Secs.

DENVER, Colo. — Norman H. Olson is now with Columbine Securities Corp., 1780 South Broadway.

Applying Political Pressure

"We are rapidly approaching the time when the automobile manufacturers are expected to announce higher prices on their new models, thus adding another significant upward spin to the inflationary spiral.

"It would therefore be highly desirable to expedite the promised study of the UAW proposal. This study could be greatly facilitated and brought to an early conclusion by obtaining the facts from the parties directly concerned in the proposal, namely our union and the major automobile corporations.

Walter P. Reuther

"We are convinced that a meeting, called in the very near future by your economic advisors with the heads of these automobile companies and representatives of our union, would provide the basic information on which our proposal should be evaluated and would further show clearly that it is a socially responsible and practical way for free labor and management to exercise the economic statesmanship you have advocated.

"While the auto companies have rejected our offer to join in a common fight against inflation, they would be compelled to give very serious consideration to any such recommendation you might make, particularly when that recommendation was made on the basis of a thorough and impartial examination of all the facts by your economic counsellors." — Walter P. Reuther to President Eisenhower.

Labor leaders and the politicians have seen to it that no competition is left to hamper the unions. Mr. Reuther now proceeds with plans to use these same politicians to force employers to yield to his monopoly.

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.
Aug. 16 filed 300,000 shares of common stock (par $1) being 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**—$5.75 per share. **Proceeds**—For expansion. **Office**—Park Ridge, Ill. **Underwriter**—A. C. Allyn & Co., Inc., Chicago, Ill.

Aloe (A. S.) Co., St. Louis, Mo.
Aug. 9 (letter of notification) 7,450 shares of common stock (par $5). **Price**—At market (estimated at $37 per share). **Proceeds**—To Estate of Edith R. Aloe, deceased. **Underwriters** — Newhard, Cook & Co. and Scherck, Richter Co., both of St. Louis, Mo.

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.

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.

★ Axe-Templeton Growth Fund of Canada, Ltd.
Sept. 9 filed (by amendment) 1,000,000 additional shares of capital stock. **Price**—At market. **Proceeds**—For investment. **Underwriter**—Axe Securities Corp., New York.

• B-I-F Industries, Inc. (9/13)
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.

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.

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. (9/18)
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. (9/18)
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.

★ Century Acceptance Corp., Kansas City, Mo. (9/30)
Sept. 9 filed 100,000 shares of cumulative preferred stock, 70-cent convertible series (par $5). **Price**—$10 per share. **Proceeds**—For working capital. **Underwriters**—Paul C. Kimball & Co., Chicago, Ill.; and McDonald, Evans & Co., Kansas City, Mo.

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.

★ Columbia Gas System, Inc. (10/3)
Sept. 6 filed $25,000,000 of debentures series I, due 1982. **Proceeds**—For construction program. **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.

★ Columbia Telephone Co., Columbia, Pa.
Sept. 3 (letter of notification) 4,500 shares of common stock (par $25). **Price**—$40 per share. **Proceeds**—For expansion program. **Office**—40 North Third St., Columbia, Pa. **Underwriter**—None.

• 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. Stop order proceedings instituted by SEC.

• 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 for a three week period.

★ Concert Network, Inc.
Sept. 4 (letter of notification) 18,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—For payment of obligations and for working capital. **Address**—P. O. Box 1015, Providence, R. I. **Underwriter**—None.

★ Connelly (John F.), Inc., Somerset, Mass.
Sept. 3 (letter of notification) 379 shares of common stock (no par). **Price**—At market at time of issue. **Proceeds**—For working capital and inventory. **Underwriter**—None.

Consolidated Fenimore Iron Mines, Ltd.
June 26 (letter of notification) 150,000 shares of common stock (par $7). **Price**—At market (closing price on Toronto Stock Exchange as of June 14, 1957 was $1.82 bid and $1.85 asked, per share). **Proceeds**—For mining expenses. **Office**—c/o Roy Peers, 9 De Casson Rd., Montreal, Canada. **Underwriters**—Thomason, Kernaghan & Co., Ltd., Toronto, Canada, and R. P. Mills & Co., Ltd., Montreal, Canada.

Consolidated Natural Gas Co. (9/17)
Aug. 15 filed $30,000,000 of debentures due Sept. 1, 1982. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Paine, Webber, Jackson and Curtis (jointly); Morgan, Stanley & Co. and the First Boston Corp. (jointly). **Bids**—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.

★ Dalton Finance, Inc., Mt. Rainier, Md.
Aug. 30 (letter of notification) 267,000 shares of class A common stock (par 50 cents). **Price**—75 cents per share. **Proceeds**—To liquidate outstanding notes and to make additional loans. **Office**—3800-34th St., Mt. Rainier, Md. **Underwriter**—McDonald, Holman & Co., New York.

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. (9/16-20)
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.

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.

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.

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.

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 Co. of California (9/17)**
Sept. 9 filed 250,000 shares of 5½% cumulative preferred stock. **Price**—At par ($20 per share). **Proceeds**—For property additions and improvements. **Underwriters**—Paine, Webber, Jackson & Curtis, New York; and Mitchum, Jones & Templeton, Los Angeles, Calif.

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.

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 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**—To be received up to noon (EDT) on Sept. 30 at The Hanover Bank, 70 Broadway, New York 15, N. Y.

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.

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.

★ **Heger Drilling Co., Inc., Rangely, Colo. (9/13)**
Aug. 29 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For payment of obligations and working capital. **Underwriters** — H. Carroll & Co., Denver, Colo. and Anglo-American Securities, Inc., Jersey City, N. J.

Holy Land Import Corp., Houston, Texas
Feb. 27 (letter of notification) 100,000 shares of common stock. **Price**—At par ($3 per share). **Proceeds**—For inventory, working capital, etc. **Underwriter**—Benjamin & Co., Houston, Tex.

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

Continued on page 36

NEW ISSUE CALENDAR

September 12 (Thursday)
Philadelphia Electric Co. ------ Bonds
(Bids noon EDT) $40,000,000
Westcoast Transmission Co., Ltd. ------ Debentures
(Eastman Dillon, Union Securities & Co.) $25,000,000

September 13 (Friday)
B-I-F Industries, Inc. ------ Common
(Brown, Lisle & Marshall) $85,800
Heger Drilling Co., Inc. ------ Common
(H. Carroll & Co. and Anglo. American Securities) Inc., $200,000

September 16 (Monday)
Dilbert's Quality Super Markets, Inc. ------ Preferred & Common
(S. D. Fuller & Co.) $1,818,000
Hycalog, Inc. ------ Debentures
(Keith, Reed & Co., Inc.; Aetna Securities Corp.; and Roman & Johnson) $300,000
Lehigh Spinning Co. ------ Debentures
(Offered in exchange to preferred stockholders—underwritten by Warren W. York & Co., Inc.) $245,000
New Haven Water Co. ------ Common
(Offering to stockholders—no underwriting) $3,000,000
Niagara Mohawk Power Corp. ------ Bonds
(Bids to be invited) $50,000,000
Wisconsin Natural Gas Co. ------ Bonds
(Bids noon EDT) $2,500,000

September 17 (Tuesday)
California Electric Power Co. ------ Preferred
(Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.) $7,000,000
Chemical Corn Exchange Bank ------ Common
(Offering to stockholders—to be underwritten by Kuhn, Loeb & Co.; The First Boston Corp.; Hemphill, Noyes & Co.; and W. C. Langley & Co.) 1,062,765 shares
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 Telephone Co. of California ------ Preferred
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) $5 000,000
Homestake Mining Co. ------ Debentures
(Eastman Dillon, Union Securities & Co.) $12,000,000
Statham Instruments, Inc. ------ Common
(Blyth & Co., Inc.) 200,000 shares
UBS Chemical Corp. ------ Common
(G. H. Walker & Co.) 59,400 shares

September 18 (Wednesday)
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.
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)
Norfolk & Western Ry. ------ Equipment Trust Ctfs.
(Bids noon EDT) $4,260,000
Quaker State Foods Corp. ------ Preferred
(Childs, Jefferies & Thorndike, Inc. and Syle & Co.) $91,540

September 20 (Friday)
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
Jefferson Lake Sulphur Co. ------ Common
(Offering to stockholders—underwritten by Hornblower & Weeks and Robert Garrett & Sons) between 143,000 to 150,00 shares

September 23 (Monday)
Consumers Power Co. ------ Bonds
(Bids 11:30 a.m. EDT) $35,000,000
Eagle Oil & Supply Co., Inc. ------ Common
(Pilgrim Securities, Inc.) $150,000
Northern Indiana Public Service Co. ------ Bonds
(Bids to be invited) $20,000,000
State Loan & Finance Corp. ------ Debentures
(Johnston, Lemon & Co. and Eastman Dillon, Union Securities & Co.) $12,000,000
Strato-Missiles, Inc. ------ Common
(Kesselman & Co.) $300,000
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)
Hawaii (Territory of) ------ Bonds
(Bids noon EDT) $12,500,000
Utah Power & Light Co. ------ Bonds
(Bids noon EDT) $15,000,000
Utah Power & Light Co. ------ Common
(Bids noon EDT) 400,000 shares

September 25 (Wednesday)
Seaboard Air Line RR. ------ Equip. Trust Ctfs.
(Bids to be invited) $5,445,000

September 30 (Monday)
Century Acceptance Corp. ------ Preferred
(Paul C. Kimball & Co. and McDonald, Evans & Co.) $1,000,000
Gulf States Utilities Co. ------ Bonds
(Bids noon EDT) $17,000,000

October 1 (Tuesday)
Reading Tube Corp. ------ Common
(Offering to stockholders—underwritten by Emanuel Deetjen & Co.) 38,124 shares
Southwestern Bell Telephone Co. ------ Debentures
(Bids 11 a.m. EDT) $100,000,000

October 2 (Wednesday)
Marine Midland Trust Co. of New York ------ Common
(Offering to stockholders—no underwriting) $10,500,000

October 3 (Thursday)
Columbia Gas System, Inc. ------ Debentures
(Bids to be invited) $25,000,000
Shamrock Oil & Gas Corp. ------ Debentures
(The First Boston Corp.) $17,500,000

October 7 (Monday)
Northern Natural Gas Co. ------ Preferred
(Blyth & Co., Inc.) $25,000,000
Roach (Hal) Productions ------ Common
(S. D. Fuller & Co.) $1,125,000

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 15 (Tuesday)
Pittsburgh & Lake Erie RR. ------ Equip. Trust Ctfs.
(Bids to be invited) $4,950,000

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 23 (Wednesday)
Public Service Co. of New Hampshire ------ Bonds
(Bids to be invited) $8,000,000

October 28 (Monday)
Norfolk & Western Ry. ------ Equip. Trust Ctfs.
(Bids noon EST) $4,000,000

October 29 (Tuesday)
American Telephone & Telegraph Co. ------ Debentures
(Bids to be invited) $250,000,000

October 30 (Wednesday)
Baltimore & Ohio RR. ------ Equip. Trust Ctfs.
(Bids to be invited) $2,600,000

October 31 (Thursday)
San Diego Gas & Electric Co. ------ Preferred
(Blyth & Co., Inc.) about $7,500,000
Southern Pacific Co. ------ Equip. Trust Ctfs.
(Bids noon EST) $6,000,000

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)
Baltimore & Ohio RR. ------ Equip. Trust Ctfs.
(Bids to be invited) $2,600,000
Suburban Electric Co. ------ Bonds
(Bids to be invited) $4,500,000

Continued from page 35

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. (9/20)**
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 November 1, 1957. **Price**—To be supplied by amendment. **Proceeds**—For development and exploration costs. **Office** — Calgary, Alta., Canada. **Underwriter**—None. Continental Oil and Hudson's Bay Co. have agreed to purchase 75% and 25% respectively, of the shares which shall not be subscribed for by the stockholders of the two companies. **Financial Adviser**—Morgan Stanley & Co., New York.

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. (9/16-20)**
July 24 (letter of notification) $300,000 of 6¾% convertible debentures due Sept. 1, 1967 to be first offered for subscription by stockholders. **Price** — 99% of principal amount. **Proceeds**—To retire bank notes and to purchase equipment. **Office**—505 Aero Drive, Shreveport, La. **Underwriters**—Keith, Reed & Co., Inc., Dallas, Tex.; Aetna Securities Corp., New York, N. Y.; and Roman & Johnson, Fort Lauderdale, Fla.

Inland Western Loan & Finance Corp.
Aug. 16 filed 2,500,000 shares of class A non-voting common stock (par $1) to be offered for subscription by holders of special participation life or endowment contracts issued by Commercial Life Insurance Co. **Price**—$1.50 per share. **Proceeds**—For operating capital for two subsidiaries and to finance expansion program. **Office**—Phoenix, Ariz. **Underwriter**—None.

International Insurance Investments, Inc., Englewood, Colo.
July 29 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For operation of an insurance company in Colorado through its subsidiaries. **Underwriter**—American Underwriters, Inc., Englewood, Colo.

Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

● **Jefferson Lake Sulphur Co. (9/20)**
Aug. 27 filed an undetermined number of shares of common stock (par $1), may be between 143,000 to 150,000 shares, to be offered for subscription by common stockholders of record Sept. 19, 1957, on the basis of one new share for each five shares held; rights to expire on Oct. 7. **Price**—To be supplied by amendment. **Proceeds**—To increase working capital and for development of new projects in the United States and Canada. **Underwriters**—Hornblower & Weeks, New York, N. Y.; and Robert Garrett & Sons, Baltimore, Md.

"Koor" Industries & Crafts Co., Ltd.
Aug. 26 filed 30,000 shares of 6½% cumulative participating preferred stock (par IL 180—$100). **Price**—$100 per share (payable in cash or up to certain limits in State of Israel Independence Issue Bonds and State of Israel Development Issue Bonds). **Proceeds** — For advances to subsidiaries in connection with their expansion programs. **Office**—Haifa, Israel. **Underwriter**—None.

● **Lehigh Portland Cement Co.**
Aug. 20 filed 380,312 shares of common stock (par $15) being 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**—$28 per share. **Proceeds** — For expansion and working capital. **Underwriter** — The First Boston Corp., New York.

● **Lehigh Spinning Co., Allentown, Pa. (9/16)**
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.

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.

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 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 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.

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** — To be received up to noon (EDT) on Sept. 16 at Room 1840, 15 Broad St., New York, N. Y.

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**—To be received up to noon (EDT) on Sept. 18 at Room 2033, Two Rector St., New York 6, N. Y.

★ **Pacific Outdoor Advertising Co.**
Aug. 30 (letter of notification) 14,075 shares of common stock (par $5). **Price**—$9.50 per share. **Proceeds**—For working capital. **Office**—995 N. Mission Rd., Los Angeles, Calif. **Underwriter**—None.

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. (9/19)**
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. (10/1-3)**
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. **Underwwriter**—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. Statement effective Aug. 30.

● **Roach (Hal) Productions (10/7-11)**
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 conditioned upon acceptance by holders of not less than 240,000 shares (80%) of the outstanding Western stock. This offer will expire on Sept. 26, unless extended. **Exchange Agent**—First National Bank & Trust Co., Helena, Mont.

★ **Schering Corp.**
Sept. 9 filed voting trust certificates representing up to 418,475 shares of common stock (par $1) and 278,983 shares of 5% cumulative preferred stock (par $30).

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.

★ **Sentinel Security Life Insurance Co.**
Sept. 3 (letter of notification) 5,000 shares of common stock (par $10). **Price** — $25 per share. **Proceeds**—To invest in securities and income properties and for working capital. **Office**—2121 South State St., Salt Lake City, Utah. **Underwriter**—None.

★ **Shamrock Oil & Gas Corp. (10/3)**
Sept. 11 filed $17,500,000 convertible subordinated debentures due 1982. **Price**—To be supplied by amendment. **Proceeds** — $12,000,000 to repay bank loan and for working caiptal and general corporate purposes. **Underwriter**—The First Boston Corp., New York.

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.

★ **Southwestern Bell Telephone Co. (10/1)**
Sept. 6 filed $100,000,000 of 35-year debentures due Oct. 1, 1992. **Proceeds**—Toward repayment of advances from American Telephone & Telegraph Co., the parent. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—To be received at Room 2315, 195 Broadway, New York, N. Y., up to 11 a.m. (EDT) on Oct. 1.

★ **Southwestern Chemical & Mineral Corp.**
Sept. 3 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital and use in working property and buying preferred stock in Liberian International Pictures. **Office**—Suite 2301, 52 Wall St., New York, N. Y. **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.**
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. **Offering**—Being made today (Sept. 12).

● **Strato-Missiles, Inc. (9/23-27)**
June 7 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To develop Hatfield propulsion system, and other projects; for purchase of additional facilities and for working capital. **Business**—To produce machinery and equipment. **Office**—70 East 45th St., New York, N. Y. **Underwriter**—Kesselman & Co., Inc., New York.

Syntex Corp. (Republic of Panama)
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

● **Tampa Electric Co.**
Aug. 2 filed 217,286 shares of common stock (par $7) being 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** — $27.50 per share. **Proceeds** — To repay bank loans and for construction program. **Underwriter**—Stone & Webster Securities Corp., New York.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

Texas Eastern Transmission Corp.
July 22 filed 1,000,000 shares of common stock (par $7) being offered in exchange, on a share-for-share basis, for capital stock of La Gloria Oil & Gas Co. of Corpus Christi, Tex. The offer was conditioned upon deposit of at least 81% (810,000 shares) of outstanding La Gloria stock prior to Sept. 6, 1957, and it was announced on Aug. 8 that in excess of this amount had been deposited. Offer may be extended from time to time but not beyond Dec. 5, 1957. **Underwriter**—None. Statement effective Aug. 6.

Texas Glass Manufacturing Corp., Houston, Tex.
May 28 filed 2,116,292 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For expansion and working capital. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Texas.

● **Texota Oil Co., Denver, Colo.**
Aug. 7 filed $650,000 of 6.25% convertible debentures due Aug. 1, 1967. **Price** — 102% and accrued interest. **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.

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.

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.

● **Virginia Telephone & Telegraph Co.**
Aug. 21 (letter of notification) 6,756 shares of common stock (par $10) being offered to minority stockholders on the basis of one share for each eight shares held as of Aug. 23, 1957; rights to expire on Sept. 14 (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.**
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. **Offering**—Expected today (Sept. 12).

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. and Shields & Co. (jointly). **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.

★ **Atlanta Gas Light Co.**
Sept. 4 it was reported company plans to issue and sell about $8,000,000 first mortgage bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp. and Eastman Dillon, Union Securities Co. (jointly); The First Boston Corp.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blair & Co. Incorporated. **Bids** — Expected to be received sometime in October.

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.

★ **Baltimore & Ohio RR. (10/30) (12/11)**
Bids are expected to be received by the company on Oct. 30 for the purchase from it of $2,600,000 equipment trust certificates, to be followed by an additional $2,600,000 on Dec. 11. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Continued on page 38

Continued from page 37

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 anounced company has applied to the California P. U. Commission for permission to issue and sell 200,000 shares of common stock (par $20). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York.

Central Hudson Gas & Electric Corp.
April 22 it was announced company plans to issue and sell this year, probably in the fall, approximately $7,500,000 of sinking fund debentures. **Proceeds**—To finance construction program. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Central Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

Central Louisiana Electric Co., Inc.
April 8 it was announced company plans to issue and sell late this year $6,000,000 of first mortgage bonds. **Proceeds** — Together with $4,500,000 of 4⅜% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of $5,000,000 series G first mortgage bonds.

● Chemical Corn Exchange Bank (9/17)
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 as of Sept. 13; rights to expire on Oct. 7. 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.

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. and White, Weld & Co., both of 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 of first mortgage bonds due 1977 (with stock purchase warrants). **Underwriter** — Allen & Co., New York. **Registration**—Expected around Sept. 20.

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.
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.

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.

★ Hawaii (Territory of) (9/24)
Bids will be received up to noon (EDT) on Sept. 24 by the Superintendent of Public Works of the Territory, at the office of The Chase Manhattan Bank, 40 Wall St., New York 15, N. Y., for the purchase of $12,500,000 Territory of Hawaii highway revenue bonds, series B, dated Sept. 1, 1957 and due semi-annually on March 1 and Sept. 1 in varying amounts in each of the years 1959 to 1987, inclusive. Interest is not to exceed 6% per annum. **Proceeds**—For highway improvements.

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 first 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.
Sept. 11 company offered stockholders of record Aug. 30, 1957, the right to subscribe for 26,320 additional shares of capital stock (par $10) 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 company plans registration of an issue of $3,000,000 of convertible debentures due 1972. **Underwriter**—Lee Higginson Corp., New York.

★ Marine Midland Trust Co. of New York (10/2)
Sept. 4 it was announced company plans to offer its stockholders the right to subscribe for 210,000 additional shares of capital stock (par $10) on the basis of one new share for each 4.95 shares held. Marine Midland Corp., the parent, owns 98% of the Bank's 1,040,000 shares outstanding. **Price**—$50 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None. Marine Midland Corp. will purchase all stock to which it may be entitled, plus any shares not subscribed for by minority stockholders.

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.

★ Norfolk & Western Ry. (10/28)
Bids are expected to be received by the company up to noon (EST) on Oct. 28 for the purchase from it of about $4,000,000 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.

★ Northern Natural Gas Co. (10/7-11)
Sept. 9 it was reported company plans to issue and sell $15,000,000 to $25,000,000 of preferred stock. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

★ Northern Natural Gas Co.
Sept. 9 it was reported company plans to issue and sell $25,000,000 of debentures due 1977. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York. **Offering**—Expected in November.

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.

★ Pittsburgh & Lake Erie RR. (10/15)
Bids are expected to be received by the company on Oct. 15 for the purchase from it of $4,950,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Public Service Co. of New Hampshire (10/23)
Sept. 9 it was reported company plans to issue and sell $8,000,000 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. and Coffin & Burr, Inc. (jointly); Equitable Securities Corp.; Lehman Brothers; White, Weld & Co. **Bids**—Tentatively expected to be received on Oct. 23.

★ Public Service Co. of New Hampshire
Sept. 9 it was reported company plans to sell some additional common stock later in 1957. **Proceeds**—For construction program. **Underwriters** — Kidder, Peabody & Co. and Blyth & Co., Inc., both of New York.

★ Ritter Finance Co.
Sept. 3 it was reported company plans debenture and common stock financing. **Underwriter** — Stroud & Co., Philadelphia, Pa.

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
Sept. 11 Bank offered to its stockholders of record Sept. 10, 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 Sept. 30, 1957. **Price** — $31 per share. **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.

★ Seaboard Air Line RR. (9/25)
Bids are expected to be received by the company on Sept. 25 for the purchase from it of about $5,445,000 equippment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Siegler Corp.
June 25 it was announced company plans to issue and sell in September or October of this year a maximum of 200,000 additional shares of common stock. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

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 the 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).

★ Southern Pacific Co. (10/31)
Bids are expected to be received by the company at 165 Broadway, New York, N. Y., up to noon (EST) on Oct. 31 for the purchase from it of approximately $6,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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.

★ Transcontinental Gas Pipe Line Corp.
Sept. 4 it was reported company plans about $40,000,000 of new financing before the end of 1957 (details not yet determined). **Underwriters** — White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Virginia Electric & Power Co. (12/3)
March 8 it was announced company plans to sell $20,000,000 of first mortgage bonds. Probable bidders for bonds may include: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received on Dec. 3.

Walworth Co.
Aug. 6 it was reported company plans to sell an issue of more than $5,000,000 convertible subordinated debentures. **Proceeds** — To finance plant expansion and increase working capital. **Underwriters** — May be Paine, Webber, Jackson & Curtis and Blair & Co. Incorporated, both of New York.

Wisconsin Public Service Co.
Aug. 27 it was announced company plans to issue and sell about $7,000,000 of first mortgage bonds late in 1957. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co.

Wisconsin Southern Gas Co., Inc.
July 8 it was reported company plans to offer up to $300,000 of additional common stock to its stockholders. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

Our Reporter's Report

Corporate borrowers this week found investors still in a receptive mood, provided the terms offered for new money were attractive. But where the yields were a little too thin this was reflected in a sluggish attitude on the part of buyers who had a wide selection from which to choose.

Duke Power Co.'s $50 million of 25-year debentures, brought to market with a 4⅞% coupon to yield 4.74%, proved a case in point.

Momentarily, at least, this big issue was reported somewhat slow. Some market observers were convinced that had the yield been around a 4.80% basis, the issue would have been an immediate sell-out.

Most of the other major issues slated for market found a ready reception, including Kingdom of Belgium's $30 million of 15-year, sinking fund, 5½% bonds, due 1972. And the week's largest offering, Sperry Rand's $110 million of sinking fund debentures, carrying stock warrants was reported well-spoken for in advance.

But the set-back to Duke Power's issue, along with Government financing, which is being discussed, tended to temper the market's recent bouyant tone. It was noted that even some of those recent emissions which had moved to premiums showed a disposition to shade their best prices.

Capital Spending Tapers

There are indications that the money market may have passed the peak of demands for new corporate capital on the current cycle. Data gathered by both government and private source indicate that while the current year will produce an all time record of around $37 billion in such outlays, the Zenith has been passed.

Surveys both by the Dept. of Commerce and The Securities and Exchange Commission, and by the National Industrial Conference Board and Newsweek suggest that such spending in the current quarter will exceed slightly the total for the June quarter, and in the final three months will decline somewhat.

Meantime, new appropriations have been cutback sharply according to figures gathered by NICB and Newsweek and for the second quarter were some 20% below a year ago. So, it would appear, the firm money policy of the Federal Reserve Board, plus some cutting back in defense spending, is tending to have the desired effect of slowing down the boom.

Holding Fast Pace

The market which absorbed some $350 million in new corporate debt issues this week faces another heavy calendar in the period ahead. But the pressure of new offerings will not match the current week's rush by any means.

All told investors will be called upon to look over some $186 million in new corporate obligations, well assorted to cover public utilities, industry and, this time a mining issue. With a few exceptions offerings are pretty much of the dimensions commonly termed "Street" size.

Largest, due up for bids on Monday, is Niagara Mohawk Power Corp.'s $50 million of 30-year, general mortgage bonds to provide for repayment of bank loans and make available funds for new construction.

Homestake Mining Co.

The mining issues are those of Homestake Mining Co., and constitute the first public debt offering in that enterprise's long history. It will be offered in two types of debentures.

Of the $12 million total, $5 million will be offered as subordinate convertible debentures due in 1972. The remaining $7 million will be sold as sinking fund debentures to mature in 1969.

The gold mining company is raising the money to pay off its "floating" debt and to finance new development work on its properties.

Continued from page 2

The Security I Like Best

when another barge is constructed. Despite complete loss of revenue for the second quarter on the Mr. Gus I, they show an over-all net profit after depreciation and depletion of $214,386 as opposed to a net loss of $287,160 for the first half of 1956, or a net increase of $501,546 for the period.

Happily Mr. Gus II was placed in operation July 31, 1957 under contract for the CATC group.

Income will get a further boost as signed contracts have just been executed for the sale of gas from the following fields:

(1) Point au Fer, Terrebonne Parish, La., 25% interest in 7,300 acres. Completions six oil wells (four dually completed) and three gas wells, with multi pay sands and many additional locations.

(2) La Reforma Field, Star County, Texas, 100% interest in 388 acres. Completions two gas wells, with at least two additional proven locations.

(3) Southwest Humphries Field, Terrebone Parish, La., 37.5% interest in 2,540 acres. Completions one gas well and at least two locations to be drilled when gas sales commence.

(4) Tentative agreements have been reached on gas sales at Vermillion Parish, La., in the Intracoastal City Field. 25% interest in 2,802 acres (about 1,000 acres proven). Completions two gas distillate wells with extremely thick pay sections.

Among the various other interests of the company, is the North San Antonio Bay Field in Texas with 25% interest in 3,104 acres. This shapes up as having ultimately 10 to 12 oil wells and four gas wells.

As of December 1956 the company owned over 100 net oil wells and 20 net gas wells. Today this total is higher, total reserves being estimated at 5,891,000 bbls. of oil and 83,513,000 MCF of gas.

Inasmuch as the company is initiating quarterly reports I recommend the common and convertible preferred as having good capital gain possibilities on their past record of success and a bright future which is swiftly unfolding. The sending out of quarterly reports particularly appeals to me. I dislike to own stock in any company that hides its light under a bushel for the benefit of the insiders. The June 30 quarterly report gives the information that their Drilling Barge No. 3 is on location off the north shore of Cuba for Shell Oil Co., on a 15,000 foot contract. It also stated that they are investigating possibilities for expanding their foreign operations, possibly into South America. I don't know where in South America they intend to try for a toehold, whether it is Venezuela or elsewhere, but it does show that Glasscock is alert.

David B. Ingram Now With Trust Office

David B. Ingram

BOSTON, Mass. — David B. Ingram has just been elected Secretary and a Director of Gardner Office, Inc. of which G. Peabody Gardner is President. Ingram was formerly Manager of the Research and Statistical Department in the Boston Office of Tucker, Anthony & R. L. Day.

After receiving his A. B. in Economics in Harvard (1942) he was called to active duty with the U. S. Army, later qualifying as a parachutist. His final assignment was in Japan as Operations and Training Officer, 11th Airborne Division Artillery. He was released from active duty in 1946 with the rank of Major, which commission he still holds in the U. S. Army Reserve.

Mr. Ingram has served on the Executive Committee of the Boston Security Analysts Society and is a former President of the Boston Investment Club. He has been active in Mansfield community affairs, having served as Chairman of the School Committee. At present he is Chairman of the Board of Appeals.

Land Banks to Offer $215 Million Bonds

The 12 Federal Land Banks are arranging to offer publicly $215 million of bonds to redeem a like amount of their 1¾s due Oct. 1, 1957, John T. Knox, fiscal agent of the Land Banks, announced on Sept. 12.

The new consolidated bonds to be offered will consist of two issues: $140 million of 4⅝% bonds due Feb. 2, 1959, and $75 million of 4½% bonds due Oct. 1, 1970, not callable before Oct. 1, 1967. Both issues will be offered for cash, no exchange privilege being given holders of the maturing 1¾% bonds.

Offering will be made through Mr. Knox, 130 William St., New York City, with the assistance of a nationwide group of security dealers and dealer banks. He will announce the offering prices on or about Sept. 18.

Sperry Rand 5½% Debentures Offered

Public offering of $110,000,000 Sperry Rand Corp. 5½% sinking fund debentures, due Sept. 1, 1982, with common stock purchase warrants attached, is being made today (Sept. 12) by an underwriting syndicate headed by Lehman Brothers and Merrill Lynch, Pierce Fenner & Beane. The debentures are priced at 100%, plus accrued interest.

The warrants will entitle the holder to purchase for cash 20 shares of the company's common stock for each $1,000 principal amount of debentures, at $25 a share through Sept. 16, 1963, and at $28 a share thereafter until the warrants expire on Sept. 15, 1967. The warrants are not exercisable or detachable prior to March 17, 1958.

Net proceeds from the sale of the debentures will be added to the general funds of the company and will be available for capital expenditures and increased working capital required by the expansion of the company's activities. Initially the proceeds from the debentures will be used to reduce short-term bank loans.

The debentures are entitled to a sinking fund requiring the company to retire $4,500,000 principal amount of debentures in each of the years 1963 through 1981, a total of $85,500,000, or about 78% of the issue, prior to maturity; and an additional principal amount of debentures up to $4,500,000 may, at the company's option, be redeemed for the sinking fund in each of such years. For the sinking fund, the redemption price will be 100%, and the debentures are also redeemable at the company's option (but cannot be so redeemed prior to Sept. 1, 1967, through borrowings at an effective interest cost of less than 5½% per year) at 105½% if redeemed on or before Aug. 31, 1959, and at decreasing prices thereafter, plus accrued interest in each case.

Sperry Rand Corp. develops and manufactures instruments and controls for defense, civil aviation and the merchant marine, tabulating and business machines and equipment, including electronic data processing equipment, for science, government and industry; hydraulic devices for a variety of applications, farm machinery, and other products and services. The company also is one of the largest manufacturers of electric shavers in the world. Sperry Rand operates 45 plants in 19 states in this country, in addition to 37 plants in 19 foreign countries. The most significant developments affecting the company's current operations and outlook are the growth in the demand for electronic data-processing machines and systems, and the increasing importance of electronics in national defense.

For the year ended March 31, 1957, net sales of the company's products and services were divided as follows: 40%, instrumentation and controls; 31%, electronic data-processing systems, tabulating and business machines, and office equipment supplies; 11%, hydraulic equipment; 7%, farm equipment; and 11%, other products and services.

Net sales of products and services for the year ended March 31, 1957, were $871,047,239, which resulted in a net income of $49,612,352, equal to $1.83 per common share.

Blaock Inv. Co.

Blaock Investment Co. is engaging in a securities business from offices at 480 Lexington Ave., New York City. Partners are Louis K. Weinstein, Irving Sussman and Nathan Salzinger. All were formerly with North American Planning Co.

Mid Town Secs. Opens

Mid Town Securities Corp. has been formed with offices at 30 East 60th Street, New York City, to engage in a securities business. Officers are Arthur I. Korn, President; Lester L. Kern, Vice-President and Treasurer; and Abraham Trager, Secretary. Mr. Korn formerly conducted his own investment business under the firm name of Arthur I. Korn & Co.; Mr. Trager was associated with him as office manager.

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. 15	§83.1	*81.0	80.6	100.6
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 15	§2,126,000	*2,073,000	2,062,000	2,477,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Aug. 30	6,766,250	6,788,500	6,843,350	7,107,750
Crude runs to stills—daily average (bbls.)	Aug. 30	†8,327,000	7,970,000	7,919,000	8,098,000
Gasoline output (bbls.)	Aug. 30	28,516,000	27,999,000	27,417,000	28,210,000
Kerosene output (bbls.)	Aug. 30	1,871,000	1,725,000	2,045,000	2,196,000
Distillate fuel oil output (bbls.)	Aug. 30	13,241,000	12,407,000	11,819,000	13,241,000
Residual fuel oil output (bbls.)	Aug. 30	7,609,000	7,713,000	7,561,000	7,952,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 30	171,683,000	171,897,000	175,994,000	175,571,000
Kerosene (bbls.) at	Aug. 30	34,114,000	‡‡33,219,000	31,454,000	32,401,000
Distillate fuel oil (bbls.) at	Aug. 30	154,237,000	149,671,000	138,230,000	138,449,000
Residual fuel oil (bbls.) at	Aug. 30	52,472,000	52,237,000	49,140,000	46,783,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 31	745,183	759,149	740,711	784,366
Revenue freight received from connections (no. of cars)	Aug. 31	625,367	618,146	601,396	649,697
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 5	$314,122,000	$436,495,000	$298,259,000	$243,863,000
Private construction	Sept. 5	108,206,000	162,766,000	147,396,000	112,909,000
Public construction	Sept. 5	205,916,000	273,729,000	150,863,000	130,954,000
State and municipal	Sept. 5	181,860,000	224,456,000	127,719,000	97,202,000
Federal	Sept. 5	24,056,000	19,273,000	23,144,000	33,752,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 31	9,990,000	*9,950,000	9,750,000	9,866,000
Pennsylvania anthracite (tons)	Aug. 31	580,000	527,000	551,000	601,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Aug. 31	135	121	104	128
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 7	11,678,000	12,147,000	12,070,000	10,955,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 5	208	262	265	196
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 3	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Sept. 3	$66.42	$66.42	$66.40	$63.04
Scrap steel (per gross ton)	Sept. 3	$50.17	$51.50	$53.83	$58.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 4	26.575c	27.800c	28.750c	39.600c
Export refinery at	Sept. 4	25.175c	24.925c	26.200c	37.725c
Lead (New York) at	Sept. 4	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	Sept. 4	13.800c	13.800c	13.800c	15.800c
‡Zinc (delivered) at	Sept. 4	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Sept. 4	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Sept. 4	26.000c	26.000c	25.875c	25.000c
Straits tin (New York) at	Sept. 4	92.875c	93.375c	95.250c	100.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 10	87.71	87.60	86.63	91.04
Average corporate	Sept. 10	89.92	89.92	90.77	100.32
Aaa	Sept. 10	94.41	94.12	94.86	103.47
Aa	Sept. 10	92.35	92.35	92.93	102.46
A	Sept. 10	90.06	90.20	91.19	100.49
Baa	Sept. 10	83.40	83.53	84.68	95.62
Railroad Group	Sept. 10	88.40	88.27	89.09	99.04
Public Utilities Group	Sept. 10	89.78	90.34	91.48	100.98
Industrials Group	Sept. 10	91.48	91.48	91.77	101.14
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 10	3.56	3.56	3.64	3.22
Average corporate	Sept. 10	4.42	4.42	4.36	3.73
Aaa	Sept. 10	4.11	4.13	4.08	3.54
Aa	Sept. 10	4.25	4.25	4.21	3.60
A	Sept. 10	4.41	4.40	4.33	3.72
Baa	Sept. 10	4.91	4.90	4.81	4.03
Railroad Group	Sept. 10	4.53	4.54	4.48	3.81
Public Utilities Group	Sept. 10	4.43	4.39	4.31	3.69
Industrials Group	Sept. 10	4.31	4.31	4.29	3.68
MOODY'S COMMODITY INDEX	Sept. 10	415.8	415.8	429.0	422.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 31	265,643	263,400	359,226	267,147
Production (tons)	Aug. 31	290,919	289,054	282,952	274,069
Percentage of activity	Aug. 31	95	95	95	95
Unfilled orders (tons) at end of period	Aug. 31	418,314	447,297	506,493	418,025
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 6	110.28	110.27	110.32	108.77
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 17	1,143,400	1,275,240	1,522,620	1,218,190
Short sales	Aug. 17	210,110	254,660	283,060	227,370
Other sales	Aug. 17	1,008,820	1,073,470	1,242,660	977,830
Total sales	Aug. 17	1,218,930	1,328,130	1,525,720	1,205,200
Other transactions initiated on the floor—					
Total purchases	Aug. 17	191,700	215,170	266,330	175,700
Short sales	Aug. 17	17,500	22,300	18,700	18,300
Other sales	Aug. 17	207,065	229,600	242,410	191,270
Total sales	Aug. 17	224,565	251,900	261,110	209,570
Other transactions initiated off the floor—					
Total purchases	Aug. 17	388,090	396,140	486,402	461,755
Short sales	Aug. 17	71,900	80,540	77,450	83,450
Other sales	Aug. 17	388,405	468,745	508,207	570,908
Total sales	Aug. 17	460,305	549,285	585,657	654,358
Total round-lot transactions for account of members—					
Total purchases	Aug. 17	1,723,190	1,886,550	2,295,552	1,855,645
Short sales	Aug. 17	299,510	357,500	379,210	329,120
Other sales	Aug. 17	1,604,290	1,771,815	1,993,277	1,740,008
Total sales	Aug. 17	1,903,800	2,129,315	2,372,487	2,069,128
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. 17	1,258,228	1,297,282	1,469,140	1,094,277
Dollar value	Aug. 17	$63,515,062	$65,612,799	$76,557,055	$59,560,978
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 17	854,597	902,197	1,195,715	862,226
Customers' short sales	Aug. 17	12,274	9,427	5,224	5,437
Customers' other sales	Aug. 17	842,323	892,770	1,190,491	856,789
Dollar value	Aug. 17	$43,069,428	$45,043,056	$58,980,325	$43,664,019
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 17	192,780	195,760	286,930	224,530
Short sales	Aug. 17	------	------	------	------
Other sales	Aug. 17	192,780	195,760	286,930	224,530
Round-lot purchases by dealers—					
Number of shares	Aug. 17	562,090	585,600	542,260	448,450
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. 17	423,260	459,590	442,030	417,190
Other sales	Aug. 17	8,842,050	9,308,560	11,425,920	8,864,030
Total sales	Aug. 17	9,265,310	9,768,150	11,867,950	9,281,220
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Sept. 3	118.1	118.0	118.1	114.8
Farm products	Sept. 3	93.0	92.6	93.1	89.2
Processed foods	Sept. 3	107.3	106.7	106.8	103.6
Meats	Sept. 3	100.1	98.0	98.7	87.5
All commodities other than farm and foods	Sept. 3	125.6	125.6	125.6	122.4

*Revised figure. †Includes 1,183,000 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. ‡‡Corrected figure.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION—For month of June:			
Total gas sales (M therms)	5,155,700	5,753,500	4,818,200
Natural gas sales (M therms)	5,031,200	5,592,700	4,580,800
Manufactured gas sales (M therms)	13,100	15,600	19,100
Mixed gas sales (M therms)	111,400	145,200	218,300
AMERICAN RAILWAY CAR INSTITUTE—			
Month of July:			
Orders for new freight cars	1,251	4,918	2,642
New freight cars delivered	7,725	8,377	5,344
Backlog of cars on order and undelivered (end of month)	85,229	91,810	126,194
ASSOCIATION OF AMERICAN RAILROADS—			
Month of July:			
Locomotive units installed in service	112	125	120
New locomotive units on order (end of month)	395	462	849
COAL EXPORTS (BUREAU OF MINES)—			
Month of May:			
U. S. exports of Pennsylvania anthracite (net tons)	310,386	362,198	333,969
To North and Central America (net tons)	128,148	102,520	175,562
To Europe (net tons)	179,618	248,673	148,703
To Asia (net tons)	2,620	11,005	------
To South America (net tons)	------	------	9,644
Undesignated	------	------	60
COKE (BUREAU OF MINES)—Month of June:			
Production (net tons)	6,362,448	*6,632,519	6,241,400
Oven coke (net tons)	6,207,022	*6,451,371	6,023,900
Beehive coke (net tons)	155,426	*181,148	217,500
Oven coke stock at end of month (net tons)	2,295,931	*2,259,714	1,939,039
COPPER INSTITUTE—For month of July:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	92,537	*104,685	95,174
Refined (tons of 2,000 pounds)	127,434	134,270	125,401
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	84,702	101,993	97,698
Refined copper stocks at end of period (tons of 2,000 pounds)	191,515	165,549	87,944
CROP PRODUCTION — CROP REPORTING BOARD U. S. DEPT. OF AGRICULTURE—Crop as of Aug. 1 (in thousands):			
Corn, all (bushels)	3,065,771	3,011,912	3,451,292
Wheat, all (bushels)	914,978	940,093	997,207
Winter (bushels)	690,601	715,124	734,995
All spring (bushels)	224,377	224,969	262,212
Durum (bushels)	39,022	39,791	39,607
Other spring (bushels)	185,355	185,178	222,605
Oats (bushels)	1,361,456	1,374,304	1,152,652
Barley (bushels)	432,396	439,431	372,495
Rye (bushels)	26,440	26,456	21,558
Flaxseed (bushels)	41,210	47,350	48,712
Rice (100-lb. bags)	40,488	38,930	47,402
Sorghum grain (100-lb. bags)	417,818	------	205,065
Cotton (bales)	11,897	------	13,310
Hay, all (tons)	118,897	119,608	108,708
Hay, wild (tons)	11,039	11,119	8,671
Hay, alfalfa (tons)	68,133	68,280	61,127
Hay, clover and timothy (tons)	21,016	21,058	21,107
Hay, lespedeza (tons)	4,312	4,740	4,188
Beans, dry edible (cleaned—100-lb. bags)	16,302	16,683	17,114
Peas, dry field (cleaned—100-lb. bags)	3,137	3,104	4,652
Soybeans for beans (bushels)	428,356	------	455,869
Peanuts (pounds)	1,590,195	------	1,602,260
Potatoes (hundredweight)—			
Winter	6,810	6,810	5,260
Early spring	4,243	4,243	4,022
Late spring	28,610	28,610	24,330
Early summer	8,898	9,432	9,503
Late summer	31,510	31,229	33,967
Fall	154,903	------	166,634
Total	234,974	------	243,716
Sweetpotatoes (hundredweight)	16,046	16,610	16,922
Tobacco (pounds)	1,608,831	1,660,756	2,180,805
Sugarcane for sugar and seed (tons)	7,516	7,516	6,485
Sugar beets (tons)	14,956	14,805	13,010
Broomcorn (tons)	43	------	20
Hops (pounds)	42,284	42,060	38,383
Apples, commercial crop (bushels)	115,640	112,904	100,623
Peaches (bushels)	65,798	67,347	69,859
Pears (bushels)	33,486	33,461	32,322
Grapes (tons)	2,670	2,682	2,895
Cherries (12 States—tons)	229	220	168
Apricots (3 States—tons)	199	211	196
Pecans (pounds)	119,000	------	173,700
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average=100—			
Month of August:			
Adjusted for seasonal variations	133	*132	128
Without seasonal adjustment	118	*104	113
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of July:			
Contracts closed (tonnage)—estimated	202,772	220,025	288,166
Shipments (tonnage)—estimated	303,512	329,256	165,470
METAL OUTPUT (BUREAU OF MINES)—			
Month of May:			
Mine production of recoverable metals in the United States:			
Gold (in fine ounces)	138,316	130,381	146,494
Silver (in fine ounces)	3,319,377	3,275,793	3,144,019
Copper (in short tons)	92,858	94,443	99,682
Lead (in short tons)	29,715	30,915	29,975
Zinc (in short tons)	46,120	50,755	47,438
NEW YORK STOCK EXCHANGE—As of July 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,917,369	$2,917,878	$2,842,615
Credit extended to customers	32,145	31,244	30,541
Cash on hand and in banks in U. S.	326,982	321,144	342,183
Total of customers' free credit balances	829,251	820,376	856,453
Market value of listed shares	229,923,607	227,927,859	227,422,844
Member value of listed bonds	98,351,019	98,482,499	103,137,335
Member borrowings on U. S. Govt. issues	93,974	120,310	49,569
Member borrowings on other collateral	2,209,693	*2,273,994	2,390,553
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of June:			
Passenger Tires (Number of)—			
Shipments	8,217,167	8,056,507	7,884,512
Production	7,461,763	8,312,496	6,600,146
Inventory	17,322,301	18,049,621	16,443,402
Truck and Bus Tires (Number of)—			
Shipments	1,148,783	1,093,762	1,404,135
Production	1,027,094	1,177,927	1,328,881
Inventory	3,460,995	3,580,155	3,503,463
Tractor-Implement Tires (Number of)—			
Shipments	278,717	292,808	275,329
Production	267,586	319,612	221,196
Inventory	695,514	703,307	757,674
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,484,995	3,213,944	3,370,367
Production	3,025,157	3,547,773	2,836,988
Inventory	6,946,069	7,421,546	7,349,151
Tread Rubber (Camelback)—			
Shipments (pounds)	35,953,000	34,671,000	36,471,000
Production (pounds)	23,441,000	35,871,000	35,610,000
Inventory (pounds)	29,159,000	31,049,000	24,600,000

Million Dollar Sale

Recent purchases of shares of The George Putnam Fund of Boston, balanced mutual investment fund, included one by an institutional investor totalling slightly more than $1,000,000—the largest single sale in Putnam Fund history and believed to be one of the largest ever made in the Mutual Fund industry.

Joins Merrill Lynch

TOLEDO, Ohio — James C. Hackley is with Merrill Lynch, Pierce, Fenner & Beane, 616 Madison Avenue.

Mutual Funds

By ROBERT R. RICH

Bullock Fund Assets Reach $35 Million

In the quarter ended July 31, 1957, total net assets of Bullock Fund, Ltd., a mutual fund managed by Calvin Bullock, rose to $35,260,789, an increase of $1,641,-957 during the three month period. Net asset value per share increased from $13.01 on April 30, 1957 to $13.26 on July 31.

The new figures were revealed in a letter to shareholders accompanying the fund's 99th consecutive quarterly dividend from net investment income. It consisted of 10 cents per share, payable Sept. 3, and brings to 30 cents the dividends from this source paid to date in 1957, compared with 28 cents per share from net investment income paid during the same period of 1956.

Bullock Fund increased its holdings of U. S. Government bonds and cash during the quarter, Hugh Bullock, President, told the shareholders. At July 31, 1957, these categories were approximately 16% of total net assets. It was felt, he said, that these temporary reserves could be employed in purchasing stocks at somewhat lower levels at a later time.

"However," he said, "certain important additions to the portfolio were made, including purchases of shares of Aerojet-General Corporation and General Dynamics Corporation. Both are closely identified with guided missiles and electronic production, playing an important part in our national defense efforts now and offering interesting possibilities for peacetime application now and in the future.

"Your company continues to stress investment in stocks of corporations appearing to have attractive long-term growth potential. Consistent with this policy is the substantial investment in the chemical, steel, petroleum and aircraft and defense industries, representing 40% of the net assets of your fund on July 31, 1957. Included in each of these groups are companies with relatively small capitalizations which are expected to assume greater roles in these growth industries."

Keystone S-4 In Electrical Steels, Machinery

Keystone Low-Priced Common Stock Fund S-4 reached new highs in total net assets, number of shares and number of shareholders during the fiscal year ended July 31.

Total net assets climbed to $16,117,663 for this member of Keystone's $330 million mutual fund organization. Number of shareholders rose to 7,736 and number of shares to 1,783,830.

Including a capital gains distribution of $1.35 paid in July, Keystone S-4 shares had an adjusted value of $10.39 compared to $10.18 a year ago. This was the eighth straight year in which this fund gave a plus performance in capital results.

During the 12-month period, portfolio positions were increased substantially in steel, electrical equipment and machinery. All air transport issues were sold and major decreases were made in the metal and oil groups.

Largest holdings among the 44 issues in the portfolio are Standard Packaging Corp., American Air Filter Co., Polaroid Corp., and U. S. Foil Co.

	July 31, '57	July 31, '56
Total net assets	$16,117,663	$15,445,223
Shares outstanding	1,783,830	1,517,047
No. shareholders	7,736	6,233
Asset value per sh.	$10.39	$10.18

Wellington Sales

During the month of August, 1957, new investment sales of shares in the Wellington Fund, one of the country's largest mutual funds, amounted to $8,707,000, A. J. Wilkins, Vice-President, stated in a report issued to field representatives. This total was $1,210,000 more than sales during August of 1956.

Mr. Wilkins stated that August 1957 sales were the best August sales in the company's history and the second best for any month this year. "These facts are particularly significant," he added, "because with the market unsteady during August, people nevertheless were not hesitant about investing their money in a conservatively managed mutual fund."

Canadian Fund Raises Temporary Cash Reserves

Total net assets of Canadian Fund, Inc., a mutual fund managed by Calvin Bullock, were $45,957,468 at July 31, 1957, a new high for any quarterly reporting period, according to the quarterly report to shareholders accompanying the 20th consecutive quarterly dividend, payable Sept. 3. It is at the rate of 10 cents per share and is derived from net investment income. Three dividends of 10 cents per share each have been paid in the 1957 fiscal year to date.

The new total net asset record compares with $43000,212 on the same date one year earlier, Hugh Bullock, President, told the shareholders. The net asset value of each share on July 31, 1957 was $20.18.

During the quarter, Mr. Bullock said, the fund increased its holdings of Canadian Government bonds and cash, reflecting the decision to increase temporary reserves. The short-term business uncertainties affecting Canada, as other major countries, he said, should enable Canadian Fund to purchase selected common stocks at more advantageous prices than have recently prevailed, although the long-term growth prospects of the economy and of leading corporations continue to be considered excellent.

Canadian Fund has diversified its assets among 14 different industries, Mr. Bullock pointed out, although particular emphasis continues to be placed on the expanding natural resources industries—petroleum, metals and mining and pulp and paper—which accounted for 47.68% of the fund's common stock commitments at July 31, 1957.

Simonson in Europe

Henry J. Simonson, Jr., Chairman of the Board and President of National Securities & Research Corporation departed this week on a seven week business trip to Europe.

H. J. Simonson, Jr.

Mr. Simonson will survey the desirability of extending operations of his organization, which sponsors and manages National Securities Series of mutual funds, to England and the Continent. Scheduled on his agenda are meetings with bankers, investment bankers and brokers, and other representatives of the financial communities of the following seven nations: England, France, Spain, Italy, Switzerland, Belgium and West Germany. Mr. Simonson returns to the United States on Oct. 22.

Group's Dividend Payments at $50,000,000

The current distribution of $1,129,000 for the third quarter brings total income dividends paid by Group Securities, Inc., since its organization in 1933 to $50,228,527. The recipient of the dividend check actually including the 50 millionth dollar paid by this leading mutual fund is a large religious institution on the East Coast.

This third quarter dividend as well as the total income dividends paid so far in 1957—amounting to $3,335,000 — are 6% greater than the figures for the same periods in 1956.

Reporting to shareholders in the Dividend Message, the management of this leading mutual fund "finds increasing evidence that the correction of consolidation of the economy through which we have been passing can be completed without any appreciable disturbance to the broad averages of business or stock prices." Management feels that "this continues to be a time for cautious confidence, with substantial rewards in income and future price rise for those who plan their long-term program on the basis of seeking sound values, of which many are available today in both the stocks and bonds of well-established companies."

National Sales

Sales of the National Securities Series of mutual funds for the first eight months of 1957 have reached $55,286,830, exceeding the 12 month record of $54,566,293 established in 1956, according to figures released by E. Waln Hare, Vice-President of National Securities & Research Corporation.

August sales of National totaled $6,835,462, representing a 74% increase over the similar month last year.

D. I. F. Growth Reports

Diversified Growth Stock Fund, Inc. reports a record gain in new shareholders in the month of August, a period characterized by sharp market declines.

During the month, shareholder accounts of this $20,000,000 mutual fund increased by 1,136 or 14%. This was the largest monthly gain since the fund began operations in 1952. On Aug. 30, shareholders totaled 9,353—an increase of 23% over the June 30 figure of 7,584 and a 40% rise over the 1956 year-end total of 6,684.

At the end of August total net assets of the fund were $20,091,-297. This compares with $15,273,-789 at the end of 1956.

Net asset value per share adjusted for a 100% stock dividend paid to shareholders of record Aug. 2, was $6.67 at the month-end, compared with $6.3[illegible] on Dec. 31, 1956.

Joins Dean Witter

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Loyd A. Kelly has become connected with Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Distributors Group Elects Officers

The Board of Directors of Distributors Group, Inc., 63 Wall Street, New York City, national sponsor of Group Securities, Inc., has elected the following officers of the firm:

Albert E. Gordon to Resident Vice-President, Southeast Region. Formerly manager of the Francis I. du Pont office in Miami, Mr. Gordon has been with Distributors Group since August, 1956.

Robert E. Smith to Resident Vice-President, Central States Region. Mr. Smith was formerly associated with the First National City Bank of New York, and joined Distributors Group in January of 1956.

Robert D. Anderson to Assistant Vice-President — Sales Development, New York Office. Mr. Anderson has been with Distributors Group since June, 1955, before which time he was with Kidder, Peabody and Co., Inc.

Edward A. Michaels to Assistant Vice-President — Research, New York Office. Previously associated as a trust officer with the First National Bank of Miami and the Continental National Bank and Trust Company of Chicago, Mr. Michaels has been with Distributors Group for the past five years.

John P. Eberhart

John P. Eberhart passed away Sept. 3 at the age of 67. Mr. Eberhart conducted his own investment business, John P. Eberhart Co., in New York City.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — John J. McDonough, Jr. is with Merrill Lynch, Pierce, Fenner & Beane, 23 Pryor Street, Northeast.

Zilka, Smither Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Ore — Henry Bondinelli has been added to the staff of Zilka, Smither & Co., Inc., 813 Southwest Alder Street, members of the Pacific Coast Stock Exchange.

With Blyth & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Donald G. Hicks is now with Blyth & Co., Inc., Buhl Building. He was formerly with the National Bank of Detroit.

Will Fallout Fears Affect Businesses and Investments?

By ROGER W. BABSON

Well known financial writer delves into the life-cycle aspects and fears of "fallout" and wonders whether, because of this, our "present prosperity is on a 'teeter board' or 'saw horse'."

It will not be long before "Fallout" will be the most discussed subject facing business, real estate, and investments. Newspapers now give daily forecasts for weather, tides, and winds. Before long they will also give a local daily air analysis, together with a forecast of the analysis for the next few days.

Roger W. Babson

All businesses and investments must be adjusted either to "Fallout" or to "Peace." Furthermore, it will be the *fear* of Fallout or the *fear* of peace which will bring about unemployment and a business collapse. The propaganda about "clean bombs" by those persons now profiting from the defense industries is the bunk. "Clean bombs" can be built; but Russia will never agree to their exclusive use. The Fallout is Russia's best bet.

Every reader of this column should ask himself how either the *fear* of Fallout or the *fear* of peace and disarmament will affect his community, his family, and his business or investments. The London Conference on Disarmament is discussing the possibility of both intensified *Fallout* and *Disarmament*. Every Congressman is trying to determine how his constituents would be affected by either. Meanwhile the Atomic Energy Commission is working hard studying Fallout.

Important Illustrations

There could be a total change in the rising population trend. Most schools and colleges will have plenty of room for students. Families may fear to have more children for fear of having seriously deformed offspring. The birth rate could radically decline.

Real estate, commodity, and stock markets could be totally upset because of the fear of Fallout or unemployment. Certain cities would be much more subject to Fallout than others. Remember, this Fallout is polluting the air you breathe right now as you read this column.

What About Agriculture?

Studies are now being made by the Atomic Energy Commission as to the effect of Fallout on Agriculture and Fisheries. Unofficial reports are that ordinary fission or fission tests would not be harmful. If, however, Russia should float too much Strontium 90 over the United States, it could become very serious. This would especially apply to all leafy vegetables and perhaps to *corn* and *wheat*.

Certainly, we would no longer be allowed to drink cows' milk in its present form. Strontium 90 would have to be eliminated from canned-milk products. And this would need to be done for all canned fruit and most other canned products. The ocean seems to be especially "allergic" to this dangerous poison. Thus, the fish might be impregnated. Livestock which feeds on grass could surely be seriously affected.

Automobiles and Other Industries

Industries other than food would also suffer. Manufacturing and retailing need not be directly affected. Of course, all stores and factories would need to be screened, as well as all homes. Automobiles would have to be screened, while all pedestrians might have to wear masks. Certainly, Russia could drastically upset our way of life.

All of this could either hasten war with Russia or else result in some form of disarmament. This is probably why President Eisenhower insists that no reduction be made in defense apropriations or foreign aid. This means that our present prosperity is on a "teeter board" or "saw horse," so to speak. Certainly we will hear much more about Fallout, which could become more important than missiles.

Russia In the Driver's Seat

Although Russia could make these tests from Western Siberia and pick days when the winds would drift the Fallout toward the U. S. A., yet the air of the entire world, including Russia, would be polluted. Therefore, these "tests," like poison gas, might not be used; but we do not know. In fact, there is a bare possibility that fear of these "tests" could bring about disarmament. Of course, if Russia should go too far, the U. S. and the rest of the world might declare war upon Russia. Then what?

DIVIDEND NOTICE

CONTINENTAL BAKING COMPANY

Preferred Dividend No. 75

The Board of Directors has declared this day a quarterly dividend of $1.37½ per share on the outstanding $5.50 dividend Preferred Stock, payable October 1, 1957, to stockholders of record at the close of business September 16, 1957.

Common Dividend No. 50

The Board of Directors has declared this day a regular quarterly dividend, for the third quarter of the year 1957, of 50¢ per share on the outstanding Common Stock, payable October 1, 1957, to holders of record of such stock at the close of business September 16, 1957.

The stock transfer books will not be closed.

WILLIAM FISHER
TREASURER

September 5, 1957

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Edwin H. Parker has been added to the staff of Walston & Co., Inc., 265 Montgomery Street.

With Freehling, Meyerhoff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Irving Rothman has become connected with Freehling, Mayerhoff & Co., 120 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was formerly with Floyd D. Cerf, Jr. Company.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Arthur H. Schomp has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building. Mr. Schomp was previously with Julien Collins & Company.

With State Inv. Co.

PORTLAND, Me. — Albert N. Tardif is now with the State Investment Company, Bank of Commerce Building.

DIVIDEND NOTICES

New York & Honduras Rosario Mining Company

120 Broadway, New York 5, N. Y.

September 11, 1957.

DIVIDEND NO. 420

The Board of Directors of this Company, at a Meeting held this day, declared an interim dividend for the third quarter of 1957, of Fifty Cents ($0.50) a share on the outstanding capital stock of this Company, payable on Septmber 30, 1957, to stockholders of record at the close of business on September 20, 1957.

G. E. McDANIEL, Secretary-Treasurer.

CERRO DE PASCO CORPORATION

Cash Dividend No. 149

The Board of Directors of Cerro de Pasco Corporation, a New York corporation, at a meeting held on September 10, 1957, declared a cash dividend of forty cents (40¢) per share on the Common Stock of the Corporation, payable on September 30, 1957, to stockholders of record on September 20, 1957. The Transfer Books will not be closed.

MICHAEL D. DAVID
Secretary

300 Park Avenue
New York 22, N. Y.

CDEP

INTERNATIONAL SHOE COMPANY

ISCO St. Louis

186TH CONSECUTIVE DIVIDEND

Common Stock

A quarterly dividend of 60¢ per share payable on October 1, 1957 to stockholders of record at the close of business September 16, 1957, was declared by the Board of Directors.

ANDREW W. JOHNSON
Vice-President and Treasurer

September 4, 1957

With Keller Bros. Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ronald N. Charland is now with Keller Brothers Securities Co., Zero Court Street. Mr. Charland was previously with Dewey, King & Johnson.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Marion E. Bradshaw has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Congress & Shelby Streets.

Watling, Lerchen Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — John D. Standish has been added to the staff of Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges.

DIVIDEND NOTICES

NATIONAL SHARES CORPORATION

14 Wall Street, New York

A dividend of twelve cents (12c) per share has been declared this day on the capital stock of the Corporation payable October 15, 1957 to stockholders of record at the close of business September 30, 1957.

JOSEPH S. STOUT,
Vice President and Secretary

September 9, 1957.

COMBUSTION ENGINEERING C-E

Dividend No. 216

A Quarterly Dividend of Twenty-Eight Cents (28¢) per share on all the outstanding stock of Combustion Engineering, Inc. has been declared, payable October 29, 1957, to stockholders of record at the close of business October 15, 1957.

OTTO W. STRAUSS
Vice-President and Treasurer

DIVIDEND

MANATI SUGAR COMPANY

106 Wall Street, New York 5

The Board of Directors has this day declared a dividend of Forty-five Cents (45¢) per share on the Company's $1 par value Common Stock, payable September 30, 1957, to stockholders of record at the close of business on September 20, 1957.

Payment of this dividend to holders of Certificates of Deposit and old First Mortgage Twenty-year 7½% Sinking Fund Gold Bonds, entitled to receive, upon the surrender of said securities, shares of the Company's $1 par value Common Stock, will be made when and if said securities are so surrendered and the stock issued in accordance with the provisions of the Plan of Reorganization confirmed by order of the United States District Court for the Southern District of New York, dated July 28, 1937.

JOHN M. GONZALEZ, *Treasurer*

September 9, 1957

Tri-Continental Corporation

A Diversified Closed-End Investment Company

Third Quarter Dividends

30 cents a share on the COMMON STOCK

67½ cents a share on the $2.70 PREFERRED STOCK

Payable October 1, 1957

Record Date September 17, 1957

Kenneth H. Chalmers
Secretary

65 Broadway New York 6, N. Y.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—A few days ago a widow in Almont, Mich., 45 miles north of Detroit, looked out over her fertile acres from the front porch of her white-framed home.

"A young man, out of high school, is cultivating the farm," said she. "For many miles around the automobile plants in the area are employing all available labor. Agriculture cannot compete with industrial wages. Perhaps the time is not far away when I will have to let the land go idle."

While the widow was talking, two boys still in high school drove up in a car to cut grass and weeds on the farm, before football practice. High school boys comprise the principal available "labor pool" for the community.

Here in the Nation's Capitol the economists and authorities are watching the changing pattern that is taking place at the Almonts across the broad land. The scarcity and high price of labor is resulting in a trend toward bigness and more automation on the farms, in manufacturing plants and industry generally.

The people who have been living close to the land, and the people who help to shape the affairs of the national government, are seeing some great changes taking place in the agrarian culture. While a new Ford car rolled off the assembly line at Dearborn, Mich., every 55 seconds for each of two eight-hour shifts each day last week, there was some less spectacular things taking place to overcome some of the loss of the 50,000-plus workers in the single Dearborn plant and the millions of other workers in other industrial plants all over the United States.

Increasing Productivity

Authorities at the Department of Agriculture report that the two-row field equipment, standard prior and during the early part of World War II, is now outmoded. Four-row equipment, which means that one man can cultivate nearly as much land as two could a few years ago, is now common. The latest trend is that four-row machines are giving way to six-row equipment.

The implement manufacturers are incorporating all technological improvements into machinery. Powerful tractors are pulling more and more attachments. This means fewer people are needed to till the land.

Many farmers would prefer to operate small, fairly simple tractors rather than a larger, more complicated tractor, according to agricultural department experts. Nevertheless, because of the high price of labor, the farmers are buying the higher priced machinery.

Larger Capital Outlays Forecast

Treasury Department officials and fiscal authorities generally are expecting the final quarter of 1957 to show an increase in the amount of new capital requirements. Expansions in industrial plants is continuing at marked rates despite the higher interest rates.

The outlook for business for the last quarter of this year appears as good or better than the corresponding period of 1956.

Labor unions are girding for still higher pay. Labor leaders, despite the black eyes some have received before the McClellan Investigating Committee, are expected to demand and obtain new wage increases. The shorter work week proposed by the United Automobile Workers, without a decrease in pay, has not been popular over the country. Three "workless days" in a week, over and above the normal holidays, is too much in the opinion of some economists.

Booming Southwest

The boom continues in most sections of the country. As an example there is such an industrial march of progress in the southwestern section of the nation, the Internal Revenue officials are taking cognizance of the tempo.

Federal tax collections in the southwestern region comprised of Louisiana, Texas, Oklahoma, Arkansas and New Mexico have shot up to $5 billion a year, a half-billion increase in the past three years. In Louisiana, for instance, internal revenue collections amounted to $660 million last year, an increase of $100 million over the past three years.

The Inter-American Highway

The Inter-American highway will be open in January for motor travel for 2,725 miles from Laredo, Texas, to San Isidro in Southern Costa Rica. By early 1959 the Inter-American highway from Laredo to Panama City and the Panama Canal, a distance of 3,179 miles, should be open. The distance from the Mexico-Guatemala border to Panama City is 1,573 miles.

Eventually the motorist will be able to drive from Alaska, down through Canada, the United States, Central America and on to Buenos Aires, Argentina. The highway is now open across Honduras, a total of 94 miles. It is surfaced with gravel, but is modern in design and may be traveled easily at all times.

The United States, through the Bureau of Public Roads, is paying two-thirds of the cost of completing the unfinished portions of the road from the Southern border of Mexico through the six Central American republics to the Panama Canal.

Although certain bridges will not be completed by January, controlled motor traffic will be permissible on a two-lane, all weather highway from the United States through Mexico, Guatemala, El Salvador, Honduras and Nicaragua to San Isidro, Costa Rica. Beyond San Isidro an impassable section of about 150 miles extends through rugged mountain terrain to Concepcion, Panama.

In Panama the road from Concepcion to Panama City totalling 302 miles is open at all times. It is a low-level route, and surfacing for most of the route is gravel.

U. S. Outlay

The United States has appropriated or spent $128 700,000 in the past 20 years toward constructing the highway. The six republics have spent or will spend $58,000,000 as their share of the cost, the bureau of roads said.

The highway from Laredo through Mexico to Comitan near the border, a distance of 1,600 miles, is paved. It passes through gray-green desert, subtropical valley, and solid green jungle, then climbs to Sierra Madre to Mexico City, 7,000 feet above sea level. Many thousands of American motorists are already familiar with Mexican highways from the border to Mexico City.

The International Highway is expected to play a major role in the future industrialization and the development of the natural resources of the Latin American Republics.

Mending Fences Time

All over the Nation most Congressmen have returned to their political bailiwicks mending and building new political fences for next year's elections. The home folk perhaps missed most of them while they were away for one of the longest peacetime sessions in history.

But not all Congressmen are missed by all the people. Indicative of this is what reportedly took place at Jasper, Ala., a number of years ago. Jasper's chief fame in bygone years has been the home of the Bankheads.

At the turn of the century John H. Bankhead, Sr., was United States Senator from Alabama. Subsequently, his son William B. Bankhead was Speaker of the House of Representatives, and another son, John H. Bankhead, Jr., was a member of the Senate.

Congressman William B. Bankhead had served his first session as Speaker of the House during the Roosevelt administration. Leaders of the town decided to give their distinguished fellow townsmen a great homecoming. Speaker Bankhead's internationally famous daughter, Tallulah, came back to Jasper for the occasion. The bands were playing and the flags were waving on Walker County's courthouse square.

"Sam, what is this here commotion all about," asked a Bankhead constituent from the hinterland of Walker County.

"Why, ain't you heard — Will Bankhead's coming home?" replied a fellow Countian.

"What's Will been," further inquired the inquisitive constituent.

[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

"Are you sure you only STAYED at the hotel?—I'd say you BOUGHT the hotel!"

Two With Marshall Co.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Magnus G. Brinkman and Mrs. Evelyn Heronymus have become associated with The Marshall Company, 765 North Water Street. Both were formerly with Central Republic Company.

Business Man's Bookshelf

Accounts Receivable Financing as a Method of Business Finance—Clyde William Phelps — Commercial Credit Company, 300 St. Paul Place, Baltimore 2, Md. —(Paper)—(Copies for student use made available to university professors without charge).

Arco Electron Linear Accelerator — Descriptive brochure — Applied Radiation Corporation, Walnut Creek, Calif.—(Paper).

Baruch: My Own Story—Bernard M. Baruch — Henry Holt and Company, Inc., Dept. FC-1, 383 Madison Avenue, New York 17, N. Y.—$5.

Corporate Profits in the Decade 1947-56 — George Terborgh — Machinery and Allied Products Institute, 1200 18th Street, N. W., Washington 6, D. C.—(Paper) $1.25.

Guide to State Retail Instalment Sales Act—New York State Department of Commerce, 112 State Street, Albany 7, N. Y.—(Paper).

Introduction to Statistical Reasoning — Philip J. McCarthy — McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y.—$5.75.

Office Management—13th annual bibliography of books, magazine articles and pamphlets dealing with office management subjects—National Office Management Association, 1931 Old York Road, Willow Grove, Pa.—$5.00

Report on the Conference on Communicating Economic Research — Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H. —(Paper).

Stock Market Behavior—William P. Sargeant [partner in J. A. Hogle & Co., Salt Lake City, Utah—Ed.]—Exposition Press, Inc., 386 Fourth Avenue, New York 16, N. Y.—(Cloth)—$2.50.

Story of Diamond Chemicals — Chemicals You Live By — Descriptive booklet on diverse chemical products for industry and agriculture—Diamond Alkali Company, Public Relations Department, Union Commerce Building, Cleveland 14, Ohio—(Paper)—on request.

Story of Wool—Up-to-date facts about world's oldest apparel fiber—The Wool Bureau, Inc., 16 West 46th Street, New York 36, N. Y.—(Paper)—10c.

Wage Price Issue—A bibliography — "Selected References" — Industrial Relations Section, Princeton University, Princeton, N. J.—(Paper)—40c.