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EDITORIAL

As We See It

A regional planning official in New York State last week expressed the opinion that further shortening of the work week would bring more leisure to the wage earner than all the gains of a like sort have brought him during the past generation. Upon this premise, he warned his associates that a very substantial increase in recreational facilities was to be regarded as a "must" in the immediate future. Whether this speaker is right or not about what is to take place in the next few years we, of course, have no way of knowing, but what he had to say in any event supplied, or should have supplied, some wholesome food for thought to all too many who have been taking far too much for granted in this matter of continually shortening the work week and in other ways limiting the output of wage earners, and at the same time increasing demand for goods and services.

So much is heard these days about output per worker per hour, or "productivity" as it is usually termed, that many who should know better tend to forget that increases in output per manhour may add nothing at all to a man's output per week or per year. The fact is that the unions constantly demand steadily rising weekly wages, and insist upon such changes in hourly rates of pay as will bring that increase. One of the shortcomings of current comparisons of wages and output is failure to set weekly or yearly wages over against output for a similar period.

But there are other aspects of this situation which are frequently overlooked, sometimes by the very elect. What the words of the regional planner should remind us of is the fact that the

Continued on page 26

Fast Growth Pace of The Chemical Industry

By MAURICE CRASS Jr. & MARJORIE CAMPBELL*

Respectively Secretary-Treasurer, and Assistant to the Secretary of the Manufacturing Chemists' Association, Washington, D. C.

Steadily advancing chemical production and sales in early 1957 promise, the authors hold, another record-setting year for the industry. Continued optimism for the long-term future is expressed in the projection showing "chemicals will continue as a 'growth industry' and that future developments and prosperity will dwarf those of the past." The writers note that the industry expects capital outlays in 1957 to exceed record-breaking 1956 and that the next two years should equal or exceed this record-breaking expansion. Report net profits for the first quarter were below last year's for the same period, and predict business in the second half of 1957 will increase by 10%, accompanied by improved earnings.

Chemical sales for the second half of 1957 are expected to exceed those of the first six months by approximately 10%, except for operations of seasonal nature. This favorable trend will be accompanied by an improvement in earnings, which should become more marked over the next two-year period. Emphasis on research will be increased, and a majority of chemical companies will approve augmented budgets for this purpose.

These and other findings were obtained from executives of 44 leading chemical companies who were polled for authoritative views on a variety of subjects pertaining to the present and future status of the industry. Forty responses were received—including replies from the eight largest companies. This material has been thoroughly sifted, and views on which an overwhelming consensus was established have been woven into the text. As costs continue to rise, there will be fewer of the traditional downward price adjustments which the

Continued on page 23

*From an article in the "Chemical and Engineering News," Sept. 2, 1957.

How Tight Is Tight Money?

By DR. MELCHIOR PALYI

Dr. Palyi exposes what he describes is a myth "of monetary controllers gallantly fighting the monster called Inflation . . . propagated by some economists of the Federal Reserve . . .", and four closely interrelated illusions. Reproves Federal Reserve Chairman for placing the blame of inflation on the doorstep of the Administration, and President Eisenhower for, in turn, shifting the blame to business and labor.

On all levels of civilization, men are driven by a subconscious urge to produce myths and to live by them. Legends fire the imagination of poets and warm people's hearts. But in politics, they are extremely dangerous, as illustrated by the Marxian saga of the automatic self-destruction of the capitalistic order, to say nothing of the one about the Germanic racial supremacy—invented by a Frenchman.

Dr. Melchior Palyi

The supposedly hard-headed financial community is by no means immune to visionary fits. Each time, economists provide the pseudo-scientific formula to the wishful fantasies of the day. Witness the popularity of Irving Fisher's Eternal Prosperity that should live forever as a reminder that undiluted nonsense can take hold of otherwise very realistic minds. The Keynesian variation on the Munchausen theme: raising oneself by one's own boot straps, is another illuminating example. And even Keynes would turn over in his grave if confronted with such Slichteriana as the forecast of a perpetual "slow" inflation of prices—in the midst of a boom.

A New Myth

Here we are now, in the process of "swallowing" another legend, the image of monetary controllers gallantly fighting the monster called Inflation, actually holding it at bay. This is dangerous because we may be lulled into the belief of being safely tucked in behind monetary defenses. On closer scrutiny, the strength of the myth, propagated by some economists of the Federal

Continued on page 34

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 38.

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

Several Sulphur Companies—Edmond L. Brown, Vice-President, Carothers & Co., Dallas, Texas. (Page 2.)

Peoples Gas Light & Coke Co.—Morris Peckman, Research Manager, Ladenburg, Thalmann & Co., New York City. (Page 2.)

EDMOND L. BROWN
Vice-President, Carothers & Company
Dallas 1, Texas

Several Sulphur Companies

Many investors owning sulphur securities are viewing the last two years' high compared to the current quotations of sulphur securities with a puzzled, jaundiced eye. There is no need to repeat the vast verbiage relating to the many uses of sulphur that has been in print since 1950.


Edmond L. Brown

Sulphur is a vital necessity in industrial expansion as well as in war conditions. In the post-war period, 1957 is the first year the sulphur producers have been able to increase the above-ground stockpiles from the dangerous six-month supply level to a present uncomfortable nine-month supply. Pre-war, the normal stockpile kept on hand by various companies was a 24-month supply.

According to an eminent group of chemical research economists, the world demand for frasch elemental sulphur should increase 70% by 1965, from 6.4 million tons demand in 1955 to 10.9 million tons in 1965. The demand-reserve ratio will be reduced from the present 15-year supply to a 10-year supply in sight by 1965 unless additional domes are discovered.

With the increased production from Mexico, the 70% world requirement increase can be met only if the present several large domes in the U. S. that account for 75% of the present world frasch sulphur production continue their present prolific rate of production. As of July 1, 1957, Boling dome had produced in excess of 49,000,000 tons of the total 121,887,909 tons produced by the frasch process from all sulphur domes since 1897 which is 40.2% of the elemental sulphur produced in the world.

There have been three great sulphur discoveries of magnitude in the world: Texas Gulf Sulphur Company's Boling dome, Pan American Sulphur Company's Jaltipan dome and the Freeport Sulphur Company's Grand Isle dome (Humble Oil's offshore discovery). Grand Isle, six miles offshore in the Gulf, is about four years away from production, with countless engineering and operating problems yet to be solved. There are about 290 shallow salt domes in the Texas and Louisiana Gulf Coast. Twenty-seven have indicated mineable sulphur reserves. Since 1924, 13 producing domes have been depleted and abandoned. The coming years will see many of the remaining abandoned.

A review of some of the statements made in the 1956 annual reports and the 1957 interim releases on these companies together with comments are as follows:

Texas Gulf Sulphur (TG)
(1956-57 Price Trend)

High	38¾
Low	22⅝
9/17/57	22⅞

The 1956 annual statement discloses such statements as:

"The company's production of sulphur during 1956 exceeded any other year in the company's history." "The gross revenues were the third highest in the company's history."

The 1956 earnings on TG's 10,200,000 shares were $2.81 a share. The first six months of 1956 were $1.09 per share. In 1956, TG added about 600,000 tons to its stockpile which is now approximately 2¼ million tons. This sulphur stockpile carried at a cost of $18,609,152 on the books is worth about $56,250,000. With this hidden profit in their stockpile and with their cash, securities and receivables, TG has about $100,000,000 in quick assets in the till. The main source of TG sulphur is the Boling dome which has produced in excess of 49 million tons of sulphur and is now producing about 2½ million tons a year. Perhaps this great dome will gradually be depleted over the coming years; however, on the plus side, one must keep in mind that, including the Fannett Dome plant now being built, TG has built sulphur plants on five sulphur properties in the postwar period. TG is continuing worldwide sulphur exploration on an enlarged scale in the Gulf of Mexico, Canada, Sicily, Italy, Alaska, Ethiopia and Mexico. The indications are that TG will be able to replace the Boling dome output, as it gradually declines, with new production. TG is now producing sulphur on its Nopalapa dome in the Tehantepec area in Mexico. While reduced profits are expected to continue for the near term, there is no question as to the company's long-range prospects as a substantial dividend payer and blue-chip investment. Stock listed on NYSE.

* * *

Freeport Sulphur Co. (FT)
(1956-57 Price Trend)

High	123
Low	86
9/17/57	101½

The President's report for 1956 states, "I am glad to report that our net earnings in 1956 established a new record for the 5th consecutive year." "Our production and sales of sulphur, despite more intensive competition for world markets were the highest in history." FT earned $5.35 net in 1956. The estimate for 1957 is $5.70 and future years should show a steady growth in earnings and dividends. The indicated dividend is $3 per share.

FT is truly a diversified world natural resource producer—Sulphur, Oil, Gas, Nickel, Cobalt and Potash in substantial quantities. FT also has a wholly-owned Mexican subsidiary now investigating possible sulphur properties and is making plans to enter the Mexican sulphur mining field in the fabulous Tehuantepec sulphur area of Mexico. FT, with its modest capitalization of 2,506,675 shares compared to TG's 10,200,000, is a ripe candidate for a stock split. (The stock was split 3-for-1 in 1951.) The Grand Isle discovery by Humble Oil Company in the Gulf of Mexico, which now belongs to FT, materially increases FT's future reserves. Humble Oil and Refining Company will receive half the profit from the Grand Isle dome. Estimating Grand Isle at 25 million tons, this could mean approximately a 100 million dollar profit for FT and the same for Humble Oil Company. FT is the

Continued on page 28

MORRIS PECKMAN
Research Manager
Ladenburg, Thalmann & Co.
New York City

Peoples Gas Light & Coke Company

In today's market, making the choice of a security carrying the dynamics of issues of the past few years, entails too great a risk to the investor. My choice of a security that would qualify in today's markets would be a first quality issue having defensive characteristics while offering a reasonable yield with a likelihood of gradual appreciation. Hence the selection of Peoples Gas Light & Coke, currently selling at 40, to yield 5% on a secure $2 annual dividend.


Morris Peckman

This company is an integrated natural gas system serving a population in excess of seven million in six mid-western states. Its primary market is the Chicago area. Through subsidiaries it owns pipeline facilities from the Panhandle and Gulf Coast areas to its points of distribution, and engages in exploration and development of oil and gas reserves.

Through the Natural Gas Storage Company (jointly owned by Natural Gas Pipeline and Texas Illinois Pipeline) the company controls extensive gas storage areas in Illinois. Chief subsidiaries are briefly described below. With the exception of Texas Illinois Pipeline, they are 100% owned by Peoples Gas.

Natural Gas Pipeline Company of America is a natural gas transmission system serving other utilities as well as Peoples Gas and extends from the Panhandle area to a point near Joliet, Ill. It also engages in oil and gas development through its subsidiary, Texoma Production Company, and produces approximately 35% of its gas requirements. Its wholly owned gas reserves are reported in excess of 1½ trillion cubic feet.

Texas Illinois Natural Gas Pipeline Company (70.6% owned) operates a system extending from the Gulf Coast area to Texas to points near Joliet and Volo, Ill.

Chicago District Pipeline Company connects the Natural Gas and Texas Illinois Pipeline with those of Peoples Gas.

Peoples Production Company, a wholly owned company, not presently contributing to earnings, was organized in 1954 for the purpose of developing oil and gas reserves. Soon after formation, the production company entered into an agreement with a group consisting of Sinclair Oil, Standard Oil of Ohio, El Paso Natural Gas and/or their affiliates, for the purpose of off-shore drilling and exploration in the Louisiana Coast area. The group, consisting of the three companies and Peoples Production, participate equally on a 25% basis.

Demand for natural gas in the

Continued on page 28

The Outlook for Business

By JOHN D. WILSON*
Vice-President, The Chase Manhattan Bank

New York City banker opines that stock market uncertainties have some basis in fact in view of the general leveling out of a still strong economy marked by divergent trends of slowly rising consumer and government spending and, on the other hand, flattering out of capital expenditures, and declines in housing and inventories. Doubts impending general adjustment of excess capacity in 1958 will be a drastic one; suggests, in the event of a turndown, a tax cut and a drop in the savings rate from 7% to 6%; and reviews positive factors favorable to crucial auto and housing sales. Mr. Wilson denies his views are bearish, in emphasizing the underlying strong supports in the economy, and avers we have passed the peak of the pressures on price in this current cyclical movement.

I believe as we look back over the past nine months we must all recognize that business as a whole has exhibited a marked tendency to level out. Yet it has remained remarkably strong in the face of adjustments in a number of lines. Gross National Product has continued to rise when measured in terms of current prices. We estimate that GNP today is running at an annual rate of about $437 billion—which compares with a rate of $426 billion at year-end. However, the great bulk of this increase merely reflects higher prices, and the tendency toward leveling out is very clear when one examines the movement of the GNP in terms of constant prices.

John D. Wilson

This tendency toward leveling out is even more evident in the course taken by industrial production. After reaching a peak of 147 in December of last year, the index of industrial production backed down to a low of 143 in April and has hovered around that area since then.

Now this leveling out process in 1957, just as in the earlier part of 1956, has been the result of divergent movements in different sectors of the economy. (see chart) Consumer spending has continued to rise, although at a slower rate through much of this year. Likewise, government expenditures have moved higher—indeed, more rapidly than most of us had anticipated. Government outlays currently are at a rate of about $88 billion, as against a rate of $83 billion in the final quarter of last year. Both the Federal Government and state and local units have shared about equally in this advance.

Flattened Out Capital Expenditures

On the other hand, spending by business on plant and equipment has flattened out, and housing starts have undergone a further decline. Starts this year are likely to add up to around 960,000 units —a fairly sizable drop from 1,-118,000 starts a year ago. But the principal adjustment in 1957—and the one that has been felt more widely than any other—has occurred in inventory spending by business. In the fourth quarter of 1956 business was adding to its inventories at a rate of more than $5 billion a year. By the first quarter of this year inventories were actually being reduced. While there has been some renewal of over-all accumulation since then — chiefly in retailing and petroleum—many firms have persisted in efforts to control inventories more rigidly. It has been this development which has acted to reduce steel operations to about 83% of capacity, which has induced weakness in non-ferrous metals, and which has even been felt in a number of consumer goods lines, particularly the appliances.

Actually, a drop of $5 billion or so in inventory spending represents quite an adjustment, and the economy has shown remarkable resiliency in bearing up as well as it has. Final demand has remained strong—on the part of consumers, government, and in capital expansion. Only in housing, as we have seen, has there been further weakness.

I might add, too, that the economy has received support from a very high level of exports. These have climbed to a record rate of $20 billion annually—a level which I am afraid cannot be maintained indefinitely.

Sees Eased Price Pressures

Before moving on I perhaps should say a word also about prices. There continues to be a great deal of talk about inflation, and the consumer price index has moved up more than 3% in the past year. Yet I believe we may have passed the peak of the pressure on prices in the current cyclical movement. With certain significant exceptions, industrial prices as a group have not advanced much in 1957—the first period of relative stability for this index since early 1955. Consumer prices often lag behind wholesale industrial prices, and I would expect a slower advance in the consumer category in the period ahead.

So much, then, for the situation at present. What about the future?

Continued on page 30

*An address by Mr. Wilson at the Annual Meeting of the Business and Economic Statistics Section of the American Statistical Association, Atlantic City, Sept. 11, 1957.

INDEX

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Are Prosperity and Stable Prices Incompatible?

By CARROL M. SHANKS*
President, The Prudential Insurance Company of America

Life insurance head lists and describes seven basic requirements necessary to insure both prosperity and stable prices. Admitting our economy has changed, Mr. Shanks points out, however, that basically the U. S. economy of 1957 does not differ from that of 10 to 20 years ago. Believes appropriate monetary policy should be applied more steadfastly and for a longer period, and that we should accept temporary price rise and unemployment periods in order to assure stable prices, *i.e.*, via periods of adjustment and compromise.

This is an opportune time to discuss our economic situation — a time when it should be thought about with all the understanding and insight we can muster. Of the many economic questions and problems facing us today, one of the most vital and the most difficult is whether it is possible, in a free enterprise economy, to have both prosperity and stable prices. We want a high level of employment, and we want stable prices—can we have both, or must we choose one or the other?

Carrol M. Shanks

Our economy today is rolling along on an unprecedentedly high plateau. The dollar value of all goods and services produced has reached a 435 billion rate, and it is possible that a 440 billion rate will be surpassed before the year is out. Employment stands at an all-time high. Total personal income is greater than ever before and is rising. We are steadily adding to our productive plant, and have embarked on the largest roadbuilding program in our history. Industrial output, after a mild slump earlier this year, is beginning to move ahead again, and retail sales, while not measuring up to some earlier expectations, are nevertheless ahead of last year. All of these things add up to a prosperity, *in dollar terms*, greater than we have ever known before.

Yet amidst all of this apparent well-being there is an undercurrent of uneasiness nad dissatisfaction—a feeling that we are not measuring up to the goals we had set ourselves. Despite the remarkable success during the postwar period in achieving one of our major economic goals—the goal of high employment—there is growing realization that we have failed miserably in the attempt to achieve our other major economic goal—price stability.

The Consumers' Price Index today is 50% above the figure at the end of World War II. During the past 16 months alone, the cost of living has risen over 4%. While most economic indicators have shown good dollar increases over the past year, the fact is that a good portion of these increases has not represented any real increase in output but has served simply to measure the declining value of the dollar. Retail sales are running 3% above 1956, yet when price increases are taken into account it is doubtful if unit sales have shown any increase at all. Private non-residential construction is ahead of 1956 by 6%, yet when it is recognized that unit construction costs are up over 5%, the gain in real terms almost disappears. It is estimated that more than one-half of the total increase in Gross National Product over the past year has been accounted for by price rises, so that our real output has gone up by about 2%, instead of the almost 5% increase indicated by the oft-quoted dollar figures.

In a perfectly competitive and perfectly mobile economy, the problem of rising prices would not be too difficult. It would be necessary only to cut down money demand to the point where the price rise was halted, yet employment remained high. In other words, the adjustment to the cut in demand would occur in prices, but not in output.

But, unfortunately, in our imperfect economy, a reduction in total money demand for goods and services may produce either of *two* different results: *First*, it is possible—but unlikely, if experience is a guide—that business and labor, seeing a diminishing demand for their output, might cease to demand higher prices and wages. The reduction in money demand for their products would then result in no curtailment of output but in a definite curtailment of inflation. The *second* and more likely result is that both business and labor might continue to press for higher prices and wages regardless — in which case the reduction in money demand would result only in declining unit sales, rising inventories, a fall-off in production, and eventually in rising unemployment — without curing inflation.

It is this second situation which has led many well-informed observers to conclude that, given the rigidities of the real world, it is unlikely that a high level of employment can be maintained without subjecting the economy to chronic inflation. Some of these observers hopefully look for what they term a relatively small amount of inflation—perhaps 1 or 2% per year compounded — but they are all agreed that though the erosion of the dollar may be slow it will nevertheless be steady and will be the price which must be paid for high employment.

Recently, this same argument has appeared in new form under the name "the wage-price-spiral." It is argued that, historically, inflation was caused by too much money chasing too few goods, and that this type of inflation, called "demand inflation" or "money inflation," was susceptible of control through orthodox monetary and fiscal measures. But the new type of inflation, so it is said, stems not from the demand side but from the cost side. Unions push for wage increases in excess of productivity improvements, and businessmen pass these higher costs along, with a percentage take for themselves, in the form of higher prices. Prices are set not by money demand but by the cost push, and as a consequence inflation cannot be halted by an orthodox curbing of money demand. In fact, if an attempt is made to curb inflation in the traditional way, the result will necessarily be unemployment since both labor and businessmen will choose to accept less output rather than lower wages and prices.

All of this could be dismissed as a theoretical question of no particular urgency were it not for the fact that the postwar history of the economy tells us that we have in fact been facing the situation envisioned in these arguments and we have in fact chosen to sacrifice price stability to high employment without any real attempt to discover whether it might be possible to achieve both major economic goals. During 1955 and the first half of 1956, we experienced a brief period of high employment and stable prices. But since the middle of 1956, prices have once more moved upward and the situation facing us today is an almost perfect example of inflation with less than full employment of our resources.

The practical questions which we must answer today are therefore these:

(1) Are we willing to resign ourselves to a steady year-after-year destruction of the savings of our people, and to an impoverishment of all those on fixed incomes or unable to keep up with the bargaining race?

(2) Are traditional monetary and fiscal controls adequate to the type of inflation we are now experiencing?

(3) Is a high level of employment incompatible with stable prices? Specifically, should the Federal Reserve now move to an easy money policy in order to ensure full employment even though prices are rising?

Have We a "New" Kind of Economy?

The place to start, it seems to me, is to question the widely held opinion that the U. S. economy of 1957 is basically different from the U. S. economy of five, ten, or twenty years ago; I don't think it is.

The economy has, of course, changed. And some of the changes are important. It is undoubtedly true, for instance, that the growing strength of labor unions has made the economy less flexible, and less adaptable, and therefore less responsive to changes in fiscal and monetary policy. It is quite possible that labor monopoly today constitutes as serious a threat to the proper allocating mechanism of the free enterprise system as did business monopoly at the turn of the century. But I do not believe that these recent institutional changes are the main cause of the slower response of the economy today to monetary and fiscal measures. The main cause, it seems to me, is a psychological rather than an institutional one.

Quite apart from changes in its institutions, a free enterprise economy experiences great swings from time to time in the degree of its sensitivity to outside influences. There are times when the economy can be turned upward or downward by so ephemeral a thing as the casual remark of a prominent businessman or government official. A Treasury Secretary can speculate on a depression "that will curl your hair," and you can hear the hatches being battened down all over the land. There are other times, however, when the severest application of government controls will have no immediate effect in moving the economy from its course. At the bottom of a depression, for example, a monetary policy so easy as to drive interest rates down close to zero may be quite ineffective in stimulating additional investment because the psychology of the business community has become so adverse that it can no longer envision the possibility of a business recovery. Similarly, at the top of a boom, business may become so confident that extreme monetary pressure may be required to restrain additional investment.

At present, following ten years of almost continuous boom, confidence among consumers and labor and businessmen is so strong that prices may continue to rise for a time even though total money demand is held very tightly in check. During the past year, the Federal Reserve has permitted only a fractional increase in the money supply, with the result that final demand for goods and services has moved ahead rather slowly and excess capacity has begun to appear in a number of industries. Yet wages and prices have continued to soar as rapidly as ever. This does not mean that the economy has suddenly become something quite different from what we had known before. It simply means that we have had so many years of continuous boom that the economy has become relatively insensitive to external pressures. Labor is so confident of continued strong demand for its services that small pockets of unemployment here and there are not frightening and are no deterrent to new wage demands. Businessmen are so imbued with the philosophy that next year's sales will be still better that they have lost their sensitivity to consumer irritation at rising prices. It is not too unusual today to see an industry with excess capacity and relatively high inventories granting substantial wage increases and announcing subsequent price increases. The point I wish to emphasize is that the wage-price-spiral does not stem primarily from some new element in the economy, but simply from an excess of confidence.

Under these circumstances, the job of preventing inflation and at the same time preserving prosperity is, of course, more difficult, but it is also more imperative. Confidence is vital, but over-confidence can lead not only to all the injustices of inflation but also to a subsequent serious business reversal.

A Monetary Policy for Today

What, then, is the appropriate monetary policy at present? It seems to me that the appropriate policy today is not to conclude that, inasmuch as prices are rising, traditional controls are ineffective, but rather to recognize that under present circumstances those controls must be applied more steadfastly and for a longer period. Both labor and business must be convinced that the monetary authorities will not always validate every increased cost and increased price which they may wish to pass along to the consumer. Putting it bluntly, some of the super-confidence must be shaken out of the boom.

It is, of course, easier to talk about high employment and stable prices than to achieve them. It may well be asked, for example, whether the present tight money policy which is designed to halt inflation does not run the risk of producing some unemployment and possibly even plunging us into a recession. I believe the tight money policy does run such a risk. But this simply means that our policy is difficult of implementation; it does not mean that it is wrong or impossible. It means also—and I should like to emphasize this point — that if we are really sincere in our desire to achieve both prosperity and price stability, *we must be willing to accept short periods of price rise in order to ensure high employment, and also short periods of temporary rise in unemployment in order to ensure stable prices.* In other words, in the real world there are bound to be periods of adjustment and compromise.

At the present time, after over a year of substantial price rise, I believe that we are justified in maintaining a tight money policy, even at the expense of causing some decline in profits, and even at the risk of a temporary rise in unemployment. For what is the alternative? Is it in the interest of labor, or management, or the consumer that the real value of wages be continuously eroded through the steady rise in the cost of living? Is not a temporary easing in the pace of the boom pref-

Continued on page 27

*An address by Mr. Shanks before the Economic Club of Detroit on Sept. 16, 1957.

Observations . . .

By A. WILFRED MAY

UNFILLED STOCKHOLDING RESERVOIR

Midst the wealth of commentary on the bulwark to stock buying power constituted by pension and mutual fund types of institutional investor, the vast potential from the life insurance industry is generally overlooked. Despite the increasing "legitimization" of the equity share, it is revealed by the currently issued *Life Insurance Fact Book* for 1957 that whereas the life companies' holdings of common stocks have since 1952 risen from $820 million to $1,900 million, they still comprise only 2.1% of these institutions' gigantic asset total of $96 million. So, despite the seemingly adament anti-stockmindedness of some of these institutions, as the Metropolitan, it is evident that an enormous closable common stock void exists. And this should become even more effective with the market's decline. For the accompanying higher yields afford the opportunity for amortizing the capital invested as an advantageous investment proposition, and in comparison with the institutions' housing and realty projects.

A. Wilfred May

* * *

VALUE vs. PSYCHO-ANALYSIS

The volcanic reversals and general irritationality of the atmosphere surrounding the market's recent performances may seem to call for diagnosis by the psychorather than the security-analyst. However, and for the reassurance of those who feel that the psychology of the crowd is unfathomable, we offer the comforting fact that the current market offers opportunities for the businesslike use of their capital—on the yardstick of the hard-boiled *value* components. For example, the buyer's receipt over the coming 25 years of an *average* dividend yielding 7½% on the price presently paid, will completely amortize the capital invested after compensating for the use of the money. Thus, annual receipt of 4% (1/25 of 100%) plus the 3½% rental value of the capital, will recoup the investor's entire stake, leaving, as clear profit, his equity in the property remaining at the amortization's termination period.

Surely at today's prices many issues give reasonable assurance of throwing off such 7½% *as the annual average over the long-term.* Following are some stocks listed at random from the present market's many issues giving current yields that are well-secured and might provide the prospect for such adequate amortization over the long-term (of course, no recommendation regarding absolute or comparative desirability of any of these specific stocks is implied).

CURRENT YIELD	
Allied Stores	7[illegible]%
American Metal	6¾
Anaconda	7½
American Tobacco	7½
Columbia Gas	6
Great Northern	7¼
Kennecott	8¾
Manhattan Shirt	6¾
Niagara Mohawk	6¼
N. Y. Airbrake	6½
United Merchants	7½
J. P. Stevens	7¼
Gimbel	6¼
Hecht	7½
Borg Warner	6½
Texas Gulf	8
Swift	7¼
Southern Railway	7¼
United Fruit	6½
White Motor	6¼
Walgreen	6½
Western Auto	6½

These issues are outside the Blue Chip category, where the amortization provision can be less stringent in the presence of prospective progressive growth in earnings; and outside the category of companies selling near their realizable liquidating values, as banks and insurance companies; and also other issues selling below their real break-up values — in the case of all of which the complete amortization of the capital invested would surely give the purchaser an uncalled-for "break."

It is not possible to glean current amortization on the "growth" stocks out of prospective dividends. But where the growth is real, this is unnecessary. On the stocks in the Dow Jones Industrial Average the dividend yield is 4.77%, and the earnings yield 8.4%; indicating the public's confidence in at least the invulnerability of the earning power.

* * *

NEW BOND COMPETITION

The Treasury's announcements simultaneously released last Friday, of the unsatisfactory Savings Bonds sales and redemption showing in August, and the terms of its new bond, note, and certificate offerings, highlight the further difficulties which the sophisticatedly-held H Savings issues will encounter in future months. For not only do the newly-offered open market issues carry, at 4%, a higher yield, current and to maturity, but the new notes maturing in 1962 (following last month's 4s of 1961-1959) will poach on that hitherto unique attraction of the Savings Bonds, in also affording a before-maturity redemption privilege to the bondholder (in lieu of the call feature existing in bond contracts which exclusively favors the borrowing issuer).

An additional advantage in the redemption feature of the "2½x 5s" giving the holder the option of a 4% return for either 2½ or 5 years, is the earlier redemption date's guarantee to the holder against any drastic before-maturity depreciation of his investment.

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FROM OUR "OTHER-SIDE" DEPARTMENT

Continuing good factual reports highlight retail trade as another major item on our other-side-of-the-bearish-coin. The new Federal Reserve data reveal that retail sales, seasonally adjusted, have advanced in each month since May, with department store business at a new high in July. Such timely statistics are coming forth against the background of the steady emergence of "the distribution sector as the economy's largest generator of income." *The Study of Consumer Expenditures* currently conducted by "Life" magazine shows the average U. S. household's 1956 expenditures on consumer goods and services at a new high of $4,110; with the groups composing this demand exhibiting a striking degree of homogeneity. The Commerce Department yesterday reported a further rise in personal income in August by an annual rate of $1,000,000,000.

Let the investor in retail stocks who is worried over the trickle-down of volume to net-per-share recall the favorable results of past deflationary periods; as in the early 1920's when declines in the prices of the goods bought, including distress merchandise and excess inventories, gave the astute retailer the opportunities to increase profit margins.

* * *

THE REAL BARUCH

The public's impression of Mr. Baruch's writings, accentuated by efficient promotion of his current best-seller "My Own Story," is unduly tying him to supposed "revelation" of how-to-beat-the-market. This concept (belied by the volume's references to social questions as the Negro problem, and, in its final chapter "The Years Ahead," to philosophy on national and international questions ranging from domestic wartime economic management to the implications of the bomb and missile) should be set right with the public by Mr. Baruch's following volume, which he is now writing, covering his life after World War One.

A preview of such constructive aspects is obtainable from re-perusal of his lectures before the City College of New York in 1954 and published as "A Philosophy For Our Time" by Simon and Schuster. There he offered a seven-point program of adjustments to protect our national security; and explained how, in politics, in economics, in our way of living, and in education, we can create new opportunities and keep old freedoms. Basic thereto, "BMB" traces a fine balance between interventionism and the free market. On the anti-government side, on the one hand, he said: "No form of government—whether it be socialism, communism, fascism or some ism not yet heard of—in itself can solve man's problems. Government is only an instrument for regulating society. A limited democracy—the political form we live under—is bound to have its faults since none of us who make up this democracy is perfect. But this democracy has given each of us the opportunity to better his own condition by his own striving—and more than that no government can give us."

Accompanying this anti-statism plea he gives the following stern warning: "The test is not one of faith but of performance. It will not be enough to demonstrate that we believe in self-government. We must succeed in making self-government work; first by thinking our problems through, and second, disciplining ourselves to whatever actions may be necessary."

Also contributing to the coming Baruch literature, and presumably in the non-ticker area, is a volume about him, "Mr. Baruch," by Margaret Coit to be published by Houghton Mifflin in November.

N. Y. Fin. Writers To Hold Dinner

The 16th annual dinner and show of the New York Financial Writers' Association will be held on Friday evening, Nov. 15, it was announced by Raymond L. Hoadley, President.

Leaders of business and finance will join key figures in government and labor to dine and view the production of the "Financial Follies of 1957," in the Grand Ballroom of the Sheraton-Astor Hotel. Mr. Hoadley pointed out that subscription books will close on Monday, Oct. 14, the deadline for acceptances.

J. A. Friedman Co. Formed

Joseph A. Friedman Co. has been formed with offices at 6 Harrison Street. New York City, to engage in a securities business. Partners are Joseph A. Friedman and E. Friedman.

The State of Trade and Industry

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

The steel trade last week made modest progress moving slowly but steadily forward. This week the automotive industry is at the height of its factory shutdowns for 1958 model change-overs, but according to "The Iron Age," national metalworking weekly, overall orders from the automakers are still not up to what the mills had expected for this time of year. Two of the Big Three auto companies, it adds, "are showing more signs of life" with "the third still dragging its feet."

Reporting on retail trade, a National Retail Dry Goods Association survey reveals that a great majority of the storekeepers expect business to exceed that of a year ago. It adds that about 70% of the merchants contend that business will be 3% better than a year ago for department and specialty stores; about 22% feel that it will be the same as a year ago and only 8% expect it to decline.

It further notes that the entire retail group, which includes automobile and appliance dealers as well as department, specialty, chain and mail order houses, is enjoying business about 7% better than a year ago.

The current employment situation shows that temporary layoffs in the auto industry accounted for much of an increase in unemployment pay claims in the week ended Sept. 7, the United States Department of Labor reported.

The number of new claims rose 26,900 from the previous week to 217,000. A year ago, the figure was 205,500.

The largest number of new claims was in Michigan, where auto plants are changing over to new models. Twenty-eight states reported increases in new unemployment claims, the Department declared.

Insured unemployment was down 51,500 from the previous week to 1,088,300. Forty states reported declines. In the week ended Sept 8, 1956, the total was 994,200.

In a separate report, the Labor Department said unemployed workers drew $1,500,000,000 in jobless pay benefits in the 1957 fiscal year ended June 30.

The average weekly number drawing unemployment compensation in the year was 1,117,600, but a total of 5,012,900 got one or more payments, the agency stated.

The number of claimants was up slightly from the million weekly average and 4,500,000 total in the previous fiscal year. Payments in that year totaled $1,300,000,000.

The department added that the total amount of state reserves available to the states for paying unemployment benefits rose $271,000,000 to $8,514,600,000 in fiscal 1957.

The steel industry's continuing expansion is helping to keep its customers in the driver's seat, "The Iron Age," national metalworking weekly, reported on Wednesday of this week.

The rapid growth of steelmaking and steel finishing capacity is an important factor in the present market. It explains why steel users are able to call the tune in most products while chewing up tonnages at a possible record pace this year.

"The Iron Age" points out that actual steel consumption this year may set a record, or at least hold to a level comparable with 1956. A consumption figure of 84,000,000 finished tons is usually mentioned. This would include steel used from inventory, which is another big factor in this year's market.

The metalworking weekly declared that steel users are taking advantage of increasing capacity to cut their own costs. They are able to hold down their inventories because they know the steel will be there when they need it.

In a special survey of steel's expansion and modernization plans, "The Iron Age" found that by 1959 industry capacity will be up about 12,200,000 tons over this year. This means that steelmaking potential will be around 145,600,000 ingot tons, an increase of nearly 60% since 1947.

The industry this year will spend a record-breaking $1,700,000,000 for new steelmaking and finishing capacity. Since 1947, producers will have spent nearly $10,000,000,000 to keep pace with their expanding market.

How much new melting capacity will be brought in this year

Continued on page 36

Ther ıpeutic Chemicals

By DR. IRA U. COBLEIGH
Enterprise Economist

A specialized treatment in capsule form of some major companies whose profitability derives from promoting our health by tranquilizers, vaccines or vitamins; and combating illness by antibiotics, steroids and "Meti" drugs.

Pause to reflect for a moment upon what a nerve racking world we live in. Such age old standbys as a cigarette, a cocktail, a cup of coffee, an aspirin or a cat nap no longer serve to soothe our torrid tensions. Something new has been added — tranquilizers. This is not just conversation or an idle word, but big business ($160 million this year.) Look at the selection — Thorazine and Compazine by Smith, Kline and French; Sparine and Equanil by American Home Products; Miltown by Wallace Laboratories; Atarax by Pfizer; Trilafon by Schering; Ultran by Eli Lilly; and no doubt a half dozen more now being researched. These cover the whole gamut of quieting us down from mild emotional or mental jitters all the way to severe psychosis.

Ira U. Cobleigh

But my stint here is not philosophically to reflect upon the atomic-age tensions that beset us or to prescribe remedies for same but to cite some of the elite ethical drug companies whose common shares have proved such good long-term investments as to promote financial peace of mind. Insulation against investment worries is, in itself, a lovely therapy!

Our comments will be limited to nine major companies. (There would be 10 but we cannot easily isolate the Lederle Division of American Cyanamid from the total operations of that renowned enterprise, whose stock we have consistently favored.)

The nine selected are Abbott; American Home Products; Eli Lilly; Merck; Parke Davis; Pfizer; Schering; G. D. Searle; and Smith, Kline and French. (Upjohn belongs here too but its stock is very closely held and sells above $1,100 a share—and we prefer to discuss broad-market securities.)

Abbott has been a dependable performer. Its stock now around 45½, six points below the year's high, is of interest by virtue of the well covered $1.80 dividend, its important position in feed additives, antibiotics and its specialty, Sucaryl. For 1957 we expect Abbott to attain a new high in gross, and a net of $3.25 a share, 45 cents above 1956. On a price/earnings basis, Abbott is one of the cheapest pharmaceuticals, and its profit margin is widening this year.

American Home Products has been a magnificent market performer, this past year and its common, now 158, has been most responsive to the good news found successively in its earning statements. Almost 50% of gross sales here (above $150 million annually) are in ethical drugs including Equanil, and a broad line of antibiotics and vitamins. Per share 1957 earnings of $10 or more are expectable here with a dividend payout totaling perhaps $5.75.

Eli Lilly we wrote about at some length in this column on July 25 last. The stock looked good then at 70 and we see nothing to cause a change in viewpoint today at 71. Current indicated dividend of $1.80 compares with estimated 1957 net per share of around $4.45. Progress this year is good and long range potential of Lilly is regarded as very favorable by a number of chemical stock analysts.

Merck is big, broad and aggressive, spending around $12 million a year in research in the pharmaceutical products and markets of the future. It ranges over antibiotics; vaccines (it is one of the six producers of Salk vaccine, and one of six to produce vaccine for Asiatic flu); vitamins and plant growth stimulants including the exciting new one Gibberellic Acid. Merck seemed to be in a plateau a couple of years back but has now reassumed a dynamic look. Stock sells around 40. Pays $1 probably with a year-end extra against per share net (1957) indicated at about $2.10.

Parke, Davis & Co. has been providing, among other things, stockholder contentment for years. For 79 years without interruption it has paid cash dividends, the current rate being $1.80 plus a 15 cent extra. Sales at Parke Davis have doubled in the past decade, and we look for sales to rise this year close to the $150 million mark, and anticipate a per share increase from $3.59 last year to $4.20 for 1957. A hardy perennial, that blooms brighter as the years go by. It is another maker of Asiatic flu vaccine.

Another veteran in the drug business is Chas. Pfizer & Co. Inc. One hundred and eight years old, Pfizer has paid regular dividends for the past 50 years, increasing them in each of the past six years. It scored "wonder drug" firsts with Terramycin and Tetracyn, and its tranquilizer, Atarax is going very well. Sales should cross $200 million this year for the first time and per share net should expand by at least 75 cents a share to $3.70 or better. Dividend for year $1.75, with a possible extra. Stock sells around 57—rather cheap on a price/earnings ratio basis.

Schering has been glamorized this year by its continued success in "Meti" drugs, its new tranquilizing drug Trilafon, and the heavy buying into the company by Revlon. At 73, paying $2, the stock seems to have discounted fairly well its near term prospects, with 1957 indicated per share gain of only about 20 cents over last year, to around $6.25. We would certainly not list this issue as a suitable medium for short selling, however.

G. D. Searle which gained the spotlight some years ago with its introduction of Dramamine and Banthine, now has a new diuretic, Rolecton, and an oral anti-fertility drug, plus Nilevar, a "tissue builder." A total sales increase this year of between 7% and 10% is expectable here, and probably a 10% rise in per share net to $1.65. Stock is down 15 points or so from year's high and now sells (Over-the-Counter Market) around 43 with a $1 dividend.

Smith, Kline & French net results for this year will probably show but little change from 1956, probably a few cents a share improvement. While Thorazine sales have stopped expanding, the new tranquilizer, Compazine, may deliver $10 million gross this year. Stock at 65 (Over-the-Counter Market) with a $2 dividend may be viewed as a desirable equity for the long haul, although devoid of any immediate earnings' pyrotechnics.

The quite amazing thing about the foregoing group of drug chemicals is that in each instance there should emerge an advance in sales, an advance in net earnings, and in most cases some dividend increase this year. When you look at some of the soggy earnings figures now coming in from many other industries, this group stands out with shining luster. Moreover, the market decline in this group has been much less acute than in such as machine tools, coppers, steels and aircrafts.

The steadily favorable earnings results of these pharmaceuticals, the increasing number of diseases being conquered by products from their laboratories, and the fact that people pay for remedies and health builders quite without regard to general economic conditions—all these factors plus our growth in population give this ethical drug industry an unusual combination of growth potential and resistance to depression. We regard most of these shares as long-term financial tranquilizers.

Form First Secs. Corp.

FT. WAYNE, Ind.—First Securities Corp. has been formed with offices in the Lincoln Bank Tower to engage in a securities business. Officers are Richard C. McBride, president; Robert W. Harper, vice-president; and Robert E. Meyers, secretary and treasurer. All were formerly with Patterson Securities & Investment Co., Inc., of which Mr. McBride was an officer.

Form Gen. Stock Options

General Stock Options Corp. has been formed with offices at 333 West 86th Street, New York City to engage in a securities business. Officers are Marcel Wortmann, president, secretary and treasurer; Robert Wortmann, and Constantine Culianos, vice-presidents.

J. F. Lynam Co. Formed

CLAYTON, Mo.—J. F. Lynam & Co., Inc. is engaging in a securities business from offices at 111 South Meramec. Joseph F. Lynam is president and treasurer. He was formerly with Hugh W. Long & Co., Inc.

J. S. Rutley Opens

WASHINGTON, D. C.—Joseph S. Rutley is conducting a securities business from offices at 4301 Connecticut Avenue, N. W.

Is It Administered Pricing That Threatens Our Economy?

By EDWIN G. NOURSE*
Former Chairman, Council of Economic Advisers
Economic Consultant, Washington, D. C.

Former head of Council of Economic Advisers traces the evolution of capitalism to its present day form, and concludes there must be a pragmatic reconciliation or working compromise by Big Business and Big Labor "if we are to continue the march of our national prosperity on an acceptable level." Mr. Nourse lectures management on its unwise flight into "managerial prerogatives" when confronted by labor's "intellectual" approach. Recommends the use of professional economists, business, and government experts, in obtaining objective fact in order to develop labor-management basic solutions. Prefers broadening the current study of administered prices to one on administered Big Business and Big Labor resources, and disagrees with Sumner Slichter by asserting we have a modified or laboristic capitalism, not a laboristic economy.

The recently sharpened concern lest inflation may disrupt the forward march of our postwar prosperity or the growth-with-stability which was envisioned in the Employment Act of 1946 has raised anew the issue of monopoly (to use the narrow phrase) or concentration of economic power (to use the phrase made popular by the TNEC of the 1930's). The Banking and Currency Committee of the House has approached the problem of economic control from the monetary angle. The Senate Committee on the Judiciary has approached it from the legal angle through its Subcommittee on Antitrust and Monopoly. The Joint Economic Committee has skirmished with it over a broad front, both in general hearings on successive *Economic Reports of the President* and through the special studies of some of its subcommittees. Quite recently, this committee's concern about inflation has prompted it to instruct its staff to plan "a broad study of the factors affecting prices and price-making." This is an assignment of staggering scope and baffling vagueness—much in contrast to the Senate Subcommittee's focusing of its inquiry on the specific phenomenon of "administered prices."

Edwin G. Nourse

Personally, I am disposed to suggest that an inquiry much narrower than the whole gamut of "factors affecting prices and price-making" and considerably broader than the technical issue of administered prices would promise more help toward the understanding and control of inflation and toward the stabilization of prosperity. Such a central point of inquiry seems to me to be the question of where the power to administer the productive resources of the nation resides or how it is distributed. Some such defining of the issue now confronting our economy I undertook as the first witness called in the initial and exploratory hearing of the Senate Subcommittee on Antitrust and Monopoly. As a first step I suggested that, under modern conditions of Big Labor, wages are administered quite as truly as are prices. To quote:

"It is my belief that the processes of price-making and of wage-making are so intertwined in the modern industrial world that neither can be effectively analyzed in isolation from the other. I believe also that the phenomenon known as monopolistic competition or administered prices manifests itself in essentially similar ways and with essentially similar consequences in the two cases.[1] The distinctive feature of an administered price situation is that prices, instead of being registered automatically by the interaction of supply and demand forces [of many small producers and consumers] in an open market, are formulated in executive offices as matters of operating policy or economic planning by officials of corporations or unions who, through control over blocks of capital resources or labor resources. have considerable power to implement the price schedules they adopt."

With that propostion as a foundation, I proceeded to take the further position that it is this power to implement such policy decisions through the administration of economic resources at centers of policy-making that constitutes the really significant issue of concentration of economic power. This issue, I believe, lies at the center of the problem of full employment or economic growth-with-stability in the uniquely American way of economic life that we are evolving. "Administered resources" might be a better formulation than administered prices.

You will note that I put my statement of the process of evolution in the active, not the passive voice. For, while technological progress and other exogenous or endogenous factors condition the development of our economic institutions and practices, we ourselves have considerable power, to decide how we shall adapt our actions to these forces, adjust old institutions to new situations, remold the mores of producers and producers, and invent new devices for maximizing the material wellbeing of our society. To say this is not to mark myself as a fugitive from the hope of making economics scientific or as a presumptuous invader of the field of abstract philosophy with its age-old controversy between free will and determination. It is simply to take the modest role of reporter of the current economic scene and to proceed from empirical observation to realistic analysis of the actual process of today's price-organized industrialism.

As this process is developing, we are modifying our traditional capitalistic system, with profound changes not only in the degree of control which various parties are able to exercise over the course of business but also in the manner of its exercise. These changes need to be evaluated in terms of their consequences upon the trend

Continued on page 32

*An address by Mr. Nourse before the Western Economic Association, Salt Lake City, Utah, Aug. 28, 1957.

1 As matters developed, the Chairman, having seen my paper before the hearing opened, included wage making in his opening statement of the purposes of the investigation.

Not All Railroad Stocks Follow the Same Pattern

By HERBERT F. WYETH*
Research Department, Shearson, Hammill & Co., New York City

The pitfalls of generalizing about railroad securities are exposed by expert rail security analyst who contends "that by no means are all railroads falling behind in the race." Mr. Wyeth asserts many railroads this year are expected to report all-time peak earnings which cannot be said for many industrial groups favored with greater investment popularity than the rails. Names rails preferred at this time on basis of earnings prospects, speculation and price potentialities.

There has been considerable negative, and in my opinion loose, thinking and talking about railroad securities in recent months I would like to start out my remarks with the thought that at least so far as investments are concerned there is no absolute — everything is relative. The operating performance or the earnings record of an individual company, and the status and prospects of an individual stock must, in our business, be measured against other companies and against other stocks. As a practical matter I think I may safely say that under present conditions no matter how bearish one may be, one would not likely have clients in a completely liquid position—cash and/or high grade bonds. Realistically, 90% of the clients would not long remain in a completely liquid position — they would go find another advisor or broker. Aside from this perhaps somewhat cynical "facts of life" approach, it would appear suicidal to ignore equities in an investment portfolio in view of the underlying, and presumably permanent, inflationary pressures, our basically dynamic economy, our strong population growth trend, and the constant seeking of a higher standard of living.

Herbert F. Wyeth

Regardless of our individual immediate feelings it seems almost certain that our clients will have some representation in common stocks, whether it be 30% of the portfolio for the outright bears or 100% for the arrant bulls. In determining which issues shall make up the common stock portion of the portfolio we have only relative values and relative prospects to guide us — the stock of company "A" selling at 10 times earnings is attractive for purchase only if stocks of other companies of similar caliber, and with similar prospects, are selling at the same or higher price-earnings ratios. If the stocks of companies of similar caliber and with similar prospects are selling five or six times earnings then the stock of company "A" is not attractive. This is over-simplification but illustrates the point that it is all relative. It is against this background that I would like to pose my constructive attitude toward selected railroad stocks.

We hear a lot about the damaging affect of inflationary influences on railroad earnings and on railroad credit. It is argued that as a regulated industry the railroads have difficulty in raising rates quickly as costs go up, and that competitive pressures make difficult the maintenance of the higher rates once they have been authorized. There is no question but that inflation has hurt the railroads and that there has generally been a serious time lag in instituting compensatory higher rates. But profit margins in virtually every industry have been pared by the constantly mounting costs. Relative to other industries have the railroads really lost substantial ground? On the basis of available statistics this would not seem to be the case, at least in recent years.

Reveals Better Profit Record

Except for a temporary recovery in 1955 the trend of general corporate profit margins has been steadily downward since 1950. The extent of the decline in that period is evident from the following figures, derived from statistics of the Federal Reserve Board covering 200 manufacturing companies, representative individual industrial groups, and railroads. The profit margins for 1950 and 1956 are after all charges but before Federal income taxes.

	1950	1956	Drop
200 mfg. cos.	17.9%	12.9%	5.0%
Non-durable goods	13.1	14.0	4.1
Durable goods	17.7	12.3	5.4
Machinery	16.8	9.6	7.2
Automobiles	19.5	12.0	7.5
Railroads	14.6	12.0	2.6

During this period of steadily rising costs the profit margin of the railroads has declined relatively less than any other of the groups covered. In our business, of course, we do not measure profit margins this way but on the basis of net operating income before Federal income taxes. Calculated this way the railroad profit margin dropped from 17.3% in 1950 to 13.9% last year. Even on that basis the profit margin decline was less severe than for the companies used in the FRB industrial figures. I think there is a tendency to overplay the inflationary angle with respect to railroads because of the marked inability of some of the units in the industry to make headway. What is often overlooked is the even more marked ability of some of the carriers to surmount the difficulties presented by rising costs.

Overstated Earnings

Another aspect of railroad earnings that has been given a lot of publicity during the past year or so is the earnings overstatement due to tax deferrals arising from accelerated amortization. Here again, it is my contention that the matter is relative, and each case should be examined and evaluated on its own merits. For some roads the tax deferral represents a fairly large proportion of reported earnings whereas for others it is relatively unimportant. Last year, for instance, tax deferrals represented only 8.5% of Nickel Plate's reported earnings and only about 13% of Denver & Rio Grande's. Others went close to, and even above, 30%. Moreover, these benefits are not to be totally lost unless ICC accounting procedures are changed. The railroads now get similar, although mostly on a considerably smaller scale, benefits through the use of sum of digits or declining balance methods of equipment depreciation.

Understated Earnings

I would also like to point out that while this overstatement of earnings has been widely publicized we hear very little as to how railroad earnings are understated in comparison with the accounting methods of industry generally. This is because of the replacement rather than depreciation method of accounting used with respect to track structure. No recent figures are available as to the magnitude of this relative understatement of earnings, but in looking into the matter a few years ago the ICC estimated that substitution of depreciation for replacement accounting would have increased railroad earnings by $472 million for the years 1935-1946, inclusive. The understatement relative to industrial reports is almost certainly running at a considerably higher annual rate at the present time. Moreover, under this type of accounting the railroads are absorbing increased material costs and wages through the income account much more rapidly and more realistically than is industry generally. Industrial companies are accruing depreciation on the basis of original cost whereas the plants must be replaced at much higher prices and the inflationary rise in costs is capitalized. The higher cost of replacing rail is absorbed immediately through the income account.

Some Are Winning the Race

I certainly do not want to leave the impression that I think the railroad industry is free from difficulties. There are many, including the serious one of non-rail competition and the question of constantly rising costs. Those are problems faced by every industry and it seems to me that the problem facing the analyst and the investor is the evaluation of the degree of success with which the individual company is meeting the challenge. It is my contention that by no means are all railroads falling behind in the race. There are, for instance, many railroads that this year will almost certainly report all-time peak earnings. My colleagues assure me that this is more than can be said for quite a few industry groups that are currently enjoying much greater investment popularity than the rails.

Recommendations

There is at times a tendency to think that all railroad stocks follow the same market pattern. Even a cursory look at prices over a period of six months, one year, 10 years, or any period you might choose will demonstrate that this is fallacious. As a matter of fact, only a short time ago, when the Dow-Jones Industrial Average was attacking its all-time high and the rail average was well below its top, individual railroad stocks were moving into new high ground the same day that other rail stocks were sinking to new lows. Among those I particularly favor at this time are the Pocahontas roads, Chicago Great Western, Denver & Rio Grande Western, and Great Northern, all of which I believe will report new all-time peaks in earnings this year. In the specialty group I consider Northern Pacific has excellent price potentialities and in the more speculative category Baltimore & Ohio in my opinion is outstanding. Western Pacific also seems to be coming into its own this year.

*Remarks by Mr. Wyeth at the Railroad Forum of New York Society of Security Analysts, Sept. 6, 1957.

Salomon Bros., Hutzler To Admit Partners

Salomon Bros. & Hutzler, 60 Wall Street, New York City, members of the New York Stock Exchange, on Oct. 1 will admit Chester T. Bardsley and Julian L. Meyer to partnership. Mr. Meyer is Manager of the firm's Chicago office at 231 South La Salle St.

Form Arthur-Hardgrove Co.

Arthur-Hardgrove Company has been formed with offices at 9 East 45th Street, New York City to engage in a securities business. Partners are Francis J. Arthur and Malcolm K. Hardgrove.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 30)—Features the Nuclear Navy; an artist's conception showing all 21 of the atomic vessels now in operation, under construction or planned; a table showing the principle contractors for the ships and reactor components; also mentions the large Swiss and Dutch holdings of the Fund's shares. Comments on High Voltage Engineering Company and Foote Mineral Company—Atomic Development Mutual Fund, Inc., Dept. C, 1033—30th Street, N. W., Washington 7, D. C.

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

Investment Opportunities in Guatemala—Area Development Department, American & Foreign Power Company, 2 Rector Street, New York 6, N. Y.

Japanese Stock Market—Monthly 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.

Life Insurance Companies—Comparative figures on 50 companies—Ralph B. Leonard & Company, Inc., 25 Broad Street, New York 4, N. Y. Also available is a bulletin on tax exempt securities.

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

Oil & Gas Holdings In Utah—Report on potential—Mid America Securities, Inc. of Utah, 26 West Broadway, Salt Lake City 1, Utah.

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.

West Coast Petroleum Industry—Study of future growth—Petroleum Department, The Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

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Air Products Inc.—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available is a memorandum on **Thomas Industries.**

Allied Mills, Inc.—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Allis Chalmers—Bulletin—Sprayregen & Co., 26 Broadway, New York 4, N. Y.

American Beryl Corporation—Circular—Columbia Securities Company Inc. of Wyoming, First National Bank Building, Denver 2, Colo.

American Can Co.—Memorandum—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

American Gas & Electric Company—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a list of selected stocks for **Tax Exemption.**

American Pipe & Construction Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a memorandum on **Shulton, Inc.**

American Radiator & Standard Sanitary Corp.—Bulletin—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Associated Dry Goods—Analysis—Du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

A. J. Bayless Markets, Inc.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Canada Cement Company Limited—Analysis—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

Chrysler Corp.—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin of suggestions to "Buy, Sell or Hold," and a bulletin on **Jones & Laughlin Steel**

Columbia Pictures Corp.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y.

Dewey Portland Cement Co.—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

El Paso Natural Gas Co.—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same bulletin are data on **Mississippi River Fuel.**

Employers' Group Associates—Review—Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y. Also available is a table of comparative figures on operating results of **Insurance Companies** for the six months ended June 30, 1957 and an analysis of **Salem Brosius Inc.**

Franklin Life Insurance Company of Springfield, Illinois—Analysis—Kay and Co., Inc., 2316 South Main, Houston 2, Tex.

Franklin Stores Corporation—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y. Also available is a bulletin on **Goldfield Consolidated Mines Co.**

General Cigar Co.—Memorandum—Hardy & Co., 30 Broad Street, New York 4, N. Y.

Greer Hydraulics, Inc.—Analysis—Stieglitz & Co., 67 Wall Street, New York 5, N. Y.

Gunnar Mines Limited—Analysis—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg and Royal Bank Building, Toronto, Canada. Also available is a table of yields on **Canadian Bonds**

Kalamazoo Vegetable Parchment Company—Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Midwestern Instruments Inc.—Memorandum—Fridley, Hess & Frederking, Texas National Bank Building, Houston 2, Tex.

Monterey Oil Company—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **U. S. Gypsum Co.**

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.**

Old Ben Coal Corporation—Card memorandum—Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

North American Car Corporation—Study—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

Otis Elevator—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **American Export Lines.**

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

Sears Roebuck and **Montgomery Ward**—Discussion in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue are lists of stocks with Recovery potentials; tax free stocks; and a suggested portfolio on which payments would be made every month.

Standard Oil Company of Indiana—Analysis—Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

Tropical Gas Co.—Memorandum—Scott, Horner & Co., First Colony Life Building, Lynchburg, Va.

United Fruit Co.—Memorandum—Taylor, Rogers & Tracy, Inc., 105 South La Salle Street, Chicago 3, Ill.

United Steel & Wire Co.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich. Also available is a memorandum on **WJR, Goodwill Station, Inc.**

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

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

Weyerhaeuser Timber Co.—Memorandum—Robert S. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Form H. Mann Investors

SPRINGFIELD, Ill.—Horace Mann Investors, Inc. has been formed with offices at 216 East Monroe Street to engage in a securities business. Officers are Charles F. Martin, president; Leslie W. Nimmo, executive vice-president; Irving F. Pearson, vice-president; and Edna M. Siebert, secretary and treasurer.

M. H. Matthew III Opens

HENDERSON, Tex.—Matthew H. Matthew III is conducting a securities business from offices at 210 Kangerga Building. He was formerly with McLeod, Fisher, Crook & O'Neall, Inc.

Metal Securities Corp.

Metal Securities Corp. has been formed with offices at 50 Broad Street to engage in a securities business. Officers are Irving Saltzman, president and treasurer; Emanuel Saltzman, vice-president; and Sidney Seasonwein, secretary.

Joins Wayne Cowell

(Special to THE FINANCIAL CHRONICLE)

TRAVERSE CITY, Mich.—Arthur R. Schubert is now associated with Wayne G. Cowell & Co., State Bank Building.

A. M. Kidder Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Charles G. Vogler is now affiliated with A. M. Kidder & Co., Inc., Guardian Building.

With J. C. Flax

SPRINGFIELD, Mass.—Samuel L. Lepley is now with J. Clayton Flax & Co., 1562 Main Street.

A. J. Matthes Opens

SARASOTA, Fla.—Albert J. Matthes is conducting a securities business from offices at 1436 John Ringling Parkway.

Jos. Schrank Opens

TUCKAHOE, N. Y.—Joseph Schrank is engaging in a securities business from offices at 96 Bella Vista Street.

COMING EVENTS

In Investment Field

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. 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.

Jan. 17, 1958 (Baltimore, Md.)
Baltimore Security Traders Association 23rd annual mid-winter dinner at the Southern 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.

Agricultural Chemical Industry And the Growing Farm Market

By VIRGIL D. REED*
Vice-President and Economist
J. Walter Thompson Company, New York City

A steadily rising demand for farm products in the next 20 years is foreseen by J. Walter Thompson economist who notes, despite the decline of farm income in the past few years, that "total incomes of those on farms have been and still are increasing." In linking the favorable agricultural chemical outlook with the income, character, size and other revolutionary farm changes, Dr. Reed points out that the economy as a whole is strong, vital and dynamic, and will play an important role in increasing the chemical business and the country's standard of living.

Eight years ago, when many businessmen and some economists were worried about our economic outlook, I made the statement that "Far from having reached maturity, or the hopeless senility attributed to it in the 30's, our economy has just outgrown the awkward, self-conscious age of puberty. Much of its growth period is still ahead." Well, we'll all have to agree that that youth has certainly "gone to town" in these eight years. He has made the pessimists "bug-eyed." What's more, he still has the stamina and vitality of youth. He still has a lot of growing to do.

Vergil D. Reed

In August, 1949 our civilian employment was 59,947,000. In August, 1957 it was 67,646,000, an increase of 7,699,000 or 12.8%. By 1965 it should reach 73,000,000.

In 1949 our gross national product (all goods and services produced) was $257.3 billion. At mid-year 1957 it was running at an annual rate of $433.5 billion, an increase of $176.2 billion, or over 68%. By 1965 it should reach $535 billion (in 1953 constant dollars). If average annual hours of work remained at 1953 levels, instead of decreasing by about 200 hours by 1965, as expected, we could easily turn out an additional $40 billion, or a total of $575 billion. A $600 billion economy by 1967, or 10 years from now, is attainable.

Personal consumption expenditures in 1949 were $180.6 billion. At mid-year 1957 they were running at annual rate of $277.8 billion, an increase of $97.2 billion, or 53.8%. By 1965 they should reach at least $357 billion (in 1953 dollars).

Total disposable personal income (income after taxes) was $191.2 billion in 1949. For the second quarter of 1957 it reached an annual rate of $299.7 billion, an increase of 56.7%. By 1965 it should exceed $380 billion.

Let's take a look at the consumer market upon which this dynamic and growing economy is based.

Consumer Market

Although the agricultural chemical industry sells its products mainly to the farm market, its future still depends entirely upon the prosperity of the household consumer—the consumer market. The growth and expansion of the farm market is primarily the result of rather than the cause of the growth and prosperity of the consumer market. After all, yours is a derived rather than a direct demand. When retail cash registers slow down, so do the output and purchases of farms and factories, chemical plants and steel mills, mines and public utilities.

As Professor David M. Potter of Yale so aptly states in his book, *People of Plenty*, "In a society of abundance, the productive capacity can supply new kinds of goods faster than society in the mass learns to crave these goods or to regard them as necessities. If this new capacity is too used, the imperative must fall upon consumption, and the society must be adjusted to a new set of drives and values in which consumption is paramount.

Assuming that management, labor and government use even a generous proportion of their joint intelligence and combined abilities, our economy and your market have vast growth possibilities.

If we tote up the plus and minus scores of the five basic trend makers—Cupid, the Stork, the Grim Reaper, Immigration and Emigration — our net population, at present rates, will increase by 336 during this hour, 8,064 this day and by almost 2,900,000 this year. That is adding the equivalent of an Ireland, or three Costa Ricas or over five Hawaiis in a year. To put it another way, that's adding the equivalent of a new city of 60,400 in each and every one of our 48 states in a year.

The longer range population trends combined with the income trends of our people add up to a future which ought to convert even our double-dyed economic hypochondriacs into optimists or reasonable facsimiles thereof.

Population Changes

Our population has doubled in the last half century in spite of the lean rates of the '30s. Decreasing death rates over the same period have made a substantial contribution to our growth. We have added over 31 years to our male and over 36 years to our female life span since 1850. These years added to the time a consumer can buy, with the higher purchasing power of today, are a bigger gain than was adding a new customer to your grandfather's market.

Since 1950 our population has increased by 20,581,000, the equivalent of six Irelands or more than a Canada. We passed the 171,000,000 mark in June of this year. Between now and 1965 there will be a Thailand or a Canada plus a Denmark added. By 1975 there will be about 222,000,000 of us, an increase of 29.6% over 1957.

These increases are by no means equally distributed geographically. The three Pacific States will have an eighth of our total population in 1965 instead of the present tenth. New England, the Middle Atlantic and West-North Central States will have diminished proportions. The changes will be far more striking by states, metropolitan areas, cities and counties.

Far more couples today are having second, third, fourth and fifth children. The family pattern is definitely changing. Comparatively new small houses are bursting at the seams.

Marriages were the highest in our history in 1946 when they numbered 2,291,045. Our marriage rate has declined from 16.4 per thousand of population in 1946 to 9.1 this year, but there will still be over a million and a half marriages in 1957. Marriages will show little or no increase between now and 1961 due to the low birth rates of the '30's. By 1961, our "war baby crop" will begin to marry and establish homes in large numbers.

The number of new households established each year is also down slightly, due to the low birth rate of the '30's and the resultant present low marriage rates. The household formation rate will continue to decline a little until about 1961, then increase greatly. There are today (September 1957) approximately 49,925,000 households, an increase of roughly 800,000 over a year ago. New households will mean increased demand for many goods and services. Beginning with the '60's, the accelerated increase should be a market gold mine, with the marriages and new households of the "war baby crop." Households, not individuals, are the users of most types of consumer goods, including food and fiber.

The population over 65 years of age increased a third between 1930 and 1940 and another third between 1940 and 1950. Those over 65 will number 15,800,000 by 1960 and make up 9.2% of our population compared to 2.9% in 1870. There are today about 21,330,000 people over 60 years of age, of which about 14,500,000 are 65 or over. These elders are a far better market than those of previous generations.

The two fastest growing segments of our population are at the opposite ends of the age range and will long continue there. In 1957 there are 72% more children under 10 years of age than in 1940, but there are also 59% more elders over 60. In the five year period 1950-1955, the number of children under 15 years increased by 8,000,000 and accounted for three-fifths of the total population increase. During the same period the population 13 to 29 years of age declined by a million.

Suburbanization

America is going suburban, and rapidly. This trend has been quite marked since 1920. Cities of all sizes are suburbanizing.

More than half the nation's population now lives in 168 metropolitan areas which include only 275 or 9.1% of the total counties in the country. Within their boundaries lie: (1) four-fifths of our total population increase of the last decade; (2) almost two-thirds of total retail volume; (3) about nine-tenths of our national wholesale volume.

A look at what is happening inside these metropolitan areas is particularly significant. While the central cities as a group increased their population by 13.9%, the "remainder of the areas" (the suburbs roughly) increased 35.5% in the 1940-1950 decade. Nearly half our total increase in population during that decade was in these suburban areas. During the past several years, this trend to the suburbs has been at a much faster pace. For instance, between 1950 and 1955 the population of the metropolitan areas increased roughly 11,500,000. Of that increase 9,600,000 were in the suburbs. During the same five years our total population outside the metropolitan areas increased only 300,000. In other words, 97% of the total population increase for the five years was in the metropolitan areas. In the corporate cities of the areas, population increased only 4% while it increased 28% in the suburbs.

Far over half the new homes built in the nation since the war have been built in the suburbs of those 168 metropolitan areas. The middle income families, and particularly the younger ones with children, are heading for the suburbs. Their incomes exceed the national average considerably. Home ownership among them is particularly high. Gardening and "sun-down farming" are major hobbies.

Americans literally live on wheels. A year from today over 33,000,000 of our civilian population one year old and over will be living in a different house. Of these, over 22,000,000 will move to another house in the same county. Almost 6,000,000 will move to another county in the same state. Over 5,000,000 will move to another state. Losses and gains of population are very unevenly distributed and require constant study. Prospects and customers can't be reached where they *were* but only where they *are*.

Education and Leisure Time

Our population is gaining in educational level at a very rapid pace. There are already 98% more high school graduates in our adult population than in 1940, or a total now of over 46,000,000. Today approximately 7,000,000 of our people have four years or more of college education. This is two-and-a-third times as many as in 1940. Roughly as many more have from one to three years in college. Both the numbers and the proportions with higher education will continue to increase. Our cultural, as well as our material standard of living is increasing. However, our higher cultural levels create new and more varied demands for goods and services. There is a definite community of interest between business and higher aesthetic culture. What is best for the consumer is in the long run best for the farmer and for all business.

There's far more leisure time for both farm and factory workers. In fact, our average workman has over 1,000 hours more leisure time per year than his grandfather had.

Shorter working hours, more and longer paid vacations, less drudgery, and the increasing decentralization of factories and offices to the suburbs and smaller cities are greatly changing our way of life. All this means more travel, more varied demand and more consumption of goods and services from both farm and factory.

This rapidly increasing leisure

Continued on page 20

*An address by Dr. Reed before the National Agricultural Chemical Association, Spring Lake, N. J., Sept. 4, 1957.

NSTA Notes

NATIONAL SECURITY TRADERS ASSOCIATION

Maurice Hart

Alfred F. Tisch

Our good and reliable friend, Maurice Hart, of New York Hanseatic Corporation, has again favored us with a half-page advertisement for our Year-Book Convention issue of the "Chronicle."

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

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold their Twenty-Third Annual Mid-Winter Dinner on Jan. 17, 1958, at the Southern Hotel.

REGISTRATIONS FOR 24TH ANNUAL CONVENTION OF NSTA AT THE HOMESTEAD, HOT SPRINGS, VA. NOV. 3-6, 1957.

*John S. French	*A. C. Allyn & Co.*	New York, N. Y.
*Justus C. Martin, Jr.	*Robinson-Humphrey & Co.*	Atlanta 3, Ga
*E. D. Muir	*Muir Investment Corp.*	San Antonio 5, Tex.
*George J. Elder	*Straus, Blosser & McDowell*	Detroit, Mich.
*Paul I. Moreland	*Moreland and Company*	Detroit, Mich.
*William G. Simpson	*Simpson, Emery & Co., Inc.*	Pittsburgh, Pa.
*William C. Elwell	*Loewi & Company*	Milwaukee, Wis.
Peter W. Brochu	*Allen & Company*	New York, N. Y.
*Robert M. Topol	*Greene and Company*	New York, N. Y.
*Harry J. Wilson	*Harry J. Wilson and Company*	Chicago, Ill.
Samuel F. Colwell	*W. E. Hutton & Company*	New York, N. Y.
Martin J. Long	*The First Cleveland Corp.*	Cleveland 14, Ohio
*Graham Walker	*McManus and Walker*	New York, N. Y.
Barney Nieman	*Carl Marks and Company Inc.*	New York, N. Y.
*Thompson M. Wakeley	*A. C. Allyn Company*	Chicago, Ill.
F. Vincent Reilly	*Commercial & Financial Chronicle*	New York, N. Y.
*John Latshaw	*E. F. Hutton & Company*	Kansas City 5, Mo.
John F. McLaughlin	*McLaughlin, Cryan & Co.*	New York, N. Y.
*D. M. Hawkins	*Hawkins & Company*	Cleveland, Ohio
*James A. Traviss	*E J. Brooks & Company*	Toronto 1, Can.
*Cecil W. McBride	*Midland Securities Corporation Ltd.*	Toronto, Can.
*Allen L. Oliver, Jr.	*Sanders and Company*	Dallas 1, Texas
*Otto J. Koch, Jr.	*The Marshall Company*	Milwaukee, Wis.
*Don W. Miller	*Don W. Miller and Company*	Detroit 25, Mich.
*Charles E. Exley	*Charles A. Parcells & Company*	Detroit 26, Mich.
*John W. Turner	*Eppler, Guerin & Turner*	Dallas, Texas
*Grant A. Feldman	*Piper, Jaffray & Hopwood*	Minneapolis, Minn.
Louis A. Gibbs	*Laird, Bissell & Meeds*	New York, N. Y.
*B. F. Kennedy	*Bosworth Sullivan and Co.*	Denver, Colo.
*Ernest R. Mulcock	*E. R. Mulcock & Company*	Syracuse, N. Y.
*Walter L. Burns	*Baumgartner, Downing & Co.*	Baltimore, Md.
Frank X. Cummings	*Bear, Stearns & Co.*	Chicago 3, Ill.
*Walter G. Mason	*Mason & Lee, Inc.*	Lynchburg, Va.
*Byron J. Sayre	*Ira Haupt & Co.*	Chicago, Ill.
*Alfred R. McBride	*Wright, Wood and Co.*	Philadelphia 9, Pa.
*Fred S. Goth	*McKendrick, Hazeltine & Wilson*	Minneapolis, Minn.
*Duke Hunter	*Wellington Hunter Associates*	Jersey City, N. J.
*Thomas E. King	*Dempsey-Tegeler & Co.*	Chicago, Ill.
*Sidney Jacobs	*Sidney Jacobs & Co.*	New York 5, N. Y.
*Joseph C. Cabble	*Burns Bros. & Denton, Inc.*	New York, N. Y.
*Eugene Stark	*Bruns, Nordeman & Co.*	New York, N. Y.
*Alonzo H. Lee	*Sterne Agee & Leach*	Birmingham 3, Ala.
*Clarence A. Horn	*First of Michigan Corporation*	Detroit, Mich.
*E. Coit Williamson	*Schmidt, Poole, Roberts & Parke*	Philadelphia 9, Pa.
*John D. Ohlandt	*New York Hanseatic Corporation*	Mt. Kisco, N. Y.
*Alfred F. Tisch	*Fitzgerald & Co.*	New York, N. Y.
*David J. Burke	*Blunt Ellis & Simmons*	Chicago, Ill.
*Maurice Hart	*New York Hanseatic Corp.*	New York, N. Y.
*Frank J. Ronan	*New York Hanseatic Corporation*	New York, N. Y.
*John S. Barker	*Lee Higginson Corporation*	New York, N. Y.
William N. McClintic, Jr.	*Strader & Co., Inc.*	Lynchburg, Va.
*Trevor Currie	*Trevor Currie Securities*	Denver, Colo.
*Edward V. Vallely	*John Nuveen & Co.*	Chicago, Ill.
*John B. Heimerdinger	*Walter Woody & Heimerdinger*	Cincinnati, Ohio
*Samuel M. Kennedy	*Yarnall-Biddle & Co.*	Philadelphia 2, Pa.
William H. Gregory, Jr.	*Gregory & Sons*	New York, N. Y.
P. A. Marcusson	*Investment Dealers' Digest*	New York, N. Y.
*John W. Ver Meulen	*Ver Meulen & Co.*	Racine, Wis.
*James L. Beebe	*William R. Staats & Co.*	Los Angeles, Calif.
Bertrand Leppel	*Charles A. Parcells & Co.*	Detroit, Mich.
*A. H. Aldinger	*Fordon, Aldinger & Co.*	Detroit 26, Mich.
*Don O'Neil	*Columbia Securities Co. of Wyo.*	Denver, Colo.
*Harold J. Burrows	*Watling Lerchen Co.*	Detroit 26, Mich.
*Joseph D. Krasowich	*Gregory & Sons*	New York, N. Y.
*William H. Gregory, III	*Gregory & Sons*	New York, N. Y.
*John M. Hudson	*Thayer, Baker & Co.*	Philadelphia, Pa.
Ludwell A. Strader	*Strader & Company, Inc.*	Lynchburg, Va.
*Edward J. Caughlin	*Edward J. Caughlin & Co.*	Philadelphia 2, Pa.
*Clifford G. Remington	*Woodcock Hess Moyer & Co., Inc.*	Philadelphia, Pa.
*Edwin J. Markham	*Wertheim & Co.*	New York, N. Y.
*E. E. Maguire	*Stroud and Co., Inc.*	Philadelphia, Pa.
*Stanley Roggenburg	*Roggenburg & Co.*	New York, N. Y.
*Bernard J. Conlon	*P. F. Fox & Co., Inc.*	New York, N. Y.
*Thomas Greenberg	*G. E. Unterberg, Towbin & Co.*	New York, N. Y.
*Henry C. Welch, Jr.	*Lilley & Co.*	Philadelphia 9, Pa.
Lester J. Thorsen	*Glore, Forgan & Co.*	Chicago, Ill.
*George H. Angelos	*Charles W. Scranton & Co.*	New Haven, Conn.
*R. J. Powell	*Powell and Company, Inc.*	Fayetteville, N. C.
*J. Berges Reimer	*Berwyn T. Moore & Co.*	Louisville 2, Ky.
*Joseph E. Smith	*Newburger & Co.*	Philadelphia, Pa.
Richard J. Payne	*Walter C. Gorey & Co.*	San Francisco, Calif.
*John N. Fuerbacher	*Walter, Woody & Heimerdinger*	Cincinnati 2, Ohio
*William Nelson, II	*Clark, Landstreet & Kirkpatrick, Inc.*	Nashville, Tenn.
*Garnett O. Lee, Jr.	*Scott, Horner & Co.*	Richmond, Va.
*E. E. Parsons	*Parsons & Co., Inc.*	Cleveland, Ohio
Clayton Lee	*United Securities Co.*	Greensboro, N. C.

*Mr. and Mrs.

Legal and Workable Development Of Our Critical Water Resources

By PROFESSOR ERNEST BOYCE*
Chairman, Department of Civil Engineering, University of Michigan

Civil engineering head terms local water supply control an anachronism, calls for workable and legally acceptable development and best use of our critical water resources, and castigates state and Federal governmental failure to finance widespread collection of basic data in this field. Professor Boyce cites a Hoover Commission study to lend support to his plea for creating agencies of sufficient scope to deal effectively with this "matter of real public concern." Believes economic necessity compels coordinating the varied interests of a river basin into a unified plan.

As the need for water utilization develops to the point of competitive demand, our best interests will be served by the further evaluation of the functions that this resource must perform and an extension of the principles of law that will establish the orderly procedures necessary for the highest development of this resource, consistent with society's economic needs. When we tabulate the natural resources that man, with science-directed skill, has utilized to build the foundations of the economy that we know, we may classify these resources in many ways—all of them except water.

Ernest Boyce

As a resource, water is a requirement so basic to man's existence that all other resources are either dependent on its plentiful supply or, in its absence, valueless for man's use and development.

Our lands, with their capacity to produce our abundant food supplies, our forest and fiber needs, and all the renewable resources of organic growth, are dependent for their productiveness on the timely availability of this resource. The conversion of our mineral resources into the useful products of our manufacturing industry cannot be accomplished without the availability of the necessary quantities of process water.

Finally, we should note that man, himself, as a living being, requires the constant availability of safe, palatable water for his physical and domestic needs. And, through a knowledge of modern sanitation, he has learned the health and comfort advantage and necessity for the water-borne removal of the wastes of human habitation and of industry.

Economic Necessity

While many of our natural resources vanish with use, most water usages produce changes in the position, quality, and/or quantity of the water, depending on how it is used. The multiple usage of the resource, water, within one hydrological cycle, is frequently an economic necessity.

Water power energy may be recovered from a change in position of the water as it moves on its way by gravity to some lower elevation. This energy recovery may not offer serious water use competition so long as other energy sources are available, for the water remains unchanged in quantity and in quality. This is not a consumptive use of the resource.

However, many of the necessary uses of water do produce changes in either its quality or quantity. A change in quantity is usually the result of evaporation or transpiration loss, as for example, in irrigation, lawn watering, evaporative cooling, and non-condensing steam production. Water quality changes are produced when the use of the water causes it to pick up and carry, in solution or suspension, substances not previously present. The water resource significance of this change in quality is to be found in the cost of the reprocessing of the used water for subsequent re-use, or in the possible limitation of the re-use potential due to the fact that the reprocessing procedures of water purification, including sewage and industrial waste treatment, do not effect a 100% removal of substances that may have been added by its usage.

Consumption Use

With the increased demands for the use of water in the many manufacturing and industrial processes, a new form of what might be regarded, for lack of a better classification, as a consumptive use of water, is emerging. When an industrial process so changes the quality of water as to make it unfit or unsuitable for further re-use, and when known water treatment processes, short of evaporation, are unable to remove the effect of its prior use, not only is that volume of water effectively consumed as regards its potential re-use, but, unless confined in permanent storage, it has the capacity to deteriorate the quality of the diluting water into which this industrially used water is discharged. The process water used in the preparation of our atomic fuels is one example of this type of water usage and there are many others.

However, it is not so much the varied ways that water may be used that set it apart from other natural resources. Rather, it is the unpredictable variations in the quantity available from rain or snowfall in any period of time and in any locality. While no natural resource has been more amenable to man's control than water, no resource has so baffled him with its cyclic variations of flood and drought. As usage demands approach or pass the available water supply in periods of drought, a shocked public concludes that the water resources are failing and that something must be done about it. Then, suddenly, the picture changes and floods replace the shortages and public interest ebbs.

Because the usage demand of industry and the domestic water supply of industrial areas continue with some degree of uniformity through seasons of drought, it follows that this demand must be supplied from some form of natural or constructed storage, or a combination of the two, so that waste flood waters can be controlled to equalize the source of supply.

Planned Measures

Because of the ever increasing demands for water to supply the needs of an expanding economy, well planned expansions of suitable and economical water control measures are becoming increasingly important.

In certain of the arid sections of the United States, where the availability of water controls land use, water control development has approached an economic limit that is fixed by the increasing cost of storage over a lengthening period of time as more and more of the waters of the less frequently occurring floods are impounded for use.

While the situation in the more humid regions of the United States is, in general, less critical, a failure on the part of those who plan the expansion of certain industries, with heavy water use demands, to recognize the economic significance of the cost of water supply development to meet these demands, may easily create serious local supply problems.

Legal Aspects

The present interest in the legal aspects of water use and control stems, in part, from an awakening realization that the once ample water resources of the eastern states are in certain areas no longer adequate, without further development, to meet the maximum use demands being placed upon them. In many instances, a regulation of flow through the construction of storage facilities may be indicated. In other situations, heavy water control expenditures might be avoided if some legal restriction were to be imposed on the development of certain land areas for usages that will require unusual volumes of water. In other words, many of our water shortage problems in this section of the United States are man-produced in that too often there has been a tacit assumption that the existing water

Continued on page 4

*An address by Professor Boyce at the Water Resource Conference, Ann Arbor, Sept. 6, 1957.

Air Force Plans, Programs, And New Expenditure Control

By LT. GEN. CLARENCE S. IRVINE*

Deputy Chief of Staff for Material, United States Air Force

Top Air Force official states "new trend toward expenditure control is, in itself, no cause for panic in the aircraft industry." In reviewing what has happened and what is happening now, Gen. Irvine avers aircraft expenditure for present fiscal year will be kept at 6% under the fast-climbing rate of the six months preceding last July 1. Warns, however, there will be a "more rigid review" of missile, electronic, and aircraft development and procurement programs and, as a result, keener competition for future contracts can be expected for major companies as well as for small firms which sell parts and components. Predicts spending will remain at relatively stable $7 billion level for next few years and that there will be fewer programs and end items.

There are probably more Air Force procurement programs concentrated in Southern California than in any other similar geographic location in the United States. More than 650 California companies have over 3,400 *prime* contracts to say nothing of local subcontracts negotiated by prime contractors in this and other areas. As a matter of fact, the face value of the prime contracts exceeds $10 billion, of which over $2.5 billion in end-items are yet to be delivered. And, of course, additional orders are pending for our FY '58 program.

Lt. Gen. C. D. Irvine

It is my understanding there is some thought that the Air Force may be considering changes in its objectives for the Los Angeles area. *I want to clear the air of that misconception right away.* Relatively speaking, you will be no more affected by our actions to control Air Force costs than any other location. If it seems more, it is because of the relatively larger share of our business that has come your way.

In order to make this clear, my purpose is to give a straightforward rundown of what our immediate and long-range procurement policies are, and *why* they will follow a more austere pattern. To do this, I first want to outline the circumstances governing the Air Force plans and programs, with emphasis on the changing weapons scene. With this background, I mean to detail the cost of weapon systems versus available funds, the impact on the aircraft industry as a whole, and on California in partiular.

Not Aiding Business

In the national environment which guides all of our long-range planning, one basic requirement is paramount: *The primary purpose of the Air Force is to defend the United States and its citizens.* Every short-range step that we take and every long-range policy that we establish must be within this frame of reference. Our mission is *not* to spread business around on a geographic basis. It is *not* to support any segment of our industrial complex or any portion of our national population.

To accomplish our Air Force mission, we have two concurrent responsibilities: First to have a strategic force-in-being which is always ready to destroy the war-making potential of an aggressor nation, and, second, to have an air-ground defense network which is as penetration-proof as we can make it. Further, if we are attacked, we must be able to fulfill these responsibilities with *on-hand* personnel and equipment—an Air Force which is on the alert and combat-ready. We cannot rely on an industrial build-up after we have been attacked. We must be strong enough to deter war if possible. If we are attacked, we must be strong enough to win quickly, so as to minimize the damage to our homeland.

The second responsibility governing our actions is the imperative requirement for us to maintain the necessary state of combat readiness through a relatively stable long-term program which our national economy can support indefinitely, if need be.

In previous years, we have requested funds from Congress, based on our forecast of operational requirements. We adjusted our program obligations, as necessary, after the appropriation was made by Congress. The material was paid for, as it was accepted and delivered. The expenditure estimates contained in the President's Budget, for a given fiscal period, were not used as the primary control of deliveries—but rather the urgency of the military requirement and the rate of progress of engineering, were the real controls.

In the last fiscal year, 1957, the great improvements in Air Force procurement procedures that we have been working on for the past several years, began to show their effect in earlier deliveries. In addition, the sharply reduced engineering and production lead times, resulting from improved management by the Air Force-Industry project teams further tended to improve and solidify contractor and Air Force estimates of hardware deliveries.

This combination of increased efficiency in both industry and the Air Force resulted in rates of delivery of hardware, and therefore rates of expenditure of public funds that were greater, particularly in the last six months of fiscal year 1957, than previous experience had indicated.

Right here, I want to emphasize that we in the Air Force feel most strongly that the great majority of our contractors have performed in an outstanding manner. They have carried out their obligations to the Air Force and to the taxpayers of this country in a manner which fully justifies the great American tradition of free enterprise.

No Cause for Panic

Let me say here and now that the new trend toward expenditure control is, in itself, no cause for panic in the aircraft industry. True enough, it is a significant factor. But it has been publicized all out of proportion to its real effect. As a matter of fact, I seriously doubt that its impact is as far-reaching as is the impact of the changing weapon system concepts, or the quality of company management.

To emphasize this point, let me briefly review what has happened in recent years, what is happening now, and what will probably happen on the ever-changing weapon scene.

If we had been forced into an all-out war ten years ago, we would have fought it with piston-engine bombers—left-over B-17s, B-29s, and whatever B-36's were on hand. We would have had a few jet fighters, and some of them would have been equipped with rockets.

In that year, we were planning ahead for a future Air Force of jet engined bombers, pilotless aircraft, air breaching and ballistic missiles, the hydrogen bomb, and supersonic jet fighters.

If we had to fight a war today, it would still be fought, primarily, with manned air vehicles. The differences are that now they are jet powered, they are much faster and they pack far more punch per aircraft. Additionally, they are much more automatic, unlimited by weather — advanced guidance systems, tracking devices, fire control equipment, and superior communications.

Ten years from now, this pattern should be drastically altered. If we have to fight an all-out war in 1967, we should have adequate quantities of ballistic and air-breathing missiles which will effectively complement our manned bomber force and our manned fighter-interceptors.

Further, these will be faster, higher-flying and more lethal than anything we now have: manned aircraft in standard categories, with speeds exceeding Mach. 3, and development aircraft reaching toward Mach. 10. Our missiles, flying at over 300 miles at hypersonic speeds, will be greatly simplified and reduced in size, cost, and ground support requirements.

In looking at the past decade, and the one just ahead, we can make two broad observations. First, during the 1947-1957 period, we suffered the peaks and valleys of budget variations. Certainly this unstable money period was not conducive to sound, long-range planning for technical advancement of our weapon systems.

Yet the aviation industry not only survived—it prospered. Now the Air Force is planning its force structure, and the solution of the military mission, fifteen years ahead. With this future relatively stable outlook it would seem that the industry could adjust itself to coming technological changes as well as it did to the past dollar fluctuations.

Different Aircraft

The second observation compares the past outlook with future probabilities. This is the crux of the problems facing you — the known and the expected air vehicles of the upcoming period will be extremely different from those produced and developed in the past. Airframes will be considerably smaller; their configuration will differ radically from pervious manned aircraft types; their fabrication will be from recently developed and tested types of advanced material; and electronic components will become an even more essential part of the completed weapon systems.

Of major importance is the impact of these new systems on dollars in our planning for a relatively stable level of expenditures for hardware procurement. For one thing, as these forward looking systems progress from research and design through development and into production, we have been inclined to expect and accept a sharp rise in cost.

This factor is compounded by the fact that their increased capability will result in a considerable increase in price per item unless improved management practices evolve to accomplish the sharply differing engineering and production problems in a more efficient manner.

Balancing these conditions with the established fund ceilings, the Air Force is finding it necessary to observe a number of very practical safeguards. As some of you know, our senior commanders, together with the Air Staff, work out a system of mission priorities and mission solutions. Our development and production programs are established on this basis.

While this practice is not new, it is currently receiving added emphasis and requiring absolute adherence to the established policies. For one thing, we are making a much more rigid review of *all* development projects, with a view toward retaining *only those which show distinct promise for significant operational advantages.* Small improvements or low priority projects will have to fall by the wayside.

We are taking a similar approach in regard to our production programs. I assure you that we do not like to terminate or reduce our programs. But we have to be practical, objective, and coldly realistic. When world circumstances, our own national policies, or a scientific breakthrough require us to reappraise our priorities, we will make just such a reappraisal—and alter our course accordingly.

Some Cancellation

In accordance with the foregoing guidelines, we may have to cancel one of two programs, which solve the same mission requirement, when a priority is low, or costs are very high. Stretchouts are also based on relative priorities, coupled with the opportunity of incorporating improvements *during* production instead of having to tie up aircraft or missiles assigned to our operational units for many months in expensive modification programs. The modified programs may result in 10 to 50% *reductions* in the very combat potential they were purchased to enhance.

Let me emphasize this point: Our philosophy here is *not* a result of uncertainty and bad management; we modify our plans solely to improve our defense capabilities. To follow a different course of action could result in a lower degree of national security—at a time when national survival depends on an Air Force superior to the competition.

Now—if I stopped at this point, you could deduce a number of important effects of our future plans on the aircraft industry. Probably most of your deductions would be correct. But I don't want to leave these subjects to your imagination for the simple reason that we can pool our management resources and work together best in an atmosphere where all know circumstances are brought into the open —and are fully understood. So let's consider the specific impact of dollar availability and mission solutions on the primary and supporting aircraft industries.

First, many major companies, and their subcontractors, will experience slowdowns, stretch-outs, or downright cancellation of their programs—for the reasons I mentioned a moment ago. But, mind you, these are not *company projects* and programs to the Air Force and the taxpayers.

In other words, we will not alter or terminate a Douglas contract, a Convair project, or a North American program, as such. Our actions will affect a specific *weapon system* program, regardless of company or geographic location. It is the *mission solution* we are concerned with—not *who* is making it, or *where* it is being made.

As a case in point, we did not

Continued on page 34

Investment Policy and Inflation

By HAROLD B. DORSEY*
Argus Research Corporation, New York City

Investment economist challenges the prevalent argument that persistent inflation is inevitable, maintaining that current administered wages and prices, and modern position of big labor, big business and government have not overcome the basic economic fact that rising prices curb demand and encourage supply. Notes acute weakness in price of metals as showing stocks of natural resource companies do not function as hedge against inflation—which conclusion also applies to railroads, airlines, building materials, textiles, home appliances, and paper. Concludes positive investment program must allow for continuing business cycles, implying a balanced portfolio to include good quality fixed income and defensive equity issues.

The investment manager cannot get very far today in formulating his decisions on tomorrow's investments without colliding with the question which is being debated so vigorously these days in economic, political and business circles. Has a new inflation virus been developed that is immune to the corrective forces which restrained inflation in earlier periods of expansion. It may be of interest to show how the problem looks to the investment manager as he is forced to cope with the intensely practical aspects of the inflation facts and theories in the process of developing his investment policies.

Harold B. Dorsey

Opposing Schools of Thought

The somewhat violent behavior of the stock market in the past month or so has exposed two well-defined, opposing, schools of thought among investment managers. As in other circles that are debating about the inevitability of inflation, there is a widespread belief that modern conditions have nullified some of the economic principles that have been considered as basic. It is argued that the laws of supply and demand have been displaced to a significant degree as primary determinants of wage rates and prices by the strength of the modern position of labor and of business. This particular school of thought further argues that the modern concept of politics requires a benevolent government to pursue policies that negate the corrective effects of heretofore natural economic forces. Prices and wage rates are supposed to be "administered" under the new modern rules.

All too briefly, these are the thoughts underlying the widespread opinion that persistent inflation is inevitable. And I believe that most investment managers will agree that many investors are holding common stocks today on the strength of that opinion. If the answer to the question about inflation is that simple, then the answer to the question of broad investment policies should also—at least in theory—be fairly simple: buy equities and avoid fixed income securities; borrow and spend; don't save and don't lend.

An Invalid Argument

However, the backbone of the argument for persistent inflation presumes that wages and prices will rise in appropriate proportions, so that the various segments of the economy will maintain a reasonably normal relationship. It is at this very point that the argument for persistent ... gins to disintegrate—at least from the viewpoint of the investment analyst. In his daily operations he is made more and more aware of the fact that serious distortions are developing in certain significant wage-price relationships, or in the relationship of certain prices to other prices, or between the income of one segment of the economy in comparison with another. He encounters repeated exceptions to the theory that equities are a satisfactory hedge against inflation. In fact, recently he has been seeing so many practical violations of the theories that are supposed to support the persistent inflation idea that those theories are beginning to lose adherents.

For example, the ownership of natural resources is supposed to be a good hedge against inflation. In the past several months, the prices of copper, lead and zinc have had sharp declines and so have the earnings and the stock prices of the producers of these metals. The wage-price spiral idea isn't working; the old-fashioned laws of supply and demand are working; higher wages are not being offset by higher prices.

It has been argued that the decline in residential construction was the result of tight credit, but the pressure of higher wages and other costs upon the prices of new houses must have had some adverse effect upon activity in this industry. At any rate, for many producers of building materials the lower volume and higher costs are causing lower earnings—even in some instances where product prices were increased. There is nothing very inflationary in this sequence of events for the stockholders of such companies.

Railroads on the Short End

It is quite obvious that the railroads are coming out on the short end of the wage-price spiral. Revenues in the first half of the year were about unchanged from a year earlier, but earnings were down about 15% as the net result of higher costs not completely offset by higher freight rates. Furthermore, it seems certain that one effect of the lower earnings for the railroads will be downward trend in the rate of capital expenditures by these companies. So far as the railroad industry is concerned, the persistent inflation idea is not working out well either for the stockholders or for the economy as a whole.

Similarly, the investment analyst is finding it very difficult to see where inflation is working out to the benefit of the stockholders of the textile companies, or to the benefit of the companies producing many different types of home furnishings and appliances, or for several lines of paper, or for the airline industry. Even in some significant lines of the much-worshipped growth chemical industry, it is evident that it has not been possible to raise prices to offset higher costs.

Indeed, it is quite clear to the investment analyst that some of the foregoing industries are now suffering from an old-fashioned over-expansion. This makes him wonder whether we may not be much further along in the inflation cycle than many people suspect. He recognizes, of course, that the record high level of business capital expenditures has been stimulating business activity, as it has usually performed in the late phases of earlier expansion periods. But he also knows that in the month of July the prices of various types of producers' machinery and equipment were showing year-to-year gains of 6% to 8%. These are sharp increases and there must be some point where this price factor will deter business executives from investing stockholders' money in new plant and equipment. Higher prices in these lines naturally enlarge the capital investments, and similarly enlarge the financing problem and interest and depreciation charges.

Illustrating the point that I have in mind, an executive of a prominent chemical company recently pointed out to one of my staff specialists that there had been a rule-of-thumb that his company could expect to obtain a dollar of sales for each dollar invested in plant and equipment. However, due to the increase in the cost of new plant and equipment, and due to the fact that it was no longer possible to raise the prices of the products produced, the company was no longer able to maintain the dollar-for-dollar sales-investment ratio. Furthermore, with higher costs curbing profit margins, the rate of return on the new capital investment was decreasing. He stated that his company would not have undertaken a certain $20-million investment in new plant and equipment, if he had been able to anticipate that competition was going to be as sharp as it turned out to be.

Curbed Demand and Enlarged Supply

As the investment analyst observes at first hand some of these very practical effects of uneven price changes, it occurs to him that most of the current heated discussions about the inevitability of inflation do not spotlight the age-old fact that a natural function of rising prices is to curb demand and to encourage supply. If many of the dollar measurements of sales are adjusted for higher prices, it can be seen that the rising trend of unit consumption is flattening out. If we adjust personal consumption expenditures for the second quarter of this year for the increase in the consumers' price index, we find no gain over the first quarter. On a similar basis, personal consumption expenditures for the first half of 1957 showed a year-to-year gain of only 1.1%. Figures such as these suggest quite strongly that the economic function of price is becoming effective in so far as rising prices recently seem to have been preventing growth in unit consumption of goods and services commensurate with population growth and with long term growth in the standard of living.

On a per capita basis, unit consumption of goods and services in the latest quarterly period was tending downward. That condition is not surprising because the rising trend for the purchasing power of per capita disposable income has been flattening out. In fact, second quarter per capita disposable income, adjusted for price changes, was slightly lower than a year earlier.

Throughout the past year or so the investment analyst has encountered a great many instances where various combinations of the foregoing supply - demand - price conditions appear to be clean-cut demonstrations of orthodox economic priciples that are at least as old as Adam Smith's "Wealth of Nations." Even though these facts are out of tune with the modern economic theory that persistent inflation is inevitable, they are, nevertheless, the facts upon which the investment analyst must base his judgments.

The continuing upward tread in the consumers' price index and the wholesale price index may justify calling this a period of inflation, but the investment analyst has only an academic interest in the title of the phenomenon when he notices that the earnings of numerous companies are deflating and not inflating, and that the adverse effect of higher prices upon unit consumption is threatening the earnings of many others. He wonders how long the wage-price spiral can continue to be inflationary in fact, if the net result is to be a decrease in real purchasing power of per capita earnings.

Is This Inflation Different?

It is against the background of the foregoing facts that the investment analyst must answer for himself whether we really have a new inflation virus that is immune to the corrective forces which prevented perpetual inflation in our earlier periods of expansion. As you may have judged, it happens to be my view that the current inflationary condition is not a new, mysterious, economic malady for which there is no cure. The detailed work that is being done by my staff of investment research specialists suggests very strongly that administered wages and prices, and the modern position of big labor, big business, and big government, have not been able to overcome the simple and basic economic fact that rising prices tend to curb demand and encourage supply.

Hence, the investment policies that I would prescribe will not go along with the pattern of persistent inflation, with its extreme emphasis on equities, and preferably, on equities that represent basic natural resources. In fact, the pattern that I envisage for business, and the investment program that seems most logical to me, are both down-right old-fashioned, insofar as they include the suspicion that we are going to continue to have business cycles.

Perhaps that is why I currently observe that several factors are now arising to discourage the unusually high rate of capital expenditures for new plant and equipment, which expenditures have been a significant stimulant for business activity. Furthermore, certain other forces are rising to cast some doubt upon the continuation of the recent high level of exports. In addition, I notice that some of the estimates from Washington suggest that the annual rate of defense expenditures may show a decrease of $6 billion (about 14%) between the second quarter of this year and the first quarter of next year. Increases in the expenditures of state and local governments and in personal consumption expenditures for goods and services may provide some offsets to the foregoing negative possibilities, but the prospects on balance would not seem to be conducive to an atmosphere of inflation.

Our Low Liquidity

Meanwhile, interest rates at the highest level in over twenty years are telling us that the economy's financial liquidity is at its lowest level in that long period of time. The ratio of money supply to the economy's need for money (as measured by Gross National Product) is the lowest in over twenty-five years. The velocity with which this money supply is being used has already reached historically high levels. The statistics of the postwar period demonstrate quite clearly that a substantial proportion of the business activity that we have seen has been the result of converting a large opening inventory of liquid assets into a large current inventory of fixed assets.

On the basis of all of these facts, if you were an investment manager, you probably would not get very enthusiastic about recommending that your clients should buy the common stocks of numerous companies whose unit sales are getting hurt by the high price factor, or whose profit margins are getting squeezed by the fact that competition will not allow price increases that would offset cost increases. And you would not get very worked up about recommending the purchase of some of the so-called growth stocks at high price-earnings ratios when the earnings growth has visibly flattened out, with numerous instances of old-fashioned over-expansion. Furthermore, you would not feel entirely complacent when you noticed that your analysts are pointing out to you with increasing frequency the deterioration that has been taking place in the financial position of numerous companies in recent years. None of these conditions would make you feel very inflation-minded, if you were an investment manager directing the work of a staff of investment analysts who are appraising the detailed operations of the current inflation theories.

However, the responsibilities of the investment manager are not discharged when he expresses disagreement with the theories and investment programs of those who believe that inflation without important interruption is inevitable. His primary function is to keep investment capital employed.

An Affirmative Investment Program

Doubt about the persistence of inflation does not necessarily justify the prediction of deflation. It is the feeling of my organization that this is one of those times when the investment manager should think in terms of carrying a balanced investment portfolio, that is, balanced between good quality fixed income securities and equities, and, in the latter category, a diversification among the good quality stocks in the defensive, as well as dynamic, industries. In fact, until there is more assurance that the inflationary psychology of the last five years is not going to flop over to the deflationary side, we would be inclined to look with more favor on the defensive issues. It is our view that the bond market is in the process of making a significant bear market bottom. We would be inclined to examine speculative risks very carefully before making new commitments.

We do not anticipate anything like the 1929-1932 affair. Rather, the prospects suggest to us a less dynamic business atmosphere — and less dynamic business statistics—than we have become accustomed to in the past five years or so. We envisage a period which, in retrospect, will be looked upon as a much-needed area of consolidation and digestion that should prepare a sounder base for the ultimate resumption of the economy's growth, but a period during which some companies and industries will do poorly while others are doing reasonably well.

*An address by Mr. Dorsey before the American Statistical Association, Atlantic City, N. J., Sept. 10, 1957.

Illinois Mid Continent Inv.

CHICAGO, Ill. — The Illinois Mid Continent Investment Co. has been formed with offices at 676 St. Clair Street to conduct a securities business. Officers are Albert Clutter, President; Virgil Griffin, Vice-President; Herbert Johnson, Secretary; Joseph Bell, Treasurer; and Irving Campbell, Assistant Secretary.

Also associated with the firm are Jack Paulk, Robert Branch, Charles H. Bruce, William L. Sawyer, Byron C. Veris, Herman J. Villiger, Ernest P. Webb, and Roger M. Wittenburg, Jr.

From Washington Ahead of the News

By CARLISLE BARGERON

Of all the important subjects in the world which a correspondent can discuss to advance the commonweal and in the interest of a greater understanding on the part of the people, I have particularly avoided that of integration or desegration. It is not that I couldn't add a lot of information to the confused thinking of the times because I do know the principals in what is a great political game and what their motives are. But I have decided that perhaps it is the better part of valor to write about something else.


Carlisle Bargeron

And even now I make no effort to go into the merits of gregation, either desegration or integration. But in the tremendous propaganda that has flowed around the Arkansas situation there is an interesting observation. The issue down there, it seems to me, is not whether Negroes should be permitted to attend white schools but whether a Federal judge or the governor of the State is the more powerful man.

The Eastern editors with a single accord and the President have decided that the Federal judge is the law of the State. This in the face of the President's recent plea to the State governors to assume more responsibility, to return their States to the sovereignity which they originally enjoyed under the constitution but which they got away from under the benign reign of Roosevelt the Great. The kowtowing to the Federal Government which the State governors got into through grabbing at the Federal food trough is bad, Mr. Eisenhower believes, and so does most every other student of government.

Well sir, as if responding to Mr. Eisenhower's plea, the Governor of Arkansas has acted in a matter affecting his state. A Federal judge has stepped in with an injunction directing the Governor to appear before him and explain why he should do this. Immediately there is a howl from the Eastern press claiming that this Federal judge is the law of the land. When he says something you've got to abide by it. Of course, you can appeal the judge's decision, but if we are to maintain the magistracy of the courts in our land, you've got to do what this judge says, even the Governor of a state or presumably the Supreme Court of the state.

Without posing as a constitutional or a legal authority, it is interesting in connection with this posture to know something about Federal judges and where they come from. I have a wholesome respect for them; I have a wholesome respect even for the fellows who in all their judicial endowment can say "$50 or 30 days in jail."

I also have a healthy respect for the Governors of our states. Even in our smaller states they are housed in what is known as the Governor's mansion and they are accompanied by gun toting state troopers when they go a-visiting.

The judge in Arkansas, the Federal judge, who says the Governor of that State must do what he says happens to be a visiting judge. He hails from the State of North Dakota. How did he attain the eminent power which he now professes? Mainly, he was a friend of that great statesman, Senator Langer. He was a hard working North Dakota lawyer, schooled in the hurly burly of North Dakota's weird Non-Partisan League politics.

I am not suggesting for one moment that he isn't as clean as a hound's tooth, but the Non-Partisan League of North Dakota and Senator Langer—neither is likely to ascend into Heaven in a spiral of smoke like Elijah. Both the league and the Senator are very definitely schooled in the practicalities of life. It is a little difficult for me to understand how a man who played ball with this machine and with Senator Langer should suddenly become the "law of the land," or the law of Arkansas. Make no mistake about this, the judge got his job through the ministrations of Senator Langer. There has long been a serious question among his Senate colleagues whether Langer should be one of them.

Federal judges all, of course, owe their offices to Senators. There have been instances throughout our history where Senators just went out and picked an outstanding man of their State to be nominated for the bench. They just thought such an eminent man should be a judge. But more likely when a man is nominated for a Federal judgeship by a United States Senator, that man has been a political man Friday of the Senator's. To accept them as the "law of the land" whose rulings should not be questioned by a governor is a little hard to take. A lot of these appointees have been my personal friends. I know the strings they have pulled with Senators to get their jobs. At the time they didn't consider themselves anointed. They were good and able men—but mostly concerned about the security which the judgeships offered.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Piergustavo Gemma has been added to the staff of Reynolds & Co., 425 Montgomery Street.

With Scott, Bancroft

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—James B. Bullock is with Scott, Bancroft & Co., 235 Montgomery Street.

With Gordon Graves

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Frank S. Venezia is now connected with Gordon Graves & Co., Inc., Pan American Bank Building.

The Analyst's Views on Utility Common Stocks

By BASIL B. ELMER, JR.*

Assistant Vice-President, The First Boston Corporation

Boston analyst declares the only way to stop the trend away from utility commons is by providing similar appreciation potential which private investors and institutions find elsewhere. How to do this, Mr. Elmer indicates, depends upon utilities commissioners, particularly if a significant reinvestment of retained earnings at an adequate rate of return can be accommodated. Ascribes shift from safety and income offered by utility stocks toward the appreciation prospects garnered in industrials to: (1) restored investors' confidence in stock market; (2) definite tax advantage of capital gains over income; (3) threat of continued inflation; and (4) inroads made by tax-exempt municipals and revenue bonds. Comments on shift by institutions into capital gain type of investment.

A little-discussed change has gradually been occurring, a change that is vitally significant to the utility industry's future and therefore to regulators of that industry. A change the importance of which is too frequently underestimated by utility companies and regulatory commissions alike. Fundamentally, this change is simple, but it is at the same time quite subtle. Here it is. The individual investor, who once was the backbone supplier of new common stock capital to the utility industry, has gradually become less and less a factor in the utility common stock market, while institutions have become a more and more significant factor. That this statement is factual is borne out by a survey made recently by the Chairman of the Public Utilities Committee of The Investment Bankers Association, in which details regarding stockholder lists were requested and received from a large number of electric and gas companies. The results of the survey showed a definite over-all trend toward decreased individual ownership and increased ownership by institutions.

Basil B. Elmer, Jr.

Think about this for a moment. Perhaps you are wondering "What difference does it make if the interest on the part of individual investors decreases as long as it is supplanted with institutional interest?" The answer to this question is not readily apparent until the objectives that motivate individuals to purchase utility stocks and the reasons for their declining interest in utilities are considered.

Investors' Objectives

There are three general objectives that through the years have motivated people to buy utilities: (1) Safety; (2) Income; and (3) Moderate appreciation. It is, of course, the goal of most people to achieve all three, but in the vast majority of cases, the size of the utility portion of the common stock portfolio is directly dependent on the emphasis that the investor places on the first two objectives, safety and income. If his principal goals are safety and income, his utility position will be large. If appreciation is his principal goal, his utility position will be considerably smaller and his position in industrial stocks, which are generally considered to offer better appreciation prospects, will be proportionately larger.

Long Term Shifts

Closely connected with these three motivating objectives are the reasons why individuals are becoming apathetic toward utility commons. There are four of them, the first three of which have to do with a long term shift in investor emphasis from safety and income to appreciation, and accordingly with a shift in his investments from utility common stocks to industrial common stocks.

(1) **Restoration of Investor Confidence.** The market crash of 1929 with its disastrous results was not quickly forgotten by the millions of investors, large and small, who went through it. Fear and the desire for maximum safety replaced the wild speculative urge of the late twenties. Initially, this desire was met almost entirely through the retention of cash in the home or in savings banks and through the purchase of life insurance. As time went on and some confidence in the stock market returned, the stability of the utility industry and the relative safety of utility common stocks, together with the generous income they offered, appealed to these still safety-conscious investors. More time passed. A new generation of investors arrived on the scene. A bull market of unprecedented length was experienced. Today, the emphasis on safety has been materially lessened and the individual's appetite for appreciation has again been whetted. The gradual restoration of investor confidence, and the resulting decreased emphasis on safety and increased emphasis on appreciation, constitute one factor that has caused apathy toward utility stocks.

(2) **Tax Advantage of Capital Gains Over Ordinary Income.** As a result of the present high income tax rates, ordinary income has lost most of its appeal, particularly for the wealthier people who can afford to invest substantially in common stocks. The very great advantage taxwise of capital gains, where the maximum tax rate is 25%, over ordinary income, where in extreme cases it reaches 91%, has forced the private investor to deemphasize income as an investment objective in favor of appreciation. Our high tax rates and the tax advantage of capital gains have caused apathy toward utility stocks.

(3) **Continuing Inflation.** For a good many years investors have experienced the effects of inflation. The purchasing power of the dollar has depreciated steadily and alarmingly, and the tide has not yet been turned. It is not surprising that many people are attempting to protect themselves against this threat by buying stocks that can be expected to appreciate sufficiently to at least offset the attrition of inflation. Again the accent is shifted from safety and income to appreciation. Inflation has caused apathy toward utility stocks.

Competition on Income Objective

(4) **Competition from Municipal Bonds.** Despite the three foregoing reasons for a shift in investment objectives towards appreciation, namely restored confidence, the definite tax advantage of capital gains over income, and the threat of continued inflation, there are a good many investors who still place income as their primary investment objective. But even here inroads are being made, this time by tax-exempt municipal and revenue bonds, which currently offer very much greater after-tax income because of their exemption from income taxes, and also because of their present depressed price level and consequent high yields. For individuals in the 43% to 75% tax brackets, that is with taxable incomes of from $12,000 to $50,000 to realize the same net income from a utility stock as is available today from tax-exempt bonds, the utility stock would have to have a before-tax yield of from approximately 7% to 16%. Competition from tax-exempt bonds has caused apathy toward utility stocks.

Institutions Also Shifting

Now back to the question "Why worry about the declining interest on the part of private investors as long as it is replaced by institutional interest?" Simply because each of the factors that have been pushing private investors out of utility common stocks is also applicable to most institutional investors and assuredly is exerting pressure on them in the same direction. In the case of institutions, the trend away from safety and income toward appreciation has been slower in forming, it's true. Why? For one thing, many of them such as banks, insurance companies, pension funds and trusts, are investing other people's money and consequently tend to be more conservative and more reluctant to make the switch than private investors. For another, many institutions, either because of their conservatism or because of former restrictive legislation on the purchase of equity securities, did not become large buyers of common stocks until recent years. But many of these institutions are now fully experienced and seasoned in handling common stock portfolios. Already a number of them have put an increasing emphasis on the capital gains type of investment, and it seems entirely reasonable that this trend will continue over the long term. To whatever extent that it does not continue, to whatever extent that institutions continue to emphasize safety and income, it must be remembered that today there are considerably more investment vehicles that are attractive from the point of view of safety and income than there were a few years ago. The recent high yields on corporate bonds have resulted in purchases by some institutions who have not been in the corporate bond market for years. Mortgage loans, stimulated by the housing boom, industrial loans stimulated by expansion, nd lease backs, to say nothing of tax-exempt bonds, are all attractive to the buyer of safety and income and are giving utility common stocks stiff competition.

Life Insurance Companies

I should like to wave a red flag. In the "1956 Record of Life Insurance Investments," the common stock holdings of 49 United States legal reserve life insurance companies are given as of the end of each year. For the years 1950 through 1955 the utility common stock holdings of these 49 companies showed a minimum annual net gain of $18 million, which occurred in 1953, and a maximum gain of $51 million, which occurred in 1954. The gain in 1955 was $41 million. In 1956, however, the gain was less than $3 million, not even 1/6th of the minimum annual net gain in the last six years. Is the same trend that is taking place in the case of individuals away from safety and income, away from utility common stocks, now materializing in the case of institutions? I don't know, but it's worth thinking about.

It seems to me that there are only two possible ways that this problem will be solved. If the long-term attitude of investors should turn from one of confidence to one of fear or panic, and if past experience can be relied upon, investors would again emphasize safety, and eventually income, rather than appreciation. In due course, as confidence returned, utilities would again meet the requirements of investors, and the problem would perhaps cease to exist. Certainly there will be dips in our economy, there will be at least brief recessions, but to me the long-term over-all outlook for the growth of our country and our economy appears so extremely favorable, that I would not expect the problem to be solved in this way. Even if it should be, it would be a rather painful cure.

Requires More Appreciation

The second solution to this problem, and the only practical one, is to give the investor more of what he wants, namely appreciation potential. This, of course, raises the question of "how?" I do not know the complete answer. I do know, however, that, contrary to the over-all situation I have described, there are a good number of individual utility common stocks that have managed to offer an amount of appreciation potential sufficient to fully maintain investor interest. Some of these are stocks of companies located in so-called "growth areas" —enough of them so that too frequently it is assumed that the location of the company is the **one** factor that determines the appreciation potential of the common stock. If this were so, there would be no way to improve the appreciation potential of a given utility common stock other than relocation, which is unfeasible.

But it is my contention that this is not so. The most important item in appreciation potential is prospective improvement in per share earnings, and regardless of the amount of growth in the territory, a company's per share earnings will not materially improve unless at least one of four things happens: (1) unless the cost of capital, excluding common equity capital, declines; (2) unless the capital structure is changed to produce greater leverage on the common stock; (3) unless the over-all rate of return on invested capital improves; or (4) unless there is a significant reinvestment of retained earnings at an adequate rate of return.

Where the Answer Lies

All four of these factors deserve careful consideration if the answer to the question of how steadily to improve per share earnings, and thereby improve appreciation potential, is to be found and put into effect. But the fourth factor—the significant reinvestment of retained earnings at an adequate rate of return—is by far the most important, for it is the only one that can be continuously applied over a long period of time. The cost of capital can be improved only under favorable market conditions; leverage can be increased only to the point where a further decrease in common equity would jeopardize the company's credit standing, the quality of its securities, and its ability to carry out its financing satisfactorily; rate of return can be increased only to a level that is considered fair and reasonable. However, as long as our economy and the demand for utility service grows, and I believe it will for many years, a significant reinvestment of retained earnings can be made. **But will it be made at a rate of return adequate to produce the necessary improvement in per share earnings, the necessary improvement in appreciation potential, the necessary improvement in investor interest?** This is the all-important question. The only purpose of everything I have presented up to now has been to stress the importance of this question. Railroad and utility commissioners will play an important role in answering it. If the answer is yes, the outlook for utility common stocks will be bright.

*From address by Mr. Elmer before the Second Annual Convention of the Great Lakes Conference of Railroad and Utilities Commissioners, White Sulphur Springs, West Virginia, Sept. 11, 1957.

William Hibberd With Trust Co. of Georgia

William W. Hibberd, formerly Assistant Vice-President of the Marine Trust Company of Western New York has been elected Assistant Vice-President of the Trust Co. of Georgia. Mr. Hibberd will act as Representative of the Georgia bank's Bond Department in New York City. The Trust Co. of Georgia was the first Southern bank to establish a representative office in New York.

William W. Hibberd

Mr. Hibberd has had many years of experience in bond houses in New York, and also spent several years with the Bond Department of Mercantile Trust Company of St. Louis. He was with C. J. Devine and Co. before joining Marine Trust Company of Western New York.

Lowell Duggan Opens

(Special to The Financial Chronicle)

ALAMEDA, Calif. — Lowell H. Duggan is conducting a securities business from offices at 1516 Oak Street.

Jerome H. Field Opens

BROOKYLN, N. Y.—Jerome H. Field is engaging in a securities business from offices at 1085 Eastern Parkway.

With H. H. Butterfield

(Special to The Financial Chronicle)

LANSING, Mich.—Norma K. Pifer has joined the staff of H. H. Butterfield & Co., 314 Hollister Building.

With Eastman, Dillon

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—Howard G. Berg is now with Eastman Dillon, Union Securities & Co., 415 Laurel Street.

With Sutro Bros.

(Special to The Financial Chronicle)

PALM BEACH, Fla.—George R. Smith is now connected with Sutro Bros. & Co., 316 South County Road. He was previously with Thomson & McKinnon.

Allan Melhado

Allan Melhado, New York financial advisor, and a member of the New York Stock Exchange, was killed Sept. 16 in an airplane accident.

Heavy Use of Lithium in Industry

Chemist discerns encouraging new developments for the lightest metal, lithium, transcending beyond its present revolutionary use in doing away with different kinds of lubricating grease, mass-producing lighter TV tubes, propelling rockets, and agricultural usage.

The lightest of metals, lithium, is a heavy contender among the raw materials that are revolutionizing present industrial products and production methods, it was reported, Sept. 9, at the 132nd national meeting of the American Chemical Society in New York.

"The importance of the unique chemical and physical properties of lithium and its compounds in the fields of lubrication, air-conditioning and ceramic technology has increased tremendously during the past decade," Dr. R. G. Verdieck, manager of Chemicals Research for the Foote Mineral Company, Berwyn, Pa., told a session of the Society's Division of Inorganic Chemistry.

Not too long ago, service stations had to stock five or six different greases for lubricating automobiles. Now, he observed, a single grease based on a compound of lithium can be used on every part of the car requiring a heavy lubricant. In addition, the armed forces can use a single lithium grease in planes over the Arctic and in tanks on the desert, thus solving a tedious supply problem. Such an all-purpose grease is possible because the lithium compound neither stiffens at low temperature nor breaks down at high temperatures, Dr. Verdieck explained.

Used in TV Tubes

A second large use of lithium compounds at present is for the manufacture of vitreous or glassy products. The modern television tube uses a glass in which lithium replaces the lead found in ordinary glass. This glass, in comparison with the ordinary kind, has increased density and refractive index, and better resistance to chemical attack. It has made possible lighter television tubes, and its lower and wider melting point has allowed the mass production of superior tubes.

But these two uses of lithium compounds, and their use in the air-conditioning industry and in the manufacture of ceramic bodies requiring high resistance to thermal shock, are only a start. With no problem of reserves for the future—the largest deposit of lithium ore in the world is in North Carolina—new applications of the unique and increasingly available element continue to grow.

Propulsion Fuel

The low weight and high heat of burning of lithium point to its application in high energy fuels and oxidizers for propulsion of rockets, missiles and aircraft, said Dr. Verdieck. The compound lithium perchlorate, for example, contains more available oxygen in its total weight than does any other compound.

Because lithium-6 produces no radioactive ash, this form of the element is important in the development of a "clean" H-bomb, the chemist reported, and "other nuclear properties of this metal and its compounds indicate potential use as a heat exchange medium and shielding material." Also, according to Dr. Verdieck, scientists hope some day to control lithium-6 as a nuclear fuel in fusion reactors.

In the plating of automobile bumpers, production rate already has been doubled through the use of lithium compounds in plating baths, he pointed out. And in the production of aluminum metal, it has permitted the use of lower temperatures and faster rates.

Lithium metal itself is valuable for its ability to speed up otherwise impractical chemical reactions, continued the speaker. In pulverized form, the metal has been used by the Firestone Tire and Rubber Company to make a natural-type synthetic rubber.

Agricultural Usage

"At this very time, extremely encouraging results have been reported in the use of trace amounts of lithium salts in agriculture," Dr. Verdieck reported. Placed in the soil or sprinkled on crops, the lithium compounds find their way into the plant leaf and serve as a systemic fungicide. Good results have been obtained in controlling blight in celery, cotton and other crops. And in the future, even blights in trees may be controlled in this manner, he said.

Seymour Goldsmith Opens

YONKERS, N. Y.—Seymour M. Goldsmith is conducting a securities business from offices at 294 Devoe Avenue.

Gould Opens Office

Oscar B. Gould is engaging in a securities business from offices at 28 East 10th Street, New York City.

F. V. J. Crowley Opens

Francis V. J. Crowley is conducting a securities business from offices at 366 East 179th Street, Bronx New York.

Girard Securities Formed

BUFFALO, N.Y.—Girard Securities Inc. has been formed with offices at 17 Court Street to engage in a securities business.

Ben Goldman Opens

Ben Goldman has opened offices at 1107 Broadway, New York City, to engage in a securities business.

R. A. Morgan Opens

Robert A. Morgan is engaging in a securities business from offices at 299 Madison Avenue, New York City.

Lewis E. Offerman Secs. Formed in Phoenix

PHOENIX, Ariz. — Lewis E. Offerman Securities Co. is engaging in an investment business, specializing in municipal bonds, from offices at 3300 North Central Avenue. Officers are Carleton D. Beh, Chairman of the Board; Lewis E. Offerman, President and Richard L. Thiessen, Secretary and Treasurer. Mr. Beh is President of Carleton D. Beh Co. of Des Moines. Mr. Offerman was formerly Vice-President of the First of Arizona Co., with which Mr. Thiessen was also associated.

Ernest Parker Opens

HUNTINGTON, N. Y.—Ernest Parker is conducting a securities business from offices on Connelly Road.

THE MARKET . . . AND YOU

By WALLACE STREETE

Although the market during the past week managed to score a mathematical gain of 1%, the atmosphere remained almost as gloomy as ever. More and more are the sidelines being regarded as the good place to be.

* * *

Midst the successive sinking spells and rallies, the market community persists in confining its attention to bearish outside factors — at least as so interpreted. Expectations of decreased expenditures for plant expansion and equipment, disappointing new business in various areas as cotton cloth and other textiles, manifestations of price structure vulnerability after the preceding inflation psychosis, reported declines in factory employment, and tighter money, constitute the unanimous explanations for the so disappointing market performance.

* * *

In the present atmosphere the pessimistic of the alternative interpretations is chosen, as, for example, the *prospective* cessation of growth in business outlays in lieu of their actual rise above 1956. And constructive news is persistently disregarded, as the reports that auto dealers' August sales were up 2% over 1956, the continuing striking strength in department store and other retail sales, record bookings and unfilled orders in the paperboard industry, a pickup in private home-building, and the improved technical position of the market itself.

In the Sheltered Area

With the partial resuscitation of the stock market, the "sheltered" convertible bond media also showed some life during the week. Convertible issues strengthening during the week including Sinclair Oil 4⅜'s, General American Transportation 4's, American Machine and Foundry 5's, W. R. Grace 3½'s, Lockheed 3¾'s, and Phillips Petroleum 4¼'s.

Weak Industries, Market and Business-Wise

The long-continued and severe weakness in the paper stocks Continent-wide gets seeming substantiation from a dour report issued this week by the Newsprint Information Committee, composed of a representative group of Canadian manufacturers. Earnings reports of 13 out of 14 producers of newsprint in North America who announced them at mid-year show declines averaging 22% from the comparable 1956 figure. The impact of rising costs has been so severe that in a period when more newsprint was being produced than ever before, earnings decreases ranged from 11.6 to 40.9%. And the trend is continuing into the third quarter, the Committee reports.

* * *

Textiles represent another market area where price action reflects severe squeezing of earnings. With profit margins whipsawed between ever-rising production costs and seemingly unending weakness in selling prices, and inventories burdensome, some companies have even been forced to reduce dividends.

Growth Stock in the Store Area

Recent counter-trend strength in the retail issues, although receiving continuing support from the latest sales statistics, appeared to fan out into considerable irregularity throughout the past week. But tacking on a one-point advance was Gimbel Brothers. In fact, this issue, at 27, is quite uniquely now within striking distance of its year's high of 28¾ (low 23⅝); reflecting analysts' increasing awareness of the enterprise's recent and current business performance. Whereas this giant department store chain, beset by several troublesome local situations, in earlier decades persistently lagged behind the sensational growth records chalked up by its competitors, the annual and quarterly statements issued this week highlight the reversal of this former comparative trend. For the 12 months ended July 31 last, Gimbel was able to translate a 5.8% sales increase to a 9% rise in earnings per common share; and over the latest six-month period a 6.6% sales rise into a full 25% per share earnings increase.

In this seeming growth situation, continuing via the opening of two additional branch stores in August, the chain's earnings, which increased progressively from \$2.14 per share in 1952 to \$3.60 in the calendar year 1956, with a good "break" in the crucial Christmas business are this year expected to reach the \$4 level— and further with a good head of steam on into the 1960's.

* * *

At its present price of 27, the stock is selling at less than seven times the expected 1957 earnings, and gives a yield of 6% on the unraised indicated annual dividend rate of \$1.60.

* * *

The enterprise's resurgence is likewise reflected in constantly increasing financial strength. Since 1952 net current assets have increased from \$54.8 million to \$77.8 million, which is in excess of all liabilities, including the preferred stock capitalization, ahead of the common stock. Although bank notes payable have risen, the debentures and preferred stock outstanding have been reduced.

A Progressive Aristocrat

One of the old-time market aristocrats, with a dividend record unbroken since 1899, keeping young blood in its veins is National Biscuit. Embarked on a master program of plant construction in 1946, outlays totalling \$170 million are expected to be completed this year, and to pay off in earnings and dividends. Beyond its backlog of biscuit and cracker sales, Nabisco has been developing other food products. On its regular dividend of \$2, the present price of 39 near its year's high made last week, yields 5.1%.

* * *

One of the issues evoking notice for its ability, after an earlier 20% decline, to counter the recent falling markets is Pittston Company, now selling in the low 60's. PCO today is a holding company, with subsidiaries engaged in the mining and distribution of bituminous coal and natural gas, the transportation and distribution of oil products and chemicals, and in trucking and warehouse service. Its subsidiary, United States Trucking Corp., is active in general trucking, armored car, truck rental and general rigging in New York's metropolitan area. 1956 earnings increased to \$6.30 a share from \$3.21 the preceding year; and for the first half of this year have advanced further, at \$3.78 against \$2.53 for the equivalent 1956 period.

[The items 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.]

R. C. Adler Opens

PHOENIX, Ariz. — Raymond C. Adler is engaging in a securities business from offices at 2308 North Fifteenth Avenue.

Form Wissahickon Corp.

PHILADELPHIA, Pa. — The Wissahickon Corp. is engaging in a securities business from offices in the Land Title Building. Officers are David W. Taylor, President; Joel C. Huber, Jr., Executive Vice-President; Capt. Thomas M. Dell, Jr., Vice-President and Treasurer and Philip C. Patterson, Vice-President and Secretary.

Charles A. Chace

Charles A. Chace, Vice-President of the First National City Bank of New York, passed away Sept. 16 following an air accident.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

George W. Nielsen and James Rowley have been elected Vice-Presidents of **Chemical Corn Exchange Bank, New York,** Harold H. Helm, Chairman, announced on Sept. 16.

George W. Nielsen

James Rowley

Mr. Nielsen, is a member of the bank's loan review department, where he has been Assistant Vice-President since 1951.

Mr. Rowley, has been Assistant Vice-President of the bank's municipal bond department since 1952.

Mr. Helm also announced on Sept. 18 that the Chemical Corn Exchange Bank has elected John J. Smith Chairman and J. Herbert Todd Vice-Chairman of its Brooklyn Advisory Board.

Mr. Smith, a former Vice-President of Chemical Corn Exchange Bank, is President of **East New York Savings Bank.**

* * *

Shareholders of **Chemical Corn Exchange Bank, New York,** at a special meeting on Sept. 17, authorized 1,062,765 additional shares of capital stock, \$10 par value.

Shareholders of record on Sept. 18 will receive rights to subscribe to the additional stock, at a price of \$45.50, on the basis of one new share for each five present shares held. The rights offering terminates on Oct. 7, 1957. The offering is being underwritten by a group of investment bankers, and will increase the bank's outstanding capital stock from 5,313,825 to 6,376,590 shares.

Bankers Trust Company, New York, announced, Tuesday, Sept. 17, 1957, that 42-year-old William H. Moore, presently Executive Vice-President and member of the Board of Directors, will become Chairman of the Board and the Bank's chief executive officer, effective Oct. 1. He will succeed S. Sloan Colt, for the past 27 years chief executive officer, who is retiring as an officer on that date.

William H. Moore

E. Chester Gersten, Vice-Chairman of the Board and former President of **The Public National Bank and Trust Company,** will also retire as an officer on Oct. 1.

Both Mr. Colt and Mr. Gersten will remain on the Board of Directors and as members of the Executive and Development Committees.

Therefore, on Oct. 1, the management of Bankers Trust Company will be headed by Mr. Moore; Alex H. Ardrey, President and Francis S. Baer, Chairman of the Executive Committee.

In addition to Messrs. Moore, Ardrey and Baer, the senior management of Bankers Trust Company now consists of: John M. Budinger, Vice-President and Chairman of the Advisory Committee; J. P. Dreibelbis, Senior Vice-President and senior credit officer; Wallis B. Dunckel, Administrative Vice-President; Brian P. Leeb, Senior Vice-President in charge of trust activities; John H. Millikin, Vice-President in charge of Personnel Relations and Roy L. Reierson, Vice-President and Chief Economist of the bank.

Mr. Moore served the Bank in various capacities, becoming Executive Vice-President and member of the Board of Directors in 1956.

S. Sloan Colt, became associated with the **Farmers Loan and Trust Company** in 1914. He became a Vice-President of that bank in 1925, and in 1929, when the Farmers Loan and Trust Company became part of the **National City Bank,** he was made a Vice-President of the latter institution.

One year later, in 1930, Mr. Colt joined Bankers Trust Company as Vice-President and Director, and in 1931, he was elected President. In 1956 he assumed the office of Chairman of the Board; being followed in the Presidency by Alex H. Ardrey.

E. Chester Gersten started his banking career in 1901 as a messenger with the former **National Bank of Commerce of New York City.** After serving the Bank in various capacities, he later became one of its Senior Vice-Presidents.

In January, 1929, he accepted the presidency of **The Public National Bank and Trust Company of New York** and in 1955, after the two banks merged, joined Bankers Trust Company as an Executive Vice-President and member of the Board of Directors. In 1956, Mr. Gersten assumed the office of Vice-Chairman of the Board.

* * *

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

Mr. Deremer joined the bank in 1937. He was appointed an Assistant Manager in January, 1953 and an Assistant Secretary four months later. He assisted in the activation of the automobile loan division of the bank's Personal Loan Department, 67 Broad Street, and has been in charge of the division since 1950.

* * *

Directors of the **Federation Bank and Trust Company, New York,** have approved a capital expansion program under which stockholders will be offered the right to subscribe for 118,900 new shares of capital stock at the subscription price of \$21 a share, it was announced on Sept. 12 by Thomas J. Shanahan, President of the bank.

Stockholders will have the right to subscribe for the new stock at the rate of one share for each three shares held of record on Oct. 18, 1957. The additional shares will be offered to all stockholders on a pro rata basis.

The directors, Mr. Shanahan announced, also have recommended for stockholder approval an extra stock dividend of 2½% on the presently outstanding capital stock. In addition, the regular quarterly dividend of 30 cents a share on the common stock has been declared payable on Oct. 1,

Continued on page 45

The Coming Competitive Struggle

By ROGER W. BABSON

After foreseeing increasingly severe competition, manifesting itself into a constant struggle between the labor-leader and the inventor, resulting in increasing production and surplus of goods, Mr. Babson suggests retailers get down to the business of retailing. Singles out consumers for their key role regarding employment level and recommends evening shopping as the answer to the parking problem.

Competition will increase constantly and severely during the next few years. This "few years" probably means until a severe business depression comes which will wipe out the weak concerns and leave the field only to the strong.

Roger W. Babson

The basic reason is that manufacturers — in order to counteract increased wage demands—are constantly reducing their other costs of production. Although the retail prices of most goods have gone up, yet, except for labor, the cost of actual manufacturing has declined. New machinery, electronics, automation, and other new developments are seeking to overcome the effects of higher wages. As a result, there is a constant struggle between the labor-leader and the inventor. This results in increased production and a surplus of goods. Manufacturers then are forced to create more customers and sell more goods in order to keep their plants running at full volume. Only as a manufacturer is running at full capacity is he able to pay higher wages and produce goods at lower cost.

Certainly if farmers—who are really manufacturers — receive subsidies and other helps from Congress, many manufacturers are entitled to the same help. All of this, however, results in severe competition which is profitable to no one. To keep labor employed and the factory working at full volume, manufacturers have encouraged instalment sales and other means of coaxing people to buy more goods than they really need, or to buy them before they need them. This means that when unemployment begins, housewives will be so stocked with new furniture, electric utilities, and clothes that they will be able to stop bying almost everything other than food. Furthermore, the food bill can be greatly cut, probably resulting in better health for the family.

Key Role of Consumers

The future of employment is therefore in the hands of the consumers. As long as consumers continue to increase their purchases, conservative manufacturers will get on satisfactorily. When, however, consumers begin to economize, then unemployment will follow and most manufacturers will be headed for trouble. This means that retailers have a great responsibility. Although retailers are dependent on the consumers, who are the source of real power, yet consumer buying is largely influenced by the attitude of retailers.

Most retailers are now not doing their part to prolong prosperity. Golf courses, luncheon dates, bowling alleys, boating, and automobiling are taking the time of retailers who ought to be in their stores. Customers are not being given the individual attention which they like. Merchants are making it harder to buy through self-service, poorly arranged stock, and careless advertising.

What Retailers Should Do

The next depression will be brought on by automobile congestion or by the fear of Fallout due to the threatened Russian "tests." Parking meters are helpful in preventing all-day parkers from hogging the streets; but parking meters may reduce the amount of merchandise sold. After I drop my coin into a parking meter, I cannot forget the meter. I have it constantly in mind as I am shopping. This worry about the parking meter causes me to buy fewer goods than I would buy if it were not for my parking meter worry. All of this means that downtown retailing is in a chaotic condition. Evening shopping may be an answer to the parking problem.

I once asked John D. Rockefeller, Sr. how a retailer could make more money. He replied, "Live over the store and be available to customers from 6 o'clock in the morning until 9 o'clock at night." This does not necessarily mean that the store will be "open," or that the retailer will spend more money for more employees. (Mr. Rockefeller, of course, was a great believer in better lighting, whether by candles, kerosene, gas, oil, or electricity.) Then he continued: "Next to well-trained employees and proper lighting and advertising, merchants should keep their stores open longer hours. Evening shopping is coming."

Clifford Murphy Adds

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Maine—James A. Phair has been added to the staff of Clifford J. Murphy Co., 443 Congress Street.

Simon, Tighe With Weeden & Co. Inc.

William E. Simon and Robert F. Tighe have joined Weeden & Co. Incorporated in the firm's Municipal Bond Department of the New York office, 25 Broad Street. Mr. Simon was formerly with Eastman Dillon, Union Securities Corporation in the municipal trading department.

Now La Montagne, Pierce

(Special to THE FINANCIAL CHRONICLE)

PALO ALTO, Calif.—The firm name of La Montagne & Co., 422 Waverley Street, has been changed to La Montagne, Pierce & Kielsmeir.

World and U.S.A. Social Progress

By DR. NEIL H. JACOBY*

United States Representative to United Nations Economic and Social Council

Dean, Graduate School of Business Administration, University of California

Indicative of U.S.A. social progress, according to former member of the Council of Economic Advisors in his report on world social progress, is our striking gains in: (1) rising —and leveling-up in the distribution of—real (after-tax) income, consumer wealth and savings, and shareholder-distribution, occurring in the face of greater leisure time and reduced work-hours; (2) participation in religious, cultural and civic activities; (3) wiping out prejudice and discrimination; and (4) better employment conditions and "built-in stabilizers." Dr. Jacoby reviews pressures for and measures of social progress; distinguishes individual from governmental responsibility; and observes interdependence of social and economic progress in pointing out the latter's purpose is to increase human welfare.

Before presenting my country's views on the Report by the Secretariat of the United Nations and describing recent social advances in the United States, I wish to speak briefly on a fundamental question: What is "social progress" and by what means do we measure it? Admittedly, this is a highly difficult question and one that each country must to some degree answer for itself, because the answer turns partly upon the country's political and social philosophy. A country with a certain social and economic system may well conceive of social progress in terms different from those used by another country holding a different set of values.

Neil H. Jacoby

The people of the United States are among those peoples who place the freedom, welfare, and dignity of the individual high in the order of social values. We believe that social progress means, in essence, an increase in the opportunities open to the ordinary individual for personal fulfillment and the pursuit of happiness. Social progress occurs when the individual enjoys greater opportunities to develop his talents and personality to their full potential.

Obviously, social progress has many dimensions. It means first of all, increasing personal income and a rising complement of consumer wealth, widely shared. It means widening personal freedom, and greater mobility of people in both the geographical and social senses. It embraces improved health and physical vigor and greater educational accomplishment. It means the existence of more leisure time, and its utilization for cultural development. It involves improved conditions of work and employment.

When we try to measure social progress therefore, we cannot escape the task of gauging changes in all of these factors. The Report of the World Social Situation has thrown light on recent movements in many of them. We suggest that the Report could well have utilized a broader concept of social progress and have given attention to changes in the social and physical mobility of people and to changes in per capita incomes and wealth as *indicia* of progress. May I cite a few examples:

(1) Transportation and communications provide an obvious means through which men come to know each other better. What progress are we making in building road and rail systems? Many less developed countries with vast areas seem to be neglecting the development of surface transport in favor of building up an air transport industry. Better to understand social progress, we must know more about the growth in surface transportation.

(2) How are we progressing in making available to our peoples inexpensive means of communication, facilitating the exchange of ideas through radio, telephone, and the printed page? These, together with postal systems and motion pictures, have a part to play in bringing people closer together.

(3) What progress are we making in assuring old persons a tolerable and decent life during their declining years?

(4) Housing shortages apparently continue to be oppressive around the world. We need qualitative judgments, at least, on housing progress.

(5) The growth of voluntary associations for mutual improvement is another token of social progress. We should like to know how widely and how effectively citizens are working together, under their own initiative and without the supervision of inspiration of the State, to advance humanitarian objectives.

Because the free trade union is an important type of voluntary organization, the growth and vitality of trade unions around the world is, I believe, a subject of interest to this Council.

These are a few examples of ways in which people make social progress, and represent subjects which we suggest for inclusion in future reports on the World Social Situation along with those already treated.

Data to Measure Social Progress

The Report notes how very meager is our present knowledge of social conditions in many areas of the world. We should give a very high priority to the development of more accurate and comparable social statistics. We recommend continued encouragement and assistance by the UN to individual countries to develop this information. The Technical Assistance program of the UN can, we think, assist in the training of more statisticians, demographers and other social scientists. We endorse the suggestion by the Secretary General that a systematic attempt be made by the appropriate agencies of the UN to establish contacts with social research centers in the less developed countries, and that assistance be given other countries in building up such centers.

The Interdependence of Social And Economic Progress

Social progress, as I have defined it, is of course, conceptually distinct from economic progress. There have been cases where a country has enlarged its total production **without** increasing the per capita real income of the masses of people or affording the ordinary citizen any better conditions of health, education, mobility, or freedom. We consider such instances to be unfortunate. In the United States such a result is impossible in time of peace. Historically, social and economic progress in my country have proceeded hand in hand. In our experience, conditions of high employment and prosperity have helped to produce a more even distribution of incomes, a breaking down of prejudices, a rise in the social and geographical mobility of people, and an elevation of health and educational benefits. These kinds of social progress have, in turn, provided the foundations for further advances in production, by elevating the physical vigor, improving the skills, and generally augmenting the productivity of workers in factories and offices and on farms.

Social progress is, of course, our fundamental goal. The only purpose of economic activity is to increase the welfare of human beings. Technical advances in agriculture and industry, larger investments, bigger industries, increased trade—they all have but one purpose—a fuller life for the people inhabiting this earth.

In reviewing this Report, we are again reminded that there is no clear line between social, economic, and cultural developments. Thus, the eradication of malaria may, in one area, be the necessary condition for increased output, while improvement in the conditions of work may be the key to increased productivity in another area. To consider another example: Literacy and the acceptance of a system of monetary rewards and incentives are, in general, preconditions for industrialization. On the other hand, improved output, capital investment, and a progressive economy form the basis for continuing improvements in health, education, and levels of living. Still another example: The prevention of price inflation is an evidence of social as well as economic progress. For inflation brings with it, not only inefficiency in the management of resources and distortions in the pattern of their use, but it also inflicts grave social injustice, doing greatest harm to those least able to protect themselves. At point after point we are confronted with the **interactions** of the economic and the social aspects of policy. A balanced social and economic development in countries is of pressing importance at all stages of development. Social progress can never run far head of economic achievement. Conversely economic progress cannot, in the end, be sustained without social progress. They are the inseparable twins of healthy societies. For this reason we commend the action of the Social Commission in giving priority in its work to a study of **balanced** economic and social development, scheduled to appear in 1961.

Evidence of Social Progress in The World

Now, I shall comment very briefly on some major findings regarding social progress in the world. The Report leaves no doubt that there have been signal improvements in social conditions during the past five years, in many cases attributable to to the activities of the UN and its specialized agencies.

Health. Continuing widespread improvements in health conditions are evidenced by declining mortality rates and increased life expectancy, particularly in countries where health conditions have previously been least favorable. We have been especially gratified to note the striking progress in dealing with infections and parasitic diseases. Epidemic Diseases have been brought under better control. Many countries are now undertaking to provide a more comprehensive health service, and to make it available to all sections of the population. There has been a considerable increase in hospital beds and some improvement in the ratio of physicians to the total population.

Although the Report mentions that progress has been made toward control of poliomyelitis by vaccination, we think it might properly have noted the passing of a truly great milestone in medical research. I refer, of course, to the perfection, production, and wide use of the Salk vaccine. According to the International Poliomyelitis Congress recently concluded in Geneva, use of Salk vaccine promises to eradicate the scourge of paralytic polio from the world within four years. This notable achievement was the result of large-scale cooperative medical research, in the main privately financed.

Nutrition. Food production has improved on a world-wide basis, and per capita food consumption has increased in many areas where it had been dangerously low. Increases in food production, together with imports, loans, and donations from abroad, have eliminated the wide-scale famine which ravaged some areas a few years ago. It was gratifying to hear the representative of FAO report to this Council that world agricultural production rose 14% in 1956-57, and that the highest rate of increase was in Latin America and the Near East. We were heartened by his statement that during the last few years agricultural production has outpaced population growth by about 1% per year, and that the highest rate of increase has occurred in the underdeveloped areas.

Education. A much greater proportion of the world's children of school age are now attending school than was the case five years ago, with secondary school enrollments increasing proportionately more than those of primary schools. Literacy is increasing. The circulation of newspapers and books and the availability of radio and television has increased in many parts of the world, opening up new channels of communication.

Pressing Needs for World Social Advancement

The satisfaction that we all can justifiably derive from these evidences of social progress in the world must, however, be tempered by a recognition of gigantic tasks ahead.

Malaria, tuberculosis, and other communicable diseases, continue to present serious health problems in less developed lands. In the more developed countries, where epidemic diseases have been largely conquered, cancer, heart, and other so-called degenerative diseases present serious hazards. The supply of medical personnel and facilities is still grossly insufficient in many parts of the world, with a serious maldistribution as between rural and urban areas.

Problems of chronic malnutrition are not yet solved in a number of countries. In some areas, the pressure of increasing populations threatens to outrun gains in food production and even in industrial output.

Almost half of the world's children of school age are still not in school. My own country, with a rapidly growing population, is one of the many facing a major need for adequate educational facilities. We recognize that the growth of scientific knowledge and new techniques of production require more persons with technical and research ability and professional competence. We are determined to satisfy these needs.

Private and Governmental Action to Meet Current Social Needs

Social problems demanding solution stand out starkly in the pages of this Report. The mounting aspirations of our people must not go unrealized. How do we move forward with a program of social development, balanced and integrated with programs for economic development? It is clear that each nation will follow a path and a system of priorities adopted to its own situation. In my own country, we believe that social progress presents responsibilities to individuals, to private voluntary associations, to local governments, to national governments, and to international organizations. Each has a vital role to play.

We hold that individual citizens must become personally involved in the process of advancing themselves and their communities toward a better life. This requires a decentralization of social tasks. Even countries which place a lower value on individual freedom and responsibility than does the United States recently have the superior efficiency of local management of economic and social programs, and wider participation in decision-making processes. In my country the administration of many of our social programs is reserved to municipal and local governments, because individual citizens wish to participate directly in their formulation. As one moves away from central government toward local political authorities, one comes closer to the true desires and needs of people. Moreover, direct participation of people in social programs fosters the development of democracy and freedom.

The work of the UN and its specialized agencies, which has been described for this Council in a series of excellent reports—for which we heartily thank the authors—is vitally important in promoting world social progress. It does not, however, form a substitute for the social programs of the peoples and governments of individual countries. The UN does not exist to substitute its efforts for those of individual countries, nor to impose its programs upon countries. Its task is to encourage and fructify the effort of each country.

Recent Social Progress in the United States

I now turn to recent social developments in the United States.

One basic gauge of social progress is, of course, a rising real income of the average family. The fact is well known that the average per capita income of the American people is high, even after paying heavy income taxes. During the past four years it has risen from $1,546 to $1,705 dollars of 1956 purchasing power, a gain of 10½%.

We consider it equally important, however, in measuring our social progress, that the distribution of real incomes among people has become more nearly equal and the diffusion of well-being has become steadily wider. Four years ago the United States representative drew attention to the remarkable leveling-up in the distribution of income in my country. I can now report that this peaceful revolution has continued—a kind of change in an individualist economy the very opposite of that contemplated by Karl Marx and his followers. Thus, in 1929 the richest 5% of our citizens got 34% of all personal income after taxes, and the other 95% got 66% of the income. By last year, the share of the richest 5% of our citizens had dropped to 18% of personal income, while the share of the other 95% of our citizens had risen to 82% of income.

A factor often mentioned in this

Continued on page 22

*An address by Dr. Jacoby before 24th Annual Session of the United Nations Economic and Social Council, Geneva.

British Public vs. Government Regarding Disinflation Policy

By PAUL EINZIG

The acceptance of price inflation as the price of insurance against slumps on the part of British politicians, economists and businessmen are depicted by Dr. Einzig, side by side with the incongruous Socialist politicians' public vis-a-vis private views and the Conservative Party's laggardness in checking the wages-spiral. The noted economist observes that the public for the first time "is much more willing than its Government" to accept drastic disinflationary measures.

LONDON, Eng.—A widespread feeling of fatalism prevails in Britain about the inevitability of continuous inflation. The number of those who believe in the possibility of reversing or even halting the upward trend of prices—apart from temporary reactions — is now negligible. Most politicians, economists and businessmen consider a virtually non-stop secular rise in prices inevitable. What is more, many of them are actually in favor of a slowly rising price level. In some cases this simply means making virtue of necessity, but a growing number of people now believe that moderate inflation is a necessary evil, because it insures against immoderate deflation.

Dr. Paul Einzig

An Insurance Premium

The formula that slow inflation is an insurance premium which the community should willingly pay as the price of being safeguarded against slumps is becoming increasingly popular. Indeed it seems that, apart from a few diehard economists, and from recipients of fixed incomes who are doomed to be the main victims of chronic inflation, the inevitability of, or the need for, a slowly rising price level has come to be generally accepted. Most of those who pronounce themselves in favor of continuous moderate inflation do not dare to commit themselves to a definition of their meaning of "moderate."

During the late thirties, when the declining trend of the price level was the economists' chief concern, a steady rise at the rate of 3% per annum was looked upon as the ideal state of affairs. The actual rise was much steeper in most countries in the postwar period, and there are indications that the wages spiral is gathering momentum. Few people, even among pensioners and other owners of fixed incomes, would be unwilling today to compromise on the basis of an annual decline of the purchasing power of their incomes by 3%.

Most of those economists who are opposed to inflation would now be prepared to accept an annual price increase of 5% as tolerable. Yet it would mean that in 20 years prices would double. The widespread realization of such prospects would effectively discourage saving. Few people would be keen on abstaining from spending today on the understanding that, as a "reward" of their self-denial, in 20 years' time they would be able to buy half as much as they could if they wished today. Saving would have to assume a form that would protect the savers from the depreciation of the monetary unit.

This end could be achieved through the acquisition and hoarding of goods, but holders would receive no yield, and might even have to pay for storage and insurance. Most forms of goods tend to deteriorate, moreover. The alternative would be the acquisition of equities. Not many small savers favor that form of saving, but its popularity is liable to increase in the course of time, though sharp setbacks on the Stock Exchange, which are bound to occur from time to time, are liable to deter many people.

A non-stop inflation at the "moderate" rate of 5% would give rise to some very difficult problems, both to investors and to governments. In reality the assumption that inflation will proceed at no higher rate implies an unwarranted degree of optimism. Judging by the increasing frequency and increasing extent of wages demands, the chances are that in a few years' time we shall have to look back upon the 'fifties as a period of stability.

Private Socialists' Views

The danger of accelerating inflation is duly realized among Socialist politicians in Britain. In public they whole-heartedly support all wages demands. But in private conversation they share the anxiety of their political opponents about the rising trend of prices, and in the absence of witnesses, they are even prepared to admit that the rise is due almost entirely to the excessive wages demands of the trade unions. This does not prevent them from opposing any measure that would prevent or moderate the rise in wages. But off the record they willingly admit that they hope the Conservative Government would break the wages spiral. For if it does not do so, the Socialist Government which is expected to assume office after the next general election will have to assume unpopularity by taking the necessary measures.

By that time the annual rise is likely to be well over 10%. And while a 5% rise may be regarded as tolerable, a rise of between 10 and 15% would be an intolerable runaway inflation. Whichever political party will be in office, it would have to resort to drastic disinflation to check the rise. A Socialist Government would hate to direct such measures against its own supporters, and would apply instead advanced physical controls which would bring back much-hated rationing and food queues. So it is no wonder that in secret most Socialists are hoping (and some of them are praying) that the Conservative Government will resort to drastic disinflationary measures, even if that would mean unemployment. If and when such measures are taken, the Labour Party and the trade unions would attack them violently in public, but in private they would feel greatly relieved.

Conservative Party's Complacency

But there are no indications that the Government contemplates any disinflationary drive that would check the wages spiral. Complacency continues to prevail, and even the disastrous decline of Conservative vote at recent by-elections is unable to make the Government see the writing on the wall. The great majority of Government supporters feel utterly disappointed and disillusioned about the Government's unwillingness or inability to take the necessary drastic measures. Now for the first time, the British public is much more willing than its Government to make sacrifices. During the early stages of the second World War, the Government was utterly reluctant to adopt drastic measures, and was lagging behind public opinion in this respect. History seems to repeat itself.

The British public—at any rate that section which is normally inclined to support a Conservative Government—is prepared to face a moderate business recession as a result of disinflationary measures. But the Government of its choice is not prepared to face it and is marking time. It is no wonder the Conservative electorate shows half-heartedness in its support of the Government at by-elections. And unless the Government shows more firmness its majority is doomed to be wiped out at the next general election.

Now W. H. Johnson & Son

MONROE, La.—Walter H. Johnson & Son Co. has been formed as successor to the investment business of Walter H. Johnson, 1312 North Third Street.

H. K. Holtzinger Opens

YAKIMA, Wash. — Harry Kim Holtzinger is engaging in a securities business from offices at the Miller Building under the firm name of Kim Holtzinger Investments.

Connecticut Brevities

The **Plax Corporation**, jointly owned subsidiary of **Emhart Manufacturing Company** and Owens-Illinois Glass Company, has leased a plant at Ligonier, Ind. The new plant is one year old and is being leased from Northwestern Life Insurance Company. Production of polyethylene film has been moved from its previous location at Louisville, Ky., where production had outgrown the available space, to the new plant. Production at the new plant, which began in August will enable Plax to speed up deliveries to midwestern customers.

* * *

The cooperative effort of the **Danielson Industrial Foundation**, the **Connecticut Development Commission, Connecticut Light and Power Company** and local citizens has resulted in plans for the construction of a new $1,200,000 plant in Killingly. The plant will house the first New England branch of **Knox, Inc.**, of Knox, Pa., the nation's fourth largest manufacturer of glass containers. It is expected that employment at the new plant may reach 250 workers. Funds for the plant were provided through $800,000 from a New Jersey industrial development firm, $200,000 from the Connecticut Development Credit Corporation, both for mortgage bonds, and $150,000 of capital stock purchased largely by residents of eastern Connecticut. The plant is to be located on a 45-acre tract on Route 101 owned by Danielson Industrial Foundation.

* * *

The Horton Chuck Division of **E. Horton & Son**, which was purchased in 1956 by Greenfield Tap & Dye Corporation, Greenfield, Mass., will be moved from its present location in Windsor Locks to a new one-story building in New Haven adjacent to **Geometric Tool Company**, also a subsidiary of Greenfield Tap. Horton, founded in 1851, will employ about 125 persons in its new plant, constructed at a cost of about $200,000.

* * *

Flight Enterprises, Inc., which is only about two years old has become the Air Force's largest contract overhaul base on the East Coast as a result of the award of contracts totaling $17 million. The company's main plant is located at Bradley Field in Windsor Locks where it employs 1,400. The other two plants are at Charleston, S. C., and McGuire Air Force Base near Trenton, N. J., which will have a combined employment of about 1,600 persons. The recent contract awards are in line with the new Air Force policy of employing civilian firms to maintain M.A.T.S. planes.

* * *

The Adley Express Company, New Haven, which is among the larger eastern trucking firms, has recently announced plans to construct a terminal containing about 60,000 square feet of floor space, and including office, cafeteria and an elevated platform providing loading facilities for 48 trucks. The building will be located in Orange and will cost about $500,000. Adley, which was established in 1917, has terminals in 19 eastern cities and does about $25 million of annual business.

* * *

Technicraft Laboratories, whose main plant is located in Thomaston, plans to start construction in the near future of a new building in Thomaston that will double the size of its present manufacturing facilities. The company has also purchased a 10-acre tract in Costa Mesa, Calif., for a future manufacturing plant.

* * *

The Associated Spring Corporation, whose headquarters are located at Bristol, has organized a new subsidiary, **Associated Spring of Puerto Rico, Inc.**, which has been formed for the purpose of operating a precision spring manufacturing plant in Puerto Rico.

Customers' Brokers Elect New Officers

The Association of Customers' Brokers elected officers for the 1957-58 year. The slate chosen includes:

J. Harold Smith

Alan C. Poole

Gerald Wilstead

Todd G. Alexander

J. Harold Smith, of Hirsch & Co., President; Alan C. Poole, of Hemphill, Noyes & Co., Vice-President; Gerald L. Wilstead, of Hallgarten & Co., Secretary and Todd G. Alexander, of Auchincloss, Parker & Redpath, Treasurer.

Also named to serve on the Executive Committee were Frank Dunn of Merrill Lynch, Pierce, Fenner & Beane; Albert F. Frank of Ladenburg, Thalmann & Co.; Joseph M. Galinis of Winslow, Cohu & Stetson and John Leavy of Bache & Co.

Commerce Inv. Opens

(Special to The Financial Chronicle)

PORTLAND, Ore. — Commerce Investment, Inc. is engaging in a securities business from offices at 225 Southwest Broadway. Officers are M. K. McIver, President; and Douglas D. McIver, Vice-President.

Continued from page 9

Agricultural Chemical Industry And the Growing Farm Market

is well nigh a revolutionary marketing force as well as a source of many social problems. It will affect advertising as well as art; education as well as eating; farming as well as fashion; medicine as well as music; transportation as well as television. Those who sell goods and services will have to compete for their share of this leisure as well as their share of the consumer dollar. Added leisure and added income both mean a wider range of consumer choice, more sales for the farmer and more sales for you.

Population is the first element of a nation's growth and worth, provided that population has the social organization, machines, power, capital, access to raw materials *and the urge* to be economically productive, or to improve its living standards. Such a combination gives birth to a dynamic economy with an increasing output per-man-hour and an expanding consumer purchasing power. Ours is now a consumer-centered economy of plenty conceived in ambition, mothered by the machine and sired by power.

Income Re-Distribution

The mass market is no longer at the bottom of the income scale. It's in the middle and the middle is spreading fast. The old, so-called "class market" is moving into the mass middle-class market, too. The limousine has turned into a station wagon with no chauffeur. America is rapidly becoming a one-class market with a large and growing income.

Discretionary income or spending power (income left after taxes and provision for food, clothing, and shelter to provide a 1940 standard of living) is six times that of 1940 and still continues to increase.

There are six-and-a-half times as many spending units (roughly families) with incomes over $3,000 as in 1941 and the climb up the ladder still continues.

Our productivity (output per man-hour) is increasing at a rate of about 3% annually. If it does not continue to increase at at least this rate, we face a labor shortage because our population is increasing at a much faster rate than our labor force. This is largely because of the growing proportions of those under 20 years and over 65 years of age. So long as the gains of increased productivity are fairly divided among labor, management and capital, the purchasing power of all your markets will continue to grow.

Against this picture of our overall economy and the consumer foundation upon which it rests, let's take a look at the farm market for pesticides and other agricultural chemicals.

The Farm Market

The proportion of our population on farms has decreased from 95% at our birth as a nation to 13.3% today. The trend from the farm will continue indefinitely. About 22,775,000 people now live on farms compared to over 25,000,000 or 16.6% of the population in 1950. Mechanization, electrification, better fertilizers, better pesticides, better foods and better methods have vastly increased the productivity and purchasing power of farmers. This increase in purchasing power far more than offsets the numerical shrinkage in farmers.

The farm market is a twin market. One twin is consumer, the other industrial. Consumer goods are purchased by the farmer and his household for the satisfaction and gratification of family *personal wants* and *needs*. At the same time, the farmer in his role as a businessman buys a variety of products and services *to use in his job* of raising the nation's food, feed and raw materials. The buying motives that impel the purchase of automobiles, television, food and entertainment are quite different from those which govern the decisions to buy fertilizers, pesticides, forage harvesters and tractors. You, of course, are interested in both twins which make up the farm market, but you are predominantly interested in the industrial one.

Individual Farm Income Going Up

The farm market now consists of approximately 4.8 million farms with total cash receipts from farm marketings alone of about $30 billion annually. These receipts exclude the food, shelter and fuel provided for the resident farm families. They also exclude income from non-farm sources. Surprisingly enough to most people, roughly half of the total income of those living on farms comes from non-farm sources today. While we have heard a lot about *the decline of farm income* over the past few years, there has been amazing reticence about the fact that *total incomes of those on farms have been and still are increasing.*

While the number of farms has been consistently decreasing (2% fewer in 1956 than in 1955 even) and the average size of farms increasing, there has been no decline in the total amount of land in farms or in the acreage under cultivation in recent years. Productivity has been increasing constantly with the growing use of mechanization, irrigation, fertilizer, pesticides, better breeding and better methods. Specialization, both geographically and by crops, is increasing. The farm family consumes a smaller and smaller proportion of the products it grows, and buys a larger and larger proportion of the goods it consumes and uses. Farming is rapidly becoming a commercial undertaking rather than merely a way of living. The Census Bureau now separates the 3,327,000 commercial farms from the 1,456,000 "other" farms made up mostly of part-time and residential farms.

The average value for land and buildings per farm in 1900 was $2,900. In the last Census of Agriculture, which covered the year 1954, it was almost seven times as great, or $19,700. This was an increase of 40% over the value in 1950 and almost 150% over 1945. Over the same 55 years the average value per acre increased from $19.81 to $84.37, and by 1957 was almost $95.00. Cash receipts from farm marketings increased from $5 billion to $30.2 billion. Value of farm machinery and equipment rose from a mere $750 *million* to an astounding $16 *billion* — or more than 21 times as much, and it's still increasing. The American farmer has fared, and is still faring, extremely well.

Specialization and Concentration

Specialization is a striking trend in agriculture, geographically, by crops and by individual farms. A few years ago the West accounted for a negligible proportion of cotton production. By 1950 it produced 13% of the total and by 1954 that proportion had grown to 20%. Today about 22% of our cotton crop comes from three western states — California, Arizona, and New Mexico. If present government controls were eliminated, these three states plus West Texas would probably soon be producing three-fourths of our cotton. The production per acre in the West is more than twice as great as the national average and practically all cotton there is irrigated.

The geographic concentration of certain fruits and vegetables is even more striking — and very important to your marketing strategy. About a sixth of all grapefruit trees are in one county and more than half are in four counties. Almost a third of all grape vines are in one county and well over half are in four counties. More than a third of all plum and prune trees are located in two counties. Almost a third of all pear trees are in three counties. More than half our orange trees are in six counties.

Almost an eighth of green snap beans harvested come from one county and more than a fifth come from four counties. Almost a fourth of green peas harvested come from four counties.

The 100 leading counties account for more than half the total production of tobacco, cotton, sugar beets, vegetables for sale, sweet corn, cabbage, tomatoes, watermelons, dry onions, fruits and nuts, Irish potatoes, sweet potatoes, peanuts, barley and sorghum. Fifty counties raise three-fourths of our flax seed and more than 90% of our rice.

I stress this geographic concentration because a careful study of the Census Bureau publication "Ranking Agricultural Counties" will enable you to be highly selective—and highly effective—in your marketing strategy for many of the items you produce for sale to farmers. You might well call this publication the "Farm Market Skimmer." It's a very effective but little known tool which I highly recommend.

Specialization by farms is almost as striking as that by geographic area and change is surprisingly rapid. For instance in the brief period between 1950 and 1954 the number of farms selling chickens declined by about 40%, but the average number of chickens sold per farm almost trebled. The number of farms reporting cattle and calves declined, but the average number of cattle and calves sold increased. The number of farms reporting corn harvested for grain decreased by a fifth, but the average acreage for those farms increased. The number of farms reporting hogs and pigs sold alive declined about one-third but the average number sold increased by a third.

Character and Size

The number of farms, approximately 4.8 million, is well below the 5.7 million of 1900, but both their character and their size have changed greatly. The subsistence or self-sufficient farm is largely a thing of the past.

About two-thirds of our farms, or the 3,327,000 commercial farms, account for approximately 97% of the value of farm products sold. The other third, or 1,456,000 part-time, residential and "abnormal" farms account for the remaining 3% of products sold. Farms with sales of $5,000 or over make up a little more than one-fourth the total number of farms, but account for three-fourths of the total value of farm products sold. Less than one-fourth of the total farm products sold came from the 45% of all farms which reported sales of from $250 to $5,000 (excluding part-time farms).

The variety and volume of purchases in the farm market are great—and still growing. Of the commercial farms, 80% bought gasoline or other petroleum products; 70% bought fertilizer; 75% bought some food; 60% hired machinery; and a little less than 60% hired labor. The proportion of all farms reporting these expenditures, except for hired labor, increased between 1950 and 1954.

The mechanical equipment on farms is still increasing rapidly. In every case, the number of farms reporting the items of machinery and equipment included in both the 1950 and 1954 Censuses increased. The proportion reporting tractors increased from 47% to 60%; trucks 34% to 46%; automobiles 63% to 71%. The number of farmers reporting pickup balers more than doubled between 1950 and 1954; corn pickers up 50%; grain combines up 40%; home freezers up 137%. A relatively new item, field forage harvesters, were reported on nearly 200,000 farms in 1954. About three-eighths of all farms reported tractors but no horses or mules, as compared to less than one-fourth in 1950 and less than one-tenth in 1945. The number of tractors (excluding steam and garden) on farms at midyear 1957 was about 4,500,000.

Electricity was available to 93% of farms in 1954 as compared to 7% in 1920. It is estimated that electricity is available today to over 96% of farms.

These rates of growth certainly reflect a dynamic and growing farm market with a constantly increasing productivity to bolster its purchasing power. Only 37 years ago, each farm worker produced enough for himself and seven other people. Today he produces enough for himself and 19 others. Naturally, this growing productivity means growing purchasing power. Your products become both cause and result. They increase productivity and increased productivity further increases your sales.

Irrigation Trend

From the standpoint of fertilizer, soil conditioner and pesticide application, the trend toward irrigation should interest you. The number of farms reporting some irrigation and the total land under irrigation was the greatest in our history in 1954. Increases were particularly marked east of the Mississippi, excepting Florida. About 7% of our cropland was irrigated, but almost a sixth of all crops were harvested from irrigated land. Almost a third of our cotton, half the fruits and nuts and over 45% of all vegetables were grown on irrigated land.

Our rapidly growing population, increasing purchasing power, urbanization and suburbanization, better transportation and growing industrial facilities all indicate a rapidly expanding demand for farm products for the foreseeable future. This in turn creates an expanding market for you. The demand for farm products is expected to rise steadily over the next 20 years. According to the Paley Report (Resources for Freedom) this demand will be at least 40% greater in 1975 than in 1950. Most of the increased production to supply this demand will come from greater productivity through further mechanization and better methods. The yields per acre as well as per man-hour will increase considerably, making it unnesessary to expand the acreage under cultivation appreciably. This report concludes, "that an increase in productivity of around 85% in the next 25 years from 1950) is technically possible and economically feasible."

In addition to all these advantages and growth factors, both political parties long ago decided to give the farmer a protected market and many other income assurances, including price supports and subsidies. These, unfortunately, are at the expense of the taxpayer and consumer—one and the same fellow. They do undeniably make the farm market a guaranteed and privileged one albeit a bit outside our cherished concepts of free competitive enterprise.

Economy's Health

Our economy is so strong, vital and dynamic that it has grown miraculously in spite of many mistakes by government, management, farmer and labor alike. I believe it will continue to do so. But, the fewer the mistakes, the faster it will grow—and the higher your business and our standard of living will climb.

The chemical industry of the United States was a very skinny runted infant at the beginning of the century. Its growth since World War I has been phenomenal. Today it is a very dynamic, healthy adolescent, consistently outgrowing most other industries. That kind of growth can continue for many years to come, deeply rooted in a rich and expanding market.

We have the rapidly increasing population, the growing capital and purchasing power, the trained labor force, the technical knowledge and facilities and the attitude that add up to a truly dynamic and expanding economy.

How to grow with America is largely a matter of knowing how America will grow and change, then keeping a step ahead of the tide.

Three With Richard Fay

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Robert S. Comer, Charles W. Marsh, Jr., and Charles W. Thomas have joined the staff of Richard A. Fay & Co., 9911 Santa Monica Boulevard. Mr. Comer was formerly with Eastman Dillon, Union Securities & Co.

R. S. Dickson & Co. Expands Research

CHARLOTTE, N. C.—J. Murrey Atkins, President of R. S. Dickson & Co., Inc., Wilder Building, announced the election of J. Allan Wilson as Vice-President. Mr. Wilson, who recently became associated with the firm, is director of research in the Charlotte, N. C., office of the investment firm.

Prior to his association with R. S. Dickson & Co., Mr. Wilson had considerable experience in the field of investment research and management. In addition to several years earlier experience with an investment brokerage firm, he served two of the leading financial institutions of the Southeast in an official capacity. He has served as trust investment officer in charge of investment research at the Trust Company of Georgia and more recently as Vice-President of the Citizens and Southern National Bank in charge of trust investment research at Atlanta, Ga.

With Westheimer Co.

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Earl C. Case is now with Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Abbott Adds to Staff

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Mrs. Anne M. Baylog has been added to the staff of Abbott & Co., 11800 Shaker Boulevard.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

It will be well for the conservative investor at this juncture in the general stock market to have a look at the performance of various industry groups. Industrials, rails, and even utilities among listed stocks have been steadily giving ground. Probably as good a reason, or, shall we say "excuse," has been that too high forward values have been put on stocks. Certainly, on any reasonable price-earnings ratio basis the market leaders at the highs were amply priced, and it will undoubtedly take a long time for earnings to justify the figures at which the market priced many stocks at their highs.

Much the same reasoning applies to two groups of over-the-counter equities: life insurance stocks and fire-casualty insurance stocks. These two categories, particularly the lifes, were bid up to quite fancy market prices, also on the basis of their being growth stocks.

But the New York City bank stocks never did really participate in the bull market for equities. In earlier articles we discussed this, pointing out that, as one of the most conservative types of equities, bank stocks offered no great promise of growth, but did give the investor good stability and relative security so far as equities could give security, and withal, good yields.

If the stocks of the banks in New York have not shared in the bull market, neither have they participated in the current bear phase. Logic would have had them do better market-wise than has been the case, for no group of stocks has shown a more consistent growth in earnings over the past several years, and few, if any, have reported a better record of dividend growth. Quarter after quarter this space has called attention to the facts that there have been steady progressions in their price-earnings ratios and dividend pay-out ratios on the down side, and in the upward trend of the ratio of earnings (after taxes) on book values.

And we have consistently favored the New York bank stocks as they are greater wholesalers of credit and as such enjoy a greater relative profit in a period of rising interest rates than do the interior banks.

Further, we have shown that, using Federal Reserve districts, and the groups of largest banks in each district, not only do the New York banks have a smaller ratio of interest-bearing deposits to total than in any district except Boston, but, again excepting Boston, the servicing of interest-bearing deposits takes a smaller proportion of gross income. This, of course, adds up to a better earnings potential.

Percentagewise, the level of loan volume has not varied greatly, and the New York banks continue to derive the principal source of gross income from loans and discounts. In 1956, 58.54% of gross came from loans, while income from interest and dividends had dropped to 17.77%, principally because of the big shift of assets from securities investments to loans; and trust fees and miscellaneous accounted for somewhat more than interest and dividends, 23.69% on average.

Now, turning to the 1957 third quarter, it is probable that for the three quarters 1957 will show increases in net running from 8% to 14%. All of the banks will probably show gains unless in an instance or two some sizable non-recurring charge takes place.

The following is this department's estimate of the net earnings for the three quarters ended with Sept. 30. With this estimate is given the actual results for the like period of 1956.

	Actual First Three Quarters 1956	Estimate First Three Quarters 1957
Bankers Trust	$3.60	$3.96
Bank of N. Y.	16.26	18.54
Chase Manhattan	2.96	3.23
Chemical Corn Ex.	2.89	3.18
Empire Trust	12.46	13.58
First Natl. City	3.85	4.27
Guaranty Trust	3.73	4.14
Hanover Bank	*	*
Irving Trust	1.83	2.01
Manufacturers Tr.	2.60	2.86
J. P. Morgan & Co.	17.16	18.70
New York Trust	3.93	4.24
United States Tr.	4.01	4.41

*As Hanover Bank does not publish first or third quarter operating earnings no estimate has been made in their case.

Present dividend rates average out about 62% of yearly operating earnings, so they will be covered by the earnings in the three quarters. Indeed, the large New York banks have been somewhat parsimonious about their dividend increases, but this helps the banks supply funds for business in general during this period of heavy demand; and of course it is reflected in better earnings.

* * *

Chemical Corn Exchange Bank is to issue rights entitling the holders to purchase one additional share of the bank's stock for each five shares held. The price of the subscribed share is set at 45.50. This will increase the outstanding shares to approximately 6,376,590, and add over $47,000,000 to capital funds. The rights expire on Oct. 7, 1957.

First Albany Branch

PLATTSBURGH, N. Y. — First Albany Corporation has opened a branch office at 69 Clinton Street under the management of Adelbert W. Campbell.

Joins Jaffe, Lewis

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—H. Jay Fruchter is now with Jaffe, Lewis & Co., 1706 Euclid Avenue, members of the Midwest Stock Exchange.

Continued from page 18

World and U.S.A. Social Progress

leveling-up process has been sharply progressive income and estate taxes. Americans pay up to 92% of the top brackets of their incomes in taxes, providing revenue for government. But vastly more important in the income-leveling process has been the wider diffusion of education, skills, and work opportunities among all of our people, tending to raise and equalize their productivity, and thus their incomes.

These startling gains in the size distribution of family incomes in my country have occurred in the face of greater leisure time, and reduction in hours of work.

The rising wealth of our people provides another basis of social progress. Seventy-one percent of all families own automobiles, compared to 65% in 1952. Seventy-six percent of all homes had television sets, as against 38% in 1952. During this four-year period over 5 million dwelling units have been built, the highest number in our history for a similar period. By 1956, 60% of all dwelling units were occupied by their owners, compared to 55% in 1950.

Americans have also made real progress in accumulating savings. In 1956 there were 8.6 million shareholders in public corporations, 33% more than in 1952. During the past four years the number of life insurance policyholders increased from 88 million to 103 million, while life insurance holdings per family went up from $5,300 to $6,900. The proportion of families having hospital and medical insurance coverage rose steadily.

Participation in religious, cultural and civic activities has become more extensive than ever before. Church membership has increased markedly. In 1956 more than 100 million Americans were enrolled members of churches, and recent years have witnessed a sharp rise in the construction of church and related buildings. Outlays for library construction have also been large, and the publication and circulation of books have exceeded any previous records. Greatly increased resources are being devoted to education at all levels. Thus outlays on the construction of educational buildings totaled $3.1 billion in 1956, a rise of 57% in four years. More Americans are attending symphony concerts and buying classical records than ever before, and the number of symphony orchestras has multiplied ten-fold in the last 30 years.

We can also measure our social progress in terms of the advances we have made in wiping out the remnants of prejudice and discrimination among people on grounds of their race or color. We have recently done much to demolish barriers to full equality of opportunity for all our citizens. The courts of the United States will no longer sanction restrictive agreements among property owners preventing members of minority groups from dwelling in particular areas. Racial segregation in the schools of the South, once universally practiced, is now gradually disappearing under decisions of our Supreme Court. So is segregation in public transportation facilities. In every corner of the United States one can feel the strength of this development. Discrimination in Federal Government employment and in our Armed Services is already a thing of the past; and whatever discrimination remains in private employment is rapidly disappearing. Some discriminatory practices remain in my country. Yet the current trend toward greater equality of opportunity is powerful, and the pace of our movement in this direction has been accelerating.

Another dimension of our social progress is conditions of employment. In the United States there are, in general, determined by the joint decisions of employers and workers reached through voluntary collective bargaining, under general rules of the Government. Working conditions continue to improve. The minimum wage was raised by Federal law in 1955. The worker injury rate in manufacturing industries declined by 17% during the past four years. Old age and survivors insurance was extended in 1954 to farm operators and workers, state and local government employees, and employees of non-profit organizations. As a result, nearly all Americans are now protected by old-age pensions and disability insurance under governmental programs. In addition, some 16 million workers and their families now have old-age pensions and medical insurance provided privately by their employers or their trade unions. Unemployment insurance covered has recently been extended to employees of very small firms.

A dramatic recent development in my country has been the growth of so-called guaranteed annual wage plans, under which many of our most important business enterprises have agreed to provide weekly unemployment insurance benefits to supplement those paid by states.

The rise in family savings and the marked upsurge of private and public insurance against sickness, old age, illness, accident and death, constitute important "built-in stabilizers" of the American economy. They help to stabilize consumer purchasing power by inducing regular savings during employment, and by bolstering family income in the event that wage income is interrupted. Thus they reinforce the monetary, fiscal and other measures which I mentioned in my statement on the World Economic Situation[1] in promoting a more stable expansion of the United States economy. This, in turn, protects the future social welfare of our citizens and of the citizens of other countries who sell their products in United States markets.

Individual Freedom and Social Progress

Many visitors to my country have been struck by the fact that social progress in the United States is not a matter for government alone. The ways in which people participate in shaping the lives of their communities are many and varied. One strength of a free society is that it opens up and encourages many forms of individual participation in co-operative effort in addition to participation in the political processes of government as a citizen.

Voluntary welfare organizations are an integral part of American society. There are literally thousands of these organizations concerned with every aspect of social action, including education at all levels. Their expenditure of privately contributed funds total several billion dollars each year. Voluntary welfare organizations prod the public conscience, while giving expression to the individual's desire to be of help to others. Where there is freedom to organize and criticize, private associations of all kinds can bring imagination and new approaches to bear on social problems. They are vital forces for social progress.

The trade unions of the United States are our largest voluntary private organizations and now have 17 million members. This represents a growth of 600% in 25 years. Far more important than its size or the speed of its growth, however, is the fact that the American trade union movement is free from domination or interference by either government or employers. American trade unions have always pursued an economic objective, namely, the betterment of the conditions of work and income of their members. They have not sought political authority. The American labor movement believes in democratic ways and a philosophy of gradualism. It sets its sights on goals it has a practical chance of attaining within a free-enterprise economic system, which it supports and in which it participates as a co-owner. (Half the skyline of Washington is owned by labor unions!) The American labor movement thrives in a free atmosphere, where workers are free to organize, free to bargain collectively, and free to strike.

In stressing individual participation and private efforts in bringing about increased social welfare, I fully recognize the importance of government action in many circumstances. There are some things which only governments can do if the benefits are to reach all the people. Governments have an important role to perform, and one of the elements of hope for improvement in the world social situation is the increased awareness by governments of the social problems of their peoples. The relationship between individual and governmental reponsibility will vary from country to country, and at different stages of economic and social development. But—and this can never be forgotten—the individual with freedom to choose best knows his own needs and aspirations. His own determination of these needs and his own efforts to fulfill them are the basis of free societies and sound, social progress.

In Conclusion

In these observations I have tried in behalf of my delegation to offer my country's views regarding the world social situation, and to report briefly upon social problems as well as social progress in the United States. I hope that I have conveyed the sense of urgency and importance with which the American people view the requirement of rapid social advancement throughout the world.

It appears to be that there are, perhaps, four leading ideas that my remarks have contained, to which I would refer once again.

First, we hold to a wide concept of social progress, and urge that it be measured comprehensively along all of its many dimensions in the work of the United Nations.

Secondly, we lay great stress upon the interdependence of economic and social progress, and are pleased to observe that this view governs the social work of the United Nations.

Thirdly, we emphasize the important role of individual action and of voluntary, private organizations in an integrated national program for social progress.

Fourthly, we believe that the social progress of the United States during the past four years has justified our faith in free institutions and that we shall be able to resolve the main problems that remain before us.

Americans are an impatient people. We shall not be satisfied unless the next review of the World Social Situation reveals progress at an even greater rate than that we have witnessed in the years just past.

1 Published in the *Chronicle* under the title "The World Economic Situation: An American View" on Aug. ?, 1957.

Matthew R. Pack

Matthew R. Pack passed away Sept. 9 at the age of 68. For many years he was associated with Francis I. du Pont & Co.

Continued from first page

Fast Growth Pace of The Chemical Industry

industry for years has applied to newly developed products as processing techniques improve and higher production results. On the other hand, upward price adjustments appear indicated for a number of the less competitive product lines, since productivity has not kept pace with increased labor, material, and transportation costs in spite of improved mechanization, efficiency, and cost-cutting programs instituted by a majority of the companies.

In many cases, 1957 will be pointed to as a year in which a base for future growth was prepared and consolidated. Heavy expenses in connection with starting up new production facilities can normally be expected for a period after completion of construction and the retirement of old and obsolete facilities. Like research, however, these expen es form a part of the foundation for expanded sales and increased profits in future years. It appears that the industry's record-brea'cing construction program has been consolidated into the national chemical product and sales pattern with few outward difficulties, although over-capacities in some lines presently exist. This new production may be expected to help carry the expense of current and future construction and should improve the earnings picture in the immediate future for many companies.

From our contacts with industry executives, we cannot help but express continued optimism for the immediate period as well as for the long-term future. Barring all-out war, we believe that chemicals will continue as a "growth industry" and that future developments and prosperity will dwarf those of the past.

Admittedly, there are serious problems to contend with, of which the cost-price factor, taxes, inadequate depreciation, tax-free cooperatives, and rising imports represent but a few. It must be remembered, however, that the chemical industry today accounts for over 7% of total manufacturing income, an increase of 670% over 1929, as compared with increases of 370% and 460% for total national income and manufacturing income, respectively. This trend presently continues and promises much for the future.

Sales and Inventories

Chemical industry sales continued to swing upward in 1956, although the earnings record was not as good as for 1955. On the new basis established by the recently revised benchmark figures of the U. S. Department of Commerce, sales for chemicals and allied products totaled $22.8 billion in 1956 ($24.2 billion on the old basis), a 6.3% gain over the previous year.[1] This represented a monthly average of $1.9 billion as against $1.8 billion in 1955. In terms of dollar volume, the chemical industry has expanded five and a half times since 1939; by 1965 the value is expected to be 10 times that of 1939.

The chemicals and allied products industry continued as the leader in the Federal Reserve Board's production index for nondurable manufactures, averaging a new high of 177 (1947-9=100) in 1956 compared with 167 for the preceding year, a gain of 10 points or 5.9%. By comparison, all industrial production advanced only 4 points in 1956 over 1955, or 2.8%.

Chemical production was at its 1956 peak during October when the FRB index reached 182, higher than ever before. The industrial organic chemicals production index averaged 197 for 1956, with 189 for basic inorganic chemicals, representing increased activity by 11 and 9 points, respectively, over 1955.

The steady advance in chemical production and sales continued into early 1957, as compared with the same period a year earlier, promising another record-setting year for the industry. First quarter 1957 sales were 6.4% above the same quarter in 1956, but there was a slight easing off in the second quarter, with a 5.2% gain over the first six months of 1956. Despite this slight seasonal letdown, it is expected that the industry's total sales volume for the year 1957 will set a new record of more than $25 billion. Sales averaged $2 billion per month during the first six months of this year, compared with $1.9 billion last year.

A new high was reached by the FRB production index for chemicals and allied products during the first five months of 1957 with an average of 185, 7 points and 3.9% above the corresponding period in the preceding year. All industrial production increased only 2.1% in the same period. The production index for industrial chemicals averaged 206 for the first five months, a gain of 3% over the same period in 1956.

Admittedly, the record chemical volume in part will reflect inflation previously set in motion by wage boosts, the most recent being the July 1 adjustment in the steel industry resulting in a $6 per ton price boost. Also reflected will be the substantial freight rate increases (rail) granted by the Interstate Commerce Commission. Transportation charges are a real factor in chemical costs, ranging between 8 cents and 25 cents of the sales dollar. Such across-the-board increases are not generally possible in the chemical industry, where highly competitive items may be produced by a variety of methods and sold to a number of widely differing markets.

The value of chemical manufacturers' inventories rose 11.5% in 1956 and at the end of June 1957 stood at $3.74 billion, just slightly under the industry's all-time high level of $3.75 billion reached in April 1957. A good part of the increase is the result of higher prices for raw materials, although some advance in physical stocks was necessary in order to service rising sales.

The relationship of inventories to sales has often been considered a prime indicator of industrial health, usually registering danger signs due to imbalance. The stock-sales ratio for chemicals in 1956 ranged from 1.8 to 1 at the beginning of the year to 2 to 1 at the end of the year. As of the end of June 1957, stocks equaled slightly more than one and three-quarters months' sales, keeping the same ratio as of one year ago. All things considered, this ratio appears to signify a healthy stock-sales relationship for the chemical industry as a whole, although individual segments in the field may show some degree of imbalance.

Employment

The average number of all employees in the chemicals and allied products industry increased in 1956 to 830,600 from 810,500 in 1955, with production workers averaging 551,600 as against 546,000 a year earlier. Production workers in the inorganic chemicals group averaged 75,000 in 1956 as compared with 74,100 in 1955. Comparable data for organic chemicals show 215,600 as against 215,000. Production worker employment in the chemical industry as a whole showed a slight decline during the first six months of 1957, averaging 546,600 compared with 556,700 in the same period a year ago. This drop was in line with factory employment for all manufacturing industries, which was off by 1.1%.

Earnings of chemical production workers rose 5.7% in 1956, averaging $87.14 per week as against $82.39 in 1955. Inorganic chemical industry workers earned an average of $95.12 a week in 1956 compared with $89.98 a year earlier, and the organic chemical group averaged $92.89 as against $87.33 in 1955. The average work week for the industry as a whole was 41.3 hours in 1956, slightly less than the 41.4 of 1955. The Bureau of Labor Statistics' Cost of Living Index averaged 116.2 for 1956, or 1.4% above the 114.5 for 1955 (1947-49=100). The first six months of 1957 saw a continued rise in weekly earnings of the chemical worker, averaging $89.91, or 4.7% above the $85.84 for the same period in 1956, with weekly hours averaging 41.0. During the first six months of this year, the BLS Cost of Living Index reached a new high of 119.1,

Continued on page 24

[1] In August, the Department of Commerce revised the benchmark for chemical sales and related data (C&EN, Aug. 19, p. 7). Net effect of this biennial change is downward revision of chemical sales by over $1 billion in both 1955 and 1956.

Chemical Industry Construction 1956
(Thousands)

Category	Planned	Under Construction	Completed	Total
Fertilizer chemicals	$74,525	$130,420	$201,900	$406,845
Inorganic chemicals	247,889	361,450	206,700	816,039
Organic chemicals	184,567	366,992	310,481	862,040
Metals	46,000	288,697	130,950	465,647
Petroleum and natural gas	48,500	18,050	29,061	95,611
Plastics and resins	24,700	245,720	124,197	394,617
Synthetic rubber	30,000	156,300	23,750	210,050
Textile fibers	26,200	177,000	75,700	278,900
Miscellaneous	20,000	------	16,000	36,000
Laboratories	15,650	37,275	42,450	95,375
	$718,031	$1,781,904	$1,161,189	$3,661,124

Source: Manufacturing Chemists' Association.
Note: Not comparable with figures on capital expenditures.

Price Indexes—Wholesale
Chemicals and Selected Commodities
(1947–49 = 100)

	1957*	1956	1955	1954	1951	1947
Combined index†	117.1	114.3	110.7	110.3	114.8	96.4
Chemicals and allied products	109.0	107.2	106.6	107.0	110.0	101.4
Chemicals, industrial	123.5	121.4	118.1	117.6	120.7	98.8
Drugs and pharmaceuticals	93.2	92.1	92.8	93.9‡	95.6‡	105.3‡
Fats and oils, inedible	58.7	56.2	56.6	57.8	88.8	127.6
Fertilizer materials	106.6	108.4	112.6	113.0	106.3	95.0
Prepared paint	124.4	120.0	114.5	112.8	109.0	98.5
Fuel, power, & lighting materials	118.5	111.2	107.9	108.1	106.7	90.9
Coal	123.6	114.5	104.8	106.3	108.4	88.0
Electricity	95.1	94.2	97.0	101.8	98.1	98.0
Gas	118.7	115.1	111.6	108.8	100.7	96.1
Petroleum and products	129.2	118.2	112.7	110.8	110.5	88.2
Metals and metal products	150.9	148.4	136.6	128.0	122.8	91.3
Iron and steel	163.7	154.7	140.6	132.9	123.2	89.7
Nonferrous metals	143.0	156.1	142.7	124.2	124.2	95.6
Paper	140.7	137.3	129.8	126.6	119.1	93.4
Textile products and apparel	95.5	95.3	95.3	95.2	110.6	100.1
Rubber and products	144.6	145.8	143.8	126.9	148.0	99.0
Lumber and wood products	120.3	125.4	123.6	118.0	123.9	93.7

*Preliminary first half data. †All commodities. ‡Includes cosmetics.
Source: U. S. Dept. of Labor.

Continued from page 23

The Chemical Industry's Fast Growth Pace

an increase of 3.4% over the 115.1 of a year ago.

During 1956 and the early part of 1957, chemical companies received many demands for upward wage adjustments. Although there were several work stoppages of fairly serious nature, most of the demands were settled amicably and in a range varying between 8 cents and 14 cents per hour. The trend toward long-term labor contracts continued, with improved health and welfare plans remaining the most frequently negotiated fringe provision. The continued upward spiral of wages foreshadows serious problems for the future. These will remain largely unresolved, as long as the country continues its apathetic approach toward inflation.

Safety

The chemical industry's 1956 injury frequency rate per million man-hours of exposure was reduced to 3.00 from the 1955 figure of 3.25, and was further reduced during the first five months of 1957 to 2.81, 2% lower than the corresponding period a year earlier. This was despite the occurrence of a number of severe accidents in the early spring which more than doubled the previous year's fatality figure.

Employees at work in chemical plants are actually safer than when they are walking the streets, driving their cars, or working at home. Their freedom from work accidents is largely the result of management-employee teamwork plus large outlays of money, time, and engineering skills to provide safe work places and safe operating methods. The outstanding record of the chemical industry proves that chemicals in any form can be safely stored, handled, and used if their hazardous properties are fully understood and the necessary precautions observed.

Wholesale Prices

During 1956, the BLS Wholesale Price Index for the chemical industry averaged 107.2, a rise of only 0.5% from the 1955 average of 106.6. All commodities rose 3.2% during the same period. Chemical prices have remained fairly steady for several years in spite of advancing overhead costs of doing business.

However, with continued rising costs of such essentials as raw materials, transportation, labor, and containers, the chemical wholesale price index began to climb slightly in the last quarter of 1956 and early 1957. The average for the first six months of 1957 was 109.0, or 2.1% higher than the same period a year earlier, whereas all commodities increased 3.4%. The current average of chemicals, however, is still about 1% below the industry's highest index in the last 10 years, which was a peak of 110.0 averaged in 1951. By comparison, the index for all commodities during the first half of 1957 was 2% above its 1951 high average for the 10-year period.

Assets and Profits

Keeping pace with the steadily increasing sales and expansion of the chemical industry are its total assets, which reached a new high of $18.97 billion in the fourth quarter of 1956, according to the Securities and Exchange Commission. This represented an increase of $663 million over the previous quarter and almost $1.5 billion more than the fourth quarter of 1955. Figures recently released by SEC show that chemical industry total assets reached $19.1 billion in the first quarter of 1957.

The industry's net profits after taxes averaged 8% of sales in 1956, compared with 8.2% in 1955. By comparison, the profit-sales ratio for all manufacturing industries was 5.2% in 1956 as against 5.4% in 1955. The profit margin squeeze for the chemical industry came in the third quarter of 1956 when the ratio was only 7.6% of sales; it rose in the fourth quarter to 7.9% and dropped to 7.8% in the first quarter of 1957. Actual figures show that the chemical industry's net profits after taxes were $453 million in the first quarter of 1957, representing a slight increase of 0.4% over the $451 million in the last quarter of 1956, but were still about 1.1% below the $458 million in the first quarter a year ago. Of the 23 major industry groups classified by the SEC in "manufacturing," the chemical group was one of the 14 industries that showed a decrease in profits in the first quarter of 1957 as compared with the first quarter of 1956, further pointing up the effect of rising costs on business generally.

The increased cost of doing business which has gained momentum during the the past several years was accelerated in 1956 and the first half of 1957. Traditionally, the chemical industry has sought to reduce, rather than increase, its selling prices in order to widen markets. Recent examples may be cited in the use of titanium sponge metal, specific drugs, and certain plastic materials. Enlarged markets are generally opened after each successive price reduction, with benefits accruing both to customers and stockholders. In some instances during the period stated, augmented production and technologic improvements made it possible for the industry to absorb increased costs without adverse return on investment. However, when higher costs cannot be so absorbed, a reasonable return on investment can be maintained only by increases in sales prices, if competitive conditions permit.

It would appear that the industry has now reached this point.

Expansion

Capital outlays by the chemical industry for new plant and equipment reached the record-breaking high of almost $1.5 billion in 1956, 43% above 1955 and 2% above 1953, the former record year, as reported by SEC and the Department of Commerce. The industry anticipates even greater outlay in 1957, in the range of from $1.75 billion to possibly $1.80 billion. In the first half of this year $797 million was spent as compared with $647 million in the first half of last year, an increase of 23%. It is estimated that 29% of 1957 spending will be for replacement of present facilities and 71% for expansion. Chemical industry capital spending during 1956 equaled $2,637 per production worker, as against $1,860 in 1955. By comparison, all manufacturing industries spent $1,133 per production worker in 1956 against $876 in 1955.

It is heartening to note, moreover, that management expects to equal or exceed this record-breaking expansion rate during the next two years. Almost without exception, executives have advised us that they entertain few fears about general business conditions over the long pull; that their policy is to expand as rapidly as possible consistent with their ability to finance projects, to operate them, and to find markets for their products. New products, entry into new fields, a constantly expanding population, improved living standards, diversification, and reduction in unit costs occasioned by increased volume are some of the reasons for the policy expressed — a policy evolved following intensive investigations concerning product markets and long-range prospects. Almost without exception, manufacturers advised that there have been no significant forced curtailments of expansion plans because of national or internal developments.

Inflation vs. Depreciation

Under our income tax laws, the measurement of depreciation in the earnings statements has been limited to a recovery of original investment, which ignores the impact of inflation on the costs of plant replacement. The problem is a serious one for chemical producers because of high fixed assets and rapid depletion and obsolescence of manufacturing equipment. In many cases, it is believed that because of present depreciation policies the reported earnings of industry are generally overstated and that corporate taxes are being paid on capital consumption as well as on earnings—the "effective rate" of taxation exceeding the nominal rate of 52% in proportion to a company's investment in depreciable property and to the length of the property's life.

The Internal Revenue Code of 1954 included some much needed reforms in the tax treatment of depreciation and amortization. The sum-of-the-digits and the double-declining-balance methods permit companies to recover a greater part of the cost of a new asset in its earlier years instead of spreading the depreciation evenly under the straight-line method. Because of misunderstanding of the economic effect of these reforms, some people have advocated their repeal in the face of an industry plea for enactment of even more flexible write-off of replacement assets than is permitted under the 1954 Code.

Many executives in the chemical and other basic industries feel that, if the government does not allow more liberal depreciation, the day is coming when industry will not be able to finance necessary modernization and expansion of plant. They feel that, if our economic structure is to remain strong and sound, the tax laws should recognize the inflation that has occurred and permit management to retain without penalty the funds needed to replace existing facilities. MCA and other industry groups are giving much thought and study to the problem.

Corporate Debt

From the foregoing, one would expect that the recent trend away from internal financing of new construction would be a permanent one unless the tax laws were changed to liberalize depreciation policies. Replies to our survey were about equally divided on this point. While it is true that during the past 10 years a majority of capital expenditures were financed predominantly from retained earnings and depreciation, this trend does not seem likely to continue. Considering the relative position of interest rates and of corporate taxes as compared with a decade ago, equity financing would appear to be in a relatively favorable position at the present time. This is bolstered by the fact that debt to assets ratios can be increased only up to a point—especially in a tight money market.

Research

The statement that scientific research is the key to prosperity both now and in the future cannot be seriously challenged. In an increasingly complex world, the search for and use of scientific knowledge in all areas are becoming more and more important to individuals, industries, and nations. Certainly the experience of the chemical industry bears this out, and the facts speak for themselves. One large chemical manufacturer reported that during 1956 approximately one-third of the company's total sales and almost one-half of net income came from new products and processes not available 15 years ago.

Replies to our survey overwhelmingly indicate increased commitments for research as related to the sales dollar at as fast a rate as such increases can be effectively carried out. In no case did a reply indicate future spending less than the present dollar

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Fast Growth Pace of The Chemical Industry

ratio to sales. Several indicated that their research programs were under careful scrutiny to assure maximum efficiency in the use of the research dollar. The trend of according higher recognition to research directors highlights current management thinking on the over-all subject. In reporting the recent survey by Massachusetts Institute of Technology, C&EN pointed out that, during 1956, 23 chemical companies out of the 29 surveyed had a vice-president of research and development (or related title), compared with eight a decade ago.

The chemical industry is currently spending at least $450 million a year for research and development — an amount which far exceeds that by any other industry. Today, chemical patents amount to 20% of the total granted each year, compared with 3% prior to World War I. New fields of investigation would seem to assure future business and prosperity.

A surprisingly large number of firms have already installed, or are preparing to install, high energy radiation facilities to explore the effects of radiation on vulcanization, polymerization, sterilization, etc., as related to rubber, plastics, pesticides, organic chemical processes, foods, and other fields. The use of isotopes in medical and biological research looks especially promising. A member of the Atomic Energy Commission recently predicted that by 1960 savings from peaceful uses of radioisotopes will offset the cost of the nation's nuclear weapons program.

Expanded research in the field of special metals such as titanium, zirconium, tantalum, and lithium assures significant potentialities. A large volume use of chemical products as propellants looms, including such items as hydrazine, fuming nitric acid, and boron hydrides. Once source claims that high energy fuels will be a billion dollar business within a decade.

Plastics as building construction materials offer a tonnage market which has hardly been scratched to date. Heavy facilities investments in the fields of carbon and silicon chemistry, solid state physics, and others promise ultimate results of significant nature. Additional examples could be cited. It should be pointed out also that a large portion of chemical industry research is allotted to governmental assistance in the field of national defense projects.

The Bureau of the Census estimates that the population of the U. S. will exceed 208 million by 1970. Such growth will result in an increased demand for goods and services of at least 50% over the 1956 rate. To meet this demand, new fields of endeavor must be activated, resulting principally from basic scientific discoveries. We have no hesitancy in predicting that the chemical industry will more than do its part in meeting this challenge.

Agricultural Products

We cannot close without referring briefly to the projected program of increased industrial use of agricultural products, highlighted in the June 5, 1957, report to the Congress by the so-called Welsh Commission, pursuant to Public Law 540, 84th Congress. The commission's report dealt with the question as to whether or not the economy could develop profitable industrial markets capable of absorbing enough of the excess farm production to minimize, possibly even to eliminate, the need for costly restrictions, supports, and surplus-disposing operations.

In answering this question affirmatively, the commission proposed an expanded program of utilization research "to enable agriculture to do what industry, with its bigger, better and integrated units and larger resources of money and men, has long been doing," and made 10 major recommendations for carrying this out. Program administration would be vested in an independent five-member Agricultural Research and Industrial Board, Presidentially appointed; or in lieu of this, within the Department of Agriculture with a board responsible to the Secretary of Agriculture. Financing would come principally from customs revenues.

The report realistically recognizes the importance of fostering basic research, increasing the supply of scientists through grants and fellowships, and striving for fuller use of industrial facilities and know-how in cooperation with the government. One would be naive, however, to assume that the problem of agricultural surpluses is primarily technical rather than political. An abundance of knowledge has already been developed regarding the chemical make-up of agricultural products and how such products can be converted into other forms. Large volume facilities already exist for using many agricultural products as industrial chemical raw materials. For the most part, however, such products available under government subsidy programs do not constitute an economic or stable raw material source.

In this day and age, economic realities prohibit large investment of capital in research and production facilities for using high-cost raw materials which are subject to fluctuations in prices and physical availability. Other more dependable and more economic sources must be used. Further, the report's suggestions that the government engage in sizable pilot plant production of end products and in active product development and market research are unrealistic. Such proposals would put the government in business and negate the recommendations of the Hoover Commission for getting the government out of business.

If any real progress is to be made in obtaining significantly increased industrial utilization of agricultural products, industry must be given real inducements to develop such uses, based upon sound economic policies. Otherwise, we seriously question the success of any effort in this field.

Production Indexes—Chemical and Selected Industries
(1947–49 = 100)

	1957†	*1956*	*1955*	*1954*	*1951*	*1947*
Combined index	145	143	139	125	120	100
Manufacturers, total	147	144	140	127	121	100
Durable manufacturers, total	163	159	155	137	128	101
Primary metals	142	138	140	108	126	103
Ferrous metals	142*	135	138	105	129	102
Pig iron and steel	152*	142	144	108	131	101
Nonferrous metals	145*	147	146	120	116	106
Stone, clay, & glass products	154	158	149	131	131	98
Cement	134*	157	148	135	123	93
Glass & pottery products	143	140	134	118	120	103
Glass containers	134*	132	126	117	113	114
Structural clay products	124*	137	127	111	122	97
Lumber and products	114	123	127	115	113	101
Nondur. manufactures, total	130	129	126	116	114	99
Chemicals & allied products	185*	177	167	148	136	97
Industrial chemicals	206*	196	184	153	146	95
Paints	121*	124	125	116	108	105
Fertilizers	156*	129	125	122	112	98
Synthetic fibers	200*	181	186	152	148	90
Plastics materials	275*	256	242	184	163	100
Leather and products	108*	104	105	95	94	106
Leather	92*	91	92	87	84	110
Paper and allied products	160*	159	152	134	125	99
Pulp and paper	159*	157	149	132	126	99
Petroleum & coal products	142	141	135	125	122	97
Petroleum refining	151*	150	142	133	125	95
Coke	109*	102	104	84	112	103
Rubber products	142*	133	143	115	119	106
Textile mill products	102*	104	107	95	107	101
Cotton consumption	99*	102	103	97	114	108
Synthetic fabrics	122*	118	137	108	122	90
Wool textiles	78*	86	79	66	97	107
Food manufactures	104*	113	109	107	105	101
Minerals, total	131	129	122	111	115	100
Mineral fuels	133	129	123	113	114	101
Anthracite	52	55	48	52	82	109
Bituminous coal	91*	90	85	70	96	113
Crude oil and natural gas	155	150	143	134	123	95
Metal, stone & earth minerals	124	127	120	106	121	98

†Preliminary first half data. *First five months only.
Source: Federal Reserve Board.

New York Savings Banks Vote to Split Mutual Fund Shares 10-for-1

The 71 New York State savings banks that own the Institutional Investors Mutual Fund, Inc. voted at a special meeting of stockholders on Sept. 12 to split shares of the fund 10-for-1.

Walter J. Hess, President, said the split facilitates regular investment by smaller savings banks and simplifies for all banks the problem of fractional shares that arises when banks elect to take their dividends in shares instead of in cash.

Mr. Hess, who is also President of the Ridgewood Savings Bank, Queens County, N. Y., stated that net assets of the fund on June 30 were $30,219,849. The net asset value per share was $1,571.35 at the close of the market on Sept. 11. The split has the effect of reducing the value of the shares to one-tenth of that amount.

Mr. Hess also stressed the psychological effect of the approved split. He said that there is a natural investor resistance to high priced shares and that savings bankers are no exception to this general rule.

Nathan Spiro Opens

ORANGE, Conn. — Nathan B. Spiro is conducting a securities business from offices at 356 Fairlea Road.

J. S. Zinner Opens

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—James S. Zinner is conducting a securities business from offices at 8340 West Olympic Boulevard.

Continued from first page

As We See It

shortening of the work week tends not only to reduce output but definitely to enlarge demand for various sorts of goods and services. This speaker was apparently interested only in the provision of recreation facilities and the like and may have given hardly a thought to the economic significance of the phenomena to which he was addressing himself, but what he had to say can hardly fail to be suggestive to the thoughtful man with the good of his country at heart.

Increases Demanded

There can be no real doubt that the shortening of the work week during the past decade or two has been responsible for a very large increase in demand for automobiles, many types of services, and a large variety of other goods. A man with two full days off duty each week in which to do what fancy dictates is by that very fact a larger consumer than he would be were he working five and a half or six longer days each week. Leisure provides many opportunities, but it likewise entails, or is likely to entail, expenses which would not be incurred if less of it were available. It would not be easy to provide statistical demonstration of the fact, but almost certainly a fact it is that more abundant leisure has been a factor in the enormous rise in so-called consumer borrowing.

Now all this, or certainly much the large part of it, is commonly thought of as a great blessing. In point of fact, a good many current analysts seem to have come to the view that the larger the rate of consumption the better we are off since it assures an economy going at top speed and furnishing "full employment," which are apparently thought of as ends in and of themselves. We certainly have no desire to raise philosophical questions as to whether large consumption of modern gadgets and services tends to create a happier existence for the rank and file—as a good many in other countries are wont to do upon occasion.

What troubles us at the moment is the fact this "fuller life"—in the material sense—is impossible without corresponding production, and corresponding production attuned carefully to the wants of the people. If a worker in five days or even four days can turn out more than he can in five and a half or six days, or more than he has been in the habit of producing in the longer work week, and if that is the general rule, then the worker can possibly have both more leisure and more goods and services. Otherwise what he is likely to get in the long run is merely higher prices, more money and more frustration—what is commonly termed "inflation." These are very simple but very elementary truths that are far too often overlooked by those who grow enthusiastic about increased leisure and the "better life." Failure to understand them and to act accordingly can only end in disappointment and disillusionment.

There are those, of course, who will say that the advance in per capita production and in the good things enjoyed by wage earners during, say, the past decade or two, belies such conclusions as these. Workers have been laboring fewer and fewer hours each week, getting higher and higher wages, and turning out more and more goods, so it is argued. These are indeed the facts of the case, but they do not prove what the easy reasoners claim that they do. The astounding advance in technology, the ingenuity of management in conducting the production process—and incidentally astronomical outlays for plant expansion —have offset the reduction in human effort by wage earners, who, however, have not failed to make use of their monopolistic position to lay claim to the more abundant output thus occasioned.

How Long Can It Continue?

There has been a good deal of social injustice in the course of these events. Many have reaped where they had not sown, and others have had to be satisfied with much less than they really earned. But the big question now is this: How much longer can this go on without serious injury to us all? Can we count indefinitely upon technological advance and managerial ingenuity to compensate for the lack of endeavor on the part of the rank and file who do the physical work of the world? No one, of course, can tell what science will bring forth next, and at times human ingenuity seems to have no limit. Yet is it really prudent to rely upon the relatively few to make continuing progress possible despite the shortcomings of the many?

Questions of this sort are the more in point by reason of the fact that it is the many who are organized into groups which are able to bring collective pressure to force the more productive elements to give them increasing portions of their output. The urge to improve one's position in the world lies deep and strong in a minority of the people, or else the continued reduction in the incentive insisted upon by the New Dealers would have had much more damaging effect than is to be observed at present. The "drive" that sends men to fight current obstacles, many of them needless, is truly amazing. Yet there must be a limit somewhere. Are we wise, we wonder, to proceed as though there were none? Public policy nonetheless seems to proceed upon the assumption that wisdom lies in this direction.

For our part we are certain that if the better life that most of us have been enjoying in recent years is to be permanently preserved there will have to be a better balance between what one produces and what one wishes to consume in his leisure time—and all the rest of his hours for that matter.

Continued from page 4

Are Prosperity and Stable Prices Incompatible?

erable to the risk of serious recession which could well result from the false pushing up of prices?

If "prosperity" means that we must show an advance (even if it be only a dollar advance) in every single month of every single year, if it means to businessmen that they can throw away the red ink, and to labor that no season can pass without a new wage increase, and never a layoff, then I admit that "prosperity" and price stability are incompatible. Such prosperity, however, would bring little real good to any of us and would probably plunge us eventually into serious depression. A high level of employment, with temporary periods of consolidation to lay the groundwork for further advances, *is* compatible with price stability, and is the type of prosperity which I believe can be maintained over an extended period of years.

What We Need to Achieve Prosperity Without Inflation

Let me conclude by listing what seem to me some basic requirements for continued prosperity without inflation:

First, we need an awakened realization of the cruel injustices which inflation brings and of the serious threat to future prosperity which is posed. Easy-money advocates often masquerade as the representatives of the poor. No more vicious deception has ever been perpetrated. Inflation bears most mercilessly on the poor and on the unprotected. The great bulk of savings today is owned not by the wealthy but by the millions of small savers. Inflation destroys the purchasing power of these savings, at the same time that it erodes the value of small incomes through the steady rise in the cost of living. If we are at all concerned with economic justice, we should fear inflation as much as we fear recession.

Second, we need a flexible monetary policy, utilizing general credit control techniques, and administered by a Federal Reserve Board which has the courage to carry forward its policies in the face of inevitable complaints from business and from labor, and in the face of politically inspired Congressional investigations. The present Federal Reserve Board has in recent years done an excellent job. In retrospect, it is clear that some of our present troubles stem from the fact that money was made too easy in 1954 and not tightened rapidly enough in 1955—a mistake that the Fed, which, like the rest of us, also has hindsight, admits. Nevertheless, the Board is to be commended for its courageous and effective policies. Under present circumstances, even though there are areas within the economy which are operating at less than full capacity, I think that the steady rise in the cost of living calls for a policy of continued firm restraint, although the situation bears close watching.

Third, we need a Federal fiscal policy designed to complement, rather than frustrate, monetary policy. In this area, we have failed most miserably by adding tremendously to government spending while goods and services are scarce. . . . No monetary policy can be fully effective in maintaining prosperity and price stability when the government's fiscal policies are working in exactly the opposite direction.

A sound fiscal policy would have as its long run goal a reduction in government expenditures as a proportion of total national spending, with tax reduction following as soon as possible after the reduction in government spending. In the short run, the spending and taxing powers of the Federal Government could and should be used so as to have a stabilizing effect on business activity and prices.

Fourth, we need an effective program to increase savings. The United States throughout most of its history has suffered from a chronic shortage of savings. Too often we have resorted to excessive creation of credit through the banking system to make up for this shortage, and inflation has inevitably resulted. The current shortage of capital funds is not an isolated phenomenon and may continue for years unless we are able to stimulate additional savings.

Fifth, we need a steady abandonment of the all too numerous government price support programs. These economically indefensible and politically inspired government purchase programs do not in the long run benefit even the special interest groups whose votes they are intended to secure.

Sixth, we need more effective efforts to increase competition in the American economy. The Federal Government can take a big step forward by reducing its own laws and regulations designed to prevent competition. Tariffs and import quotas should be eased, although there no doubt are exceptions which should be made. The recent trend toward increased government restriction of imports not only will raise the price of these products to the American consumer, but inevitably will cut down our exports and provoke retaliatory economic and political action abroad. Anti-trust prosecution should be carried forward vigorously, and it seems clear that some new laws with respect to labor monopolies will be necessary to protect both the consumer and the laborer.

Marx believed that capitalism contained the seeds of its own destruction because he thought it would inevitably become more and more monopolized, thus preparing itself for an easy transition to government control. The real believers in the free enterprise system are those who fight most vigorously to keep the system competitive.

Seventh, and finally, we should rediscover the advantages of intelligent price competition. The American economy has been built by businessmen who practiced the principle of volume production, low prices, and low per unit profit margins. This type of operation sets us apart from the rest of the world and has led to all the efficiencies which mass production makes possible. This characteristic of our system, coupled with freedom from government controls, has given our people a standard of living undreamed of in most other countries. These basic principles of the free enterprise system—volume production, low prices, and abhorrence of government intervention even when it may appear to give temporary advantage—must continue to be our guide today if we are to preserve our type of economy.

The program I have outlined is not impossible of achievement. But it is clear that in order to succeed it must have the honest support of the business community. With support, it seems to me unquestionable that the American economy in the coming years *can* have both prosperity *and* stable prices.

Inflation can be halted without inviting a depression.

Schirmer, Atherton to Admit Breen, Ward

BOSTON, Mass.—On October 1 Schirmer, Atherton & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges, will admit Frank S. Breen and Hadley S. Ward to partnership. Mr. Breen is Retail Sales Manager for the firm. Mr. Ward is Resident Manager in Portland, Maine.

Frank S. Breen

J. B. Ramsey on Trip to Coast

J. Basil Ramsey, Chairman of Wainwright & Ramsey, Inc., New York City, consultants on municipal finance, on Sept. 18 left for a three weeks' trip to the Pacific Coast, during which he will attend the California League of Cities meeting in San Francisco. He will return to his desk Oct. 17.

Glore Forgan to Admit

Jeannette H. Zickl on Sept. 12 will become a limited partner in Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

DAYTON, Ohio — Ramon R. Harris has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 4 South Main Street.

Frank L. Valenta

Frank L. Valenta, President of Frank L. Valenta & Co., Inc., New York City, passed away suddenly Sept. 17 at the age of 51.

Today's Fluorine Industry

The new directions taken by the inorganic chemical, fluorine, discussed at meeting of American Chemical Society.

The fluorine chemicals industry in the U. S. is over 2½ times larger than it was 12 years ago, according to J. F. Gall, of Pennsalt Chemicals Corp., Philadelphia.

Addressing the inorganic chemicals symposium at the 132nd National Meeting of the American Chemical Society in New York City on Sept. 10, Mr. Gall stated that "about 80% of this increased volume goes to inorganic compounds; the remainder into organic derivatives, especially refrigerants, propellants, and alkylation catalysts."

"The atomic energy program is becoming industrial, and uranium fluorides are in large production. The rocket programs are looking eagerly at the high energy storage value of fluorine, the halogen fluorides, and other reactive fluorine compounds. Gaseous insulation for high voltage equipment is trending to sulfur hexafluoride. Fluoride adjustment in municipal water supplies is settling down to the use of sodium fluosilicate. Greatly expanded aluminum production has required a major increase in the supply of aluminum fluoride and cryolite."

"Perchloryl fluoride is a new compound which is a stable and noncorrosive oxidizer. Halogen fluoride compositions are using their incendiary properties to cut oil well pipe deep underground. Solid alkali metal halo-fluorides are interesting new analytical chemicals, and fluorine-supported flames are an advance in flame photometry. Fluorine phosphors have eliminated the past dangers from beryllium products in fluorescent lights. Compounded mixtures using hydrofluoric acid are descaling stainless steel. Fluophosphates are available for commercial testing. Tri-fluoromethane sulfonic acid will be useful as one of the strongest acids known; and similar CF_3-substituted inorganic compounds have special properties which industrial chemists must not overlook."

"The properties through which the indicated compounds are attaining or advancing in importance are given, and some attention is given to raw material sources."

New D. F. Rice Branch

KENTLAND, Ind. — Daniel F. Rice & Company has opened a branch office in the United Telephone Building under the management of Fred W. Owings.

Continued from page 2

The Security I Like Best

SEVERAL SULPHUR COMPANIES

By EDMOND L. BROWN

second largest producer of elemental sulphur in the world. The company has important oil and gas production which is increasing each year. With its wide diversification of earnings in the production of various natural resources, the stock is one of the investment calibre blue chips of the industry. Stock listed on NYSE.

* * *

Pan American Sulphur (PASCO)

(1956-57 Price Trend)

High	34
Low	21
9/17/57	$23\frac{1}{2}$

PASCO, though only in its second full year of production and sales, is the third largest producer of elemental sulphur. Their prolific Jaltipan dome is considered to be the second largest in the world, TG Boling dome being the largest. The first-half 1957 operations report disclosed net earnings of 82 cents a share compared to 35 cents the first half of 1956. PASCO paid 4% stock dividend in 1957 and is expected to pay $1.50 a share in 1958. The shipments of sulphur the first half of 1957 were 309,000 tons compared to 154,000 the first half of 1956. The modern PASCO plant with its recent expansion has a capacity of double its present output. This insures PASCO of its full share in the increased sulphur demand over the next 10 years.

With the second set of loading docks to be placed in operation during October of 1957, PASCO is now in solid position to supply its increasing list of sulphur customers. PASCO has gained entry into all important sulphur markets in the world. Most of the sales are on long-term contract. Shipments the first half of 1957 were made to England, France, Germany, Holland, Belgium, South Africa, Tunisia, Australia, New Zealand and the United States.

The earnings of PASCO on their modest capitalization of 2,006,570 shares is expected to be in excess of $2.10 per share for 1957 and should show a steady increase in earnings and dividends for the next 10 years. The stock is a likely candidate for listing on the New York Stock Exchange. Within the last two years, the stock has been purchased by a large number of conservative Investment Trust Funds. With experienced aggressive executive and technical management, this stock appears to be a good investment for capital appreciation and income. Stock traded in Over-the-Counter Market.

* * *

Gulf Sulphur Company

(1956-57 Price Trend)

High	$14\frac{1}{2}$
Low	$4\frac{3}{4}$
9/17/57	5

Gulf has a modern plant capable of expanding to several times its present capacity of 1,000 tons a day. Its 8,000-acre property contains the rich Mezauital dome and many other domes yet untested. The shipping facilities are substantial. A number of long-term sales contracts with major chemical companies have been signed. The sales program is continuing to expand.

Gulf has come through the first year shake-down and appears on the verge of some very important developments. Since June 1, 1957, the company has been run by an executive committee, headed by Edward J. Hudson of Houston. His talents as an engineer and executive are too well known to require comment.

On July 1 a six months "objective" program was inaugurated to accomplish two basic aims:

(1) Increase sulphur production up to a level of about 1,000 tons per day, about double the present rate.

(2) Begin evaluation of the great number of sulphur prospects on Gulf's acreage. The company recently finished a gravity meter survey indicating that their concession area contains a number of separate sulphur prospects, not two or three as previously thought.

On Sept. 15 Gulf plans to steam an additional area of 12 new wells, some with sulphur formations up to 700 feet thick.

The recent changes in the executive and technical level should thus increase production to the present 1,000 ton per day capacity. The present reserves are estimated at approximately 13,000,000 tons. The present core drilling program could materially increase their reserves.

Gulf's two-purpose effort should thus boost production substantially and may increase their present large sulphur reserve estimates. The impact of the new management should shortly be reflected by higher levels for the stock. The old winning formula of good reserves plus good management is being reaffirmed. Stock traded in the Over-the-Counter Market.

* * *

Sulphur Exploration Co. (SEC)

(1956-57 Price Trend)

High	$2\frac{1}{2}$
Low	$\frac{5}{8}$
9/17/57	.85

The 1957 annual meeting of SEC elected an outstanding board of directors of prominent men versed in the exploration and development of natural resources. SEC owns a concession of 35,000 acres adjacent to Pan American Sulphur which is to the north and completely surrounds the Texas Gulf Sulphur's and Texas International Sulphur's Texistepec sulphur dome concessions. Under the direction of competent sulphur engineers, a large number of core wells have been drilled on about one-fourth of the property. One area of about 3,000 acres is estimated to contain approximately four to five million tons of sulphur in place. With only part of this large concession explored, it is believed that worthwhile reserves will be developed. Several of the large sulphur companies, who do not have properties in this prolific sulphur area, have been following the SEC development closely. It is believed the property will be operated by one of the major sulphur companies. Valuing sulphur at $5.00 a ton in place, SEC could develop a large equity with its present backing and sponsorship and excellent progress to date. SEC is a natural resource speculation at a low price which should be bought and put in the safety deposit box for a few years. Stock traded in the Over-the-Counter Market.

* * *

Development Stage

Some of the sulphur companies in the development stage such as Sulphur Exploration, Texas International Sulphur and Continental Sulphur & Phosphate and others now on the drawing board have possibilities of becoming successful operating companies with resultant large gains to the stockholders. To be successful these companies must have an economically-mineable property, the sulphur executives and technical "know-how" and sufficient funds to develop and equip the properties. If a company has all three, it can't miss.

Sulphur producing is a prolific profit-after-tax industry. What other field, including oil and gas, is able to report profits of 30% of gross sales after income tax?

Continued from page 2

PEOPLES GAS LIGHT & COKE COMPANY

By MORRIS PECKMAN

Chicago area continues unabated. Latest 12 months consolidated sales of over $162 million show an increase of 120% since 1951, while earnings per share increased 34%. For 1956 the common earned $3.07 a share compared with $2.87 for 1955.

This year earnings will probably fall below $3 a share due to the impact of milder weather, higher expenses and the generally lower level of business experienced by the larger industrial customers. Although decreases in gas requirements were offset somewhat by increased loads to other customers, it probably will not be sufficient to bring net earnings above that of last year. The temper of natural gas utilities requires the constant need of adjusting rates for property value changes and for increasing costs, particularly gas.

Several rate proceedings are now in progress. Two of these are applicable to the parent company. A schedule of higher rates has been filed with the Illinois Commerce Commission proposing an increase in gross revenues on an annual basis of about $11.3 million. The commission has suspended the proposed rates but hearings started on Sept. 18. The second proposed increase for the parent company which is automatic for year-round general customers, based on increases or decreases in the cost of natural gas, will amount to $2.9 million annually to Peoples Gas. Thus, parent company proposed increases in gross revenues on an annual basis is $14.2 million.

Earnings projection on the above rate increases could mean a total of $1.38 per share of common stock. However, if we only assume that the proposed annual $11.3 million increase in gross is cut in half, then the earnings for both requests could increase to at least 75 cents a share. One important factor in Peoples Gas' favor is that the State of Illinois is considered a fair value state and past decisions have been favorable. Looking ahead to 1958, per share earnings should be a minimum of $3.50. Then, if the company has a fair heating season it could add a satisfactory increment to the full year's earnings picture. Nothing will be realized from oil production this year but there should be earnings from oil production in 1958.

The most important of the other rate cases affecting operations is the proposed $10.7 million increase Natural Gas Pipe Line has had since March 1955. This increase contemplated a $6\frac{1}{2}$% return on that company's rate base and increased cost of gas purchases from Colorado Interstate Gas. Since March 1955 Natural Gas Pipe Line has been reserving net income at the annual rate of $720,000 (equal to 15c a share of Peoples Gas) pending a decision in this proceeding.

In May 1957 an examiner for the Federal Power Commission recommended the return of only 6% and that gas costs, based on rates finally approved for Colorado Interstate, should also be reflected in determining Natural Gas Pipe Line's rates. Exception to the examiner's decision has been filed.

Looking ahead to all of 1958, we can foresee a range of earnings of $3.50 and a possible maximum of $4.00, especially if some income from off-shore oil leases can be realized.

Demand for natural gas is more insistent than ever, with the Chicago market for natural gas more than 60% of Peoples Gas capacity. Two large projects in the company's current major expansion plans are under way.

First, the extension of Natural Gas Pipe Line into Jack and Wise counties in Texas, already approved, is contemplated for the 1959-60 winter season. This expansion will amount to 185 million cubic feet of daily capacity.

A further expansion, now pending before the Federal Power Commission, calls for a tie-in at Beatrice, Nebraska, with the Colorado Interstate system, for a daily supply of 485 million cubic feet.

The combined effect of these separate expansion plans will be to increase by two-thirds or 670 million cubic feet the present pipe line daily delivery capacity of one billion cubic feet from the Peoples system. When these additional supplies are obtained, the company wil be able to finally fill the very substantial unfilled, unsolicited space heating market in its distribution area.

Investments in these projects and other pending expansion plans for all subsidiaries will require more than $210 million over a three year period. Since the cash flow for this program should amount to about $65 million, permanent financing of $145 million will be required. About $110 million, it is anticipated, will be raised by subsidiary companies through mortgage bonds and it is likely that the parent company will sell near $40 million of capital stock or convertible bonds. Indications are, since it will take about two years before earnings will flow down to the common, that in order to possibly minimize the dilution of the common, the company may use the convertible bond approach to its financing.

A plus factor in this stock is the oil play through the 25% interest in Peoples Production. What appears to be two major discoveries in off-shore Louisiana was made in areas known as:

Block 175, Eugene Island Area, and Block 86, South Timbalier. Present estimate of reserve in place on Block 175 is said to be 3,440,000 barrels for a 40 acre tract; the reserve in place on Block 86 is estimated at 2,464,000 barrels for a 40 acre tract. Should the entire 5,000 acres of Block 175 and 2,500 acres of Block 86 be oil producing (which is not likely) these reserves could total approximately 580 million barrels of which Peoples Production's share could approximate 145 million barrels.

Should only 50% of the acreage on these two leases prove productive to the extent of the initial discoveries, net recoverable reserves accruing to Peoples Production could total about 72 million barrels. Assuming a conservative price of 75 cents a barrel for reserves, this would equal almost $11 a share, or $27\frac{1}{2}$% of the current market price. Incidentally, by way of proving up the South Timbalier area, Sinclair Oil, the operator of this lease, just announced the completion of a third producing well.

Among other off-shore leases, the Group also holds leases covering 5,000 acres of Block 153 in the Ship Shoal Area. Two major oil companies, Forrest Oil and Gulf Oil, each holding leases immediately northeast and east, respectively, of Block 153 have made significant oil discoveries and indicate possibilities of discoveries on Block 153. The Group has entered into an agreement with Gulf Oil to drill on a 50% participation basis, on the common boundary line of Block 153 and Block 154 owned by Gulf, and to have Gulf drill several wells for the Group from the same platform. A third well is now being drilled; the two earlier drillings were dry holes.

Whether Peoples Gas decides to continue in the oil business or trade its off-shore oil for natural gas, this venture will add to future consolidated earnings.

Priced at 40, the stock is selling at 14 times estimated 1957 earnings of $2.90. This is a modest price earnings appraisal and reflects little in the way of prospects for rate increase, the two-thirds increase in gas capacity and the off-shore drilling operations. At its present price, based on current earnings and dividends, one is buying this stock solely as an integrated utility. With the recently discovered oil and gas reserves accruing to Peoples Production, an investor is paying little premium for the present and future potential in Peoples Production, considering the indirect ownership in the large oil reserves.

Peoples Gas Light & Coke Company is listed on the New York Stock Exchange and has 4,920,812 shares outstanding.

Union of South Africa Registers Loan Bonds

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The Union Government is also negotiating with the International Bank for Reconstruction and Development (World Bank) for a loan in an amount, in various currencies, equivalent to $25,000,000.

Proceeds from both the proposed bond issue and the World Bank loan under negotiation would be applied by the Union in carrying out its transportation development program, including improvements to its railroads and certain other facilities.

The proposed bonds to be publicly offered will not be redeemable, except for the sinking fund which is calculated to retire $937,000 principal amount of the bonds on each April 1 and Oct. 1 commencing April 1, 1960. Prior to the operation of the sinking fund, the bonds are to have the benefit of a purchase fund for the retirement of $468,000 principal amount semi-annually, if available at not exceeding the issue price; and the sinking fund installments are to be reduced in the proportion that bonds purchased for the purchase fund bear to the total issue. It is contemplated that the bonds will be listed on the New York Stock Exchange.

Railroad Securities

Great Northern Railway

Great Northern Railway is one of the few carriers capable of showing well sustained earnings this year as compared with previous years, despite higher labor and other costs. For the first eight months the road reported net income of $17,270,110, equal to $2.84 a share as compared with $17,802,008 or $2.94 a share in the comparable 1956 period.

Great Northern is one of the few railroads which in 1957 probably will show per share earnings comparable to 1956 or even higher. Last year the carrier reported net income equivalent to $5.32 a share and, with similar earnings this year, the 75 cents quarterly dividend rate appears assured.

This railroad, even in difficult times, has shown fairly steady earnings. It is regarded as one of the most efficiently operated carriers in the country. The territory served is growing in industrialization and population at a high rate. The West Coast section of the line has expanded considerably because of the availability of more electric power, mainly hydro-electric which has been attracting new industries. Agricultural conditions have been and continue to be good, with crops close to record levels. These good crops also assure the road of a large carry-over which assures a large amount of future traffic in the normally low crop shipping months. The development of the Williston Basin, although not on its property, has broadened Great Northern's shipments of heavy, high rate base products, particularly of steel and steel pipes.

As the largest iron ore carrier, it naturally is affected by conditions in the steel industry. However, it has been able to maintain stability in earning power in face of fluctuations in the steel industry. Despite the July, 1956, steel strike and the strike of many of the boats serving the iron ore industry on the Great Lakes, Great Northern reported even larger per share earnings in 1956 than in 1955. As previously stated, 1956 earnings were equal to $5.32 a common share as compared with $5.27 a share in 1955 and $4.21 a share in 1954. It might be noted that earnings in the past few years might be considered to be overstated as a result of accounting procedures used by railroads in computing rapid amortization tax benefits. However, this currently is being disputed in railroad and accounting circles. Most of the railroad financial executives have held the opinion that this method of accounting in the long run will not make any reflection on future earning power and, more important, on their cash flow. Some accounting firms do not hold this philosophy and have made their views public before the Interstate Commerce Commission.

Great Northern is in excellent financial condition. As of March 31, 1957, cash amounted to $24,557,442 and temporary cash investments were $28,457,985. This compared with $27,564,296 and $28,785,726, respectively, on March 31, 1956. This strong cash position further appears to assure the maintenance of the 75 cents quarterly dividend rate. As a matter of fact, if traffic is well maintained in the final months of this year it would not be beyond the realm of possibility that a new and higher dividend rate will be established. It has not been the policy of the Board of Directors to pay extra dividends, but rather to examine past and future earnings prospects and then place the stock on a regular quarterly basis. Such consideration probably will be made at the meeting this fall which would dictate the quarterly dividend basis for 1958.

Great Northern Railway has had remarkable success in reducing its debt and fixed charges. In 1935 fixed debt amounted to $349,000,000, with interest amounting to $18,800,000. Despite heavy equipment purchases over the years, debt has been cut to around $265,000,000, while interest charges have been reduced substantially, mainly through refunding operations in 1945 and 1946, and now stand some 57% below those of 1935. The road through its refunding operations of many years now is considered to be a "one mortgage" system of general mortgage bonds with various maturities outstanding.

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Government Regulatory Trends In the Chemical Industry

Washington attorney looks askance at increasing regulatory law and concludes the chemical marketer should "add a legal frame of reference to his plans and schemes."

Trends in government regulation of chemical marketing and its significance to the industry were discussed by Henry H. Fowler of Fowler, Leva, Hawes & Symington, attorneys of Washington, D. C., at the 132nd National Meeting of the American Chemical Society, held in New York City on Sept. 12.

Mr. Fowler pointed out that, "the chemical marketer of 1957 must keep one eye on the law and his legal counsel within easy reach. The years since World War II have been marked by an increasing impact of government regulation on the marketing of chemicals.

"New applications of old laws, such as the Sherman and Clayton antitrust laws, hang danger signals over many areas and practices of distribution in chemicals as well as industry generally. The complicated attempt to regulate discriminatory pricing and sales practices through the Robinson-Patman Act has become a major factor in day-to-day decisions in the postwar marketing of chemicals.

"New laws, of both general and special application to the marketing of chemicals, have been enacted. They may affect the acquisition of the assets or stocks of a customer, as well as a competitor, or restrict the selling of a fungicide, as well as a drug.

"Nor does this legal trend, affecting as it does the marketing of chemicals, show any signs of a reversal or even a leveling off. Witness some of the new proposals in Congress being pressed for early enactment. S 11 would delimit sharply and weaken the reliance on the good faith defense of meeting competition in price differentiation. Another bill sought by the Food and Drug Administration would inaugurate a licensing system controlling the marketing of chemicals as food additives.

"Nor is this trend confined to the Capitol at Washington. In the state houses and city halls there is an annual rash of proposals for state laws or municipal ordinances which would regulate the marketing of chemicals.

"This changing pattern suggests that the chemical marketer add a legal frame of reference to his plans and schemes. Or else many an effort at chemical distribution will run afoul of government regulation."

Continued from page 2

The Security I Like Best

SEVERAL SULPHUR COMPANIES

By EDMOND L. BROWN

second largest producer of elemental sulphur in the world. The company has important oil and gas production which is increasing each year. With its wide diversification of earnings in the production of various natural resources, the stock is one of the investment calibre blue chips of the industry. Stock listed on NYSE.

* * *

Pan American Sulphur (PASCO)
(1956-57 Price Trend)

High	34
Low	21
9/17/57	23½

PASCO, though only in its second full year of production and sales, is the third largest producer of elemental sulphur. Their prolific Jaltipan dome is considered to be the second largest in the world, TG Boling dome being the largest. The first-half 1957 operations report disclosed net earnings of 82 cents a share compared to 35 cents the first half of 1956. PASCO paid 4% stock dividend in 1957 and is expected to pay $1.50 a share in 1958. The shipments of sulphur the first half of 1957 were 309,000 tons compared to 154,000 the first half of 1956. The modern PASCO plant with its recent expansion has a capacity of double its present output. This insures PASCO of its full share in the increased sulphur demand over the next 10 years.

With the second set of loading docks to be placed in operation during October of 1957, PASCO is now in solid position to supply its increasing list of sulphur customers. PASCO has gained entry into all important sulphur markets in the world. Most of the sales are on long-term contract. Shipments the first half of 1957 were made to England, France, Germany, Holland. Belgium, South Africa, Tunisia, Australia, New Zealand and the United States.

The earnings of PASCO on their modest capitalization of 2,006,570 shares is expected to be in excess of $2.10 per share for 1957 and should show a steady increase in earnings and dividends for the next 10 years. The stock is a likely candidate for listing on the New York Stock Exchange. Within the last two years, the stock has been purchased by a large number of conservative Investment Trust Funds. With experienced aggressive executive and technical management, this stock appears to be a good investment for capital appreciation and income. Stock traded in Over-the-Counter Market.

* * *

Gulf Sulphur Company
(1956-57 Price Trend)

High	14½
Low	4¾
9/17/57	5

Gulf has a modern plant capable of expanding to several times its present capacity of 1,000 tons a day. Its 8,000-acre property contains the rich Mezauital dome and many other domes yet untested. The shipping facilities are susbtantial. A number of long-term sales contracts with major chemical companies have been signed. The sales program is continuing to expand.

Gulf has come through the first year shake-down and appears on the verge of some very important developments. Since June 1, 1957, the company has been run by an executive committee, headed by Edward J. Hudson of Houston. His talents as an engineer and executive are too well known to require comment.

On July 1 a six months "objective" program was inaugurated to accomplish two basic aims:

(1) Increase sulphur production up to a level of about 1,000 tons per day, about double the present rate.

(2) Begin evaluation of the great number of sulphur prospects on Gulf's acreage. The company recently finished a gravity meter survey indicating that their concession area contains a number of separate sulphur prospects, not two or three as previously thought.

On Sept. 15 Gulf plans to steam an additional area of 12 new wells, some with sulphur formations up to 700 feet thick.

The recent changes in the executive and technical level should thus increase production to the present 1,000 ton per day capacity. The present reserves are estimated at approximately 13,000,000 tons. The present core drilling program could materially increase their reserves.

Gulf's two-purpose effort should thus boost production substantially and may increase their present large sulphur reserve estimates. The impact of the new management should shortly be reflected by higher levels for the stock. The old winning formula of good reserves plus good management is being reaffirmed. Stock traded in the Over-the-Counter Market.

* * *

Sulphur Exploration Co. (SEC)
(1956-57 Price Trend)

High	2½
Low	⅝
9/17/57	.85

The 1957 annual meeting of SEC elected an outstanding board of directors of prominent men versed in the exploration and development of natural resources. SEC owns a concession of 35,000 acres adjacent to Pan American Sulphur which is to the north and completely surrounds the Texas Gulf Sulphur's and Texas International Sulphur's Texistepec sulphur dome concessions. Under the direction of competent sulphur engineers, a large number of core wells have been drilled on about one-fourth of the property. One area of about 3,000 acres is estimated to contain approximately four to five million tons of sulphur in place. With only part of this large concession explored, it is believed that worthwhile reserves will be developed. Several of the large sulphur companies, who do not have properties in this prolific sulphur area, have been following the SEC development closely. It is believed the property will be operated by one of the major sulphur companies. Valuing sulphur at $5.00 a ton in place, SEC could develop a large equity with its present backing and sponsorship and excellent progress to date. SEC is a natural resource speculation at a low price which should be bought and put in the safety deposit box for a few years. Stock traded in the Over-the-Counter Market.

* * *

Development Stage

Some of the sulphur companies in the development stage such as Sulphur Exploration, Texas International Sulphur and Continental Sulphur & Phosphate and others now on the drawing board have possibilities of becoming successful operating companies with resultant large gains to the stockholders. To be successful these companies must have an economically-mineable property, the sulphur executives and technical "know-how" and sufficient funds to develop and equip the properties. If a company has all three, it can't miss.

Sulphur producing is a prolific profit-after-tax industry. What other field, including oil and gas, is able to report profits of 30% of gross sales after income tax?

Continued from page 2

PEOPLES GAS LIGHT & COKE COMPANY

By MORRIS PECKMAN

Chicago area continues unabated. Latest 12 months consolidated sales of over $162 million show an increase of 120% since 1951, while earnings per share increased 34%. For 1956 the common earned $3.07 a share compared with $2.87 for 1955.

This year earnings will probably fall below $3 a share due to the impact of milder weather, higher expenses and the generally lower level of business experienced by the larger industrial customers. Although decreases in gas requirements were offset somewhat by increased loads to other customers, it probably will not be sufficient to bring net earnings above that of last year. The temper of natural gas utilities requires the constant need of adjusting rates for property value changes and for increasing costs, particularly gas.

Several rate proceedings are now in progress. Two of these are applicable to the parent company. A schedule of higher rates has been filed with the Illinois Commerce Commission proposing an increase in gross revenues on an annual basis of about $11.3 million. The commission has suspended the proposed rates but hearings started on Sept. 18. The second proposed increase for the parent company which is automatic for year-round general customers, based on increases or decreases in the cost of natural gas, will amount to $2.9 million annually to Peoples Gas. Thus, parent company proposed increases in gross revenues on an annual basis is $14.2 million.

Earnings projection on the above rate increases could mean a total of $1.38 per share of common stock. However, if we only assume that the proposed annual $11.3 million increase in gross is cut in half, then the earnings for both requests could increase to at least 75 cents a share. One important factor in Peoples Gas' favor is that the State of Illinois is considered a fair value state and past decisions have been favorable. Looking ahead to 1958, per share earnings should be a minimum of $3.50. Then, if the company has a fair heating season it could add a satisfactory increment to the full year's earnings picture. Nothing will be realized from oil production this year but there should be earnings from oil production in 1958.

The most important of the other rate cases affecting operations is the proposed $10.7 million increase Natural Gas Pipe Line has had since March 1955. This increase contemplated a 6½% return on that company's rate base and increased cost of gas purchases from Colorado Interstate Gas. Since March 1955 Natural Gas Pipe Line has been reserving net income at the annual rate of $720,000 (equal to 15c a share of Peoples Gas) pending a decision in this proceeding.

In May 1957 an examiner for the Federal Power Commission recommended the return of only 6% and that gas costs, based on rates finally approved for Colorado Interstate, should also be reflected in determining Natural Gas Pipe Line's rates. Exception to the examiner's decision has been filed.

Looking ahead to all of 1958, we can foresee a range of earnings of $3.50 and a possible maximum of $4.00, especially if some income from off-shore oil leases can be realized.

Demand for natural gas is more insistent than ever, with the Chicago market for natural gas more than 60% of Peoples Gas capacity. Two large projects in the company's current major expansion plans are under way.

First, the extension of Natural Gas Pipe Line into Jack and Wise counties in Texas, already approved, is contemplated for the 1959-60 winter season. This expansion will amount to 185 million cubic feet of daily capacity.

A further expansion, now pending before the Federal Power Commission, calls for a tie-in at Beatrice, Nebraska, with the Colorado Interstate system, for a daily supply of 485 million cubic feet.

The combined effect of these separate expansion plans will be to increase by two-thirds or 670 million cubic feet the present pipe line daily delivery capacity of one billion cubic feet from the Peoples system. When these additional supplies are obtained, the company wil be able to finally fill the very substantial unfilled, unsolicited space heating market in its distribution area.

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Continued from page 3

The Outlook for Business

First, I think we ought to consider the immediate outlook—the next four to six months, and then go on to look in more detail at 1958 as a whole. A year ago, you will recall, business enjoyed quite a spurt in the fourth quarter, with both production and incomes rising substantially in a relatively short period. Some commentators had looked for a similar performance in 1957, with all its concurrent effects on finance, prices and profits. Are we likely to realize it?

Continued Strong Business Predicted

I am inclined to doubt that we are. I believe we shall see some improvement in coming months, but that it will not match the advance of last year. This of course still leaves business as a whole in a relatively strong position. As we look over the broad areas of final demand, there is no reason to expect any immediate let-down. On the contrary, both consumer spending and outlays of state and local governments may rise a bit more. But the spark that is needed to give the economy a considerable lift does not appear to be present. A year ago it was provided by substantial inventory buying which followed the steel strike. Today the inventory picture is quite different. As I suggested, producers in most lines have not wanted to add to their stocks. Where inventory accumulation may actually be planned for coming months, it is likely to be seasonal in nature—with automobile producers of course leading the way.

But none of this is bearish in sentiment. Quite the contrary—it suggests continued strong business for the immediate future. Why then has the stock market reacted in recent weeks as it has? What concerns does it reflect, at least in part, as a possibility for the future? To answer this, I believe we need to broaden our horizon and look at 1958 as a whole.

Weighs Assets and Liabilities

Nineteen fifty-eight promises to be one of the most interesting years the business forecaster has faced in the postwar period—and one of the most hazardous! We have now enjoyed 12 years of almost unbroken prosperity, featured only by very minor adjustments in 1949 and 1953-4. In this period we have built and furnished almost 13 million new homes; we have added 30 million cars to the stock on the roads; and our productive capacity for all forms of goods has grown by more than 50%. In the area of local government, our roads, schools and other public facilities have been greatly expanded; and at the national level, our military forces have been re-equipped and even now are in the process of converting to radical new weapons of defense.

All these are very positive accomplishments. But on the other side of the coin, our mortgage debt has increased fourfold; our consumer debt almost eightfold; and business and municipalities have likewise built up record levels of debt. Also, we have had intermittent periods of price inflation—those which were perhaps inevitable, as a result of World War II and the Korean conflict, and in the past two years the price advance which has accompanied our period of growing prosperity. Finally, we must remember that business in 1958 will be entering its fourth year of high level activity without even a minor adjustment of a more general character. History teaches us to be increasingly cautious in these circumstances, and to search the economy for possible maladjustments that may have crept in and will require correction.

When we look about us, we certainly see sources of abundant strength, as I have already suggested. But there is one area which I believe needs closer examination—an area which in the past several years has lent substantial support to business activity generally. I refer to capital expenditures by business.

Imbalanced Capital Growth

Since the end of World War II our nation has expanded its capital plant at a rate which has been somewhat greater than that which was normal in the past. At the same time, however, the growth in our Gross National Product has matched the capital expansion over much of this period. The two have acted to support each other. The Gross National Product, measured in terms of constant dollars, has increased in line with a longer term growth trend, which we have labeled "potential GNP." This growth trend has amounted to about 4% in the postwar period. Moreover, 4% is the rate at which our capital assets have also grown—our machinery, equipment, and other structures in all lines of business. Looking at the matter very broadly, then, our over-all capital expansion does not appear to have been out of line with the increase in output.

Nevertheless, this capital expansion in the past several years has developed a certain imbalance. Manufacturing capacity, in particular, has been increasing at a rate which cannot be sustained indefinitely.

Throughout the postwar period manufacturing capacity has been increasing at an average rate of about 6% per annum—a substantially higher rate than in earlier years. However, until 1953 manufacturing output also grew by 6%—spurred on in the initial period by shortages born of the war, and later by the Korean conflict. Since 1953, capacity has continued to increase by about 6% while the growth of production has been substantially less. Over the past two years in particular, our manufacturing output has leveled off very decidedly, increasing by an average of only 1% a year.

The net result of all this has been an increase in excess capacity—an increase which, of course, has varied in different lines. American industry needs excess capacity, and until recently it has not had enough of it. Among other reasons, it requires excess capacity in order to operate most efficiently, as well as to meet peak demands that do not hit all industries at the same time. The McGraw-Hill surveys show that producers prefer, if possible, to operate in a range that averages about 90% of capacity. Today, however, industry is probably producing at less than 85% of capacity.

Capital Goods Adjustment

Our current level of prosperity, then, is supported in part by capital expenditures which are creating excess capacity. I believe this process must soon come to a close, and that capital expenditures in manufacturing will be reduced in 1958. The magnitude of this reduction is very difficult to foretell, and I shall not attempt to hazard an estimate. At any rate, surveys will be undertaken in coming months that can give us a more precise judgment. We must remember that about half of capital expenditures in manufacturing are for modernization and replacement, and these may well rise in 1958. Likewise, capital outlays in certain other areas—particularly the utilities—may increase a bit. Even so, I believe the over-all volume is likely to be down enough so that the decline can have an impact on a number of industries, and, of course, inventories in such industries would also be affected.

There is still another reason why some adjustment in the capital goods area seems likely to occur eventually. It is in this area that the largest increase in prices has occurred. I am impressed by the fact that when one examines the course of prices in recent years, capital goods prices are seen to have increased at about twice the rate of consumer goods prices. Prices of various capital goods have risen 10-16%; while industrial prices as a whole have increased 7%. In my judgment this constitutes a basic distortion in the price structure, and it sets in motion forces that are designed to bring some correction.

What will a reduction in capital goods spending in 1958 mean for the economy as a whole? Is it likely to produce collateral effects that will lead to a more general adjustment in business? These again are tough questions to answer. But I do not think we can rule out the possibility that a more general adjustment may be the end result—any final answer, of course, will depend not only on the magnitude of the reduction in capital spending, but also on developments that affect other main sectors of the economy.

It is most interesting and instructive to look back at our experience in 1949 and 1953-54, when both capital investment and inventory spending by business declined. Each period saw only a small reduction in the Gross National Product, and it was the consumer who played a large part in saving the day. Consumers actually increased their spending in 1949 and 1954, although it must be admitted that they had an assist from the government in the way of lower taxes. In particular, consumers maintained their purchases of automobiles and durable goods. And in 1954 they also increased their investment in housing.

Basis For Tax Cut

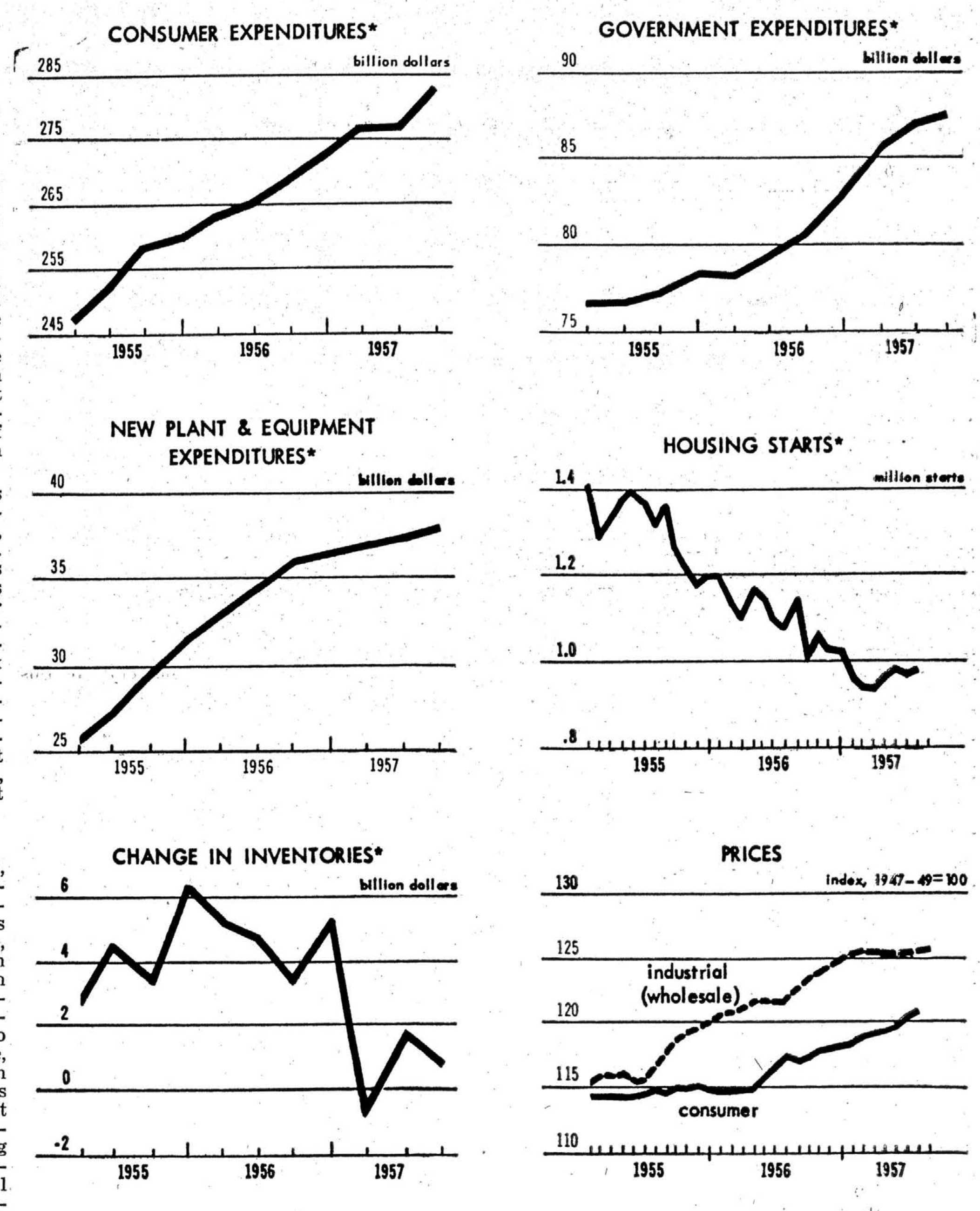
It is not impossible that some similar development in 1958 could occur. To realize it, however, I believe the government would again have to cut taxes. Moreover, individuals would need to reduce their savings in order to maintain consumption. This is a step they have been willing to take in the past, and which they are likely to take again in the future. Savings are now running at about 7% of disposable income, and would be required to drop to 6% or less of income in 1958.

I suspect that the key to the consumer's contribution next year lies in what he decides to do about automobiles and housing. Neither of these industries has lived up to expectations in 1957, and in some ways conditions will be more favorable for them in 1958. Sales of new cars this year will probably be around 6 million. But the consumer has still been paying the bill for the splurge he took in 1955. By next year he can mark it "paid in full" and consider with a freer mind the merits of the new 1958 models. And if car producers run true to form, those merits will be considerable. In these circumstances the automobile industry could do as well or better in 1958, even in the face of a decline in capital spending—providing, of course, that producers and the union work out a new wage agreement that is satisfactory not only to themselves, but to potential buyers as well.

Likewise, there are a number of positive factors in the housing outlook. One of the main roadblocks to higher activity in that industry has been tight credit. Mortgage funds may turn easier in 1958, although it could be well into the year before the thawing out begins to make itself felt. The government, too, can take additional action to stimulate new construction. And there is one further development that adds a more cheerful note for prospective buyers: housing costs and prices are becoming more stabilized in 1957.

Normally we might look for housing demand to run to 1,100,000 new units a year or more. I doubt that the industry can return to that level in 1958. But it at least should lift its sights beyond

ECONOMIC PROFILE 1955-57



*Seasonally adjusted — annual rates

the 960,000 units projected for the current year.

Governmental Expectations

This brings us finally to government. As I suggested earlier, government has been the prime source for expansion in 1957. Indeed, expenditures of the Federal Government, at least, have run substantially ahead of what had been planned. The result is heavy pressure to control expenditures more effectively. Certainly the economy cannot look forward to the same stimulus from government in 1958 that it received in the past year.

At the Federal level the key lies in defense expenditures. Recently these hit a peak in excess of $40 billion annually, as against a budget figure of $38 billion. Strong efforts are being made to curtail and adjust programs, and it seems clear that some cutback will be achieved. The result is that the total federal spending is not likely to increase beyond the rate of recent months, and it may decline as we get into 1958.

State and local spending of course is another story. Here we can look forward to a further advance—perhaps on the order of $2-$3 billion, aided in part by expansion of the highway program. Yet the net result for government as a whole, adding federal, state and local, will be a leveling of expenditures, or possibly even a small decline.

Sums Up Observations

We have touched a great many bases. How do they all add up? I think we are forced to conclude that the uncertainties reflected by the stock market indeed have some basis. The economy may well be heading toward a more general adjustment in 1958 than any it has experienced since 1953-54. Yet when we survey the various possibilities as they appear today, the potential adjustment in 1958 does not look to be a drastic one. Capital spending will be lower, and government outlays will provide very little if any offset. Moreover, in these circumstances, inventory liquidation may eventually show up and turn out to be a drag. But I doubt that these developments will come upon us overnight — we may be well into 1958 before they are too evident.

In the meantime, consumer demand could continue to be a source of strength—particularly if Congress and the Administration should decide that 1958 is a proper year for a tax cut. Of course, the fact that 1958 is an election year is not completely irrelevant in this regard!

In thinking about the possible impact of a future adjustment, however, I would call your attention to one fact from the recent past. Even though the country's gross national product fell very little in 1949 and 1954, the index of industrial production declined 10% from its peak to the low-point in those years. We can't look only to the GNP figures when measuring the consequences of an adjustment in business.

At the same time, it would be a most serious mistake if we were to lose sight of certain very real and powerful supports that will act to sustain the American economy over the longer term. I know these have been cited many times; yet I believe they bear repeating.

Underlying Sources of Strength

There is no question but that the American economy today is a highly dynamic one—an economy that has considerable resiliency and great underlying strength. All of us are familiar with our population growth, as we are also aware of the vast movement of people from farm to city, from city to suburb, and from East to the South and West. Each year more than a million of our people move from city to suburb—a larger number, incidentally, than came to this country at the peak of migration from other lands. And our people enjoy higher incomes than ever before—with incomes more evenly distributed. A great new middle income group has been created which acts to sustain the demand for new cars, better housing, and all those things that go to make for a richer life. And finally, we are living in the midst of a technical revolution—sustained in good part by the huge research expenditures being undertaken by business and government. This year some $7 billion is being spent on research in America, three times the total spent in the entire decade of the 'Thirties.

All these forces will be at work in the economy in 1958 and in the years that follow. And back of them will be a business community, a labor force and a government that are much more enlightened, much more sophisticated, about the workings of our economy than in the 'Twenties or the 'Thirties. Though we may indeed be heading toward a pause in our forward movement, it would be a very grave mistake for anyone to sell the American economy short.

Group 5 Savs. Banks Ass'n Trustees' Day

John W. Hooper, Chairman, Group Five Savings Banks Ass'n and President, The Lincoln Savings Bank, announces the appointment of David B. McVean, President, Bay Ridge Savings Bank, as Chairman of the Second Annual Savings Bank Trustees' Day to be held on Thursday, Oct. 17 at the Granada Hotel, Brooklyn.

Mr. McVean, President of his bank since 1947, is a member of the Board of Institutional Securities Corp. and the Instl. Corp. He is also Treasurer of the A.I.C.P., on the Board of Prospect Park Y.M.C.A., Bay Ridge Day Nursery and is a director of the Apollo Club and of the Hospital Survey Committee of Bay Ridge, member of the Brooklyn Rotary Club and Vice-President of the St. Andrew's Society.

This year's Trustees' Day will feature a panel of Trustees, whose theme will be: "Savings Bank Trustees Look Ahead." Panelists will be: William R. Donaldson, Trustee, The Kings County Savings Bank; Willard G. Hampton, Trustee, The Brooklyn Savings Bank; William Reid, Trustee, The Prudential Savings Bank; Marshall Snyder, Trustee, The Greater New York Savings Bank; Donald B. Woodward, Trustee, The Lincoln Savings Bank. Mr. McVean will act as Moderator.

Luncheon speaker will be the Hon. Spruille Braden, former U. S. Ambassador to Colombia, Cuba and Argentina and former Assistant Secretary of State, and financier.

Group Five Savings Banks Association is comprised of the savings banks of Brooklyn and Long Island City.

With Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Stanley I. Wolfe is now affiliated with Cruttenden Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

With David A. Noyes

(Special to THE FINANCIAL CHRONICLE)

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

Now Plymouth Funds

ELIZABETH, N. J.—The firm name of Prudential Funds Corporation, 17 Watson Avenue, has been changed to Plymouth Funds Corporation.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Treasury's new money raising operation in the amount of $3 billion was very well received. The inclusion of a 12-year 4% bond in the offering along with a 2½-year 5-year 4% note, and a 10-month 4% certificate had appeal for those who wanted to put money to work for a comparatively long, intermediate or a short period of time. It was a well devised offering and the use of a 12-year 4% bond indicates there has been improvement in the money market, if it be only psychological, because earlier this year the Treasury would not have been able to get away too well with a 4% bond.

There have been no changes yet in the policies of the monetary authorities as far as the money market is concerned. Nonetheless, there is more money available for the purchase of fixed income bearing obligations. This means that with the uncertainty in the business picture and the stock market, funds are going into the bond market at yields which have not been available for almost a quarter of a century.

Financing on "Aggressive" Side

The Treasury in its fall, new money raising operation decided to make it a 4% affair, since all of the issues offered in the three-way package carry that rate. The 4% rate was also used in the July refunding. The Treasury in its latest new money raising venture was less cautious than it has been since the middle of 1955, which was the last time that a bond was offered in order to raise new cash. The 3s of 1995 were put out at that time. In the current endeavor, the Treasury has not gone out nearly as far as it did with the 1995 bond maturity, but they did nonetheless offer a 4% bond with a 12-year maturity, which is quite a step out under existing money market conditions that have considered to be mainly short-term ones.

12-Year Bond Well Received

By making an offer of a bond, even though the amount is limited (about $500 million) the Treasury beyond any doubt sees conditions in the money market more conducive to such an undertaking. This bond offering may be one of the ways in which the Treasury is trying to absorb funds that could contribute to the forces of inflation. Also, with the level of savings rising, and this, along with the money that is coming from the redemption and cashing in of Government savings bonds, there evidently was a very favorable reception for the new 12-year Treasury bond. Pension funds, mainly the state "captive ones," along with Treasury trust accounts, were reportedly among the important subscribers for the 4% Government bond.

Investors Like Redemption Feature

The 4% note coming due on Aug. 15, 1962 was also very well received. The optional call date of Feb. 15, 1960 by holders, at 100, on three months' notice, has very definite appeal to investors who do not want to make commitments for as long a period as they would have to if they purchased the 12-year 4% bond. The very fine way in which the previous issue of 4% two/fours were taken by investors attests to the attractiveness of this kind of obligation.

To be sure, the Treasury would not be putting out a security callable at the option of the holder if money market conditions were still not very much on the unsettled side. Nonetheless, this kind of issue does meet the conditions of the times, and a considerable amount of money from savers and certain institutions has been invested in the 2½-5 year 4s which were just offered by the Treasury in order to raise new money.

There was much talk in the past fortnight about the Treasury reopening the 2/4-year issue as part of the new money raising operation, but evidently it was decided that the 2½-5 year issue would do the job just as well. And, at the same time, the holders of the 2/4s would not lose all of the premium which had been built up because of the demand which was around for the first issue of owner optional call notes.

Certificate Issue Attracts Foreign Funds

The reopening of the 4%, ten months certificate has again enabled the Treasury to obtain money from those who must have short-term liquid issues. It is indicated that corporations, commercial banks and, to some extent, those that are not so sure about the equity market have been buyers of the new money raising certificates. The return on this issue is favorable and, reportedly, this has attracted to it a large amount of foreign funds.

Non-Governments Still Hold Yield Advantage

The Government financing has come and gone, but it will take more time to fully assess the effect it will have on the new offering of corporate, state and municipal bonds. To some extent, money which would have gone into non-Government bonds has been put to work in the 12-year Treasury bond and the 4%, 2½ by 5s. Nonetheless, if maturity is not too important, the better yields are still available in non-Treasury bonds.

Joins Copley Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Robert G. Wood has been added to the staff of Copley and Company, Independence Building.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Leslie S. Southcomb has joined the staff of Walston & Co., Inc., 201 South La Salle Street. He was formerly with First Securities Company of Chicago.

Two With W. G. Houston

(Special to THE FINANCIAL CHRONICLE)

QUINCY, Ill. — Dale C. Buck and Richard B. McCarl have become associated with W. G. Houston & Co., Mercantile Building, members of the Midwest Stock Exchange.

Form Palm Beach Inv.

PALM BEACH, Fla. — Palm Beach Investment Co. Inc. has been formed with offices at 308 South County Road. Archibald McNeil is a principal.

E. J. Holstein Joins Stifel, Nicolaus Co.

ST. LOUIS, Mo.—Stifel, Nicolaus & Company, Incorporated, 314 North Broadway, members of the Midwest Stock Exchange, announce that Edward J. Holstein has joined the firm as a member of the Trading Department and also a Registered Sales Representative. For the past 19 years Mr. Holstein has been associated with the firm of G. H. Walker & Co., St. Louis.

Edward Holstein

Edward T. Cronin With Dempsey-Tegeler Co.

LOS ANGELES, Calif.—Edward T. Cronin has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Cronin was formerly head of Edward T. Cronin Company.

Jeanne Wilkins, formerly with J. Logan & Co., has also joined the staff of Dempsey-Tegeler & Co.

With J. K. Mullen

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — David L. Wright is with J. K. Mullen Investment Co., 817 17th Street.

With Henry, Franc

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Emil W. Joesting is with Henry, Franc & Co., 308 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Joins Hornblower Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Elmer J. Klopfenstein has been added to the staff of Hornblower & Weeks, 134 South La Salle Street.

With Draper, Sears

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Violet E. Polo has become affiliated with Draper, Sears & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Public Utility Securities

By OWEN ELY

Mountain Fuel Supply Company

Mountain Fuel Supply is an integrated natural gas "growth utility" with revenues of about $25 million a year. It serves Salt Lake City, Ogden, and 64 other communities in Utah, together with 7 in southwestern Wyoming and adjacent rural areas. Residential and commercial sales contribute 53% of revenues, industrial (mainly to copper smelters and refineries) 42%, and miscellaneous sales 5%.

The company produces about half of its own gas requirements, and one-quarter is obtained from the Clear Creek Field via the Utah Natural Gas Line, with the balance from other Rocky Mountain fields. A supply of 58 million of a day became available Oct. 1, 1956 from the Pacific Northwest Pipeline.

The company's production holdings comprise about 118 gas wells, 27 oil wells, and 102,076 acres of producing leaseholds. In addition, there are undeveloped leases covering 601,901 acres. Owned crude oil reserves approximate 2,051,000 barrels and natural gas liquids 3,649,000 barrels. The company also owns uranium leases and mining claims on about 13,000 acres. Approximately 36% of the company's total plant investment is accounted for by the producing division.

The company's principal problem in the postwar period has been to obtain sufficient gas supply to keep up with the market demand. Ten years ago the company was selling 27 billion cf. of gas a year, all obtained from its own producing fields in Wyoming, Colorado and eastern Utah. Ninety per cent was from company-owned production and the remaining 10% purchased from joint owners in company-operated fields. Now, while the company produces only half of its greatly increased requirements, it has an aggressive exploration and development policy, and employs a staff of nine exploration geologists with necessary geophysical assistance.

On the basis of wholly-owned operations and joint ownership and farm-out agreements, the company has scheduled a sixteen well program for 1957. Of these, four were development oil wells, three of which have been successfully completed and one will be drilled; six were gas wells, four have been successfully completed and two are to be drilled; and six were wildcat exploratory wells of which three have been completed as dry holes and three are presently drilling.

In the latter part of 1956 the pipeline supply of gas was substantially increased, and there are now sufficient gas reserves and contracted supply to sell approximately 76 billion cf. a year. Temporarily, with increased purchases, the company's own production is being held back somewhat. By the middle or latter part of 1958 the increase will be fully absorbed by the market, it is expected; about 12,000 new customers will take gas this year, and an estimated 10,000 more in 1958. Total owned and contracted gas reserves now amount to 1.8 trillion cf., which at the annual withdrawal rate of 76 billion cf. is about a 24-year supply.

The transmission system, now approximating 500 miles of pipeline, accounts for 12% of plant, while the distribution division with 3,000 miles of pipeline approximates 52%. From a modest beginning of gas sales in 16 communities in 8 counties of Utah and Wyoming, the company's distribution area has grown so that gas service is now provided in 76 communities in 11 counties.

The company has a simple capital structure. It had only common stock equity from its beginnings in 1928 to 1947, but now has $37 million debt and $40 million common stock equity (estimated at 1957 near-end). Thus the equity ratio is about 52% and a bond indenture requires maintenance of at least 50%.

The allowable rate of return on the utility rate base (original cost) is 6%. But the company also has non-regulated oil production of about 1,300 barrels a day which adds about $600,000 net after income tax to its annual earnings, or about 27¢ a share.

Mountain Fuel's record of share earnings has increased from 75¢ in 1945 to $1.66 last year and an estimated $1.74 (assuming a good heating season) in 1957. Earnings have shown gains in each postwar year except in 1948-49 when they remained at 91¢. This is somewhat remarkable in an industry where earnings are apt to prove erratic due to changes in the cost of gas, occasional rate increases, and the vicissitudes of the weather (weather effects on the company's earnings might amount to a maximum of 10%, it is estimated). The year 1957 is somewhat of a transition period for the company in that it has taken on a substantial additional gas supply, the benefit of which in gas sales and earnings will not be fully realized until a year or so later.

The dividend rate remained fixed at 60¢ during 1947-50 but has increased 10¢ in each of the years following, excepting in 1956. There will be no increase this year, it is understood, because this is a "big spending year" with the company's expansion program. Dividend payout is expected to continue around 70%.

Traded over-counter and on the Pittsburgh Exchange, Mountain Fuel Supply at the recent price around 24 yields 5% and sells at about 13.8 times estimated 1958 earnings. These ratios are about the same as the industry averages.

Continued from page 6

Is It Administered Pricing That Threatens Our Economy?

of productivity of the economy. I shall attempt to characterize briefly three stages of this development, beginning with what I shall call traditional capitalism. (It might perhaps also be called "primitive" or "fundamentalist" capitalism.) It is fast losing its right to be called orthodox.

Traditional Capitalism

The economic system that for some 200 years we have known as capitalism has gone through many phases over that time span and shows many facets at any particular period. I shall not attempt any systematic account of its myriad forms nor elegant delineation of the subtleties of its complex nature. For present purposes it seems to me sufficient to deal only with two quite basic issues, one operative or technological and the other administrative or social. The first of these I shall deal with in only the most cursory way at this point, though we shall have occasion to return to it in context later on.

It is simply repeating the obvious to say that progress in science, rapid elaboration of power machinery and, eventually, automated productive systems have created a great demand for capital formation and that this need for capital goods and capital funds exists and expands under any advancing economic system from the freest private enterprise to the most centralized statism. The basic question raised from the technological side is how fast we shall proceed in pushing out the frontiers of science and in engineering its discoveries into our productive process. In economic terms, what allocation of resources shall be made to research and what shall be the rate of obsolescence or "modernization"? This issue promptly entangles us in the economic (and political) question of the sources from which capital funds shall be forthcoming to accomplish any given rate of technological advance. That in turn poses the question who shall make these economic decisions for the economy, both as to the source from which capital shall be drawn and as to the methods user in its accumulation.

Deeply involved with this question of capital formation is the question, both technological and social, as to the direction of capital use. How wide shall be the scope of administrative authority allowed to or imposed upon those functionaries, whoever they may be, who stimulate the growth, conserve the supply, and guide the use of our capital resources? Conventional capitalism had a ready answer to all such questions: Naturally, capital will be managed by the capitalist just as it supplied by him through his own saving or his stimulation of saving by others. In the early days of industrial capitalism (and no less in the days of commercial capitalism that had preceded it) the scope of that administrative power was almost limitless. The demand for capital ran far ahead of its supply. Hence the capitalist was vested with almost dictatorial power to hold wages down to a subsistence level and to set prices at all the traffic would bear. And as the capitalist proprietor amassed more wealth, it was elementary to a free enterprise system that no one should curb his right to use his own property as he saw fit. It was on that issue that the battle against mercantilism had been fought and won.

As the early forms of proprietary capitalism were metamorphosed by the progress of finance capitalism and by the so-called managerial revolution, this dictatorship of the capitalist elite was progressively weakened or, as the phrase sometimes went, "civilized." Proprietary capitalism, exercising powers reminiscent of the feudal lords, gradually gave way to corporate capitalism, with owners' rights delegated to a new class of professional managers.

Managerial Capitalism

Under this new managerial capitalism, is has been the capitalist agent as trustee rather than the legal owner of the bits of capital that were agglomerated in the modern corporation who exercised control and who developed a philosophy of capitalist enterprise more adequate to our organizational progress. "Business statesmen" arose, who, in taking a long-term view of what would promote the growth and continued profitableness of the given company, were constrained to consider the interests and welfare of other groups, along with those of the suppliers of capital. In a symposium volume entitled *The New Outlook in Business*, published in 1940, the late Lewis Brown of the Johns Manville Company stated this position clearly and persuasively:

"In the evolution of a complex industrial society the social responsibility of management has broadened correspondingly. Management no longer represents, as it once did, merely the single interest of ownership; increasingly if functions on the basis of a trusteeship which endeavors to maintain, between four basic interlocking groups, a proper balance of equity. Today the executive head of every business is accountable not only to his stockholders, but to the members of his working organization, to his customers, and to the public . . . decisions on industrial and economic policies which once were made solely from the standpoint of private interest and profit considerations, must now be evaluated in terms of consequences not merely to one individual company, but to an entire industry, of which the particular company may be a comparatively minor unit."

Since I believe that this quotation is broadly representative of the economic philosophy of a considerable sector of "enlightened management" today, several points may be noted. The first is that, under this now well-established managerial capitalism, a professionally trained elite of corporation executives has acquired wide powers of determining the direction and timing of use of the corporation's capital and of telling the actual owners of capital how much personal income they shall derive from the earnings of the company and how much shall be retained for purposes of capital formation — plowed back into the company. Second, these managers have lost a considerable part of the power wielded by their earlier proprietory counterparts to allocate the share of returns that will go to workers. Third, this kind of corporation executive recognizes a "responsibility" to customers, but this is often stated (as above) in terms of equity rather than of operational soundness. Fourth, there is an admission of responsibility to "the public," but not at all clearly tied to operational considerations for the economy, such as full employment, maximum production, or growth and stability. In a word, the economics of the firm and the economics of the economy have been integrated only fragmentarily and in the thought and action of only the unusual corporation executive. I believe that a good economic case can be made for the proposition that "what is good for General Motors is good for the country." But I am not sure that Defense Secretary Charles Wilson, late of General Motors, had all the scope and niceties of the argument in mind when he made the remark.

Time does not permit of systematic examination of these four aspects of managerial capitalism. I shall return to the question of management's control over capital formation and capital allocation as related to maximum employment, production, and purchasing power in due course. But first I must elaborate a little on what I have listed as the second aspect of today's managerial capitalism, namely the erosion of the capitalist's power in the distributive field as the power of organized labor has grown. This change has in fact been so fundamental and pervasive that our present way of economic life in the United States can quite properly be called laboristic capitalism.

Laboristic Capitalism

It is of the nature and history of capitalism that the proprietor or the business executive should cling tenaciously to "the prerogatives of management." But from the advent of collective bargaining or even from the first use of the strike threat to implement a demand for higher wages or better working conditions, front office management has had to admit labor as an active working partner in fact in determining the conditions under which the enterprise will thenceforth function. Even if, in a given case, every claim of labor were denied, the workers could still show themselves able to exert a considerable influence on the company's efficiency of operation, the cost and quality of its product, and its public and market standing. Above and beyond contract terms and company relations also, workers wield lobbying powers and political influence that continuously modify the conditions under which all managements must operate.

Sumner Slichter was, therefore, amply justified in labeling ours as a "laboristic" economy. But I think we gain something of value if we use a phrase that reflects the fact that what we have is not full laborism but merely modified capitalism, i. e., laboristic capitalism. This modern American variety of capitalism is a system in which decisons covering the character and direction of the productive process and determining the nature and proportioning of the distributive process are not arrived at unilaterally by the owners or representatives of capital but bilaterally by these executives vis-a-vis the workers and, typically, in joint negotiation with the latter's representatives. The scope of negotiable matters is a persistent issue between the two parties.

The facts here are, of course, familiar to the point of triteness, but I venture to hope that the expression "laboristic capitalism" in which I have sought to characterize them might have some usefulness in quickening recognition of the significance of what has so gradually transpired. It is in exploring the consequence of this development on national growth and stability that I am directly interested. Specifically, what bearing does it have on our prospects of vindicating free enterprise under representative government as an optimal way of economic life or of attaining the maximum employment, production, and purchasing power set as our goal in the Employment Act?

In broad terms, our present economic system may be viewed as two great hemispheres of power over the productive and distributive process. One may be roughly labeled capital administration, and the other labor administration. Both hemispheres are highly organized, with administrative powers sufficiently centralized for considerable unity of action and with ideologies to a considerable extent supplanting the mere behaviorism of our earlier industrial experience. For economic progress or growth-with-stability, we need not merely peaceful coexistence between these two power blocs but mutual compromise in active and socially constructive collaboration.

That we are securely on the road to achieving such socially constructive collaboration is by no means certain. There has arisen an uneasy suspicion in many quarters that recent wage and price adjustments have amounted to "collusion against the public." We have been so beguiled in this postwar period, by the idea that fiscal and monetary controls are both available and adequate to stabilize the economy on a high level regardless of market distortions, that we have tended to minimize the importance of the role of private but centralized management or administration. I believe we should give more attention to studying what private administration of capital aggregations and labor aggregations would minimize the need for governmental stabilizing operations rather than to maximizing the power of government to offset even massive breakdowns in the equilibrium of price-income relations in the private market.

The Challenge of Bilateral Oligopoly

Starting from the premise that both Big Business and Big Labor are not only here to stay but also are natural and proper features of modern industrialism, we should not fall into complacent acceptance of the idea that this bilateral oligopoly is a new Invisible Hand under which countervailing powers dependably find economically and socially correct adjustments. There is a world of difference between atomistic competition and the competition of economic giants representing rival factors in the productive process rather than integrated administrative units. Some dozen years ago, I put the contrast thus:

"Adam Smith . . . noted first that men in general were endowed by their creator with a spirit of ambition, a basic instinct of selfishness, and the common sense that enabled them to select the bigger of two apples. This being so, he reasoned that so long as everyone was free to make his own choices in situations as to personal values he was better informed than anyone else could be, the system would be highly active and move flexibly toward steadily greater satisfactions . . . Smith's recognition of self-interest as a perennial and dependable spring of human conduct is as true today as it was in his time. But the operation of self-interest on the part of officials of a highly organized economy must be on the basis of truly enlightened self (or group) interest if the system is not to destroy itself—and hence its administrators. It must be advanced through promotion of the common interest, not at the expense of others' interests. Along with the centralization of decision-making there must go a development of great professional competence and disciplined responsibility, so that power shall be used to promote democratic economic opportunity, high production, and high level consumption."[2]

All about us we see evidences that corporate managements are in many instances administering the large blocks of resources under their control in the basic, long-run interest of the economy. In a steel age, it is impressive to note the way in which the great integrated companies have put retained earnings into the advancement of steel technology, the expansion of plant in step with demographic trends, the exploration and development of new ore supplies outside our national borders, and the creation of transportation facilities for making the new ore bodies accessible. In an age of petroleum, we see the comparable direction of many millions by big oil companies to the extensive search for sources of oil around the world and the intensive development of petroleum technology in company laboratories and testing plants. This aggressive and socially conscious administration of capital resources can be paralleled in the sustained-yield programs and by-product developments of the great lumber companies, and in electronics, light metals, and many others.

Attorneys, both legal and economic, for Big Business point complacently to those achievements and to the obvious fact that corporations can survive and prosper only if consumers vote at the cash register in support of their product and in acceptance of its price. Competition, they argue, has been born anew in a form suitable to modern conditions—one which constrains the capitalist managers to administer physical and financial resources in the social interest. I myself said almost 20 years ago:

"In so far as large-scale organization puts the natural pacemaker in a position of command over a large section of the economy, it means a struggle to advance the lines of economic effort truly heroic in proportions. . . . Competition is quite as keen and much more productive of results when we find industrial giants marshalling their mighty resources to perfect new techniques and new schemes of organization through whose use more and better goods may be put within the reach of the masses."[3]

But it does not follow that all the actions of all the capitalist managers are all the time geared to the greatest good for the greatest number. And the vote at the cash register may have to be cast for the least undesirable of a quite restricted range of choices, just as a vote at the polls may be a rueful choice between two machine-picked politicians.

Let us consider a few of the ways in which managerial decisions in areas where the business unit must be large may administer the economy's capital resources in ways other than they would take if consumers' choices were not thus circumscribed. The first illustration is from the field of transportation. At a recent transportation symposium I heard the head of a large airline state that the public's insatiable demand for speed required his company to shift quickly to jet transport, although that would prevent them from improving and properly adjusting present types of service and involve financing problems that would strain if not wreck the company. As a subsequent speaker on the same program I ventured to query whether we should not call for a recount of the votes on this issue. How many people really are demanding further reduction of time across the continent now that it is down to eight hours, or would use this "suped-up" facility if costs were directly assessed to them? How far should management go in pandering to the speed mania of a few at the expense of those who are disadvanaged by the resultant need for enlarged and relocated airfields and the din of jet-plane operation? Is management justified in imposing the financial burden of the proposed change-over on present stockholders of the company or in putting this added strain on the money market, where supplies of capital are already scarce and needs, say for housing, what they are?

This situation touches both the question of the character of product or direction of capital use, and the timing of investment or programming of capital use. The first question—character of product—has striking illustration also in the automobile field. Has the private management of capital use in this area been most beneficial to the public or the economy when so great outlays have been directed to greater size, speed, elegance of appointments, and sheer difference from year to year, rather than to giving the maximum amount of safe and comfortable personal transportation at minimum cost? I am not proposing to turn the clock back to the Model-T but suggesting that there is a problem of synchronizing company policies in the administration of capital with consumers' budgeting for capital goods outlays—both for cars and for garages—and the capital needs of government units—as for street widening and public parking—not to mention costs of traffic control.

Turning to the timing aspect of this matter of resource administration, it is often argued that the growth of very large corporations has equipped them with such ample assets, strong credit standing, and sophisticated management that they can follow long-run investment programs so imperturbably as to help materially in offsetting or minimizing cyclical swings. While this argument undoubtedly has a measure of validity, it is too soon to be able to evaluate the actual experience of the second half of the present very significant decade. The extremely high rate of plant and equipment outlays of the last three years, the appearance of some excess capacity even before this enlarged plant has made its full contribution to the productive stream, the rise of corporate debt, and the tight labor and materials market suggest that the record of the capital managers in this period leaves something to be desired. When we see how much support they give to the economy in 1958 and thereafter in the event of some recessionary downturn, we can more confidently answer this question.

Labor, of course, has argued that management has derived too much of the capital for their investment programs from profits retained out of margins unduly enlarged by the companies' power of price-administration. This is an oversimplified statement of an issue too complex and widely ramifying to be even entered here. It is, however, an issue definitely germane to several of the Congressional investigations now under way and inescapable in contract negotiations in any of the large-scale industries.

The unions, on their part, are no less subject to challenge as to the nature and consequences of their administration of the nation's labor resource. By widening and tightening their centralized hold on large blocks of labor, they are in a position to influence strongly both the price at which it can be bought and the ways in which it will be used. As in the case of those who administer capital resources, administrative power has often been used in ways beneficial to the economy. Union powers have operated to conserve the lives and health of workers; they have (at times) quickened the transition from deadening physical routine to skilled machine tending; and they have advanced the social security and in many ways enriched the lives of workers and their communities. Early opposition to the introduction of labor-saving machines has given way to official endorsement of "automation" as a way of enhancing labor productivity, linked with insistence that the benefits and burdens involved be equitably distributed. There are still, however, remnants of wasteful administration of labor resources in various jurisdictional rules, full crew requirements, and print-shop practices.

Examples of Strange Results

In Big Labor's administration of the labor resource no less than in Big Business management of the capital resource, we discern a strange mixture of presumably good and apparently bad consequences. John Lewis priced his miners out of jobs faster than they could be reabsorbed elsewhere, he forced the mechanization of mining, with great improvement in the quality of mine worker; he forced mine owners into a collaboration that price coal out of a part of its competitive market; now he uses capital accumulated out of the miners' enhanced wages to join with mine owners in setting up a shipping line to enlarge the export coal market. Who can say what all this adds up to?

Even more difficult to evaluate is the administrative policy of Walter Reuther in the automotive field. He has been the great exponent of an economic philosophy of "learning to distribute abundance." But a few weeks back he announced an intention of shortening the work week in auto plants to 32 hours. Since he stipulates an increase in take-home pay, this 32 hour week would entail an increase in labor cost of more than 25% on car builders and could hardly be expected to distribute the satisfactions of car ownership more abundantly to the masses. And will this fifth day of labor power run to waste, be used in the pursuit of culture, or compete in other labor markets? "Moonlighting" or "sundowning" (that is, the holding of two jobs) is already on the increase. This may indicate that the average worker prefers more goods to more leisure in the band of choice between 32 and 40 hours. It may indicate also that the administration of wages and of prices has been a factor in such depreciation of the dollar as makes it necessary to seek extra work to maintain the standard of family consumption.

I do not presume to set myself up as an umpire in a pot-and-kettle argument between administrative officials or policy makers in the two hemispheres of concentrated economic power. But I do wish to argue that we as professional economists should become realistically informed as to the actual situations and conditions of resource administration that are being dictated by one or the other of these captains of economic forces or bargained out between them. And we should adapt our tools of economic analysis to be of more service to the parties in arriving at policy decisions which will make maximum contribution to sustained high-level production by the whole economy and thus maximum real income for all classes.

As I come in contact with these issues, it seems to me that we stand today in a position of sharp challenge and great opportunity. There has developed a conservative economics of management or capital and an aggressive management of labor. One centers on advancing technology, capital formation and profit incentives. The other centers on consumer purchasing power to clear the market at full employment. Integration between the two is logically possible, and practical reconcilement or working compromise must be hammered out in such basic industries as automobiles, steel, petroleum, rubber, and electrical equipment if we are to continue the march of our national prosperity on an acceptable level.

The Present Situation

While we as economists can be of help in this reconcilement, the actual outcome will be determined by the top executives of big corporations and big unions. It is, I think, significant to note the two major lines of approach that they, respectively, are making to this issue, so important to our national welfare. One may be called the intellectual approach. It can be traced from the economic brief filed by UAW - CIO in opening postwar wage negotiations with General Motors in November 1945 down to the testimony of economists of the United Steel Workers and the United Automobile Workers before the Joint Economic Committee last February. In essence it is; we seek a rational resolution of this mutual problem of income and prices. If management can show that our statistics (mostly government) are incorrect or our reasoning faulty we are prepared to join them in finding resolution of our common problem (and the country's) on the plane of reason, not resort to raw force. In the 1945 instance management prepared to brief in reply, stating: Your figures are wrong (which in part they were) and your reasoning is absurd (which it was not, whatever its specific flaws). But soon the company threw this whole intellectual (or scientific) approach out as an "invasion of the prerogatives of management."

In the current instance (hearings of the Joint Economic Committee), the unions asked that the investigating powers of government be brought fully to bear in getting the most adequate basis of objective fact and the fullest use of professional economists and business experts to develop basic solutions of the issues. Thus far at least, business management has not welcomed or even acceded to such a suggestion. In the Kefauver Committee hearings and elsewhere they have denied that there is any such things as administered prices; they are established by keen and beneficent competition, based scientifically on costs. They readily agree that wages are in fact administered, and this is the central source of present inflation and other defects in our current economic process.

The Kefauver Subcommittee, the Joint Economic Committee and others are, I am sure, deeply concerned, and reflect a wide public concern, in where the administrative powers of Big Business and Big Labor are leading us. They are not merely "grabbing for a newspaper headline" as often charged. I feel quite sure they will continue to probe these issues on a plane of national interest and with the facilities for bringing out factual material and analytical processing that will contribute importantly to understanding and coping with this aspect of the growth and stability problem. We should study it.

Meanwhile, Mr. Walter Reuther has not waited for the slow and unpredictable results of the intellectual attack, but has launched a daring strategic maneuver that seizes the initiative for labor. He seems to me to be saying: "Since the blunting of our 1945-46 intellectual attack we have been forced to protect our own interests by successive power drives for higher wages. These have been flanked by the power of price administration to neutralize our thrusts and, under our elastic currency system, engender a process of inflation that penalizes the weaker groups in the labor force and endangers the whole economy. We recognize the nature and significance of administrative power in the hands of large business and labor organizations and believe it justifies the President's admonition to us both to exercise self-restraint in the public interest in which our group interests are enmeshed. We challenge our opposite numbers in the automotive industry, which occupies such a key position in the economy, to join with us in abating this unproductive and dangerous race and negotiate a constructive pattern of co-existence."

I do not think that spokesmen for the auto companies were justified in responding (via the press) that this invades the prerogatives of management. Nor do I think it can properly be labeled "pure propaganda" — though one would be naive to suppose Walter Reuther will overlook any good propaganda angles that may present themselves. When the companies say it is "a trap" I believe they are right. They—and Mr. Reuther's cohorts no less—are really trapped in a situation of vital public concern in which they must accept responsibility and try to validate the present use of their administrative power and show that they have a positive program for better serving the public interest. I hope we may, in the end, appraise it as "a tender trap," (to borrow the title of a Broadway play) in which motives are those of the public good. At all events, the eyes of 47 states besides Texas are upon the administrative teams matched in this big league event under laboristic capitalism.

I do not presume to predict the outcome or to propose a pattern of action. The task of observer and commentator that I marked out for myself will—for the present at least—rest there.

2 *Price Making in a Democracy*, p. 448.

3 *Industrial Price Policies and Economic Progress*, p. 269.

Continued from first page

How Tight Is Tight Money?

Reserve itself, rests on the assumption of four closely interrelated illusions, to wit:

(1) that the reserve System is not supporting any longer the bond market;

(2) that it has raised the level of interest rates and keeps it high;

(3) that interest rates are high —so high as to contain the inflationary forces;

(4) that the money supply is being kept tight.

The Reserve System's awareness of the inflation problem is highly commendable; so is its influence on the political "climate." Its honest intention to accomplish the above objectives should not be questioned. But the ability to do so is another matter, notwithstanding its own claims. Unfortunately, false assumptions, or outright illusions, are being implanted on the public mind—as if they were as many proven facts.

Artificial Capital Market

Illusion No. 1: That we have a free bond market, not supported by the Fed.

True, the total bond portfolio of the Reserve System is slightly smaller than it was a year and two ago. But that does not mean that the policy of supporting the market has been abandoned. The Fed still steps in whenever the banks need cash or the Treasury is up against a refinancing problem; witness the fact that early last July the Open Market Committee bought nearly $500 million worth of federala obligations, followed in the third and fourth weeks of July by the purchase of another $130 million (and selling $500 million by Aug. 21). More important: the mere accumulation of bonds to the tune of about $23 billion puts a floor under the market.

Remarkable that this simple fact of life is generally overlooked—that the System actually serves as an investment trust specializing in (mostly short-term) federal paper. Unloading as much as another one or 2% would break the market and stymie the Treasury. On a truly free capital market, the basic interest rate would be very much higher than it is at present.

In short, this is still a totally artificial capital market; in ultimate resort, it still is being backed up by the printing press. The best one can say about the present central bank management is that it inherited the "chickens" of Messrs. Morgenthau and Eccles, which are coming home to roost; and that it refrains from hatching more of the same species. But it cannot let the national government down; nor is it responsible for the latter's continued financial extravagance that precludes even a modest reduction of the national debt.

Lowered Bank Reserves

Illusion No. 2: That the Reserve System is responsible for hiking the interest rates.

The truth is that the System is responsible merely for not doing what none but wild inflationists would welcome, namely, for trying to lower the rates arbitrarily. Actually, it has contributed to the current inflationary troubles by the imprudent cheapening of money in 1954. Chairman McC. Martin has admitted that the hasty cutting of the discount rate in the last "recession" was a mistake. The same holds *a fortiori* for the equally hasty lowering of the reserve requirements for member banks in 1953 and (twice) in 1954. The error was recognized a year later, yet still not corrected. To this day, the reserve requirements have not been restored to their previous levels. As to the discount rate, it has been raised piece-meal — in seven instalments since April '56 —and reluctantly only, the official rate often lagging for weeks behind the trend of the market. All one can say, again, is that the Fed might have done much worse. But it is conspicuously lacking in the kind of determined and bold leadership that is essential to stem a bullish tide.

Deflates Interest Rate Height

Illusion No. 3: That the interest rates are high enough to defeat inflation.

Such is the case if and when the rates are prohibitive. They are far from that. Corporate bonds yielding 6%—and they are yielding much less—actually cost 2.88% to the issuing corporation (given a 52% income tax) and still less to the shareholders. With rising prices and good profits anticipated, no corporate management is likely to be restrained from borrowing by a charge of less than a paltry 3%. Small wonder that inventories are still growing and industrial expansion plans are proceeding unabated.

For mortgagees, the tax may not mean a great deal in terms of reducing the real burden of interest charges. But FHA and VA guaranteed mortgage loans have been stretched to run up to 30 years. Monthly charges remaining about the same, despite the higher rate, the average debtor of this category pays scant attention to the stretched-out number of instalments. Consumer credit is directly affected, but the charges it carries are so high that an additional 2% or so has little relevance.

However, even a moderate boost of interest rates tends to reduce the value of assets and their credit-worthiness. This should have a deflationary impact if two conditions do not obtain: if general prospects and the market psychology are not bullish (which they are); and if the money volume is not rising (which it does). This brings us to the crucial point of the "myth" about our monetary policies and the role of the Fed.

Bank Deposits Are Up

Illusion No. 4: That the money supply is being kept tight.

The remarkable thing about this legend—that is what it is— is the fact that it is refuted by a glance at the statistical tables in the monthly Federal Reserve Bulletins. They show that in the 12 months to the end of last June, the volume of currency in circulation plus net adjusted bank deposits has increased by $6,500 million. In addition, in the same period, deposits in building and loan associations registered a $5 billion growth. To call this $11.5 billion annual increase of the money supply a "Federal Reserve policy continuously directed at the maintenance of credit restraint," as the annual report for 1956 of the New York Bank does, takes men with extraordinary imagination.

The amazing thing under such circumstances is the Fed's constant reassertion of its "tight money policy." The latest (August) issue of its "Bulletin" editorializes about "Winning the Battle Against Inflation" — with the aid of "higher" interest rates. This may or may not be good public relations; it certainly is poor economics and inaccurate statistics. Indeed, it amounts to a misrepresentation of the situation, leaving aside the fact that the deposits' velocity of circulation keeps rising, too. All the Fed can rightfully claim as its merit, is the approximate stability, between mid-1956 and the end of last July, of its outstanding credit volume, though with appreciable variations up and down. In other words, the credit expansion was not countenanced by the central bank; but it was not seriously impeded either.

Reserve Requirements and Gold

For every dollar of fresh deposit, the bank has to add proportionately to its balance held in the Fed.

The legal reserve requirements for member banks are at present 6% for time deposits and 12% to 20% for sight deposits. The $5.7 billion increase of time accounts and the $0.8 billion rise of sight liabilities in a year's time require, between them, roughly $0.6 billion new reserves. Since the Fed did not provide them—where did the banks get the necessary funds?

The answer is: the gold stock took care of that. During the June-to-June period under scrutiny, the national gold hoard has increased by $0.8 billion — more than enough to support the simultaneous bank credit expansion. What will happen if and when the gold flow should reverse itself? Will the Fed step in; or will it let the banks down—at the risk of a "crisis"?

As to the deposit inflation in the building-loan associations, they (as a group) do not seem to worry about such little things as their liquidity status. Their holding of cash and bonds remains unchanged while the liabilities skyrocket. For all associations, the over-all liquidity ratio is scarcely 5%. Given the fact that some are better than others—the "others" must be operating literally "from hand to mouth." Note, incidentally, that the associations' liquidity reserves consist to a good extent of medium-and long-term Federal obligations which are a dubious substitute for cash holdings.

Central Bankers Are Human

Theoretically, the Federal Reserve is independent and omnipotent. It has the right and the power to stop the inflation. It could raise the interest rates to truly effective levels by forcing the member institutions to stay out of debt ($1,000 million and more at times!) to the central bank; or by raising their reserve requirements; or by selling just half-a-billion worth of bonds on the open market; or by compelling the banks to return to reasonable liquidity standards. It does nothing of the sort.

Instead, Chairman William McC. Martin puts the blame—in very mild words—on the doorstep of the Administration: it should not spend and lend so much. The President, in turn, harangues—in very mild terms — business and labor to be good and refrain from raising prices. Passing the buck surely will not solve the problem, and there is no sign as yet that anything more than homeopathic doses of credit control will be applied.

Where did we see the same type of buck-passing? Well, of course, all over Europe. There, except in Switzerland, the interest rate is much higher in every country than it is here. Yet, the vicious wage-price spiral keeps turning everywhere, and for the same reason, or reasons. There is no shortage of financial statesmanship that would see and understand the problem. But on both sides of the Atlantic, there is a total dearth of statesmen (the "last" two, Frere of Belgium and Vocke of Germany, are just being retired) who would have the stamina to act in accordance with their own convictions.

Central bankers, being just human, believe in expediency. As an ex-member of that distinguished fraternity, Mr. Allan Sproul, put it succinctly: " . . . there are times when the central banking system . . . has to validate public folly and private greed, by supporting increased costs and prices with an increased money supply, no matter how reluctant it may be to do so, and no matter how independent it may be of political or private pressures."[1]

So, on we go, "validating" the inflation folly.

[1] *Commercial and Financial Chronicle*, June 20, 1957, p. 28.

Continued from page 11

Air Force Plans, Programs, And New Expenditure Control

cancel a "North American" program recently — we called a halt to the development and production of the Navaho for operational reasons, based on priority of needs as balanced against funds available.

Along another avenue, there is going to be a sharp reduction in requirements for high bay factory facilities as we move toward production of more missiles and fewer large manned aircraft.

Clearly, we must provide for the additional capacity which our new programs require at isolated locations for test and assembly purposes.

Cannot Afford Stand-by Status

Maintaining extra space, in stand-by status, is a luxury we cannot afford. Therefore, we mean to make a close check of our facilities with the ultimate goal of eliminating all that we cannot productively use for manufacturing, maintenance, or storage purposes.

We mean to take a really dim view of any proposals for new facilities. This does not mean that we will categorically refuse to fund for any additional facilities. But I can assure you that any such new construction will be agreed to *only* after it is determined that the project concerned is of first order priority, and none of the current surplus can be used effectively and economically.

Of major importance, as far as the aircraft industry is concerned, is the overall decrease this fiscal year, in dollars spent for aircraft, missiles, and related equipment—amounting to about 6% of the rate in the last six months of last year. The available money will be spent on relatively fewer programs and fewer end items.

As I said earlier, *this should be no couse*, for hitting the panic button. But it is a very important cause for companies to take a real hard look at their management and engineering practices and their production techniques. Let's face it: the competition for the future programs is going to be keen, not only among the major companies for weapon systems contracts, but also among the small businesses which want to sell parts and components.

To be truly competitive, companies must cut overhead—"front office" costs, excess manufacturing and engineering space and personnel, unnecessary premium cost overtime and plant operating expenses. In plain Scotch words, we want more really new hardware and less overhead. My only reason for mentioning overhead expenses at all is to reemphasize what should be obvious — if you want to be competitive.

Fairly Stable Funds

We must recognize that under a stable, long-pull program, the amount of funds available for procurement must also remain fairly stable, along with some reduction in personnel and overhead in the Air Force itself. Methods are being devised to assure that procurement programs are kept in balance with the overall budget, in terms of both obligations and annual expenditures.

In the past, we were appropriated money by Congress, based on our presentations of specific aircraft and related hardware programs. Lead time requirements, estimated deliveries, and resultant estimated expenditure were included. Our major management concern in our re-programming actions, was to buy only essential hardware, to buy it only as needed for time phased requirements, and of adequate quality, and at reasonable prices. Money was expended out of the Treasury, in accordance with our approved programs, as the materiel was accepted and delivered.

Now we have the task of setting up programs and procedures which will control and forecast expenditures right down to the plant, so we will be able to determine trends, month by month, quarter by quarter, by contract and by company.

Obviously, if expenditures run over the estimates, we have the following alternatives: We reduce quantity, or, if the price per unit gets too high, we may cancel the project—not because we want to, but because we *must* stay within the planned dollar limits.

Better company management, across the board, should result in closer cost control—and prevent costs from spiraling upward. Advanced management techniques, such as numerical and tape control of machines, use of electronic data processing, and really modern tooling methods, will result in more pounds of hardware, per labor hour, and more productive designs per engineering hour.

Programs More Selective

Since we will have fewer programs to spread around in the future, and since the significance of each program will therefore be relatively greater, we are going to be even more selective than we have been in the past—we're going to "pick our horses" cautiously.

Also, we are going to insist that prime and associate contractors follow a similar path in selecting their subcontractors. The Air Force will continue to require that these primes and their associates subcontract a substantial portion of their workload to specializing firms and to small businesses. But we want to make sure that subcontracting is done on as competitive a basis as possible.

Right here, I want to inject a few pertinent comments regarding components, subassemblies, and parts. First, the "make or buy" philosophy must prevail—the contractor is expected to follow the most economical course of action. Second, we do not want a prime or associate contractor to recall his subcontracts or to tool up and produce what he could buy elsewhere just to compensate for the reductions caused by stretch-outs or cancellations.

Third—neither do we intend for Air Force funds to be paid to small business, unless we get our full dollar's worth of hardware. We want you to prosper because we must have a strong industry. But we don't intend to subsidize the marginal, high cost, late delivery people. Fourth—the environment is going to become more and more competitive as we move into the next decade. Your success and prosperity will be in direct proportion to your initiative, imagination, and overall managerial ability.

Fifth—A direct effect of our efforts to get the most and best Air Force per dollar, will be some retrenchment of maintenance, modification, and overhaul by Air Force depot or by contractors, for other than first-line aircraft.

Up to a given point, we intend to do normal, in-service maintenance, on the older types of aircraft. When more and more of our second line aircraft reach the condition of being non-flyable, without major overhaul, they will be retired. Our impelling reason is that we prefer to put our money into the newer bombers, interceptors, and missiles, than into those which are reaching the stage of obsolescence.

Discusses Missile Program

So far, I have talked in rather broad terms — aiming my comments at the entire aircraft industry and its supporting manufacturers. But I am well aware of the fact that you people here in the Los Angeles area are directly concerned because you are already being directly affected by the economy drive of the Air Force. Since cancellation of the Navaho has received so much attention, I would be grossly unfair if I ignored it here.

This missile program was cancelled only after a careful review in context with other weapon systems convinced us that it had to give way to the simplicity, greater invulnerability, and earlier promise of success evident in such weapon systems as ballistic missiles. Admittedly the current economy drive accelerated termination of the Navaho.

When we looked at the mission solutions which are reaching the production stage far sooner than we could have anticipated in 1946—when the Navaho program was initiated—it became obvious that we could not and should not bet our limited dollars on so many contestants.

There is no doubt that we got our money's worth from the Navaho experiments — in terms of scientific and technical advancements. The extremely large rocket engines, power plans for the Army Redstone and Jupiter, Air Force IRBM and ICBM, would not be possible at this time without the Navaho rocket engine development. Automatic servicing and checkout systems, Ramjet engine development, capability in all inertial navigation, methods of manufacture and fabrication of peculiar metals—these and many other notable steps forward may be distinctly credited to this program.

In other local programs — stretch-outs of production are taking place with the Lockheed F-104, and the Convair F-106. In both instances, we are spreading the production schedule over an additional year, resulting in a substantial output-per-month reduction.

There is no denying that economy—and the need to maintain a stable program — are major factors in these stretch-outs. However, the quality advantage to be gained is of great importance. Certain new equipment for these fighters will not be available as soon as planned or desired. Had we gone ahead at our original production pace, a large and costly retrofit program would have been necessary in order to incorporate the new equipment into the aircraft after they were delivered to our tactical units.

With the new production schedules, fewer aircraft will have to be modernized subsequent to delivery. However—inevitably—our rate of modernization of our fighting forces will be reduced.

Nation-Wide

At this point, it is important—most important, in fact—for you to realize that California has not been singled out to bear the brunt of production cutbacks or cancellations. They are taking place in Seattle, in Wichita, in St. Louis, in Tulsa, in Long Island, and in numerous other places throughout the nation.

And I might as well be perfectly frank: They will occur any place, at any time, to any program which may have to be altered according to the criteria mentioned earlier: international circumstances, national policies, or promising new scientific breakthroughs.

By and large, however, plans for the future hold the prospect of a relatively stable outlay of dollars for aircraft, missiles, and related support equipment. In fact, I am of the honest opinion that we should be able to keep reasonably modern, a superior Air Force, with around $7 billion a year in expenditures for new end items. I see no cause for alarm—here, or anywhere else, where there might be a concentration of defense production business.

Summary

In summary, I would like to leave these thoughts with you. The Air Force is primarily in business to assure the security of the United States, *not to support the economy of a given segment of our population.* We buy aircraft, missiles, electronic systems, ground handling and support equipment, solely to give us a military advantage over a potential enemy. We don't award contracts to specific companies merely to keep them in business.

Dispersal alone will never be the reason for us to buy from other than California companies. Competitive pricing, superior designs, initiative and integrity of management, will be the deciding factors.

Finally, the Air Force has not taken any action that will give major corporations the prerogative of squeezing out small business. Our policy toward these concerns has been sympathetic in the past; we will continue to adhere to this viewpoint. But we will insist on their getting a fair share of the work only if they effectively meet competition.

In the total pattern of Air Force procurement, we play no favorites. We have a programmed amount of money with which to buy the necessary weapon systems, and we are having to do a little belt tightening to get the most out of available dollars.

The programmed dollars *should* be enough to reasonably maintain the minimum airpower superiority which is essential to survival. We will only be able to maintain this superiority if our industrial support—in California, as well as throughout the rest of the United States—works with us toward the end of better planning, better management, and better engineering. Our end result, must and will be, vastly improved combat hardware.

Form Financial Investors

PENSACOLA, Fla. — Financial Investors, Inc. has been formed with offices here to engage in a securities business. Mail address is Post Office Box 226. Officers are Elton H. Purtle, President; Dennis Stringer, Secretary and George J. Strifler, Treasurer. Mr. Purtle was previously with King Merritt & Co., Inc.

Alfred B. Stoddard

Alfred B. Stoddard, member of the New York Stock Exchange, passed away suddenly Sept. 16 at the age of 59.

Morgan Stanley Group Offers Utility Bonds

Morgan Stanley & Co. and associates on Sept. 17 offered publicly an issue of $50,000,000 Niagara Mohawk Power Corp. general mortgage bonds, 4⅞% series due Sept. 1, 1987, at 100.867% to yield 4.82% to maturity. The group was awarded the issue at competitive bidding on a bid of 100.13999%.

Net proceeds from the sale of the new bonds will be used for the payment of outstanding bank loans which amounted to $15,000,000 on Aug. 31, to reimburse the company's treasury and to finance in part the company's construction program, which cost $66,952,000 in 1956 and is expected to cost about $95,000,000 in 1957.

The new bonds are non-refundable at a lower interest rate or cost on or prior to Sept. 1, 1962 but are otherwise redeemable at the option of the company at general redemption prices ranging from 105.75% for those redeemed before Sept. 1, 1962, to 100% for those redeemed on or after Sept. 1, 1986; and at special redemption prices ranging from 100.87% for those redeemed before Sept. 1, 1958, to 100% on or after Sept. 1, 1986.

Niagara Mohawk Power Corp. renders electric service to the public in an area in New York State having a total population of about 3,300,000 and including the cities of Buffalo, Syracuse, Albany, Utica, Schenectady, Niagara Falls and Troy. The company also distributes natural gas in an area in central, northern and eastern New York having a population of about 1,500,000. In the 12 months ended July 31, 1957, the average number of electric customers of the company and its subsidiaries was 1,043,642 and the average number of gas customers was 335,588.

For the 12 months ended July 31, 1957, total operating revenues of the company amounted to $246,045,000 and gross income before income deductions was $37,283,000.

New Hayden, Stone Offices

Hayden, Stone & Co., members of the New York Stock Exchange and other principal securities and commodities exchanges, has announced the establishment of two new branch offices.

One office will be located at 400 Park Avenue, New York City, and the second at 55 Church St., White Plains, N. Y. George B. Seager and Henry J. Uhlig will co-manage the 400 Park Avenue office; Ernest Kirk will manage the White Plains branch. Both offices will offer a complete range of investment services and will be connected by direct wire with the main office at 25 Broad Street, New York City.

Hayden, Stone & Co. currently has 10 offices in the United States plus offices in Montevideo, Amsterdam, Paris and Cannes.

With H. Carroll Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—T. C. Donoahue, Josef S. Lanz and Willard L. Moody have become affiliated with H. Carroll & Co., 324 North Camden Drive. Mr. Donoahue was previously with Bache & Co.

Philip C. Gifford

Philip C. Gifford, partner in Gifford & Co., Providence, R. I., passed away Sept. 9 at the age of 65.

Frederick M. Simon

Frederick M. Simon, partner in I. M. Simon & Co., St. Louis, passed away Sept. 7.

Securities Salesman's Corner

By JOHN DUTTON

"Keep Busy"

During periods of dull, declining markets such as come periodically to the investment business there is a tendency to pick up the current "mood" from those around us. For the past several months investors have been very much on the sidelines, the market values of many stocks and bonds have been subjected to a slow and almost daily erosion, and the environment in some investment firms has become much more subdued than that which prevailed during the past several years. Having lived through quite a few such times before, there is one thing I have learned and that is, they do not last forever. The longer the period of pessimism and doubt on the part of investors, the sooner it will be until there is a reversal and confidence once again reasserts itself.

Contact Clients Regularly

Since the securities business is a changing and volatile endeavor, investment salesmen must recognize that the confidence of their clients should be constantly nourished and fed during times when markets are declining and there is "doubt in the air." Even though you may be working harder trying to acquire new business during these periods, don't neglect your regular clients. Telephone them regularly, keep them posted regarding their holdings, and reassure them that you are just as desirous of helping them keep advised concerning their present investments as you were when their accounts were active.

It is often true that the pessimism of those in the investment business is overdone and you also should avoid conveying such attitudes to your associates and your clients. If possible, start each day with the conviction that you are going to give your business all the attention, concentrated intelligence and effort you can direct to each task. Such a personal conviction on your part will bring you constructive ideas and you can convey them to your clients and prospects. Before long you will begin to strike some responsive chords in those around you, and you will not only accomplish some worthwhile transactions but you will help your customers to see things more realistically and less emotionally.

Advertise Consistently

There is no better way to keep up the morale of a sales organization than to constantly back up your men with a steady flow of ideas and new prospects. If you can find a workable idea that will provide interested inquiries from new people, keep at it. There are many investors today who would welcome some concrete suggestions as to what they should do with their present investments. Always during periods of uncertainty opportunities are presented for a realistic analysis of portfolios. There is a very substantial amount of business that can be developed by contacting people who are concerned about certain of their securities that have had severe price declines. You can always gain and hold a man's attention when you talk with him about his investments—and his concerns. If you can show him how he can obtain a better value, or a sounder security than one that is questionable, you have an opportunity to acquire his business.

Work at Your Job

Keep up your energy and direct it constantly at well planned targets. Keep up your reading, keep your clients posted, don't give in to pessimism. Security prices will fluctuate, but there will always be a place for the man who can work with his clients constructively, and his production of business will continue during times when the other man who gives up and succumbs to the prevailing but passing adverse psychology will falter.

Dilbert's Quality Supermarkets Shares Offered in Units

S. D. Fuller & Co., New York City, on Sept. 17 publicly offered 180,000 shares of 7% cumulative first preferred stock (par $10) and 180,000 shares of common stock (par 10 cents) in units of one share of each class of stock at $10.10 per unit. These shares are not separable until Dec. 11, 1957 and are transferable only in units until such date.

This is the first public offering of Dilbert's stock.

Dilbert's, incorporated in New York in 1925, operates a retail chain of 17 supermarkets and 22 food stores under the Dilbert name, located in Brooklyn, Queens and Nassau County, Long Island, N. Y. The chain will be further expanded by the addition of 17 Big Ben supermarkets which operate in Queens, Nassau and Suffolk Counties, Long Island, N. Y.

It is intended to use the net proceeds from the sale of the units as follows: to pay approximately $970,000 in connection with the acquisition of the Big Ben supermarkets; to repay a note of $80,000 to Bildner Big Ben Corp.; to use approximately $300,000 for equipment and merchandise for five new supermarkets which have already been leased and which will be opened in the Fall of 1957 and during 1958, and the remainder will be added to working capital.

With Shields & Co.

BUFFALO, N. Y. — Shields & Company announces that James R. Virtue is now associated with the firm's Buffalo, N. Y. office, Rand Building, as a registered representative. Mr. Virtue has been connected in the past with several investment firms in Buffalo.

Daniel Weston Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—David N. Bourke, Louis Duga, Philip Nasser and William F. Revely have been added to the staff of Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard, members of the Pacific Coast Stock Exchange.

H. Carroll Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Richard N. Lawrence and Robert C. Otto are now with H. Carroll & Co., Equitable Building.

Mountain States Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Raymond E. Enright, John E. Finn, Robert J. Strawn, Jr., and Paul E. Ververs are now with Mountain States Securities Corporation, Denver Club Building.

Jonathan Branch

TUCSON, Ariz. — Jonathan & Co. has opened a branch office in the Santa Rita Hotel under the direction of Roy B. Anderson.

Chemical Corn Offers New Stock at $45.50

Underwritten by a group headed by Kuhn Loeb & Co.; The First Boston Corp.; Hemphill, Noyes & Co.; and W. C. Langley & Co.

The directors of Chemical Corn Exchange Bank have set a subscription price of $45.50 per share on the rights offering of 1,062,765 new shares of capital stock authorized by stockholders at a special meeting on Sept. 17, it was announced on Sept. 18 by Chairman Harold H. Helm. The offering will increase the total number of shares outstanding to 6,376,590, and it is the intention of the bank's board of directors, subject to future earnings, to pay dividends on these shares at the recently increased annual rate of $2.30 per share.

The additional stock is being offered to shareholders at the rate of one new share for each five shares held of record at the close of business on Sept. 18, 1957. The subscription rights will expire at 3:30 p.m. (EDT) Oct. 7, 1957.

Kuhn, Loeb & Co., The First Boston Corp., Hemphill, Noyes & Co. and W. C. Langley & Co. head a group of underwriters who will purchase, at the subscription price, any unsubscribed shares.

After giving effect to the sale of the new shares, the bank's aggregate capital, surplus and undivided profits would be approximately $286,000,000.

The bank has paid cash dividends regularly for more than 100 years. The most recent dividend increase was made on Aug. 22, 1957 when a quarterly dividend of 57½ cents per share was declared, payable Oct. 1 to stockholders of record Sept. 13. In addition to cash dividends, stock dividends of 25%, 10% and 10% were distributed in 1945, 1953 and 1955, respectively, and in each case the per share cash dividend rate then in effect was maintained.

Land Banks Offer $215 Million Bonds

The 12 Federal Land Banks offered publicly yesterday (Sept. 18) $140 million of 4⅝% bonds due Feb. 2, 1959, and $75 million of 4½% bonds due Oct. 1, 1970. The 4⅝s of 1959 are being offered at 99.8125%, and the 4½s of 1970 at 99.75%. These new consolidated bonds will be dated Oct. 1, 1957.

The offering is being made through the banks' fiscal agent, John T. Knox, 130 William St., New York City, with the assistance of a nationwide dealer and banker group. Proceeds will be used to redeem $215 million of 1¾% bonds maturing Oct. 1, 1957.

The Federal Land Banks make long-term loans to farmers through 1,100 national farm loan associations on the security of first mortgages. The local associations are owned entirely by farmers. The associations in turn own all of the stock of the Federal Land Banks. Farmers have about $109 million invested in the banks. The banks have accumulated reserves and surplus of $267 million.

With F. I. du Pont

(Special to THE FINANCIAL CHRONICLE)

FT. LAUDERDALE, Fla.—Theoren J. Murvin is now with Francis I. du Pont & Co., 455 East Las Olas Boulevard.

R. L. Ferman Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Edward Crump III, William J. Emard, Louis Gordon, Darrell L. Montgomery, Wallace K. Redman, Irving Romm and Robert R. Sislon are now with R. L. Ferman & Company, Ainsley Building.

Compares Confidence in U. S. Dollar With the German Mark Today

E. W. Axe & Co. comments on lack of confidence in several foreign currencies and strength of German mark.

The Sept. 11 *Axe-Houghton Survey of the General Financial Situation* points out that "short-term interest rates have continued to advance but there has been a moderate recovery in some types of high-grade securities, including Treasury bonds. The Federal Reserve Banks have been buying government securities on a small scale, and this together with a reduction in commercial, industrial and agricultural loans has enabled the member banks to reduce their bills discounted at the Reserve Banks.

"Considerable lack of confidence in several foreign currencies is indicated by a persistent decline in the gold and foreign exchange reserves of the central banks of France, Japan, Holland, and England. The gold and foreign exchange reserves of West Germany on the other hand have continued to show a spectacular increase, except for which it is quite possible that much if not all of this shift of reserves would have come to the United States and brought about a down-turn in interest rates. It is interesting at any rate that there is apparently more confidence in the German mark today than in the United States dollar."

Continued from page 5

The State of Trade and Industry

is hard to pinpoint. It could be as low as 4,500,000 tons, or as high as 6,000,000 tons, depending on the pace of construction.

"The Iron Age" found that the industry is spending heavily for new finishing mills. This includes outlays for new structural and plate capacity. Structurals and plate have been shortage items for some months and they are still in tight supply.

The mills are also striving to cut their costs. In an effort to offset rising wage and material costs, producers are looking for ways to get more metal from existing equipment. They are stepping up use of oxygen for faster melting, increasing the size of melting furnaces and taking a close look at so-called oxygen converters and automatic control of rolling mills.

Meanwhile, the market is showing a slow but steady improvement. Demand for sheets and strip is picking up. Overall orders from the automakers are still not up to what the mills had expected for this time of year. But two of the Big Three auto companies are showing more signs of life. The third is still dragging its feet.

"The Iron Age" notes that the continuing strength of the construction market has thrown some mills off balance. They admit they underestimated the market to the point where they have allocated more than they are in a position to ship. This means that more raw steel will have to be shifted into structural shapes in the weeks ahead, this trade weekly concludes.

The Government cut its estimate of spending by industry for new plant and equipment during the third quarter of this year from an annual rate of $37,900,000,000 to $37,200,000,000 and predicted fourth quarter outlays would continue at the same pace.

While predicting a slower rate of climb than in 1956 for capital spending, the joint survey by the United States Department of Commerce and the Securities and Exchange Commission said 1957 still would be a record year. The estimated $37,000,000,000 of such spending for the entire year would be 6% ahead of last year's total of $35,100,000,000. However, the rate of increase is substantially below the 22.5% gain in 1956 over 1955.

The auto industry reached the peak of its factory shutdowns for the 1958 model changeover on Friday last, according to "Ward's Automotive Reports."

"Ward's" added that 20 General Motors Corp. passenger car plants ended their 1957 model assembly the past week, most of them on Friday, swelling to 55% the number of the industry's assembly points now through with the old model run.

At the same time, auto industry unemployment crested above 200,000 persons, but only briefly. The General Motors Corp. shutdowns will be followed next week by return to work at many Chrysler Corp. plants for 1958 model building.

Combined, General Motors Corp. and Chrysler Corp. manufacturing and assembly plants, all of which have ended the 1957 model excepting Cadillac, employ 470,000 hourly and nearly 150,000 salaried workers.

Estimated for last week are 88,844 passenger car assemblies of which 10.6% are the new 1958 models. The previous week netted 90,714 units.

The number of plants not building 1957 cars last week were seven Chrysler Corp. assembly plants in Michigan, Indiana, Delaware and California, plus the Los Angeles factory of Mercury Division.

In addition, Chevrolet, Buick, Pontiac and Oldsmobile ended their 1957 model run during the week in some twenty plants, "Ward's" continued.

The reporting service said that American Motors and Studebaker-Packard already are building close to 2,000 of the 1958 cars weekly, with Edsel adding more than 5,000 a week.

"Ward's" estimated truck manufacturing at 16,947 last week as against 17,416 the week preceding and 20,076 a year ago. Output of Chevrolet 1957 model truck virtually ended on Friday last.

Interest in copper in the domestic market was a little better at the custom smelter 25 cent price than it has been for several days, reports state. Custom smelters, however, stressed that the pick-up in consumer buying so far is only moderate, and compares with an almost total lack of demand in recent weeks.

Large producers continued to hold their price at 27 cents. These mining firms, who sell the bulk of copper to United States consumers, have just begun to work on booking October delivery orders. The producers say that a week or ten days will give a clue as to what consumers think their business will be next month.

A spurt in contracts for private mass housing boosted total private construction awards moderately over those of the preceding week, the "Engineering News Record" currently reports. However, a decline in public construction resulted in a decline of 9% in total volume of heavy civil engineering construction contracts. The cumulative total of awards for the first thirty-seven weeks of 1957 was 14% less than that of the corresponding period last year.

Steel Production Scheduled to Decline to 81.1% Of Ingot Capacity This Week

By the year-end, the nation will have 5.6% more steelmaking capacity than it had at the beginning of the year, "Steel" magazine declared on Monday of the current week.

Addition of facilities to make 7,600,000 net ingot tons will push the national annual capacity up to 141,000,000 tons by Jan. 1, according to this metalworking weekly. On Jan. 1, 1957, capacity stood at 133,500,000 tons.

It pointed out that the industry is adding to its steelmaking capacity to take care of the needs of an expanding population and to provide the increasing amounts and improved types of steel needed to further the progress in electronics, jet planes, missiles, powerplants and automation.

During 1958, additions will come to 5,300,000 net tons, which will put national capacity up to around 146,000,000 tons on Jan. 1, 1959. Expansions underway or announced for completion after 1958 total 1,200,000 tons.

The publication listed 23 companies which are increasing capacity during 1957-58. Many companies are also rounding out their finishing capacities to balance with their steelmaking capacities.

The 7,600,000 ton increase is the biggest yet in the current round of expansion which began in the fall of 1955. At the start of the year, the country had 125,800,000 net tons of capacity to make steel for ingots and castings. In 1955, the addition totaled 2,500,000 tons. In 1956, 5,100,000 tons were added.

By next Jan. 1, the country's steelmaking capacity will be 59% larger than it was when World War II started and 42% bigger than it was at the beginning of the Korean War.

The magazine said expansions have been an influence in lessening consumers' zeal to buy steel, since they know there's a bigger supply available.

At the same time, they do not have to hoard tonnage to carry them over a steelworkers' strike. The present three-year steel labor contract promises labor peace. They also find their needs for current consumption less pressing, now that business in general is slower. Absent are any big needs for national defense.

Current demand, states this trade weekly, is sufficient to sustain ingot production in the low 80s. In the week ended Sept. 15, output of steel for ingots and castings was at 81.5% of capacity, down 1.5 points from the previous week. The yield was about 2,086,000 net tons.

Steel prices are steady and the publication's arithmetic price composite on finished steel remained at $146.19 a net ton, where it has been since the week ended July 17.

Scrap prices continue to slip. In the week ended Sept. 11, "Steel's" price composite on steelmaking scrap declined for the fourth consecutive week. At $50.17 a gross ton, it was down $1.66 from the preceding week.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry, will be an average of 81.1% of capacity for the week beginning Sept. 16, 1957, equivalent to 2,076,000 tons of ingot and steel for castings, as compared with 81.9% of capacity, and 2,097,000 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 82.1% and production 2,101,000 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 Improved Modestly in Post-Labor Day Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 14, 1957, was estimated at 11,947,000,000 kwh., according to the Edison Electric Institute. Output the past week showed modest improvement following the Labor Day holiday week.

The past week's output increased 269,000,000 kwh., above that of the previous week and rose 608,000,000 kwh., or 5.4% above that comparable 1956 week and 1,324,000,000 kwh. over the week ended Sept. 17, 1955.

Car Loadings Fell 13% in Labor Day Holiday Week

Loadings of revenue freight for the week ended Sept. 7, 1957, declined by 96,972 cars, or 13% under the preceding week, the Association of American Railroads reports.

Loadings for the week ended Sept. 7, 1957, totaled 648,391 cars, a decrease of 31,260 cars, or 4.6% below the corresponding 1956 week and a decrease of 53,601 cars, or 7.6% lower than the corresponding week in 1955.

U. S. Automotive Industry Last Week Reached Peak Of Factory Shutdowns for 1958 Model Changeovers

Automotive output for the latest week ended Sept. 13, 1957, according to "Ward's Automotive Reports," reached the peak of its factory shutdowns for 1958 model changeovers on Friday last.

Last week's car output totaled 88,844 units and compared with 90,704 (revised) in the previous week. The past week's production total of cars and trucks amounted to 105,791 units, or a decline of 2,329 units below that of the preceding week's output, states "Ward's."

Last week the agency reported there were 16,947 trucks made in the United States. This compared with 17,416 in the previous week and 20,076 a year ago.

Last week's car output declined below that of the previous week by 1,860 cars, while truck output decreased by 469 vehicles during the week. In the corresponding week last year 63,798 cars and 20,076 trucks were assembled.

In Canada, 2,500 cars and 843 trucks were built last week as compared with 2,072 cars and 647 trucks in the preceding week and 713 cars and 1,599 trucks in the like period a year ago.

Gasoline Stocks Advanced in Period Ended Sept. 6

The nation's gasoline stocks rose 1,869,000 barrels during the week ended Sept. 6, but trailed a year ago, reports the American Petroleum Institute, trade organization for the oil industry.

Motor fuel in storage at the weekend amounted to 173,552,000 barrels compared with 175,955,000 barrels a year ago.

Supplies of heating oils continued their seasonal buildup. The heavy types, such as are used by industry, rose 1,547,000 barrels to 54,019,000 barrels. The year ago total was 47,198,000 barrels.

Light fuels, including those used in the home, were up 6,362,000 barrels at 194,713,000 barrels, more than 19 million barrels above a year ago.

Crude oil production averaged 6,807,350 barrels daily, a gain of 41,100 barrels. Last year's rate was 7,036,650 barrels daily.

Lumber Shipments 1.3% Above Production in Latest Week

Lumber shipments of 479 reporting mills in the Labor Day holiday week ended Sept. 7, 1957, were 1.3% above production, according to the National Lumber Trade Barometer. In the same period, new orders were 2.4% below production. Unfilled orders amounted to 30% of stocks. Production, shipments and new orders were off from the previous week, but new orders topped the like week of 1956 by 18.7%.

Business Failures Show Moderate Increase in Latest Week

Commercial and industrial failures increased to 237 in the week ended Sept. 12 from the holiday low of 208 in the preceding week, Dun & Bradstreet, Inc., reports. The toll exceeded moderately the 203 a year ago and the 191 in 1955. However, casualties continued 12% below the pre-war level of 269 in the similar week of 1939.

Failures with liabilities of $5,000 or more rose slightly to 208 from 185 last week and 175 a year ago. Among casualties involving liabilities of less than $5,000, the toll edged up to 29 from 23 in the previous week and 28 of this size in 1956. Liabilities in excess of $100,000 were incurred by 17 of the businesses failing during the week as compared with 23 a week ago.

Manufacturing had almost twice as many casualties, 45 as against 24 in the preceding week and mild increases lifted the construction toll to 40 from 31, wholesaling to 26 from 25 and commercial service to 19 from 15. The week's only decline occurred in retailing where failures dipped to 107 from 113. More concerns succumbed than last year in all lines, with the sharpest upswing from 1956 in manufacturing.

Tolls were heavier during the week in five of the nine major geographic regions. A large portion of the increase was concentrated in the Pacific States where casualties climbed to 76 from 57. Slight week-to-week rises prevailed in the Middle Atlantic and East North Central States. In contrast, failures dipped from last week in the South Atlantic, West South Central and Mountain States. Six of the nine regions reported mortality at the same or higher levels than in the comparable week a year ago.

Wholesale Food Price Index Held Unchanged For Second Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., registered $6.32 on Sept. 10, unchanged for the second week in succession. It compared with $6.07 on the corresponding date a year ago, or a rise of 4.1%. The 1957 high was $6.39 on Aug. 6, and the year's low point was touched on May 14 at $6.08.

Higher in wholesale cost last week were flour, wheat, corn, rye, barley, lard, sugar, tea, cocoa and rice. Lower in price were oats, hams, bellies, coffee, cottonseed oil, steers and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Edged Lower On Declines in Steel Scrap and Livestock

Despite price increases on most grains, the general commodity price level slipped fractionally last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., registered 290.42 on Sept. 9, compared with 290.69 a week earlier, and 298.38 on the corresponding date a year ago. Much of the week-to-week decline was attributed to decreases in prices on steel scrap and livestock.

Following the long Labor Day week-end, grain trading on the Chicago Board of Trade advanced appreciably. A major influence on the market was the news of international developments in the Middle East. A marked rise in wheat prices occurred as trading climbed. Wholesalers reported substantial increases in prices of corn and rye as well as fractional increases in quotations of oats. Prices on soybean sagged in the middle of the week, but picked up considerably at the end of the period when announcement was made that the United States Government planned to send military weapons to Jordan and other Middle East countries bordering on Syria.

Limited supplies of rice at the wholesale level stimulated buying during the week, and prices increased moderately. While export orders from Cuba were sustained at a high level, the demand from Puerto Rico subsided. Although flour bookings were sluggish again last week, prices rose somewhat, following the trend in grains. Flour supplies were limited.

Raw sugar prices in domestic markets rose noticeably as trading improved. However, a slight decline in refined sugar prices occurred. Influenced by price in foreign markets, domestic cocoa futures prices advanced during the week. Some large chocolate manufacturers noticeably increased their buying of cocoa. New York cocoa stocks fell slightly to 350,727 bags, down from the 409,630 bags of the comparable 1956 period. Cocoa arrivals in the United States so far this year totaled 2,536,950 bags compared with 3,157,080 bags in the similar period a year ago. Coffee trading lagged the past week and futures prices dipped slightly.

Despite a slight rise in trade, hog prices slipped somewhat during the week. Steer prices were close to those of the preceding week with trading unchanged. Cattle receipts equalled those of a week earlier. Prices on lambs were sustained at a high level. Following the increase in prices on vegetable oils, lard futures prices climbed moderately.

Cotton prices moved within a narrow range and ended on Friday fractionally above those of the prior week. Trading was sluggish, following reports that favorable weather conditions prevailed in growing areas. Trade estimates made during the week showed that the cotton crop is expected to exceed that of the previous forecasts. As of Sept. 1, officials expected the crop to amount to about 12,200,000 to 12,800,000 bales compared with the Aug. 1 forecast of 11,897,000 bales.

Sales of government-owned cotton for export by the Commodity Credit Corporation totaled 32,274 bales as against 29,026 bales two weeks previous. The New York Cotton Exchange estimated exports of cotton for the week ended Tuesday a week ago, at 40,000 bales, compared with 96,000 in the prior week and 86,000 in the similar 1956 period. For the season through Tuesday of last week exports totaled about 346,000 bales, down from the 451,000 of the comparable period a year ago.

Trade Volume in Latest Week Unchanged to 4% Above 1956 Period

Increased consumer interest in furniture and major appliances helped boost total retail volume moderately over that of both the prior week and the similar 1956 period. While purchases of women's apparel showed slight year-to-year gains, the buying of men's and children's clothing was close to a year ago. There was an increase in sales of new passenger cars and dealers anticipate high volume for the rest of the year.

The total dollar volume of retail trade in the period ended on Wednesday of last week was unchanged to 4% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: Middle Atlantic +4 to +8; South Atlantic +1 to +5; New England, East North Central and Mountain 0 to +4; West North Central —1 to +3; East South Central and West South Central —2 to +2 and Pacific Coast —5 to —1%.

Appliance dealers reported increased buying of automatic laundry equipment, lighting fixtures and portable television sets. An appreciable rise occurred in sales of draperies and floor coverings, but interest in linens remained close to that of a week earlier.

There was a considerable rise in the call for women's coats, suits and lingerie the past week with volume of dresses and fashion accessories sustained at a high level. Continued sales promotions helped hold sales of children's and men's apparel close to the levels of the preceding week.

In wholesale trade apparel merchants reported another marked rise in re-orders for back-to-school clothing last week.

A slight improvement in textile trading occurred during the week. Transactions in cotton gray goods climbed moderately with principal gains in print cloths and broadcloths. Although bookings in woolens and worsteds showed no change from a week earlier, prices rose somewhat. Wholesalers of man-made fibers reported a substantial gain in orders for rayons and acetates.

Both attendance and orders at the wholesale furniture market in Boston exceeded expectations and volume was moderately higher than a year ago. There was an appreciable rise in the call for floor coverings and wholesalers anticipate a further gain in the fall.

At $11,400,000, total wholesale sales in July were close to those of June and exceeded those of July last year by 2%. Sales of both durable and non-durable goods in July showed little change from June. The value of wholesale inventories equalled that of the prior month, but was slightly higher than in July 1956, with increased replacement costs accounting for most of the advance.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Sept. 7, 1957, increased 1% above the like period last year. In the preceding week, Aug. 31, 1957, a gain of 5% was reported. For the four weeks ended Sept. 7, 1957, an increase of 2% was reported. For the period Jan. 1, 1957 to Sept. 7, 1957, an increase of 2% was registered above that of 1956.

Retail sales volume in New York City last week, handicapped by unseasonally warm weather, advanced only 1 to 3% above the volume a year ago, trade observers report.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Sept. 7, 1957, increased 5% above that of the like period of last year. In the preceding week, Aug. 31, 1957, a rise of 10% was reported. For the four weeks ending Sept. 7, 1957, an increase of 6% was registered. For the period of Jan. 1, 1957 to Sept. 7, 1957, the index recorded a gain of 4% above that of the corresponding period of 1956.

Bache Adds to Staff

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Theodore E. Levy has been added to the staff of Bache & Co., One Lincoln Road Building.

With Craigmyle Pinney

(Special to The Financial Chronicle)

DELRAY BEACH, Fla.—Cyrus W. Merrell, Jr. is now affiliated with Craigmyle, Pinney & Co., 704 East Atlantic Avenue.

Joins H. Hentz Co.

(Special to The Financial Chronicle)

MIAMI BEACH, Fla.—Benjamin G. Schwedel is now associated with H. Hentz & Co., 414 Seventy-first Street.

First Florida Adds

(Special to The Financial Chronicle)

ORLANDO, Fla.—Roy J. Babcock is now with First Florida Investors, Inc., 51-53 East Robinson Avenue.

Colonial Road Assoc.

SCARSDALE, N. Y. — Colonial Road Associates, with offices at 6 Archer Lane, has been formed by Herman Kerbel, Jack Zipes, Jacob J. Katz, Elmer Litwin and Fred S. Weitzner to conduct a securities business.

Eli Cooper Opens

BROOKLYN, N. Y. — Eli N. Cooper is conducting a securities business from offices at 849 East 17th Street.

Now R. S. Hudson Co.

DALLAS, Texas — The firm name of Hudson, Stayart & Co., Inc. 505 North Ervay Street, has been changed to R. S. Hudson & Co., Inc.

Mark C. Meltzer

Mark C. Meltzer, Jr., partner in Asiel & Co., New York City, passed away Sept. 14 at the age of 61 of a heart ailment.

Russell D. Bell

Russell D. Bell, President of Greenshields & Co., Inc., Montreal, and of Greenshields & Co. (N. Y.) Inc., was killed Sept. 16 in an air crash.

Now Mutual Funds Center

WASHINGTON, D. C. — The firm name of Mutual Funds Investment Associates, 2720 Ordway Street, Northwest, has been changed to Mutual Funds Center, D. C.

Dayton Co. Formed

MIAMI, Fla. — Dayton Co. has been formed to conduct a securities business from offices at 7245 Southwest Fifty-seventh Avenue. Officers are Elizabeth K. Dayton, President; John D. McNamara, Vice-President; and Thelma C. Nelson, Secretary and Treasurer. Miss Dayton was formerly with Thomson & McKinnon and Beil & Hough.

Joins D. F. Greene Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Norman L. J. Lloyd has become associated with D. F. Greene & Co., Russ Building, members of the Pacific Coast Stock Exchange. Mr. Lloyd was formerly with Hooker & Fay.

Forms R. M. Adams & Co.

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — Rupert M. Adams is engaging in a securities business from offices at 170 South Beverly Drive under the firm name of Rupert M. Adams & Co. Mr. Adams was formerly with McCormick & Co.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

★ Alma, Inc., Salt Lake City, Utah
Sept. 12 (letter of notification) 1,500 shares of class A common stock and 7,500 shares of class B common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital and other corporate purposes. **Office**—716 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—None.

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.

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.

★ Assembly Products, Inc., Chesterland, Ohio
Sept. 13 (letter of notification) 30,000 shares of common stock (par $1). **Price** — $10 per share. **Proceeds** — For payment on land contract, additional space, equipment and working capital. **Office**—Wilson Mills Road, Chesterland, Ohio. **Underwriter** — L. B. Schwinn & Co., Cleveland, Ohio.

★ Atlanta Gas Light Co. (10/15)
Sept. 17 filed $8,000,000 of first mortgage bonds due Oct. 1, 1982. **Proceeds**—To repay bank loans. **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); Shields & Co., Blair & Co. Incorporated. **Bids**—To be received up to 11 a.m. (EDT) on Oct. 15 at 90 Broad St., New York, N. Y.

B-I-F Industries, Inc.
Aug. 29 (letter of notification) 2,600 shares of common stock (par $10) **Price**—$33 per share. **Proceeds**—To go to a selling stockholder. **Office** — 345 Harris Ave., Providence, R. I. **Underwriter**—Brown, Lisle & Marshall, Providence, R. I.

Bridgeview Towers Associates, Fort Lee, N. J.
July 25 filed $360,000 of participations in partnership interests. **Price**—$10,000 each participation (minimum). **Proceeds**—To buy an apartment building. **Underwriter**—None.

★ Brockton Edison Co. (10/23)
Sept. 18 filed 30,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans and to acquire securities of Montaup Electric Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: White, Weld & Co. and Shields & Co. (jointly); Stone & Webster Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EDT) on Oct. 23 at 49 Federal St., Boston, Mass.

★ Brockton Edison Co. (10/30)
Sept. 18 filed $3,000,000 first mortgage and collateral trust bonds due 1987. **Proceeds**—To repay bank loans and to acquire securities of Montaup Electric Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Stone & Webster Securities Corp.; Blair & Co. Incorporated. **Bids**—Expected to be received up to 11 a.m. (EST) on Oct. 30 at 49 Federal St., Boston, Mass.

★ Bureau of National Affairs, Inc.
Sept. 6 (letter of notification) 500 shares of common stock (no par) to be offered to employees. **Price**—$32 per share. **Proceeds**—To create a cash reserve for operating expenses. **Office**—1231 24th St., N. W., Washington, D. C. **Underwriter**—None.

★ California Oregon Power Co. (10/8)
Sept. 16 filed 200,000 shares of common stock (par $20). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—Blyth & Co., Inc. and The First Boston Corp., both of New York.

★ California Oregon Power Co. (10/14)
Sept. 16 filed $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.

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.

★ Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York.

● Century Acceptance Corp. (10/9-10)
Sept. 9 filed 100,000 shares of cumulative preferred stock, 70-cent convertible series (par $5). **Price**—$10 per share. **Proceeds**—For working capital. **Office**—Kansas City, Mo. **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. (9/25)
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.

★ Coastal Ship Corp.
Sept. 13 filed $6,000,000 of 6% debentures due Feb. 1, 1968 (with warrants to purchase 80,000 shares of common stock of Coastal, of which 60,000 shares are included in the public offering and 20,000 shares privately placed; and warrants to purchase an undetermined number of shares of McLean Industries, Inc., class A common stock at market, the exact number of shares to be established at a later date). **Price**—To be supplied by amendment (expected at 100% for debentures). **Proceeds**—Together with other funds, to purchase five C-2 freighters to be converted into trailerships. **Underwriters** — Eastman Dillon, Union Securities & Co. and White, Weld & Co., both of New York.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York. 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.

★ Columbus & Southern Ohio Electric Co.
Sept. 13 filed 80,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans. **Underwriters** — Dillon, Read & Co. Inc., New York; and The Ohio Company, Columbus, Ohio.

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.

★ Condor Petroleum Co., Inc.
Sept. 9 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For roads and equipment for drilling. **Office**—129 South State St., Dover, Del. **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.

Consumers Power Co. (9/23)
Aug. 23 filed $35,000,000 of first mortgage bonds due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EDT) on Sept. 23.

Cougar Mine Development Corp.
March 15 (letter of notification) 560,000 shares of common stock (par one cent). **Price** — 50 cents per share. **Proceeds** — For diamond drilling on company's lands, prospecting expenses, working capital and other corporate purposes. **Office**—83 Campfield St., Irvington, N. J. **Underwriter**—Roth & Co., Maplewood, N. J.

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

DeLuxe Check Printers, Inc.
Aug. 28 (letter of notification) 25,000 shares of common stock (par $1) to be offered to employees and present stockholders. **Price**—$11.80 per share. **Proceeds**—To acquire new machinery and equipment. **Office** — 530 N. Wheeler St., St. Paul 4, Minn. **Underwriter**—None.

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.
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.

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 of 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.

● Forest Laboratories, Inc. (9/23-24)
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States **Underwriter**—To be determined by competitive bidding Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

● **General Telephone Corp., New York**
May 24 filed 1,480,787 shares of common stock (par $10) and 170,000 shares of 5.28% convertible preferred stock (par $50) which were offered in exchange for common and preferred stocks of Peninsular Telephone Co. on the basis of 1.3 shares of General common for each share of Peninsular common, and one-half share of General preferred share for each share of Peninsular $1 preferred, $1.30 preferred and $1.32 preferred. Offer to preferred stockholders expired on Aug. 14 and that to common stockholders of Peninsular extended to Oct. 14. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.

★ **General Tire & Rubber Co. (10/3)**
Sept. 13 filed $12,000,000 of subordinated debentures due Oct. 1, 1982 (with common stock purchase warrants attached). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriter**—Kidder, Peabody & Co., New York.

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**—Temporarily postponed.

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.

★ **Hammett (J. L.) Co., Cambridge, Mass.**
Sept. 12 filed 9,365 shares of 5% preferred stock. **Price**—At par ($100 per share). **Proceeds**—For working capital. **Business**—School supplies. **Underwriter**—None. Sales are to be made through directors, officers and employees of company, subject to preferential rights of existing preferred stockholders.

Hampshire Nickel Mines Ltd.
Aug. [illegible] (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.
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.

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 1,744,592 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

Continued on page 40

NEW ISSUE CALENDAR

September 19 (Thursday)
Norfolk & Western Ry.______Equipment Trust Ctfs.
(Bids noon EDT) $4,260,000

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) 1,744,592
Hycalog, Inc.________Debentures
(Keith, Reed & Co., Inc.; Aetna Securities Corp.; and Roman & Johnson) $300,000
Jefferson Lake Sulphur Co.________Common
(Offering to stockholders—underwritten by Hornblower & Weeks and Robert Garrett & Sons) between 143,000 to 150,00 shares
National Cylinder Gas Co.________Debentures
(Merrill Lynch, Pierce, Fenner & Beane) $17,500,000

September 23 (Monday)
Consumers Power Co.________Bonds
(Bids 11:30 a.m. EDT) $35,000,000
Eagle Oil & Supply Co., Inc.________Common
(Pilgrim Securities, Inc.) $150,000
Forest Laboratories, Inc.________Common
(Mortimer B. Burnside & Co., Inc.) $500,000
Quaker State Foods Corp.________Preferred
(Childs, Jefferies & Thorndike, Inc. and Syle & Co.) $91,540
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
Turbo Dynamics Corp.________Common
(Simmons & Co.) $300,000
Utah Power & Light Co.________Bonds
(Bids 12:30 p.m. EDT) $15,000,000
Utah Power & Light Co.________Common
(Bids noon EDT) 400,000 shares

September 25 (Wednesday)
Chess Uranium Corp.________Common
(Jean R. Veditz Co., Inc.) $300,000
Hartford National Bank & Trust Co.________Common
(Offering to stockholders—no underwriting) $1,825,000
National Biochemicals, Inc.________Common
(Scott Taylor & Co., Inc.) $300,000
Seaboard Air Line RR.________Equip. Trust Ctfs.
(Bids to be invited) $5,445,000

September 26 (Thursday)
Louisiana Citrus Lands, Inc.__Preferred & Common
(Bids 11 a.m. EDT)

September 30 (Monday)
Gulf States Utilities Co.________Bonds
(Bids noon EDT) $17,000,000

October 1 (Tuesday)
Northern Natural Gas Co.________Preferred
(Blyth & Co., Inc.) $16,000,000
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
Union of South Africa________Bonds
(Dillon, Read & Co. Inc.) $15,000,000

October 3 (Thursday)
Columbia Gas System, Inc.________Debentures
(Bids to be invited) $25,000,000
General Tire & Rubber Co.________Debentures
(Kidder, Peabody & Co.) $12,000,000
Shamrock Oil & Gas Corp.________Debentures
(The First Boston Corp.) $17,500,000

October 7 (Monday)
Reading Tube Corp.________Common
(Emanuel Deetjen & Co.) 100,000 shares

October 8 (Tuesday)
California Oregon Power Co.________Common
(Blyth & Co., Inc. and The First Boston Corp.) 200,000 shares

October 9 (Wednesday)
Century Acceptance Corp.________Preferred
(Paul C. Kimball & Co. and McDonald, Evans & Co.) $1,000,000
Commonwealth Edison Co.________Preferred
(The First Boston Corp. and Glore, Forgan & Co.) $25,000,000
Rockland Light & Power Co.________Preferred
(Offering to common stockholders—underwritten by The First Boston Corp.) $2,809,600

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)
Atlanta Gas Light Co.________Bonds
(Bids 11 a.m. EDT) $8,000,000
Pittsburgh & Lake Erie RR.______Equip. Trust Ctfs.
(Bids to be invited) $4,950,000
Roach (Hal) Productions________Common
(S. D. Fuller & Co.) $1,125,000
Southern New England Telephone Co.____Common
(Offering to stockholders—no underwriters) 1,400,000 shares

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 18 (Friday)
Federation Bank & Trust Co.________Common
(Offering to stockholders—no underwriting) $2,496,900

October 22 (Tuesday)
Consolidated Edison Co. of New York, Inc.__Bonds
(Bids 11 a.m. EDT) $50,000,000

October 23 (Wednesday)
Brockton Edison Co.________Preferred
(Bids 11 a.m. EDT) $3,000,000
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
Brockton Edison Co.________Bonds
(Bids 11 a.m. EST) $3,000,000

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
Michigan Bell Telephone Co.________Debentures
(Bids to be invited) $40,000,000
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 9 (Monday)
Chesapeake & Potomac Telephone Co. of Maryland________Debentures
(Bids 11:30 a.m. EST) $30,000,000

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 39

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**—$11 per share (Canadian funds). **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. (9/20)
July 24 (letter of notification) $300,000 of 6¾% convertible debentures due Sept. 1, 1967 to be first offered for subscription by stockholders for a 15-day standby. **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.

★ Investors Planning Corp. of America (New York)
Sept. 16 filed (by amendment) an additional $30,000,000 of systematic investment plans and systematic investment plans with insurance.

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.
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.

★ Mountaineer Fire & Casualty Insurance Co.
Sept. 11 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—To be invested in securities and for reserve and surplus. **Office**—1026 Birch Road, Charleston, W. Va. **Underwriter**—None.

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.

★ Nation Wide Check Corp.
Sept. 6 (letter of notification) 50,000 shares of common stock (par 25 cents) and $100,000 of 5 year 7% debentures to be offered in denominations of $100. **Price**—Of stock, $3 per share; of debentures, at face amount. **Proceeds**—For business machines, administrative expenses and to increase depository bank balance and for working capital. **Office**—Nation Wide Bldg. 100 West 22nd St., Baltimore, Md. **Underwriter**—None.

★ National Biochemicals, Inc. (9/25)
Sept. 10 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For cost of plant and inventory and for general corporate purposes. **Office**—Room 202 Houston Title Bldg., Houston, Tex. **Underwriter**—Scott Taylor & Co., Inc., New York, N. Y.

• National Cylinder Gas Co. (9/20)
Aug. 28 filed $17,500,000 of subordinated debentures due Sept. 1, 1977 (convertible on or before Sept. 1, 1967). **Price** — To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

New Haven Water Co., New Haven, Conn.
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.

★ Northern Natural Gas Co. (10/1)
Sept. 11 filed 160,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program and for purchase of securities of subsidiary companies. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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.

★ Oregon Veneer Co., Medford, Ore.
Sept. 6 (letter of notification) 3,000 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For building and foundations; machinery and equipment; and for working capital. **Underwriter**—None.

★ Pacific Power & Light Co.
Sept. 6 (letter of notification) an undetermined number of shares of common stock (par $6.50) to be offered to employees under a stock purchase plan. **Price**—95% of average weekly bid prices in month prior to subscriptions. **Proceeds**—For new construction. **Office**—920 S. W. 6th Ave., Portland, Ore. **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.

★ Pitney-Bowes, Inc.
Sept. 11 filed $505,000 of participations in the corporation's Employees' Stock Purchase Plan, together with shares of common stock which may be acquired pursuant thereto.

• 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. Statement effective Sept. 6.

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. (9/23-24)
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.

★ R-B Corp., Arlington, Va.
Sept. 6 (letter of notification) 2,380 shares of 6% non-cumulative stock (par $10) and 119 shares of common stock (par $10) to be offered in units of 20 shares of preferred and one share of common stock. **Price**—$120 per unit. **Proceeds**—For equipment and working capital. **Office**—1514 N. Quincy St., Arlington, Va. **Underwriter**—None.

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.

★ Rancho Club Cabazon Corp., Las Vegas, Nev.
Sept. 13 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To buy interest in limited partnership and for working capital. **Office**—309 South Third St., Las Vegas, Nev. **Underwriter**—None.

• Reading Tube Corp. (10/7-11)
Aug. 30 filed 155,014 shares of common stock (par $1), subsequently amended and reduced to 100,000 shares. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for working capital. **Underwriter**—Emanuel, Deetjen & Co., New York.

• 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. Statement effective Sept. 6.

• Roach (Hal) Productions (10/15)
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.

★ Rockland Light & Power Co. (10/9)
Sept. 18 filed 28,096 shares of convertible cumulative preferred stock, series C to be offered for subscription by common stockholders of record Oct. 9, 1957 on the basis of one preferred share for each 60 common shares held; rights to subscribe on Oct. 23, 1957. **Price**—$100 per share. **Proceeds**—To reduce bank loans. **Underwriter**—The First Boston Corp., New York.

Rose Records, Inc.
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For work-

ing capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

★ Rule (C. F.) Construction Co.
Sept. 13 filed 127,289 shares of common stock (par $10). **Price**—$13 per share. **Proceeds**—To retire outstanding loans and for working capital and investment in additional equipment. **Office**—Nashville, Tenn. **Underwriter**—None.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo.

St. Paul Fire & Marine Insurance Co.
June 25 filed 417,000 shares of capital stock (par $6.25) being offered in exchange for the outstanding capital stock of Western Life Insurance Co., Helena, Mont., at rate of 1.39 shares of St. Paul stock for each share of Western stock. The offer is condiitoned upon acceptance by holders of not less than 240,000 shares (80%) of the outstanding Western stock. This offer will expire on Sept. 26, unless extended. **Exchange Agent**—First National Bank & Trust Co., Helena, Mont.

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.

★ Shacron Oil Corp.
Sept. 11 (letter of notification) 40,000 shares of common stock ((par $1) to be offered for subscription by stockholders; then to public. **Price**—$1.25 per share to stockholders; $1.37½ to public. **Proceeds**—For expenses incidental to drilling of oil wells. **Office**—Suite 14, 1500 Massachusetts Ave., N. W., Washington, D. C. **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.

★ Sherburne Corp., Sherburne, Vt.
Sept. 6 (letter of notification) 600 shares of common stock (par $100). **Price**—$250 per share. **Proceeds**—For operation of a ski resort. **Underwriter**—None.

Sire Plan, Inc., New York
July 18 filed $4,000,000 of nine-month 8% funding notes. **Price**—At par (in denominations of $100 each). **Proceeds**—For working capital and other corporate purposes. **Underwriter**—Sire Plan Portfolios, Inc., New York.

★ Southern Discount Co., Atlanta, Ga.
Sept. 13 (letter of notification) $41,000 of subordinate non-convertible 5% debentures, series G, due Oct. 1, 1975, to be offered in exchange for series D, E or F debentures. **Office**—919 West Peachtree St., N. E., Atlanta, Ga. **Underwriter**—None.

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.

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.

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.

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. Stop order proceedings instituted by SEC.

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. (9/24)
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.

★ Union of South Africa (10/2)
Sept. 12 filed $15,000,000 10-year external loan bonds due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—For transportation development program. **Underwriter**—Dillon, Read & Co. Inc., New York.

★ United Finance Corp.
Sept. 11 (letter of notification) 79,928 shares of class A non-voting common stock, of which 59,928 shares are to be offered by rescission to present stockholders and 20,000 shares are to be offered to officers and directors. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—509 East Roosevelt St., Phoenix, Ariz. **Underwriter**—None.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

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, Stearns & Co. (jointly); White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids**—To be received up to 12:30 p.m. (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.

★ Western Copperada Mining Corp. (Canada)
Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office** — 1205 Phillips Square, Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., New York.

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.

★ Wittney (Lyle A.) & Co., Inc., Denver, Colo.
Sept. 13 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For equipment, supplies and working capital. **Office**— 142 West 5th Ave., Denver, Colo. **Underwriter**—None.

Wycotah Oil & Uranium, Inc., Denver, Colo.
July 29 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For acquisition of property and for other corporate purposes. **Underwriter** — Teden & Co., Inc., New York.

Prospective Offerings

Aircraft, Inc.
July 9 it was reported company plans to issue and sell up to $12,500,000 common stock, following spin-off by California Eastern Aviation, Inc. of its subsidiaries, Land-Air, Inc. and Air Carrier Service Corp. into Aircraft, Inc., a new company. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

All States Freight, Incorporated, Akron, O.
June 21 it was announced company plans to offer publicly $2,250,000 of 15-year 6% debentures (with common stock warrants). **Proceeds**—Together with funds from private sale of 425,000 shares of common stock at $4 per share to pay part of cost of purchase of an operating carrier truck line. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland, Ohio.

Aluminum Specialty Co.
March 18 it was announced company plans to issue and sell 15,000 shares of $1.20 cumulative convertible preferred stock series A (par $20). **Underwriters**—Emch & Co. and The Marshall Co., both of Milwaukee, Wis.

American Telephone & Telegraph Co. (10/29)
July 17 it was announced that company plans to issue and sell $250,000,000 of debentures to be dated Nov. 1, 1957 and to mature on Nov. 1, 1983. **Proceeds**—For improvement and expansion of system. **Underwriter**—To be determined by competitive bidding. Probable bidders: Morgan Stanley & Co.; The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly). **Bids**—Expected to be opened on Oct. 29.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

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.

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.

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.;

Continued on page 42

Continued from page 41

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.

★ Cerro de Pasco Corp.
Sept. 12 it was reported a secondary offering of 300,000 shares of common stock is expected about mid-October.

● Chemical Corn Exchange Bank
Sept. 18 stockholders were given 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. 18; rights to expire on Oct. 7. **Price**—$45.50 per share. **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 Tel. Co. of Md. (12/9)
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. **Bids**—Expected to be received up to 11:30 a.m. (EST) on Dec. 9.

City Investing Co., New York
July 30, Robert W. Dowling, President, announced that the directors are giving consideration to the possible future issuance of debentures which could be used largely to acquire investments producing ordinary income as well as those with growth potentials.

Cleveland Electric Illuminating Co.
Nov. 12 it was reported company plans to issue and sell $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Blyth & Co., Inc.; Dillon, Read & Co. Inc.; Blair & Co. Inc., and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; White, Weld & Co.

Coastal Transmission Corp.
July 1 it was reported the company plans to offer publicly about 191,000 units of securities for about $20,000,000 (each unit expected to consist of a $25 debenture or $35 interim note and five shares of $1 par common stock). **Proceeds**—Together with other funds, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

Colorado Fuel & Iron Corp. (10/10)
Aug. 19 it was reported company plans to issue and sell about $40,000,000 first mortgage bonds due 1977 (with stock purchase warrants). **Underwriter** — Allen & Co., New York. **Registration**—Expected around Sept. 20.

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. (10/9)
Sept. 17, Willis Gale, Chairman, announced company now plans to issue and sell 250,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriters**—The First Boston Corp. and Glore, Forgan & Co. **Registration** — Expected today (Sept. 19).

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 due 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).

★ Federation Bank & Trust Co. (N. Y.) (10/18)
Sept. 12 it was announced stockholders will be given the right to subscribe for 118,900 additional shares of capital stock at the rate of one new share for each three shares held of record Oct. 18, 1957; rights to expire on Dec. 6, 1957. **Price**—$21 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

★ Foster Grant Co., Inc., Leominster, Mass.
Sept. 10 the company announced a $5,400,000 expansion program. **Underwriter**—May be Wertheim & 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.

★ Hartford National Bank & Trust Co. (9/25)
Sept. 3 it was announced Bank will offer to its stockholders of record Sept. 25, 1957 the right to subscribe on or before Oct. 15, 1957 for 73,000 additional shares of capital stock (par $10) on the basis of one new share for each 14 shares held. **Price**—$25 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

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 rist mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

Long Island Trust Co.
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.

★ Louisiana Citrus Lands, Inc. (9/26)
Bids will be received up to 11 a.m. (EDT) on Sept. 26 by Interstate Trust & Banking Co., in liquidation, at office of State Banking Department, 651 National Bank of Commerce Bldg., New Orleans 12, La., for the purchase from it of the following shares of Louisiana Citrus Lands, Inc.: 10 shares of class A common stock (total outstanding); 442.326875 shares (out of 1,429 shares outstanding) of class B common stock; and 3,600 half shares (out of 5,000 shares outstanding) of preferred stock.

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.

★ Michigan Bell Telephone Co. (11/18)
Sept. 11 company applied to Michigan P. U. Commission for authority to issue and sell $40,000,000 of debenture. **Proceeds**—To repay advances from parent. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co. **Bids**—Expected to be received on or about Nov. 18.

● Middle South Utilities, Inc.
Sept. 16 it was reported company may sell between 400,000 and 450,000 shares of common stock (par $10). **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly).

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.; 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.
Aug. 6 it was reported company plans to issue and sell $20,000,000 of first mortgage bonds at competitive bidding, but later arranged private sale through Blyth & Co., Inc. **Proceeds**—To repay bank loans and for new construction.

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.

★ Parker Appliance Co.
Sept. 9 it was announced that company may, at a favorable time, sell additional shares of common stock to the public. Stockholders vote today (Sept. 19) on increasing the authorized common stock to 750,000 shares from 550,000 shares. **Proceeds**—To redeem $1,500,000 convertible subordinated notes to be held by Hannifin stockholders and to anticipate payment on a bank loan in connection with acquisition as of Sept. 30, 1957 of all the outstanding capital stock of Hannifin Corp., Des Plaines, Ill. **Underwriter**—Hornblower & Weeks, New York.

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.

★ Phelps Dodge Corp.
Sept. 9 it was reported that secondary offering of 300,000 shares of common stock (par $12.50) is expected in mid-October.

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 equuipment 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. (10/15)
Sept. 11 it was announced company now plans to offer to its stockholders of record Oct. 7, 1957 the right to subscribe on or before Nov. 8 for 1,400,000 additional shares of capital stock on the basis of one new share for each four shares held. Subscription warrants are to be mailed on Oct. 15. **Price**—At par ($25 per share). **Proceeds**—To repay loans from American Telephone & Telegraph Co. **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.

Southern Union Gas Co.
May 16 it was reported company plans to issue and sell about $10,000,000 of debentures this summer. **Proceeds**—For construction program. **Underwriter**—May be Blair & Co. Incorporated, New York.

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). **Bids**—To be opened on Dec. 11.

Superior Tool & Die Co.
July 26 it was announced company plans to issue and sell 150,000 shares of 70-cent cumulative convertible preferred stock (par $10). **Price**—Expected to be between $11.12½ and $11.50 per share, depending upon market conditions. **Proceeds**—To discharge a note of $1,160,500 held by City Industrial Co. in connection with acquisition of Bethlehem Foundry & Machine Co. common stock and for working capital and general corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

● Toledo Terminal RR. (10/10)
Sept. 10 it was reported company plans to sell $6,000,000 of first mortgage bonds due Oct. 1, 1982. **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 to sell $30,000,000 of pipe line bonds and about 750,000 shares of common stock about the middle of November (method of sale not yet determined). **Underwriters**—White, Weld & Co. and Stone & Webster Securities Corp., both of New York.

Transocean Corp. of California
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

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 bidding: 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.

Keyserling to Fund Posts

Leon H. Keyserling was recently elected a Director of and appointed to the post of Economic Advisor to Resource Fund, Inc., 120 Broadway, N. Y. C., an open-end investment trust, it was announced by Mr. D. John Heyman, President.


Leon Keyserling

Mr. Keyserling is a Consulting Economist and Attorney with offices in Washington, D. C. He is also President of the Conference of Economic Progress, a non-profit, educational foundation in the economic field. He was Chairman of the Council of Economic Advisors to the President of the United States from 1950 to 1953 and Vice-Chairman from 1946 to 1950.

Puritan Fund Gains 21%

For the fiscal year ended July 31, 1957, Puritan Fund, Inc., Boston, Mass., a mutual fund with primary emphasis on income, reported a further substantial increase in net assets, shares outstanding and number of shareholders, all obtaining new highs. Net assets totaled $33,463,105 compared with $27,703,921 as of July 31, 1956, an increase of 21%. Number of shares outstanding increased to 5,268,746 from 4,100,804. Number of shareholders increased to 14,000 from 11,060.

During fiscal year just ended, income distributions totaled 39 cents a share, a new high compared with 38 cents a share a year ago and 35 cents a share two years ago. On Aug. 1, 1957, the Fund also declared distribution of six cents a share payable Sept. 3, 1957 from long-term capital gains realized during the fiscal year.

Mutual Funds

By ROBERT R. RICH

PLANS OPENED SET RECORD

The number of accumulation plans opened in any single month by investors for the regular monthly or quarterly acquisition of shares of open-end investment companies for the first time exceeded 20,000 during August, according to the National Association of Investment Companies. The actual figure was 20,460. The total opened during the first eight months of 1957 was 148,554.

In the same month assets of the 136 open-end investment company members of the Association, reflecting the downward course of security prices in general, declined slightly to $9,420,228,000 as of Aug. 31. This figure compares with $9,816,489,000 at the end of July and $8,882,838,000 at the end of August, 1956.

Investor purchases of shares continued high during August and topped the $100 million mark for the 20th consecutive month with sales totaling $122,290,000 reported. Purchases for July were $135,025,000 and, in August 1956, were $109,627,000.

Repurchases of fund shares (redemptions) last month were $32,728,000 compared with $37,298,000 for July and $39,544,000 for August a year ago.

Holdings of cash, U. S. Government securities and short-term corporate obligations by the 136 open-end member companies of the Association at the end of August stood at $579,710,000 compared with $553,943,000 a month ago and $476,177,000 at the end of August last year. This represented 6.2% of total assets as of the end of August, 1957, 5.6% at the end of July and 5.4% on Aug. 31 last year.

Bruns, Nordeman Designs Visual Sales Aid

A new look at the problem of inflation — and a suggestion for its solution—has been developed by Bruns, Nordeman & Co., members of the New York Stock Exchange.

The novel approach is based on a series of activated flash cards, operated by a speaker who, in about 20 minutes time, orally and visually compares today's prices with those of the past through the use of such devices as an old Delmonico menu, early automobile advertisements and prices of food staples.

In interpreting the visual impact of the cards, Alfred Benjamin, Jr., Manager of Bruns, Nordeman's Mutual Funds Department, quickly and effectively dramatizes the perils of rising living costs, especially for people dependent upon fixed-dollar investments.

In introducing a suggested solution to the problem, Mr. Benjamin makes the point — and proves it with a magnified, movable slide-rule — that since 1871 common stock prices have risen in 98% of all 10-year periods of inflation and in 100% of all such 30-year periods.

However, where expert training, time or the wherewithal for professional supervision of one's own investments is lacking, Mr. Benjamin suggests that the securities investor entrust his investment capital to trained money managers.

He presents charts which would indicate that such an investor could find this professional guidance by investing in a Mutual Fund, where the investment dollars of many individuals are combined into one professionally-managed investment in a diversified, carefully-selected and continually-managed group of securities.

Mr. Benjamin's especially prepared visuals, registered as "Visomatic," were developed by the Jacques Ducas Studios, New York.

Philadelphia Sales

Philadelphia Fund recorded a 36% increase in sales in the first eight months of this year. Sales for the period, according to Roy R. Coffin, President, amounted to $1,257,104 against $919,520 in the like 1956 period. Total net assets in the same period increased 17% to $5,642,822 from $4,813,532 on Aug. 31, 1956.

Irving Johnson Joins Axe Securities Corp.

Irving Johnson, former newspaper and magazine writer and editor, has been named assistant to the President of Axe Securities Corporation, general distributor for the five Axe-sponsored mutual funds.


Irving Johnson

Mr. Johnson was a staff writer for the New York "World-Telegram" from 1937 to 1944 and associate editor of the "American Weekly" from 1944 to 1952. He did public relations for the Eastern railroads and the natural gas industry before joining Axe organization in 1955.

Earlier, he was associated with the New York "Journal" and the old New York "American" and newspapers in Boston, Springfield, Mass., and Hartford. He also handled press relations for the Aetna Life Insurance Company.

Walter Schulz Opens

BROOKLYN, N. Y.—Walter O. Schulz is conducting a securities business from offices at 905 Lorimer Street.

Scott & O'Dell Open

LIMESTONE, N. Y.—Leo H. Scott and Stanley K. O'Dell are engaging in a securities business under the firm name of Scott and O'Dell, from offices at 9 River St.

Forms Syanson Company

SEAFORD, N. Y.—Paul I. Goldstein is conducting an investment business from offices at 2234 Jackson Avenue under the firm name of Syanson Company.

G. Gladstone Branch

SOMMERVILLE, N. J.—Gabriel Gladstone & Company, Inc., has opened a branch office at 198 West Main Street under the management of Victor E. Refalvy.

Form Universal Secs.

BUFFALO, N. Y. — Universal Securities of Buffalo has been formed with offices at 215 Delaware Avenue to engage in the securities business. George T. Argeros, James Kahris, Christ J. Argeros and Frank P. Aronica are partners.

A. Weiskopf Opens

BROOKLYN, N. Y. — Abraham Weiskopf is conducting a securities business from offices at 54 Exeter Street.

With Frank Bateman

PALM BEACH, Fla. — Estelle Alexander has joined the staff of Frank B. Bateman, Ltd. 253 South County Road.

Central States Branch

SHELBY, Ohio—Central States Investment Co. has opened a branch office at 125 East Main Street under the direction of Harold T. Heitzman.

New Fahnestock Branch

KANSAS CITY, Mo. — Fahnestock & Co. has opened a branch office in the Board of Trade Building under the management of Robert H. Hinsen.

Camp Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Robert A. Daggett has become associated with Camp & Co., U. S. National Bank Building. He was formerly with Pacific Northwest Company.

With Robert W. Baird

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Edward W. Sampson has become associated with Robert W. Baird & Co., Incorporated, 110 East Wisconsin Avenue. He was formerly with Ball, Burge & Kraus, in Dayton, Ohio.

J. T. Patterson, Jr. Opens

John T. Patterson, Jr. is engaging in a securities business from offices at 250 West 57th Street, New York City. He was formerly with First Investors Corp. and was an officer of Special Markets, Inc.

Riley, Chase Join McDonnell Co. Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert A. Riley and Edward G. Chase, Jr. have become associated with McDonnell & Co., 203 South La Salle St. Mr. Riley was formerly an officer of Stern Brothers & Co. Mr. Chase was with Arthur M. Krensky & Co., Inc.

Good as Far as It Goes!

"Government cannot in good conscience ask private business and labor leadership to negotiate wage adjustments with full regard to the whole nation's interest in price stability while at the same time approving the enactment of these wholesale salary increase bills.


Pres. Eisenhower

"The health of our economy and the defense of the dollar, require economic statesmanship of employers and workers, public and private alike, in determining how much we as a nation pay ourselves for the work we do." — President Dwight D. Eisenhower.

The President's position would be much stronger had he always been as anti-inflation conscious. The attainment of price stability is by no means only a matter of wages and salaries.

Continued from page 16

News About Banks and Bankers

1957 to holders of record on Sept. 20, 1957. The stock dividend, upon stockholder approval, will be paid on Nov. 1, 1957 to holders of record on Oct. 18, 1957.

The bank presently has 356,700 shares of capital stock outstanding. It is intended to continue the regular quarterly dividend on the capital stock at the present 30-cent rate on the increased capitalization. In 1956, Federation Bank paid four quarterly dividends of 30 cents each, plus a year-end extra of five cents a share. In addition, directors declared a year-end stock dividend of 2½%.

A special meeting of stockholders will be called for Oct. 8, 1957, to act on the proposed increase in the capital stock. Subject to stockholder approval and approval by the New York State Superintendent of Banks, it is proposed that subscription rights for the new issue will not expire until Dec. 6.

Upon completion of the sale of the additional stock, the capital position of Federation Bank and Trust Company on a pro forma basis will be as follows:

	After New Financing	June 30, 1957
Capital	$4,845,175	$3,567,000
Surplus	4,387,900	3,080,000
Undivided Profits	766,925	823,000

James P. Roach, a Second Vice-President of the **Chase National Bank in New York** until his retirement five years ago, died on Sept. 12 at De Land, Fla., where he has lived since his retirement.

Mr. Roach had been with the Bank for 38 years, the last 20 as officer in charge of the branch at Fifth Avenue and 14th Street.

* * *

Alfred S. Mills, President of **The Bank for Savings in the City of New York,** announces that the assets of the bank have reached the half-billion dollar mark.

To reach one hundred millions of assets, Mr. Mills pointed out, took 90 years from the founding of the bank in 1819 as New York's first mutual savings bank. It took 22 years to reach the second hundred million in 1931, 20 years to reach the third hundred million in 1951, and the fourth hundred million was reached in 1954. Today, assets top the half-billion mark.

As an indication of service to the public $322,349,210 in dividends have been paid to depositors during 138 years of uninterrupted dividends. Four Manhattan offices serve more than 200,000 depositors.

To encourage more people to retain a larger portion of their income The Bank for Savings anticipates paying the current quarterly dividend at the rate of 3¼% a year — the regular 3%, plus ¼% extra.

* * *

The Comptroller's, approval of the proposed merger of the **State Bank of Suffolk, Bayshore, L. I.** with the **Franklin National Bank, Franklin Square, L. I.,** is in keeping with the growth of banking facilities needed to serve this vast and growing area of Long Island.

* * *

Robert J. Bradley, Manager of **The County Trust Company, White Plains, N. Y.,** business development department, has been named an Assistant Treasurer of the bank.

Mr. Bradley has been with The County Trust Company since 1948 and prior to receiving his present assignment in April 1956, was sales manager for the personal credit department.

* * *

The First National Bank of Belfast, Belfast, New York, with common stock of $25,000; and **Bank of Belfast, Belfast, New York,** with common stock of $30,000 consolidated as of Aug. 31. The consolidation was effected under the charter of The First National Bank of Belfast and under the title **"Belfast National Bank."**

At the effective date of consolidation, the consolidated bank will have capital stock of $55,000, divided into 2,200 shares of common stock of the par value of $25 each; surplus of $95,000; and undivided profits of not less than $81,000.

* * *

George A Mooney, Superintendent of Banks, announces the appointment of Gordon McLean as chief of the division of reseach and statistics of the New York State Banking Department.

Mr. McLean resigned from the faculty of New York University's School of Commerce, Accounts and Finance and the Graduate School of Business in order to accept his new $11,500 post.

* * *

The **Rye National Bank, Rye, New York,** has elected John H. Dailinger a Vice-President.

* * *

Manufacturers and Traders Trust Company, Buffalo, N. Y., and **Citizens Trust Company, Fredonia, N. Y.,** merged under charter and title of **Manufacturers and Traders Trust Company** effective Sept. 3.

* * *

Union National Bank of Lowell, Mass., increased its common capital stock from $1,100,000 to $1,320,000 by the sale of new stock effective Aug. 30. (Number of share outstanding—105,600 shares, par value $12.50.)

* * *

Fred G. DeLong, Comptroller of **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** has also been appointed Vice-President of the bank, according to an announcement made on Sept. 13 by Frank R. Denton, Vice-Chairman of the bank.

Mr. DeLong, a graduate of Yale University, started his banking career in 1933 with the Bankers Trust Company of New York City.

During 1936-1937, he was with the **Empire Trust Company of New York City.** He then joined the Trust Department of **The Union Trust Company of Pittsburgh** in 1937.

He was appointed an Assistant Cashier in 1946 when **The Union Trust Company** merged with **Mellon Bank** to become the Mellon National Bank and Trust Company.

In 1948, he was appointed an Assistant Vice-President and in 1955 Comptroller of Mellon Bank.

* * *

Mr. Denton also announced on Sept. 17 that Richard W. Bosworth and Crawford J. Conrad have also been appointed Vice-Presidents in the Trust Department of Mellon National Bank and Trust Company.

Mr. Bosworth joined Mellon Bank in 1950 as a trust investment officer. In 1954, he was appointed an Assistant Vice-President of Mellon Bank. He was formerly Assistant Vice-President of the **National City Bank of Cleveland.**

Mr. Conrad started his banking career in the trust investment division of **The Union Trust Company of Pittsburgh** in 1937. In 1943 he was appointed an investment officer. He joined Mellon Bank in 1946 at the time of the merger of Mellon and The Union Trust Company, and in February, 1954 was appointed an Assistant Vice-President.

* * *

Stockholders of **The Merchants National Bank of Quakertown, Pa.,** yesterday approved the plan whereby **Provident Tradesmens Bank and Trust Company, Philadelphia, Pa.,** would purchase the assets and business of The Merchants National Bank and continue its present banking offices in Quakertown and Sellersville as branch offices of Provident Tradesmens. The plan is subject to the approval of the bank supervisory authorities.

* * *

The stockholders of **Girard Trust Corn Exchange Bank of Philadelphia, Pa.,** the **National Bank of Narberth, Pa.** and the **Ambler National Bank, Pa.,** on Sept. 12 approved a merger. The shareholders also voted on the proposal. The mergers are expected to become effective about the middle of October.

* * *

Steelton Bank and Trust Company, Steelton, Pa., merged with **Harrisburg Trust Company, Harrisburg, Pa.,** on Sept. 3, under charter and title of the latter Bank.

* * *

Heyward T. Denyes, of Detroit, Mich., joined **The Bank of Virginia, Richmond, Va.,** on Sept. 16 in a newly created officer position, that of Regional Vice-President with assignment to the three Tidewater cities of Norfolk, Portsmouth and Newport News. He will serve as a member of the bank's board in each of those cities.

* * *

The National Bank of Manassas, Va., increased its common capital stock from $50,000 to $150,000 effective Sept. 5. (Number of shares outstanding—15,000 shares, par value $10.)

* * *

First National Bank of Canton, Canton, Ohio, with common stock of $2,000,000; and **The Minerva Savings & Bank Company, Minerva, Ohio,** with common stock of $100,000 mergered as of Aug. 31. The consolidation was effected under the charter and title of First National Bank of Canton.

At the effective date of consolidation the consolidated bank will have capital stock of $2,220,000, divided into 111,000 shares of common stock of the par value of $20 each; surplus of $3,280,000; and undivided profits of not less than $1,081,019.78.

* * *

John C. McHannan, associated with **Central National Bank of Cleveland, Ohio,** for 65 years, has resigned as Chairman of the bank's Board of Directors, effective Oct. 1. His resignation was accepted on Thursday, Sept. 12, with regret by the Directors who then elected him Honorary Chairman. He will continue as a director and a member of the Executive Committee.

Loring L. Gelbach

Loring L. Gelbach, President of Central National Bank since 1945, who has had 45 years of experience in banking, was elected Chairman of the Board to succeed John McHannan. He will also continue to be President of the bank.

Mr. McHannan's resignation marks the 65th anniversary of his banking career, all of which was at Central National Bank. He began as a messenger on Oct. 1, 1892, which was just two years after the bank was founded. He will observe his 85th birthday on Oct. 31 and continues to be at his desk each day.

His rise in the official family at Central National Bank began with his election as Assistant Cashier in 1909, followed by his advancement to Cashier in 1914. He became a member of the Board of Directors in 1918 and the following year was elected a Vice-President. Twenty years later he was elected Chairman of the Board and has served continuously in this capacity.

Mr. Gelbach joined Central National Bank as a Vice-President in 1938, following his election as a director the previous year.

Central National Bank has grown substantially during the McHannan-Gelbach administration. Through the past 12 years, total assets rose from $364,000,000 to $570,000,000; total deposits increased from $344,000,000 to $519,000,000 and total capital funds advanced from $17,800,000 to $37,400,000. Under their direction, 12 offices have been added to the Central National branch system. There are now 23 offices serving the people of Greater Cleveland. Four more branches will be in operation during the coming year.

* * *

The **Cleveland Trust Company, Cleveland, Ohio,** elected Oliver Payne Bolton a director.

* * *

The **Minerva Savings & Bank Company, Minerva, Ohio,** on Sept. 3, consolidated with **First National Bank, Canton, Ohio,** under charter and title of the latter Bank.

* * *

The **Citizens Banking Company, Celina, Ohio,** merged on Sept 3 with the **Commercial Bank Company, Celina, Ohio,** under title of the **Citizens Commercial Bank.**

* * *

G. Allan Julin, Jr., and Chester C. McCullough were elected Vice-Presidents of the **Chicago Title and Trust Company, Chicago, Ill.**

* * *

Philip L. Ray, Director of the **First National Bank of St. Paul, Minn.,** was elected Chairman of the Board to fill the vacancy caused by the resignation of Julian B. Baird to become Under-Secretary of the Treasury. Joseph H. Colman, A. B. Jackson and Joseph Paper were elected directors.

* * *

"Augusta National Bank," Augusta, Ga., changed its title to **"The Augusta Citizens and Southern National Bank"** effective Sept. 1.

* * *

The common capital stock of the **First National Bank of Hollywood, Fla.,** was increase from $300,000 to $450,000 by the sale of new stock effective Sept. 5. (Number of shares outstanding—45,000 shares, par value $10.)

* * *

Frank L. King, President of **California Bank, Los Angeles, Calif.,** has announced the election to the Board of Directors of Ben P. Griffith.

* * *

David Packard, was elected to the board of **Crocker-Anglo National Bank, San Francisco, Calif.,** at the director's meeting on Sept. 10, it was announced by W. W. Crocker, Chairman of the Board, and Paul E. Hoover, President. Mr. Packard become the bank's 25 board member, filling the vacancy created by the recent death of Otis R. Johnson.

Form More Plan Inv.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — More Plan Investments, Inc. is engaging in a securities business from offices at 7630 Biscayne Boulevard. Officers are Harold Ignatoff, President and A. L. Haas, Secretary-Treasurer.

Opens Inv. Office

BELLINGHAM, Wash. — Mrs. Verna M. Tubbs is conducting a securities business from offices at 3313 Northwest Avenue.

Forms W. B. Wolf Co.

DETROIT, Mich. — William B. Wolf is engaging in a securities business from offices in the Penobscot Building under the firm name of W. B. Wolf & Co. Mr. Wolf was previously with B. C. Morton & Co.

With Evans, MacCormack

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Jerome Zweig is now with Evans, MacCormack & Co., 453 South Spring Street, members of the Pacific Coast Stock Exchange.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—James T. Corrigan has become affiliated with E. F. Hutton & Company, 623 South Spring Street.

Three With Stills Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Joseph Kaufman, Jonathan Miller and Grace T. Sage are now with Sills and Company, Ingraham Building.

Arlington Funds, Inc.

Arlington Funds, Inc. is engaging in a securities business from offices at 55 West 42nd Street, New York City.

Form Atlantic Capital

BROOKLYN, N. Y. — Atlantic Capital Corp. has been formed with offices at 66 Court Street to engage in a securities business.

A Good Prescription, but . . .

"The conclusion is inescapable, that the current inflationary push is due to the rising cost of labor and the continuing heavy tax burden and not to the 'greed' of manufacturers for exorbitant profits, as some people claim.

"Profit margins on sales have suffered just as the American consumer has suffered, from the power of monopolistic unions to exact wage gains unrelated to productivity.

"The remedy would seem to lie in strict government economy so that the tax load may be put on a fair and square basis, and a restoration of equality at the collective bargaining table so that individual producers can make wage settlements which are economically sound instead of being forced to accept increasingly higher unit labor costs in conformity with an industrywide 'pattern' set by union bosses without regard to the public welfare."—From National Association of Manufacturers' just completed study entitled "Wages . . . Prices . . . Profits . . . and Inflation."

The problem is, of course, how to sell the "remedy" to the rank and file.

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:

		Week Latest	Week Previous	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Sept. 22	§81.1	*81.9	82.1	100.6
Equivalent to—					
Steel ingots and castings (net tons)	Sept. 22	§2,076,000	*2,097,000	2,101,000	2,477,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Sept. 6	6,807,350	6,766,250	6,797,400	7,036,650
Crude runs to stills—daily average (bbls.)	Sept. 6	¶8,270,000	8,327,000	8,008,000	8,187,000
Gasoline output (bbls.)	Sept. 6	29,457,000	28,516,000	27,797,000	28,353,000
Kerosene output (bbls.)	Sept. 6	1,952,000	1,871,000	2,068,000	2,293,000
Distillate fuel oil output (bbls.)	Sept. 6	13,107,000	13,241,000	12,077,000	13,080,000
Residual fuel oil output (bbls.)	Sept. 6	8,294,000	7,609,000	7,548,000	7,820,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Sept. 6	173,552,000	171,683,000	172,973,000	175,955,000
Kerosene (bbls.) at	Sept. 6	34,827,000	34,114,000	32,554,000	32,698,000
Distillate fuel oil (bbls.) at	Sept. 6	159,886,000	*154,876,000	141,999,000	142,731,000
Residual fuel oil (bbls.) at	Sept. 6	54,019,000	52,472,000	50,138,000	47,198,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Sept. 7	648,391	745,183	740,471	679,651
Revenue freight received from connections (no. of cars)	Sept. 7	563,219	625,367	604,541	598,426
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Sept. 12	$262,045,000	$314,122,000	$411,917,000	$372,488,000
Private construction	Sept. 12	130,365,000	108,206,000	229,798,000	232,973,000
Public construction	Sept. 12	131,680,000	205,916,000	182,119,000	139,515,000
State and municipal	Sept. 12	121,248,000	181,860,000	154,732,000	112,817,000
Federal	Sept. 12	10,432,000	24,056,000	27,387,000	26,698,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Sept. 7	8,480,000	*10,060,000	9,620,000	8,694,000
Pennsylvania anthracite (tons)	Sept. 7	464,000	580,000	512,000	491,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Sept. 7	113	*134	110	112
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Sept. 14	11,947,000	11,678,000	12,409,000	11,339,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Sept. 12	237	208	222	203
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Sept. 10	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Sept. 10	$66.42	$66.42	$66.40	$63.04
Scrap steel (per gross ton)	Sept. 10	$48.50	$50.17	$53.50	$58.83
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Sept. 11	26.375c	26.575c	28.075c	39.550c
Export refinery at	Sept. 11	23.475c	25.175c	26.000c	38.025c
Lead (New York) at	Sept. 11	14.000c	14.000c	14.000c	16.000c
Lead (St. Louis) at	Sept. 11	13.800c	13.800c	13.800c	15.800c
‡Zinc (delivered) at	Sept. 11	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Sept. 11	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Sept. 11	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Sept. 11	93.000c	92.875c	94.375c	101.625c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Sept. 17	86.77	87.71	86.77	91.54
Average corporate	Sept. 17	89.64	89.92	90.63	100.00
Aaa	Sept. 17	94.26	94.41	94.86	103.13
Aa	Sept. 17	92.35	92.35	93.08	101.97
A	Sept. 17	89.78	90.06	90.91	100.32
Baa	Sept. 17	83.03	83.40	84.43	95.01
Railroad Group	Sept. 17	88.13	88.40	88.81	98.88
Public Utilities Group	Sept. 17	89.37	89.78	91.34	100.16
Industrials Group	Sept. 17	91.62	91.48	91.91	100.08
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Sept. 17	3.66	3.56	3.64	3.18
Average corporate	Sept. 17	4.44	4.42	4.37	3.75
Aaa	Sept. 17	4.12	4.11	4.08	3.56
Aa	Sept. 17	4.25	4.25	4.20	3.63
A	Sept. 17	4.43	4.41	4.35	3.73
Baa	Sept. 17	4.94	4.91	4.83	4.07
Railroad Group	Sept. 17	4.55	4.53	4.50	3.82
Public Utilities Group	Sept. 17	4.46	4.43	4.32	3.74
Industrials Group	Sept. 17	4.30	4.31	4.28	3.69
MOODY'S COMMODITY INDEX	Sept. 17	408.8	415.8	425.7	426.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Sept. 7	339,419	265,643	272,100	266,557
Production (tons)	Sept. 7	214,792	290,919	279,462	202,337
Percentage of activity	Sept. 7	72	95	92	71
Unfilled orders (tons) at end of period	Sept. 7	540,109	418,314	504,138	480,810
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Sept. 13	110.17	110.28	110.36	108.65
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Aug. 24	1,342,280	1,143,400	1,160,960	1,201,780
Short sales	Aug. 24	251,320	210,110	195,480	197,020
Other sales	Aug. 24	1,224,830	1,008,820	1,035,280	1,028,180
Total sales	Aug. 24	1,476,150	1,218,930	1,230,760	1,225,200
Other transactions initiated on the floor—					
Total purchases	Aug. 24	214,170	191,700	221,320	221,870
Short sales	Aug. 24	21,170	17,500	11,400	38,500
Other sales	Aug. 24	248,400	207,065	224,630	208,410
Total sales	Aug. 24	269,570	224,565	236,030	246,910
Other transactions initiated off the floor—					
Total purchases	Aug. 24	419,400	388,090	366,560	402,618
Short sales	Aug. 24	93,230	71,900	54,470	84,650
Other sales	Aug. 24	415,215	388,405	383,896	510,675
Total sales	Aug. 24	508,445	460,305	438,366	595,325
Total round-lot transactions for account of members—					
Total purchases	Aug. 24	1,975,850	1,723,190	1,748,840	1,826,268
Short sales	Aug. 24	365,720	299,510	261,350	320,170
Other sales	Aug. 24	1,888,445	[illegible]	[illegible]	1,747,265
Total sales	Aug. 24	2,254,165	1,903,800	1,905,156	2,067,435
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. 24	1,390,126	1,258,228	1,204,429	1,106,685
Dollar value	Aug. 24	$68,839,507	$63,515,062	$60,824,132	$61,196,163
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Aug. 24	912,652	854,597	943,451	788,504
Customers' short sales	Aug. 24	16,631	12,274	4,355	12,136
Customers' other sales	Aug. 24	896,021	842,323	939,096	776,368
Dollar value	Aug. 24	$45,343,110	$43,069,428	$46,955,483	$40,015,653
Round-lot sales by dealers—					
Number of shares—Total sales	Aug. 24	184,990	192,780	228,670	200,370
Short sales	Aug. 24	------	------	------	------
Other sales	Aug. 24	184,990	192,780	228,670	200,370
Round-lot purchases by dealers—					
Number of shares	Aug. 24	647,980	562,090	461,950	493,170
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. 24	518,890	423,260	333,210	447,090
Other sales	Aug. 24	9,940,350	8,842,050	9,281,380	8,768 830
Total sales	Aug. 24	10,459,240	9,265,310	9,614,590	9,216,920
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Sept. 10	118.1	118.3	118.1	115.1
Farm products	Sept. 10	92.5	[illegible]	[illegible]	90.2
Processed foods	Sept. 10	106.7	107.3	106.8	104.0
Meats	Sept. 10	97.6	100.1	97.9	88.5
All commodities other than farm and foods	Sept. 10	125.8	*125.9	125.6	122.6

*Revised figure. ¶Includes 1,208,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of August (in millions):			
Total new construction	$4,591	$4,395	$4,474
Private construction	3,101	3,039	3,122
Residential buildings (nonfarm)	1,553	1,556	1,672
New dwelling units	1,135	1,125	1,260
Additions and alterations	374	391	371
Nonhousekeeping	44	40	41
Nonresidential buildings	805	774	786
Industrial	266	262	277
Commercial	319	307	316
Office buildings and warehouses	167	152	147
Stores, restaurants, and garages	152	155	169
Other nonresidential buildings	220	205	193
Religious	80	75	71
Educational	17	42	49
Hospital and institutional	47	41	28
Social and recreational	29	27	27
Miscellaneous	17	20	18
Farm construction	171	166	169
Public utilities	553	526	483
Railroad	41	41	41
Telephone and telegraph	91	91	94
Other public utilities	421	394	348
All other private	19	17	12
Public construction	1,490	1,356	1,352
Residential buildings	47	40	25
Nonresidential buildings	418	394	390
Industrial	42	41	43
Educational	260	249	236
Hospital and institutional	30	29	29
Administrative and service	42	37	39
Other nonresidential buildings	44	38	43
Military facilities	125	117	143
Highways	620	545	530
Sewer and water systems	130	120	125
Sewer	76	68	69
Water	54	52	56
Public service enterprises	44	38	40
Conservation and development	95	90	87
All other public	11	12	12
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES — Month of June (Millions of dollars):			
Manufacturing	$54,000	*$53,900	*$49,600
Wholesale	12,700	*12,700	*12,200
Retail	24,100	23,900	23,800
Total	$90,800	*$90,600	*$85,600
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of August (000's omitted):			
Total U. S. construction	$1,805,460	$1,589,073	$1,828,462
Private construction	850,443	637,218	1,144,187
Public construction	955,017	951,855	684 275
State and municipal	791,840	677,410	605,380
Federal	163,177	274,445	78,895
CONSUMER PRICE INDEX — 1947-49 = 100 — Month of July:			
All items	120.8	120.2	117.0
Food	117.4	116.2	114.8
Food at home	116.1	114.7	113.8
Cereals and bakery products	130.8	130.6	125.8
Meats, poultry and fish	109.5	106.9	99.3
Dairy products	110.5	110.0	108.7
Fruits and vegetables	126.9	126.8	135.2
Other foods at home	111.7	109.5	112.8
Housing	125.5	125.5	121.8
Rent	135.2	135.0	133.2
Gas and electricity	112.3	112.3	111.7
Solid fuels and fuel oil	135.9	135.3	128.7
Housefurnishings	104.1	104.6	102.8
Household operation	127.9	127.6	123.0
Apparel	106.5	106.6	105.3
Men's and boys'	108.8	109.1	107.7
Women's and girls'	98.6	98.5	98.0
Footwear	128.1	127.8	124.2
Other apparel	91.9	91.9	91.4
Transportation	135.8	135.3	127.7
Public	180.2	176.8	172.7
Private	125.6	125.4	117.6
Medical care	138.4	137.9	132.7
Personal care	124.7	124.2	120.1
Reading and recreation	112.4	111.8	107.7
Other goods and services	128.6	124.6	122.2
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of July	637,345	649,700	547,480
In consuming establishment as of July 31	1,151,207	1,250,893	903,897
In public storage as of July 31	9,414,733	10,059,527	12,833,926
Linters—Consumed month of July	79,390	92,144	134,632
Stocks July 31	798,203	841,756	998,480
Cotton spindles active as of August 3	------	18,174,000	------
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of July:			
Cotton Seed—			
Received at mills (tons)	100,501	9,944	141,965
Crushed (tons)	119,728	146,563	118,511
Stocks (tons) July 31	163,868	183,095	177,469
Crude Oil—			
Stocks (pounds) July 31	48,915,000	70,242,000	40,375,000
Produced (pounds)	42,577,000	53,5[illegible]9,000	43,472,000
Shipped (pounds)	58,474,000	69,368,000	37,083,000
Refined Oil—			
Stocks (pounds) July 31	153,522,000	205,214,000	243,791,000
Produced (pounds)	54,947,000	65,405,000	34,607,000
Consumption (pounds)	101,717,000	105,878,000	84,298,000
Cake and Meal—			
Stocks (tons) July 31	251,816	287,779	164,187
Produced (tons)	58,531	72,366	62,286
Shipped (tons)	94,494	77,799	112,902
Hulls—			
Stocks (tons) July 31	52,242	65,676	77,164
Produced (tons)	26,075	33,424	28,643
Shipped (tons)	39,509	41,086	56,940
Linters (running bales)—			
Stocks July 31	182,279	198,427	119,958
Produced	34,814	43,568	35,525
Shipped	50,962	63,741	46,383
Hull Fiber (1,000-lb. bales)—			
Stocks July 31	(a)	482	593
Produced	(a)	(a)	(a)
Shipped	(a)	(a)	(a)
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks July 31	1,020	1,418	2,285
Produced	256	382	198
Shipped	654	937	902

(a) Not given to avoid disclosure of figures for individual companies.

	Latest Month	Previous Month	Year Ago
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on August 3	21,196,000	21,213,000	21,897,000
Spinning spindles active on August 3	18,067,000	18,174,000	19,022 000
Active spindle hours (000's omitted) Aug. 3	8,481,000	8,396,000	7,128,000
Active spindle hours per spindle in place Aug.	339.2	419.8	356.4

Continued from page 10

Legal and Workable Development Of Our Critical Water Resources

resources were adequate for any land development need.

The availability of water for use or development and the possibility of discharging used water, without damage to others who may be dependent on the receiving body of water as a supply source, and at a cost that can be borne by the development creating the demand, should be established as a basic criteria to be met by all who plan changes in land use.

Unfortunately, the basic hydrological data needed for a reasonable evaluation of the water resources of many important river basins are too inadequate to provide a sound basis for planning the developments needed to meet future requirements.

Hoover Commission Study

The Commission on the Organization of the Executive Branch of Government, known as the Hoover Committee, as the result of its study of water as a natural resource, noted that "It is self evident that if a water resource project is to yield maximum benefits at the lowest possible costs, its planning and construction must be based on adequate and reliable data concerning all social, economic, and physical aspects of the project." The report goes on to state that "The really disturbing thing is that so little progress has been made in obtaining reliable hydrologic data in advance of project planning and construction. Though the necessity for more adequate data has long been recognized, we find ourselves embarking on the most gigantic water projects ever devised, with alarming gaps in our knowledge of the probable behavior of the waters we are trying to control and utilize. So serious are these deficiencies that it is estimated, on the basis of experience, that the limit of error or ignorance in present water developments is rarely less than 25% and is frequently greater than that.

"Present knowledge of the relationships among precipitation, runoff, evaporation, ground water movement, soil condition, vegetal cover, transpiration, etc., is far from complete, but our greatest shortcoming has been the failure to provide sufficient funds for the utilization of rain gages, snow surveys, stream flow measurements, evaporation stations, runoff and erosion studies, ground water observation wells, water quality analysis, and other established methods of obtaining data essential to the planning and construction of river development projects.

"Continuous application of these techniques over a period of years is required to furnish reliable data, yet not infrequently, the first intensive efforts to apply them are coincidental with the commencement of a project study. Few areas are even adequately mapped for water development purposes."

Unless these basic data are obtained in advance of development, there can be no sound basis for the allocation of the water resources. The collection of scientific data has little popular appeal and many state budgets fail, as the Hoover Report indicates, to make reasonable provision for obtaining data that must be collected over a period of years to have design value. The proper development of water resources, both from the standpoint of increasing the quantity available during periods of drought and the control of flood damage, is a matter of real public concern. It is important, therefore, that conferences such as this give consideration to legislation that will insure the establishment and financial support of these necessary and permanently continuous fact-finding agencies of the state and Federal Governments. We must know the measurements of the resource before we can hope to allocate its use with wisdom and judgment.

If water use allocation were to be limited to the quantity available from the normal uncontrolled flow of surface water and from ground water pumpage in a river basin, it is obvious that the limit of allottable usage would be that available during the minimum flow period modified by ground water storages, and, therefore, much of the potential water resource of the basin would be lost. It follows that the allocation of water usage in amounts in excess of this minimum uncontrolled discharge would require that there be an analysis of upstream flow regulation including a determination of its engineering and economic feasibility.

Going to the Source

The source of water as a usable resource is the rain and snow that falls on the catchment area of a river or lake basin. Consequently the land and water area of a drainage basin forms the natural areal unit for the study of the various ways that the waters of the basin can be controlled for flood protection and for use and, in some instances, for multiple re-use.

Depending on the topography and geological formations, river basins vary widely in their capacity to naturally equalize the discharge rate of rain and snowfall. The filling and subsequent drainage of permeable formations in the river basin provide the dry weather river discharge. These formations also provide the below-ground water storage, recoverable through the use of wells. In some basins the storage capacity of the permeable formations may approach that necessary for a full control of the river discharge. In other basins the storage potential of river valley aquifers can be greatly increased through a development of recharge areas tributary to well fields.

The planned development of the water resources of any river basin requires that all these basin factors be studied as an integrated unit. While public and economic interest in the water may vary along the course of the river draining the basin, it is the same runoff water that passes each section of the valley and changes in its quantity and quality are the product of its control and use through the length of the valley.

The destructiveness of our floods is evidence that the developed land usage of the flood plains of a river is competitive with the need for the same flood plains for the passage of floods that originate up-valley.

Unified Approach

Not only should the development of the water resources of a river basin be studied as a unit and a mutually acceptable policy of use and control be developed, but public works based on these studies may need to be basin-wide in their scope to secure the highest development of the water resources of the valley; again, consistent with society's economic needs.

Aside from flood control, much of the legislation authorizing the development and financing of public works relating to water resource development has been enacted to meet the situations that confront cities and other political subdivisions concerned with a definitely local water supply problem. Water supply has been too long regarded as a utility problem having localized interest Consequently, each unit of local government has been compelled to operate within its limited jurisdiction to secure the water supply development that its growth requires. There appears to be a need for an operable and functional agency of government with the freedom of action necessary to coordinate the varied interests of a river basin into a unified plan

In these opening remarks, an attempt has been made to point out some of the special problems of water control and development that make this resource inherently different from others and to indicate a few of the legal aspects of these special problems.

This is not a new field of research and investigation and many excellent studies have been made by the agencies of the several states and by the Federal Government.

Joins H. H. Butterfield

(Special to THE FINANCIAL CHRONICLE)

LANSING, Mich. — Walter E. Hahn is now with H. H. Butterfield & Co., Hollister Building.

With Reynolds Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Robert H. Harvey has joined the staff of Reynolds & Co., 629 Second Ave., South.

Two With Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Philipp Kuhn and Leslie H. Pihlblad have become associated with B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange. Both were previously with H. O. Pett & Co.

Henry, Franc Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Charles Dohanich has been added to the staff of Henry, Franc & Co., 308 North Eighth Street, members of the New York and Midwest Stock Exchanges. He was previously with Taussig, Day & Co., Inc.

Two With Marlo Inv.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Vivian N. Kemp and Thomas E. Kump have become connected with Marlo Investments, 939 Oakridge Avenue. Mr. Kump was formerly with Gibbs & Co.

Joins Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — George Dobrea has been added to the staff of Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

Sexton With Newhard Cook

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Russell W. Sexton has become associated with Newhard, Cook & Co., Fourth and Olive, members of the New York and Midwest Stock Exchanges. Mr. Sexton was formerly President of Sexton Securities, Inc. of Jefferson City.

Stix Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Francis T. Barnidge is now connected with Stix & Co., 509 Olive Street, members of the Midwest Stock Exchange.

With Central States

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio—James M. Goddard is now affiliated with Central States Investment Company, Walpark Building.

Kidder, Peabody Appoints

(Special to THE FINANCIAL CHRONICLE)

SCRANTON, Pa.—Kidder, Peabody & Co., members of the New York Stock Exchange and other leading Exchanges, announce that Harold B. Cooper, Jr., has been appointed manager of their Scranton, Pa., office in the First National Bank & Trust Building.

FINANCIAL NOTICE

GENERAL REALTY & UTILITIES CORPORATION

4% Cumulative Income Debentures
Due September 30, 1969

NOTICE OF PAYMENT OF COUPON NO. 26

Payment of the amount called for by Coupon No. 26 representing interest for the six months period ending September 30, 1957 on the above mentioned D-bentures of General Realty & Utilities Corporation, will be paid on September 30, 1957 at Bankers Trust Company, Successor Trustee, 46 Wall Street, New York 15, N. Y.

GENERAL REALTY & UTILITIES CORPORATION

SAMUEL M. FOX, Treasurer.

September 16, 1957.

DIVIDEND NOTICES

Allegheny Ludlum Steel Corporation

Pittsburgh, Penna.

At a meeting of the Board of Directors of Allegheny Ludlum Steel Corporation held today, September 5, 1957, a dividend of fifty cents ($0.50) per share was declared on the Common Stock of the Corporation, payable September 30, 1957 to Common Stockholders of record at the close of business on September 13, 1957.

S. A. McCASKEY, JR.
Secretary

GENERAL REALTY & UTILITIES CORPORATION

DIVIDEND ON CAPITAL SHARES

The Board of Directors has declared a quarter-annual dividend of 20 cents per share on the Capital Shares of the Corporation, payable September 30, 1957, to stockholders of d at the close of business September 23, 1957.

SAMUEL M. FOX, Treasurer.

September 16, 1957.

CONSOLIDATED NATURAL GAS COMPANY

30 Rockefeller Plaza
New York 20, N. Y.

DIVIDEND No. 39

THE BOARD OF DIRECTORS has this day declared a regular quarterly dividend of Forty-Seven and One-Half Cents (47½¢) per share on the capital stock of the Company, payable November 15, 1957 to stockholders of record at the close of business October 15, 1957.

R. E. PALMER, *Secretary*

September 17, 1957

DIVIDEND NOTICES

SAFETY INDUSTRIES, INC.

formerly

THE SAFETY CAR HEATING AND LIGHTING COMPANY, INC.

DIVIDEND NO. 241

The Board of Directors has declared a dividend of 25¢ per share on the outstanding Capital Stock of the Company of the par value of $12.50 per share, payable October 25, 1957, to holders of record at the close of business September 25, 1957.

J. T. CULLEN,
Treasurer

August 27, 1957

SUPERCRETE LTD., ST. BONIFACE, MAN.

NOTICE OF DIVIDEND

Notice is hereby given that the Board of Directors has declared a dividend of eight and one-quarter cents ($.08¼) per share on the Common Capital stock of the company in respect of which dividends have not been waived, payable October 1, 1957, to shareholders of record at the close of business September 13, 1957.

Transfer books will not be closed.

F. R. DUNSMORE, C. A.,
Secretary-Treasurer.

UNITED SHOE MACHINERY CORPORATION

209th Consecutive Quarterly Dividend

The Board of Directors has declared a dividend of 37½ cents per share on the Preferred stock and 62½ cents per share on the Common stock, both payable November 1, 1957 to stockholders of record October 3, 1957.

WALLACE M. KEMP,
Treasurer

September 11, 1957

New England Gas and Electric Association

PREFERRED AND COMMON DIVIDENDS NOS. 42

The Trustees have declared a quarterly dividend of $1.12½ per share on the 4½% CUMULATIVE CONVERTIBLE PREFERRED SHARES of the Association payable October 1, 1957, and a regular quarterly dividend of twenty-five cents (25¢) per share on the COMMON SHARES of the Association payable October 15, 1957. Both dividends are payable to shareholders of record at the close of business September 24, 1957.

H. C. MOORE, JR., *Treasurer*

September 12, 1957

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Millions of Americans are driving automobiles they can't afford. Not only has the price of the automobile gone up, but everything connected with it has increased.

Cost of gasoline and oil, tires, spare parts and insurance have increased either through taxation, higher production costs or both. To the average family, ownership and upkeep of an automobile takes a sizable part of the budget and millions of them are feeling a sharp budgetary pinch.

Automobile retailing is a highly competitive business and its salesmanship can and usually is a high pressure technique. Radio stations in probably most towns and cities across the nation have commercial announcers "screaming" at hearers with fantastic "buys" being offered by dealers.

Enter Mr. Reuther

The more cars rolling on the streets and highways, the more it means to the high-pressure Walter P. Reuther, President of the United Auto Workers with its 1,500,000 members, and Vice-President of the AFL-CIO, and its 15,000,000 members. Nearly everybody perhaps will agree with the big boss of the UAW that the price of the car, and many other items as well, today is too high.

Reuther suggested the Big Three manufacturers reduce the price of the forthcoming 1958 models by $100 under the 1957 prices, as an anti-inflationary measure. At the same time he refrained from suggesting that his union reduce wages now nor to seek to raise them in the months ahead. In an apparent publicity scheme, he wrote President Eisenhower advocating that the General "exert his great persuasive charm" to help reduce the price tag as an inflationary curb. Of course, General Motors, Ford and Chrysler were unanimous in rejecting his proposal.

The Eisenhower Administration surprised no one a few days ago with its polite thumbs down on the Reuther proposal. Answering for the White House, Secretary of Labor James P. Mitchell said in a letter, polite enough not to offend the UAW: "As you know, this Administration has carefully avoided intervening in private collective bargaining. This policy has been a significant factor in encouraging labor and management to settle their own difficulties and thus foster industrial peace."

Will Union Strike?

The foremost speculative labor question in Washington is: will Reuther and the UAW strike when the two-year wage contract expires next May, if he fails to get what he wants at the bargaining table? A lot of things can and will happen before then. Some observers think he is going to make it difficult for the automobile manufacturers.

However, at this time some of the Labor experts in the nation's capital say the chances are he will not call a strike. A long, costly strike could prove the downfall of Reuther, who may have high political ambitions.

The labor leader is already on record for an eventual 32-hour week, but right now he and the union prefer dollars to a shorter week. Many people are beginning to realize that a shorter work week may not be all it is cracked up to be. Too many people on a five-day work week schedule are having difficulty finding things to keep them interested on week ends and the holidays, particularly those living in the Northern climates where they have to remain indoors from six to eight months out of the year.

Economy Car Imports on Rise

The imported small automobile is growing in popularity in this country. While it is not yet economically hurting the Big Three manufacturers, given time it could pinch and pinch badly. Automobile makers in Germany the first half of this year shipped an estimated 285,-000 units to foreign markets, a sharp increase over the corresponding period of 1956. During 1956 the United States imported from Germany alone 58,-029 units, and the 1957 imports probably will amount to more than 75,000. Imports from other countries will likewise exceed 1956 imports.

Many of the small, "economical cars" have the domestic industry thinking about the future. Suburban life is supposed to require a second family car. The smaller car can be operated more cheaply, and it is easier to park.

Furthermore, the trend to the suburbs may not continue. There are already signs that the trend is slowing down, with families returning to rehabilitated areas where the blight has been eradicated. The increasing costs to operate one or two automobiles is more than the average wage earner can afford. Reversal of this trend will hurt the automotive industry.

Long-Term Forecast

Along with the many minus signs pertaining to a mighty industry, there are some strong plus signs. Under Secretary of Commerce Louis S. Rothschild says this year's travel total will amount to 650 billion motor miles. He said by 1975, with our growing population, "we must reckon close to a trillion miles." Twenty years from now estimates are there will be 100 million passenger cars, trucks and buses on the highways.

The automotive industry is apprehensive about the future shortage of mechanics. Industry spokesmen estimate that more than 400,000 mechanics will be needed to service the 100 million vehicles. Therefore, the industry is faced with the problem of getting more trade schools and training schools to turn out mechanics. First they must have more mechanical instructors.

The way the trend has been going, by the time the great 41,000-mile, multi-laned Interstate Highway System is completed it will be obsolete. Will this mean that construction will begin on another vast interstate system? Not necessarily. A few transportation authorities say we may be witnessing the last great highway construction program in the United States.

Economics of Highway Program

For one thing a big, multi-laned, access road takes out of production too much land, which is becoming more and more valuable. An average mile of interstate road takes 60 acres of land out of production. Also on the minus side, many homes, farms, churches and even school buildings are being razed so the big road machinery can start chewing away at the earth to make a new road.

The question is: will the day come when it will be better to have more great ribbons of concrete and asphalt stretching across the horizon, or will it be better to leave the land for homes, farms, forests, playground and recreation areas?

While such a program is good for the motor industry, the freight trucking industry, the trailer manufacturers, the equipment manufacturers, cement and asphalt industries, and a scramble for the services of engineers, it has many detrimental points to other industries and to people not associated with those industries.

The McClellan Hearings

One of the most important things accomplished during the first session of the 85th Congress was the hard-hitting inquiry into labor racketeering by the McClellan Committee. Hearings are certain to be conducted intermittently throughout 1958. There is a possibility they will continue for two or three years.

There is belief in qualified circles that only the surface into racketeering has been scratched. There is also a feeling that Congress may seek to place the powerful international unions under the anti-trust laws to which management is subjected.

The hearings by Senator John L. McClellan of Arkansas and his colleagues, between now and the time the UAW wage contracts expire late next spring, probably will have a bearing on whether or not more than 1,000,000 UAW workers are called out on strike. Chances are that when Walter Philip Reuther gets down to the "lick log" there will be no major UAW strike next year.

[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

"He's a natural for company treasurer—if he ran off with the money think how easy it would be to identify him!"

Business Man's Bookshelf

Accounts Receivable Financing As a Method of Business Finance—Clyde William Phelps—Commercial Credit Company, Baltimore, Md.—(Paper).

Banks and Politics in America From the Revolution to the Civil War—Bray Hammond—Princeton University Press, Princeton, N. J.—(Cloth)—$12.50.

Business Cycles and Economic Policy—Erik Lundberg, translated by J. Potter—Harvard University Press, Cambridge 38, Mass.—(Cloth), $6.50.

Long Island Lighting's Variable Annuity Plan—Robert G. Olmsted—American Management Association, Inc., 1515 Broadway, New York 36, N. Y.—(Paper).

Modern Personnel Program—A Guidebook—Mutual Life Insurance Company of New York, 1740 Broadway, New York 19, N. Y.—(Paper), on request.

Statistical Abstract of the United States 1957—Superintendent of Documents, U. S. Government Printing Office, Washington, D. C.—(Cloth)—$3.50.

Wages . . . Prices . . . Profits . . . and Inflation!—National Association of Manufacturers, 2 East 48th Street, New York, N. Y.—(Paper).