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EDITORIAL

As We See It

These are not happy days for the apostles of totalitarian economics, whether they preach the extreme form found in Soviet Russia or the more moderate variety as in India and Britain. Russia has unquestionably made great strides in science and probably in the production and installation of industrial machinery. There may have been marked progress in the production of certain types of goods, particularly war equipment, but it is evident that as producer and distributor of those things that the Russian people need and want in their everyday lives the Russian economy has been anything but a brilliant success despite the strenuous efforts of an able and quite all-powerful ruling clique. It may be idle to talk about a "day of reckoning" in Moscow, but it is highly probable that the Kremlin rulers would be much happier if their economic troubles were behind them.

India is said to be facing a financial crisis, which unless temporarily resolved by further huge sums in foreign aid may well force drastic revision of the plans of the economic managers and set far back the day when the situation in that country will be what the rulers had expected at a much earlier date. Huge sums from abroad have been laid out by the economic planners of that distressed land with relatively little to show for them. Without further liberal amounts of aid, the future is said to look dark; with such additional help there is little or nothing to prove that when it is gone the situation will be very much better than it is today. Britain, which has espoused the notion of a managed economy with ardor, is likewise in trouble despite

Continued on page 47

Politics vs. Sound Money

By HONORABLE A. WILLIS ROBERTSON*
United States Senator From Virginia

Senator Robertson places bankers on notice that were we "to experience another period of . . . uncontrolled inflation or a severe depression, politics will again enter . . . banking, the issuance of money, and the fixing of its value." The Senate Banking and Currency Committee head praises Hamilton's prescience, virtues of gold standard, and Carter Glass' opposition to certain New Deal money legislation. Offers program to combat current inflation, and recalls how 1933 advocacy of plentiful money to aid farmer has become a boomerang to point where we now have a 48-cent dollar, highest money in circulation, and still depressed farm prices.

The early Colonists, especially in the Commonwealths of Virginia and Massachusetts, had little coin currency; and, therefore, they had no need for banks. In fact, the first bank in the new nation was Robert Morris' Bank of North America chartered during the Revolutionary War. From the commencement of our Federal Government in 1791 to 1836, there was only one bank under Federal charter, but during that period, the number of state banks had gone from three to about 700.



Sen. A. W. Robertson

Since 1934, when bank deposits were insured, the attitude of the general public towards banks and bankers has been so friendly that it is a bit difficult to remember that from 1791 down to the present time neither banking nor currency control has been free from from

criticism and partisan politics. The primary purpose, therefore, of choosing as my subject "Politics Versus Sound Money" is to put all bankers on notice that should our country be so unfortunate as to experience another

Continued on page 38

*An address by Senator Robertson before the State Bank Division at the 83rd Annual Convention of the American Bankers Association, Atlantic City, N. J., Sept. 23, 1957.

ABA Holds 83rd Annual Convention

Speakers at Atlantic City meeting address 7,000 bankers on inflationary, competitive, and world problems to be faced during the months ahead. Joseph C. Welman, President of Bank of Kennett, Mo., elected President of Association for ensuing year; Lee P. Miller, President of Citizens Fidelity Bank and Trust Co., Louisville, Ky., and Elwood F. Kirkman, President of Boardwalk National Bank of Atlantic City, N. J., elected Vice-President and Treasurer, respectively. Speakers include Right Honorable Peter Thorneycroft, Senator A. Willis Robertson, Roger M. Blough, Frank Pace, Jr., Benjamin Strong, Malcolm Bryan, Ray M. Gidney and Erle Cocke.

At the conclusion of 83rd Annual Convention of American Bankers Association, held Sept. 22-25, in Atlantic City, Joseph C. Welman, President of Bank of Kennett, Mo., was elected to the Presi-



Joseph C. Welman Lee P. Miller Elwood F. Kirkman

dency; Lee P. Miller, President of Citizens Fidelity Bank and Trust Company, Louisville, Ky., as Vice-President, and Elwood F. Kirkman, President of the Boardwalk National Bank of Atlantic City, N. J., as Treasurer. Problems facing the nation's

Continued on page 40

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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.)

STANLEY HELLER

Stanley Heller & Co., New York City
Members New York Stock Exchange
and American Stock Exchange

The Yale & Towne Manufacturing Co.

To choose for presentation the security I like best is not easy.

Soundly financed and efficiently managed enterprises abound in America. Such a choice should be based upon outstanding leadership in one or more fields of private enterprise—upon one revolutionary invention or discovery—hence my choice—The Yale & Towne Manufacturing Co.

My reasons may be summarized as follows:

(1) The present management is carrying on and extending the business in accordance with the high tradition established by the founders 89 years ago;

(2) Linus Yale Jr., the inventor of the YALE LOCK, was truly an "original" genius, in that he did not just improve upon the popular fasteners of his day; but ventured upon an entirely NEW locking device;

(3) Henry Robinson Towne, Mechanical Engineer, had sufficient business acumen and far-sightedness to sense the profit-making possibilities in the mass production of the Yale Lock;

(4) Frederick Winslow Taylor, Efficiency Engineer, the originator of SCIENTIFIC MANAGEMENT, under whose guidance and advice, Towne laid the foundation upon which the present company—a pioneer in its field—now so securely rests.

The unique—revolutionary—character of young Yale's invention is recognized in our encyclopaedias and dictionaries. Indeed, in Webster's International Dictionary the only kind of lock given separate listing among the more than half billion words in the latest edition is YALE LOCK.

Thus is established the uniqueness of the product—perhaps my primary reason for selecting Yale & Towne as the Security I Like Best today!

Henry Robinson Towne, an honor graduate in engineering from the University of Pennsylvania, joined with Linus Yale in establishing the Yale & Towne Lock Company in October 1868 in Stamford, Conn., housed in one small building and employing 30 "hands." Today, the business has expanded to 17 plants and employs some 17,000 "hands!" To him we extend second honors for his initiative in introducing the product of Yale's genius to the market.

Frederick Winslow Taylor, Efficiency Engineer, graduated from Stevens Institute in 1883. Between 1878 and 1889 he was employed by the Midvale Steel Company in Philadelphia. Thereafter he devoted himself to organizing the managements of manufacturing concerns, including the Bethlehem Steel Company, and Cramp's Shipbuilding Company. He is credited with the origination of Scientific Management in business. He wrote many books and treatises on the subject, and one, entitled "Principles of Scientific Management," published in 1911 was dedicated to Towne and the Yale & Towne Manufacturing Company.



Stanley Heller

Under Taylor's guidance, then, it may be said that the present Yale & Towne Manufacturing Company pioneered in the sort of "know how" management out of which the distinctively American process of Mass Production, with the whole world as its market, has been developed.

The consequence is that today, the YALE trademark has become a household word in practically every land.

Dividends have been paid continuously on the capital stock since 1899. The present rate is \$1.50 per annum. The price range thus far this year has been from a high of 34% to a low of 27%. As of the beginning of the year, the net worth per share was \$28.41.

For the first half of 1957, after non-recurring charges incurred to complete a notable expansion program, the net earnings per share were equivalent to \$1.24. These non-recurring charges came to approximately 25c per share. With the expansion program completed for the year, net earnings during the fourth quarter of this year should be favorably affected by the full productive use of the new facilities, and I expect a net of around \$3.00 per share to be chalked up this year. The Company's Lock and Hardware operations will set a new sales record this year.

In conclusion, may I point out that the Yale & Towne business has become greatly extended beyond the lock and hardware field. The company is a principal producer of materials handling equipment, notably the Fork Lift Truck. A recently introduced truck of this sort has lifting capacities ranging from 15,000 to 20,000 lbs.

Operating Divisions and Products
The company is presently organized as follows:

Materials Handling Divisions:
Yale Materials Handling Division, Central Office, Philadelphia, Pa.

Automatic Transportation Company Division, Chicago, Ill.
Contractors Machinery Division, Batavia, N. Y.

RAY VOGEL
Investment Advisory Department
Harris, Upham & Co., New York City

National Lead Company

In the past decade National Lead has had a 1000% market appreciation, and the company's potential is so impressive that in the next ten years, its growth may be almost a dynamic.

This company has reported profits every year since it was incorporated in 1891, and it has paid dividends without interruption since 1906. Its capitalization is very simple, with no debt and two small preferred issues ahead of approximately 11.6 million common shares. National



Ray Vogel

This Week's Forum Participants and Their Selections

Yale & Towne Mfg. Co.—Stanley Heller, Partner, Stanley Heller & Co., New York City (page 2).
National Lead Company — Ray Vogel, Investment Advisory Dept., Harris, Upham & Co., New York City (page 2).

Lock and Hardware Divisions:

Yale Lock & Hardware, Central Office, White Plains, N. Y.
Bank Lock Service Division, Ridgeway Center, Stamford, Conn.
Norton Door Closer Company Division, Berrien Springs, Mich.

Other Domestic Divisions:

Research & Development, Division, Valley Forge, Pa.

The MHE Corporation, Chrysler Bldg., New York City. (Financing and leasing subsidiary for Materials Handling Equipment.)

Powdered Metal Products Division, Central Office, Franklin Park, Ill. (Yale Powdered Metal and Ferrite Components, with plants at Franklin Park and Addison, Ill.)

Divisions Outside of the U.S.A.:

British Lock & Hardware Division, Willenhall, Staffordshire, England. (Yale locks of all kinds; Builders' Finishing Hardware; Door Closers.)

British Materials Handling Division, Wednesfield, Staffordshire, England. (Yale Electric Industrial Lift Trucks; Hand Chains & Electric Hoists.)

Canadian Division, St. Catharines, Ontario, Canada. (Yale Locks of all kinds; Builders' Finishing Hardware; Door Closers; Materials Handling Equipment.)

German Division, Velbert, Rheinland, Germany. (Yale and BKS Locks of all kinds; Door Closers; Builders' Finishing Hardware; Yale and BKS Hoists; Gas, Diesel & Electric Powered Lift Trucks.)

Licensed Manufacturers in France, Belgium, Italy, Spain, Australia and Japan.

Sales Representatives and Service Centers in principal cities throughout the world.

Yale & Towne common stock is listed on the New York Stock Exchange.

Lead does not mine or refine lead as the name implies. It purchases lead which is sold at a fixed mark-up, and it actually can make a larger profit when lead prices are low than when they are sky-rocketing.

Since 1946, the company's sales have increased by 245% and during the same period net income rose 355%, while dividends have been boosted 592%. The management of this diversified company has stated that there is hardly an industry in the country that National Lead does not do something for. Important consumers of its products are the railroad, oil, home appliance, and construction industries.

The company's corporate name is rather a misnomer as the 1956 product breakdown in the table below illustrates.

Continued on page 14

Paints, Pigments, Oils.....	37%
Fabricated Metal Products:	
Tubes, Plate, Babbitt, Sheet, Pipe.....	19%
Die Castings:	
Zinc, Aluminum, and Magnesium.....	20%
Railway Journal Bearings and Valves.....	8%
Oil Well Drilling Muds and Chemicals.....	11%
Miscellaneous:	
Refractories, Titanium, Chemicals, Containers, etc.....	5%
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Fundamental Principles For A Sound Future

By GEORGE M. HUMPHREY*

Former Secretary of the Treasury
Chairman, National Steel Corporation, Pittsburgh, Pa.

Abjuring departure from current monetary and fiscal anti-inflationary course, ex-Treasury Secretary proudly recounts the manifold accomplishments of the Republican Administration and warns that the still unsolved "serious domestic economic problem" of inflation will not be solved by returning to past Democratic policies. Terming inflation a problem of prosperity and not adversity, Mr. Humphrey urges government, business, labor and consumers to support current monetary and fiscal policies which "may already be taking hold."

I found many things in Washington which were different or done differently than in my experience in private life, but the most striking difference was the attitude of so many people in holding to their own opinions for what they personally considered most advantageous, often to the prejudice or even the entire exclusion of matters of great general interest and public concern.



Geo. Humphrey

Basic principles were obscured or lost by some personal program, and the disunity resulting often lost the opportunity to establish either. Unity of purpose within Republican ranks must be paramount to any personal claims. To promote the greatest unity and, therefore, the greatest power for the party, we must let nothing distract us from driving forward as a unit on the basic principles for which we stand and upon which we can all agree.

There are now and, of course, always will be differences of opinion in a vigorous party as to when and how things might best be done, or what particular programs might merit priority. But there should never be any fundamental difference as to the principal things for which our party stands. Greater unity about these main objectives is something we must preserve within the party at all times, whether you consider yourself a new Republican or an old one.

Accepted Fundamentals

These are some of the fundamentals upon which we can all agree.

We stand for modern and ready defense, efficiently maintained, a defense made stronger by the elimination of waste and extravagance.

We stand for a free, healthy and growing economy at home to make possible that adequate defense and to provide for continually better living for all our people.

We stand for freedom of the individual, protected always in his

freedom of choice, knowing that free men working freely with the hope of well-earned reward have made this country the great nation that it is today.

We stand for government intervention in the lives of our people only to keep the exercise of that freedom upon an equality with the equal rights of others or for the Government to do those things only which free individuals cannot so well do by and for themselves.

These are fundamental objectives for which every member of the Republican Party can firmly stand. It is for the further fulfillment of these objectives that we must work in greater unity against political faiths which have different ideas and ideals about the importance of individual freedom and the role of government in the lives of the people.

By vigorously and aggressively insisting on these basic concepts, our party can grow in stature and effective performance at the national, state, county and municipal levels.

The record of America in the past four years has been a brilliant one of adherence to the objectives I have mentioned.

It is a record of providing the greatest military strength in our history to assure our security.

A Record of Prosperity

It is a record of a prospering America with new high levels of employment, rising income, and increasing purchasing power.

It is a record of more and better jobs, more homes, more cars, more leisure, and more recreation.

It is a record of unequaled prosperity with both the blessings and the problems of such a period.

Last year an average of 65 million of our people were gainfully employed, an increase of 3,700,000 in only four years. During the same four years, unemployment has averaged less than 4% of the civilian labor force. The average unemployment was higher than 4% during the preceding four years, and was as high as 15% during the New Deal days from 1937 until the beginning of World War II.

The record of the past four years is also a record of rising levels of living, widely shared. During this period, average annual family income, after Federal income taxes, has increased about

Continued on page 52

INDEX

Articles and News

Fundamental Principles for a Sound Future	Page
—George M. Humphrey	3
New Climate for Interest Rates—Roy L. Reiersen	4
Financing Inter-Municipal Public Project Developments	5
—John S. Linsen	5
Inflation and Its Significance to Commercial Banking	6
—Raymond Rodgers	6
The Present Rail Outlook—W. Wendell Reuss	10
Development of Sound Economies in the Nations of the World	11
—Hon. Robert B. Anderson	11
The Arrow in the West—Norman R. Sutherland	12
Banks Along the Mohawk—Ira U. Cobleigh	13
Chance of a Decade in Insurance Stocks—Snelby Cullom Davis	14
Electronics on the Horizon—Brig. Gen. David Sarnoff	16

ABA Addresses and Convention News

Politics vs. Sound Money—Senator A. Willis Robertson Cover	
Planting the Roots for Banking's Development	
—Erle Coker	18
Common Stocks: The Big Challenge—Benjamin Strong	20
FDIC's Role in Nation's Bank Economy	22
—Hon. Ray M. Gidney	22
Understanding the Big Debate—Roger M. Blough	24
Inseparable Twins—Daniel W. Hogan, Jr.	26
United Kingdom Policies and the U. S. A.	28
—Hon. Peter Thornycroft	28
Price of Defense Is Not a Military One Alone	30
—Frank Pace, Jr.	30
A Hard Look at a Few Tasks Ahead—Malcolm Bryan	32
Realistically Solving Agricultural Problems	34
—William L. Myers	34
Banks Must Help Fight Inflation—Clarence E. Manion	37

American Bankers Association Holds 83rd Annual Convention	Cover
Message from President Eisenhower	40
ABA's Efforts in Promoting Savings Bond Sales Praised by Treasury Head, Robert B. Anderson, and Assistant Paul I. Wren	40
Thoburn Mills Reports on Trust Division's Activities	40
Sam M. Fleming Reviews Work of National Bank Division	40
A. K. Davis Discusses Role of State Bank Division	41
Resolutions Adopted at the Convention	41
National Advertising Program Recommended	42
New Heads of ABA Divisions and State Ass'n Section	42
Staff Titles and Organizational Changes	42
Backgrounds of New Top ABA Officials	42
1958 Meeting to Be Held in Chicago	43

Mutual Savings' Deposits at All-Time High	31
San Francisco Division of Pacific Coast Exchange Celebrates Diamond Anniversary	35
Frederick Shull Avers Gold Devaluation Would Adversely Affect Savers (Letter to Editor)	37
Harvey Firestone Optimistic on Tire Sales and General Business	48
Purchasing Agents Report Renewed Optimism on Fourth-Quarter Business	49

Regular Features

As We See It (Editorial)	Cover
Bank and Insurance Stocks	44
Business Man's Bookshelf	64
Coming Events in the Investment Field	8
Dealer-Broker Investment Recommendations	8
Einzig: "U. S. A. Dollar Aid Hinders Britain's Recovery"	15
From Washington Ahead of the News—Carlisle Barger	*
Indications of Current Business Activity	62
Mutual Funds	60
NSTA Notes	8
News About Banks and Bankers	17
Observations—A. Wilfred May	5
Our Reporter on Governments	49
Our Reporter's Report	*
Public Utility Securities	47
Railroad Securities	63
Securities Now in Registration	54
Prospective Security Offerings	57
Securities Salesman's Corner	49
The Market . . . and You—By Wallace Streete	16
The Security I Like Best	2
The State of Trade and Industry	4
Washington and You	64

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New Climate for Interest Rates

By ROY L. REIERSON*
Vice-President and Economist, Bankers Trust Co.,
New York City

Recent dampening of business optimism prompts banker-economist Reierson to reappraise the forces affecting the interest rate trend. Notes: (1) near term demand for funds still leaves short-term credit very tight; (2) 1958 investment spending may be topping off not far below record 1957 level; (3) slight ease in savings shortage; and possible halt to cost-price rise and tight employment. Concludes that though interest rates may be at their peak and money market easier later on, there is no reason now to expect radical money market change, and not to expect a surprise return of the now latent inflation.

The past three years have vividly demonstrated some of the problems posed by a dynamic investment boom. In broad terms, business has been excellent; employment has reached new peaks, incomes are higher than ever, and output has increased year after year. But price inflation has intensified, production costs and living costs have risen significantly, and—as always in an era of sustained economic expansion—the cost of money, too, has moved upward.

Those who are charged with responsibility for the financing decisions of governments need hardly be reminded that interest rates have just recently set new high marks for more than a quarter century. As a result, long-term borrowers everywhere are confronted with difficult decisions; some contemplated expenditures have been reexamined and some borrowings have been deferred or reduced.

At present, as has happened several times in the course of the current upswing in interest rates, we again find ourselves in a period of hesitation and questioning. There is a growing feeling that the great boom of the past three years is tapering off, that demands for funds may become less pressing, and that bond yields may be near a peak, at least for the time being. Assuredly, similar beliefs have prevailed earlier this year, last year and the year before, only to be refuted by the course of events. Nevertheless, this time, perhaps more strongly than in the past, the business news calls for a reappraisal of the major forces at work upon interest rates.

*An address by Mr. Reierson before the National Association of State Auditors, Comptrollers and Treasurers, Hartford, Conn., Sept. 25, 1957.



Roy L. Reierson

Worldwide Investment Boom

It is perhaps of small comfort to borrowers, but of great importance fundamentally, to realize that the rising trend of interest rates is not limited to the United States, but is essentially worldwide in character. In the day-to-day conduct of affairs, we tend to lose sight of the fact that the United States boom is part of a tremendous, practically global economic expansion, comparable to and probably greater than any such development in the past. Almost the whole world is in the midst of a huge wave of investment activity; industrial facilities are being increased, new housing is being built on a large scale, public works are being pushed ahead, and large sums are being spent to develop additional sources of energy. As a result, demands for capital in most countries have been running substantially ahead of current savings, and interest rates have advanced sharply.

These powerful economic forces have within the past decade swept aside the easy money, low interest rate doctrines and policies that were inherited from the depressed 1930's and were generally kept alive through World War II as part of the system of war finance. More and more, the attempt to maintain interest rates at artificially low levels led to impossible conflicts and quandaries. In effect, such efforts meant keeping central bank credit readily available at easy terms; in an expansive environment this obviously contributed to a rising money supply and added fuel to inflation. Consequently, it became generally necessary to adopt various measures for controlling the use of credit, such as the rationing of capital, the imposition of ceilings upon bank loans, or the subjecting of particular types of financing to special regulation. Such techniques succeeded, at least for a while, in holding rates down for favored borrowers but did not, of course, help would-be borrowers outside the pale. One by one, central banks and governments eventually reshaped their policies in order to cope with a vigorous and sustained investment boom, and allowed interest rates to reflect

the operation of underlying market forces.

As a result, interest rates in many important countries abroad have risen much more than in the United States; our discount rate, at 3½%, compares with 5% in Sweden, 4½% in Belgium, 4% in Germany, and about 4% in Canada. Just last week, moreover, the Bank of England has raised its rate to the unusually high level of 7% in an effort to cope with progressive inflation. And long-term rates in the United States, as exemplified by the recent 3.6% yield on Government bonds of long maturity, are materially below the approximately 5½% yield prevailing in the United Kingdom and the 5% yield quoted in the Netherlands, for example. Seen from abroad, credit in the United States is still relatively cheap, as evidenced by the large amount of funds recently raised here by Canadian and other foreign borrowers.

Heavy Demands at Home

Although in broad perspective the increased cost of credit in the United States appears as part of a world-wide trend, the rise in interest rates in this country is the specific result of the huge demands for funds generated by the expansion of our economy. The basic factor was the upturn in business which began in the latter part of 1954 and which pushed the national output to successive new peaks. Such a rise in business activity inevitably requires additional credit to finance higher production, sales, inventories, and payrolls. In addition, there was particularly vigorous expansion in those sectors of the economy which are heavy users of long-term funds—at first homebuilding, subsequently business outlays on plant and equipment. Also, spending on public works by state and local governments advanced steadily throughout.

Another important boost to financing demands stemmed from the strong and persistent rise in production costs. Prices of industrial products, which had been firming since 1952, began to advance smartly in 1955; farm prices touched bottom in that year and began to improve. In addition, the costs of construction and of capital equipment, where credit needs bulk especially large, increased even more rapidly than prices in general.

While demands for funds rose markedly, the supply of savings, on the other hand, lagged behind; in fact, the flow of funds available to major lending and investing institutions has not changed very much in recent years. This situation is not altogether unusual; the savings flow does not ordinarily rise or fall as quickly as does the demand for new financing. Moreover, an environment of persistent price inflation, such as we have had for the past several years, is hardly one in which people can effectively be encouraged to increase their current savings. With huge demands for investment funds pressing upon a limited supply of savings, a sharp firming of interest rates was a natural consequence of market forces.

The Role of the Federal Reserve

The Federal Reserve has not acted to push rates upward. This point, although obvious, deserves emphasis in view of the occasional misinterpretation of the role played by the Federal Reserve in the interest rate picture. Rather, the aim of Federal Reserve policy has been to prevent the expansion of bank credit from becoming excessive, and specifically to curb the rise of short-term bank credit as a substitute for the savings which are in short supply.

Thus, credit policy has not prevented the commercial banks from providing a substantial volume of

Continued on page 45

The State of Trade and Industry

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

Reports coming to hand this week on the nation's industrial production were not as encouraging as many business and industrial leaders and the public would like them to be. The much awaited pick-up in steel demand thus far has not materialized. Some slight improvement has been noted, but the increase has fallen short of expectations. An important factor in this "creeping improvement" as "The Iron Age" describes it this week hinges on increased automotive production and sales.

Presently the automotive industry is for the most part giving its undivided attention to 1958 model changeovers and manufacturers are awaiting the public's reception of their new models before letting orders for sizable steel tonnages. In this connection an encouraging note was sounded last Friday by "Ward's Automotive Reports," which stated that "September new car sales, based upon second 10-day reports are exceeding all previous expectations and are running above September last year by nearly 20%."

Last week electric energy distributed by the electric light and power industry suffered a mild recession in output following modest improvement in the preceding period. Carloadings too, in the latest week, eased as well as the wholesale commodity and for price indices. In retail trade, reports state that continued hot weather discouraged consumer buying in many regions the past week, and as a consequence, total dollar volume showed slight declines both for the week and the like period a year ago.

The nation's employment situation for the week ended Sept. 21, shows that new claims for unemployment compensation declined largely because of a tapering off of layoffs in the auto industry, the The United States Department of Labor reported. The new claims totaled 231,900, down 23,100 from the week before. For the week ending Sept. 22 a year ago, the total was 185,300.

Total unemployment payment figures, which run a week behind the statistics on new claims, have not yet shown the pick-up in the auto industry. As of Sept. 14, 1,169,200 were on the unemployed payment rolls, up 43,000 from the week before.

Business in the fourth quarter will be good, the September survey of the National Association of Purchasing Agents shows.

Reflecting a renewed optimism that fourth quarter business will match earlier predictions, it added that of purchasing agents surveyed, 32% look for higher production in the fourth period, 46% said production would be in the same and only 22% believe production would decline.

On new orders, 36% of the agents anticipate a pickup, 44% expect the same level and 20% see lower levels.

However, while 72% of the purchasing agents said no change was contemplated in their capital expansion plans for the remainder of 1957, some 20% did indicate cutbacks are planned. Inventories of 34% of the agents are lower than a month ago, 51% are the same and only 15% listed increases.

Higher prices are reported by 51%, down from 57% a month ago; the same prices are reported by 42% and 7% reported decreases.

In the steel industry this week slumping iron and steel scrap prices reflect the unexpectedly slow fall pickup in steel demand, states "The Iron Age," national metalworking weekly. Reporting on scrap, it adds, "the bottom dropped out of scrap prices last week and the decline is expected to continue."

"The Iron Age" composite price of scrap is off about 40% from last December's all-time high of more than \$65 a gross ton. The new prices are about on a par with those prevailing at the bottom of last spring's slump.

A survey of sellers and buyers of scrap developed varied opinions on the sharp drop in prices, but the reason most often advanced was that the mills are loaded with scrap and have little or no interest in new buying unless the steel market shows more zip than it has in recent weeks. However, some brokers, dealers and buyers figure scrap prices are nearing a level that will develop new mill buying.

Meanwhile, the "creeping improvement" in steel during the

Continued on page 50

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Continued on page 45

Observations . . .

By A. WILFRED MAY

THE X-FACTOR IN THE INTERNATIONAL CURRENCY OUTLOOK

WASHINGTON, D. C. — "The British never feel moral unless they are making themselves uncomfortable."

Midst all the speculation by the experts on the outcome of Mr. Thorncycroft's dramatic austerity program, the validity of this national characterization by a great literary figure, the late Mr. Bernard Shaw, may well be the final determinant. In this connection it must be realized that the austerity which will have to be "taken" by the citizenry in England as the inescapable accompaniment of the logical and necessary policy of restriction will be of a nature that would be unacceptable to the voters in other democracies, notably the United States and France.



A. Wilfred May

On the basis of the economic rules and logic the results of the combination of British restriction and German expansion should work out successfully—or at least as characterized here by Per Jacobssen, Director of the International Monetary Fund, in a talk with this writer, as having "a sporting chance" and of even, perhaps, constituting a first step toward subsequent convertibility.

(Although the initial measures of Britain's dramatic raising of her rediscount rate from five to seven per cent and the Germans' concurrent reduction from four-and-a-half to four were, properly, taken completely outside the auspices of the Fund, the implications are of vital concern to that organization as well as the United States Treasury. The Fund serves as a vital standby "money doctor" and direct prop, of whose \$8.9 billion of capital subscriptions \$2.75 billion have come from the United States.)

Impact on Speculation
The twin actions on the two countries' bank rates should relieve the pressure on sterling in a number of ways. First, there are the extremely important speculative transactions, whose heavy

volume, besides exerting the pressure on sterling, has obscured the actual deterioration in Germany's budgetary and other domestic financial position. If the speculative exchange situation clears up, a cessation of the balance of payments problem of Germany and other countries will follow. Such speculation against sterling occurs in various channels:

(1) By outright exchange speculators acting as short-sellers of sterling. The cost of maintenance of their short position, on the difference between spot and forward sterling, is now sharply raised. Speculators convinced of the inevitability of devaluation will be scared off by neither speeches nor the borrowing rate, but by the cold statistics. So, while the more expensive carrying cost will act as a short-range deterrent, it will not thus serve permanently.

(2) By the business "speculators," who have been speeding up their imports and slowing up the remittance receipts for their exports. Now the cost of delaying return remittance is to be raised and credit availability curtailed. The new borrowing rate will markedly curtail such effective short-selling by businessmen with their acquisition of a long position in other currencies.

(3) By bankers in the non sterling countries with sterling balances who have been selling sterling. The impact here is limited.

Germany's Supplemental Action

Supplementing these effects of Britain's raising of her rediscount rate in mitigating the impact of speculation against sterling, will be the action of the German authorities in reducing their rate. This will stimulate home investment as well as capital exports to South America and elsewhere. It will help to relieve London in her financing of international trade, both by German exporters to other countries as well as exports of other countries to Germany (German imports). Their financing in Hamburg and Frankfurt, stimulated by the rate differential, will relieve the pressure on London for sterling exchange. Moreover, the cheapness of the

Continued on page 50

Financing Inter-Municipal Public Project Developments

By JOHN S. LINEN*

Vice-President, The Chase Manhattan Bank

Chase Manhattan banker finds unprecedented population flow, spilling over municipal boundaries and creating expanding suburbs, which in turn poses complex, essential public project financing problems transcending local boundaries, has encouraged undue use of special revenue or authority bonds at a higher cost than necessary. Denying any selfish motivation, Mr. Linen suggests using general obligations, as a less expensive alternative, and when special revenue issues are still preferred that proper legislative changes be made so bonds can be issued as obligations of an appointed authority and yet carry the unconditional guaranty of a state or local government. Discusses legislative or constitutional changes to permit more economical and effective area-wide public servicing.

The population trend and predictions for the next 20-year span make it appropriate that important State officials be consulted as to what is likely to happen in many of our metropolitan areas. Not only will the pressure of a growing population create problems which will tax the ingenuity and resources of some of the urban areas, it will also have a direct effect upon the economic development of the States. To deal with these problems adequately and intelligently will require in many cases understanding and cooperation by the States if the local areas are to find acceptable solutions. Constitutional and legislative changes will be in order and responsible State officers should be well informed and well qualified to counsel and advise in such matters.



John S. Linen

On occasion the lending of State credit may be necessary for the over-all good of an important segment of the population, but this in turn should be jealously guarded so that the States may at all times be well prepared to meet and deal effectively with those problems and obligations that are primarily theirs.

Predicts Future Growth

A few of the predictions for the next 20 years may help us better to appreciate the nature and significance of the developments with which we must deal:

- (a) Los Angeles, San Francisco, Dallas and Miami metropolitan areas will more than double.
- (b) The suburbs of these and several other cities will grow in even greater proportion.
- (c) Los Angeles will outstrip Chicago and become as a metropolitan area second to New York City.
- (d) About 75% of the total growth, estimated at 63.3 million in 20 years, will be in the cities and suburbs.
- (e) Over 75% of this city and suburb increase will in turn be in the suburbs.
- (f) Nearly 75% of the total population in the country will be urban.

The problems that are arising from these changes in our pattern of life will continue insistently and increasingly to call for acceptable solutions. While they will in most cases concern specific areas and should be dealt with essentially by local groups of such areas, legal authority may be in-

*An address by Mr. Linen before the meeting of National Association of State Auditors, Comptrollers and Treasurers in Hartford, Conn., Sept. 25, 1957.

adequate under present constitutional or statutory provisions to permit any sound or effective handling of the problems in question. It is at this point that sympathetic understanding and constructive assistance by the legislature and administrative officers of the State will be needed.

Financing New Projects

Among the most vexing problems will be the ability to finance the new projects required. The fiscal officers of the State can provide a leadership in recommending conservative but objective and forward looking changes that will aid greatly in shaping new legislation and at the same time guard properly the good name and credit position of the State.

Unless we take time to review our history and the progress of events, we forget how substantial and radical the changes have been (1) that affect directly our mode of life and (2) that demand the present-day facilities and services that are considered essential. When many of our State constitutions or legislative bills were approved that control the borrowing and taxing authority of our local units of government the following conditions prevailed:

- (a) the automobile was unknown or was a mere novelty.
- (b) the water supply was so plentiful there was little or no concern regarding the need for limiting its use or about water pollution.

- (c) raw sewage was dumped into neighboring streams or handled largely by local cisterns or cesspools.
- (d) local transportation was limited to a few steam trains, some electric trolleys in the larger cities and horse-drawn vehicles.
- (e) little time was allotted for recreation and few public facilities were provided although ample space was available if desired.

Two weeks ago I attended a most timely and interesting conference in Hartford at the invitation of the Connecticut General Life Insurance Company on the subject of "The New Highways—Challenge to the Metropolitan Region." This had to do with the \$100 billion Federal Government Aid Program deemed necessary because of the automobile and our dependence on this means of transportation.

The need for thoughtful and forward looking planning by federal, state and municipal units of government was discussed at length so that engineering, cultural and social considerations may be given appropriate attention where vital policy decisions are made affecting costs, routing and land use. In the metropolitan areas it was also recognized that highway facilities should be coordinated with transit facilities where mass transportation is involved.

The increased attention that is being given to metropolitan area problems is a growing recognition of the obvious fact that in many situations involving public services to the citizens of cities and their adjacent or neighboring suburbs, such services can be handled much more economically and effectively on an area wide basis than when several municipal units attempt to do this independently. This is conspicuously true of water supply and sewage disposal facilities, which tie in closely with public health and general welfare of the community.

When we consider the financing of area-wide projects we discover a great lack of uniformity in the legislative authority that exists in our various States. Because area-wide financing, which appropriately seeks to distribute the cost over the area and people to be served usually involves several

Continued on page 46



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October 1, 1957

Inflation and Its Significance To Commercial Banking

By RAYMOND RODGERS*

Professor of Banking, Graduate School of Business Administration and in the School of Commerce, Accounts, and Finance New York University

Banking expert advises bankers to prepare for further inflation, and what they should do, even though present signs indicate a leveling off. Professor Rodgers suggests this long-run precautionary move on the supposition that prices may shortly resume an upward trend. Finds preoccupation with bank induced credit inflation causes some to overlook non-monetary causal factors; describes popular fallacies about inflation; and reviews forces producing a non-conventional type of inflation.

Inflation is an old, old story to bankers. Bankers know that inflation is endemic in credit systems, and that it easily becomes epidemic if they don't continuously and resolutely restrain over-expansion of credit. But their preoccupation with credit inflation may cause them to underestimate the serious impact of the "creeping" inflation of the past two years, as it has come from non-monetary sources. Such inflation has many faces; it arises from many and diverse causes; it is more dangerous in many respects than the more spectacular and short-lived "galloping" form, such as we suffered from shortly after the war to 1948.



Raymond Rodgers

As everyone knows, inflation is dangerous to a nation, particularly to a democracy, as it impoverishes the middle class, the backbone of the democratic form of government. Nonetheless, there are many fallacies about inflation, such as: (1) that the heavy corporate expenditures for expansion of production capacity will smother the upward price pressures with a flood of goods; (2) that the greatly increased productivity flowing from our \$6-7 billion annual expenditures on research—research in management, research in materials, research in production, research in products, research in distribution—will reduce costs and prevent prices from rising, at least, over the long run; (3) that the impact of inflation on corporations is beneficial (as witness the greatly increased price of equities), because it leads to higher profits and, at the same time, lowers the debt burden; and most important of all, as far as bankers are concerned, (4) that the impact on our commercial banks can be disregarded as their assets and liabilities are expressed in terms of the same dollar.

Notwithstanding widespread acceptance of these fallacies, the purpose of this paper is (1) to show that inflation is a menace to our nation, including the banks (2) to analyze briefly the source and the impact of the various kinds of inflation on our commercial banks, and finally, (3) to suggest what bankers can do to meet the dangers involved. In doing this, in the words of my late and dearly beloved fellow Kentuckian, Alben Barkley, every effort will be made to show "wherein" as well as "wherefore!"

Revival of Fear of Inflation

In recent months, there has been a revival of the fear of in-

flation, particularly among economists. Wholesale prices, after six months of stability, resumed their upward creep in July—and at an accelerated pace, too. Consumer prices have risen every year since 1948, with the minor exception of 3 of one index point in 1955, and, more recently, month after month with monotonous regularity they have reached new heights. But it is not so much the price advance itself that has given rise to renewed concern as the fact that there could be any price advance, with tight money and with the economy operating at less than capacity in so many lines. In other words, the inflationary process is continuing despite determined credit restraint and excess production capacity in nearly all lines of industry.

In fact, production, after declining somewhat, has remained level for several months, but prices have been going up! Moreover, productive capacity continues to go up at a rapid rate. Rising prices, in the face of extremely tight money, in the face of idle and growing capacity, and in the face of sluggish, and even declining demand, is such a novel economic phenomenon that the Congress is investigating to see if the so-called "administered prices" are not the economic culprit. But even before the Congressional Committee reports, you can draw several pretty sound conclusions from the recent mark-ups on the retail tags on home laundry, television and many other major and minor consumer appliances by manufacturers, at the very time that dealers were being forced to give deeper and deeper discounts to move the products.

The classic short-run explanation for a run-up in prices is that they are the result of a flareup in demand coming from panicky buying arising out of fear—fear of war, fear of government fiscal policy, fear of currency depreciation because of a material increase in the money supply, and similar motivations. This is the so-called "demand pull" you have heard so much about. But, the threat of war is certainly not greater than a year or two ago; the Federal cash budget has been on the deflationary side for two years; and, although velocity has increased, the increase of the money supply itself has been so restricted by Federal Reserve credit restraint that it has not even grown at its normal rate, to say nothing of an abnormal inflationary expansion. So, we must look further for the reasons for what is happening to prices.

Causes of Present Inflation

Today's inflation is not the classic, conventional kind, flowing from government deficits and expansion of the money supply. Since the end of the war, Federal cash receipts have exceeded cash disbursements by more than \$12 billion and, thus, have not caused an expansion of the money supply. Moreover, the money supply (demand deposits and currency

outside banks), which went up \$17.4 billion, or 12%, in the four year period, December 1948 to December 1952, went up only \$10.7 billion, or 7%, in the four year period, December 1952 to December 1956. Thus, despite the greatest boom in our history, the money supply went up at a rate of less than 2% a year, which is less than the normal rate of expansion economists feel is necessary to meet the needs of our increasing population and expanding economy. Clearly, credit inflation is not to blame this time.

Although the causes of our present inflation are many and deep-seated, a quick review of the more important inflationary pressures will be helpful in estimating probable trends and in devising measures to counter their impacts on your institution.

High on any list of inflationary pressures would be the changed international position of the United States. World leadership entails great responsibilities and great costs. As Russia must be countered on all fronts, our military expenditures are enormous, and, although at present they are decreasing, there is always the threat that they may increase. Likewise, our foreign aid, in one form or another, is substantial. In addition, many foreign nations look to us for capital to develop

their resources and to increase their standard of living.

As a result, our taxes are very high. In fact, the tax for many corporations today is actually higher than it was during the war. Not only is the rate high, the Federal Government refuses to recognize the impact of price inflation on the depreciation reserves of corporations. Corporations, in consequence, must raise prices, resort to the capital market, or borrow at the commercial banks to secure the funds necessary to maintain their present operating position, to say nothing of expansion. Such a corporate tax policy exerts an inflationary pressure on prices, the extent depending on the method used by the corporation to survive. This taking of the "seed corn" by heavy and unwise tax policies is a basic inflationary pressure which is far too little recognized.

In short, even though the Federal budget is balanced, today's heavy corporate taxes are definitely inflationary. The inflationary effect of heavy government spending was frankly recognized by Treasury Secretary Humphrey in his testimony before the Senate Finance Committee last June, in these words: "Government expenditures are inflationary, particularly when the economy is at

a high level of output and employment."

Another serious inflationary pressure emanating from Washington is the agricultural price support program. This policy not only imposes a burden on the taxpayer, it increases the cost of food and, thereby, directly affects the wages of some four million workers with escalator provisions in their wage contracts, and directly supports the demands of all labor for wage increases on the basis of fairness and equity.

Still another substantial inflationary pressure from Washington is the stockpiling program. The effect here is due not only to the amounts involved, but, also, to the methods and timing of purchases, which often magnify their price support impact.

Our national policy of full employment and our failure to exercise any consequential fiscal discipline during the inflation of recent years are other important factors which contribute economically, and psychologically, to our inflationary trend.

Our increased economic security also contributes, as it has greatly increased the willingness, and the ability, of our people to borrow, and to spend. For example, in every year since 1950

Continued on page 48

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ASSETS

Cash on hand and due from banks.....	\$193,818,151
United States Government securities.....	176,875,665
State and municipal bonds and notes.....	29,701,146
Other bonds and securities.....	16,623,978
Loans and bills purchased.....	397,598,219
Accrued interest, accounts receivable, etc.....	7,417,732
Stock of the Federal Reserve Bank.....	1,950,000
Investments in Morgan Grenfell & Co. Limited, Morgan & Cie. Incorporated, and 15 Broad Street Corporation.....	5,860,000
Banking house.....	3,000,000
Liability of customers on letters of credit and acceptances.....	18,403,940
	<u>\$851,248,831</u>

LIABILITIES

Deposits: U. S. Government.....	\$ 45,219,657
All other.....	667,018,045
Official checks outstanding.....	26,938,975
	<u>\$739,176,677</u>
Accounts payable, reserve for taxes, etc.....	11,854,752
Acceptances outstanding and letters of credit issued.....	19,105,267
Capital—350,000 shares.....	35,000,000
Surplus.....	30,000,000
Undivided profits.....	16,112,135
	<u>\$851,248,831</u>

United States Government securities carried at \$53,836,697 in the above statement are pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

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*A talk by Professor Rodgers before New York State Bankers Association, New York City, Sept. 20, 1957.

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New Issues

\$20,600,000 State of Oregon 2¾% and 3% Highway Bonds

Dated: November 1, 1957

Due: November 1, as shown below

Principal and semi-annual interest (May 1 and November 1) payable at the fiscal agency of the State of Oregon in New York City (The First National City Bank). Coupon bonds in the denomination of \$1,000.

These bonds, to be issued for Highway purposes, in the opinion of counsel will constitute direct general obligations of the State of Oregon for the payment of which the full faith and credit of the State are pledged.

AMOUNTS, RATES, MATURITIES AND PRICES

(Accrued interest to be added)

Amount	Rate	Due	To Yield or Price	Amount	Rate	Due	To Yield or Price	Amount	Rate	Due	To Yield
\$1,000,000	2¾%	1960	2.70%	\$1,500,000	3%	1965	2.95%	\$1,600,000	3%	1970/67	3.15%
1,000,000	2¾	1961	100	1,500,000	3	1966	100	1,600,000	3	1971/67	3.20
1,000,000	3	1962	2.80	1,500,000	3	1967	100	1,600,000	3	1972/67	3.20
1,000,000	3	1963	2.85	1,500,000	3	1968/67	3.05	1,600,000	3	1973/67	3.25
1,000,000	3	1964	2.90	1,600,000	3	1969/67	3.10	1,600,000	3	1974/67	3.25

All bonds maturing after November 1, 1967 will be subject to prior redemption at par and accrued interest in numerical order on any interest payment date on or after November 1, 1967.

\$6,000,000 State of Oregon 3¼% and 3½% Veterans' Welfare Bonds

Dated: October 1, 1957

Due: October 1, 1971/67

Principal and semi-annual interest (April 1 and October 1) payable at the office of the State Treasurer, Salem, Oregon. Coupon bonds in the denomination of \$1,000.

These bonds, to be issued for Veterans' Welfare purposes, in the opinion of counsel will constitute direct general obligations of the State of Oregon for the payment of which the full faith and credit of the State are pledged.

AMOUNTS, RATES AND PRICES

(Accrued interest to be added)

Amount	Rate	Price	To Yield Approximately	Amount	Rate	Price	To Yield Approximately
\$4,000,000	3¼%	100½	3.19% to first call date	\$2,000,000	3½%	102½	3.20% to first call date

Subject to prior redemption at par and accrued interest in numerical order on any interest payment date on or after October 1, 1967.

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New York, N. Y., October 3, 1957.

Statements herein, while not guaranteed, are based upon information which we believe to be reliable.

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.
- Better Than 5%**—List of 40 selected issues with good yield—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.
- Bonds**—Discussion of advantages in present market—Arthur Wiesenberger & Company, 61 Broadway, New York 6, N. Y.
- Boron**—Report based on high energy fuels—Morris Cohon & Co., 42 Broadway, New York 4, N. Y.
- Burnham View**—Monthly investment letter—Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available is current **Foreign Letter**.
- Chemical & Pharmaceutical Industry**—Report—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.
- Copper Industry**—Study with particular reference to **Anaconda Company**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.
- Growth Stocks**—Pamphlet discussion advantages, including tax advantages—B. L. Simmons Company, 120 Broadway, New York 5, 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.
- Latin American Business Highlights** (U. S. Farm Exports and Automotive Market)—Quarterly publication—Chase Manhattan Bank, 18 Pine Street, New York 51, N. Y.
- Market Review**—With a discussion of Stocks for Income with Defensive Strength—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.
- Over-the-Counter Index**—Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.
- Philadelphia Bank Stocks**—Comparison of 12 largest Philadelphia banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.
- Public Utility Common Stocks**—Comparative figures—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.
- Tax-Exempt Bond Market**—A projection for the fourth quarter—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.
- American Can Co.**—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.
- American Machine & Foundry Company**—Analysis—McDonnell & Co., 120 Broadway, New York 5, N. Y. Also in the same bulletin are analyses of **Federal Paper Board Company**, and **Motorola**.
- Beatrice Foods Company**—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.
- Bueyrus-Erie Co.**—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **General Foods and Vick Chemical**.
- Burdny Corporation**—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.
- Carnation Company**—Descriptive article in current issue of "American Investor"—"American Investor," American Stock Exchange Building, 86 Trinity Place, New York 6, N. Y.—\$1.00 per year. Also in the October issue are articles on **Helicopter Industry**, **Lamson & Sessions American Photo-**

Currently Active—

**Trans-Canada Pipe Line & Units
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Members: New York Security Dealers Association

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- copy Equipment Company, Brillio Manufacturing Co. Inc. and Hofmann Industries Inc.**
- Century Engineers Inc.**—Analysis—North's News Letter, 414 Mason Street, San Francisco 2, Calif.—\$2.00. Also available is an analysis of **Crestmont Oil Company** (also \$2.00).
- Champlin Oil**—Report—Hicks & Price, 231 South La Salle St., Chicago 4, Ill.
- Consolidated Edison Co. of New York**—Data—Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also available in the same bulletin are data on **General Telephone Corporation, Kroger Company, Manufacturers Trust Co. of New York and Sterling Drug Incorporated**.
- Corn Products Refining Co.**—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **International Telephone & Telegraph Co.**
- Federal National Mortgage Association**—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.
- Freuhauf Trailer Co.**—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.
- General Aniline & Film Corporation**—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available is the "Monthly Investment Letter" containing an appraisal of the market situation and an analysis of the **Drug Stocks**, and a memorandum on **Lily Tulip Corp.**
- General Merchandise Co.**—Memorandum—Straus, Blosser & McDowell, 39 South La Salle Street, Chicago 3, Ill.
- Griggs Equipment Inc.**—Circular—Eppler, Guerin & Turner, Inc., Fidelity Union Life Building, Dallas 1, Texas.
- High Voltage Engineering Corporation**—Report—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis.
- Household Finance Corp.**—Memorandum—Lee Higginson Corp., 231 South La Salle Street, Chicago 3, Ill.
- S. S. Kresge Co.**—Memorandum—Watling, Lerchen & Co., Ford Building, Detroit 26, Mich.
- Lockheed Aircraft Corporation**—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.
- Mergenthaler Linotype**—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.
- Midland Independent School District unlimited Tax School-house Bonds**—Circular—Rauscher, Pierce & Co., Inc., Milam Building, San Antonio 5, Texas.

Continued on page 63

COMING EVENTS

In Investment Field

- 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.

NSTA



Notes

NATIONAL SECURITY TRADERS ASSOCIATION



Robert M. Gardiner

We are happy to report that Robert M. Gardiner, of Reynolds & Co., New York City, has contracted for a half page advertisement in our Annual Year-Book Convention Supplement. We are all most appreciative of this fine support.

K. I. M.

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



Alfred F. Tisch

THE SECURITY TRADERS ASS'N OF NEW YORK, INC.

The Nominating Committee of The Security Traders Association of New York will hold an open meeting at the Antlers Restaurant, 67 Wall Street, at 4:30 p.m. on October 7, 1957, to receive suggestions from the members for the 1958 slate.

Members of the Nominating Committee are:

- Leslie Barbier, G. A. Saxton & Co., Inc.
- John Butler, First Boston Corporation
- Vincent Gowen, Goldman, Sachs & Co.
- Charles Kaiser, Grady Berwald & Co.
- Abraham Strauss (alternate), Strauss, Ginberg & Co.
- Edward J. Kelly, Chairman, Carl M. Loeb, Rhoades & Co.

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William Bosse Joins Cruttenden, Podesta Co.

CHICAGO, Ill.—William K. Bosse has joined the investment firm of Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges, as a senior analyst in the underwriting department, Robert A. Podesta, partner, has announced.

Mr. Bosse, who has 20 years of experience in the investment field, was formerly with Gloré, Forgan & Co. At one time he was Manager of the research department of Loewi & Co., Milwaukee, and prior to that was associated with Mason, Moran & Company. He is a member of the Investment Analysts Society of Chicago.



William K. Bosse

He graduated with honors from the University of Nebraska in 1936 and was granted a post-graduate scholarship to continue earlier work on Business Cycle research.

Williston Absorbs Osborne & Thurlow

Consolidation of the member firm of Osborne & Thurlow with J. R. Williston & Co., members of the New York Stock Exchange and other leading securities and commodity exchanges, has been announced.

At the same time it was announced that H. Thomas Osborne, Bradbury K. Thurlow, Norman J. Marsh and Charles H. Cunningham, formerly partners in Osborne & Thurlow, have been admitted to general partnership in the J. R. Williston organization, while Ralph Hinchman Cutler has become a limited partner.

Dancy, Duval & Co. Formed in N. Y. City

Formation of the investment firm of Dancy, Duval & Co., Inc., to engage in a general securities business and business development activities, has been announced. Offices of the new firm are located at 111 Broadway, New York City.

The principals are Marshall F. Dancy, who has headed his own firm of Dancy & Co. for several years and Gordon B. Duval, former Vice-President of the Guaranty Trust Company. Both have been in the investment securities business in New York for more than 25 years.

Boettcher & Co. Absorbs Hutchinson Co.

DENVER, Colo.—E. Warren Willard, managing partner of Boettcher & Company of Denver, and William H. Hutchinson, President of Hutchinson and Company, of Pueblo, have announced the merger of the two firms effective Oct. 1, under the Boettcher name.

The merger will give Boettcher & Company its fourth Colorado office. The company now has offices in Denver, Colorado Springs, Grand Junction and Pueblo in addition to Chicago and New York branch offices.

Boettcher & Company is a member of the New York Stock Exchange and an associate member of the American Stock Exchange.



New Issue

\$24,000,000 State of New York 2.90% Serial Bonds

To be dated October 15, 1957; to mature as shown below. Principal and semi-annual interest (April 15 and October 15) payable in New York City. Coupon Bonds in denomination of \$1,000, exchangeable for Bonds registered as to principal and interest in denominations of \$1,000, \$5,000, \$10,000 and \$50,000. Registered Bonds may be exchanged for coupon Bonds at the expense of the holder.

In the opinion of the Attorney General of the State of New York, these Bonds will constitute valid and binding general obligations of the State of New York, and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds.

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In our opinion, these Bonds meet the requirements as Legal Investments for Savings Banks and Trust Funds in New York and certain other States and for Savings Banks in Massachusetts and Connecticut

These Bonds are acceptable to the State of New York as security for State deposits, to the Superintendent of Insurance to secure policyholders and to the Superintendent of Banks in trust for Banks and Trust Companies.

AMOUNTS, MATURITIES AND YIELDS OR PRICE

Due \$1,600,000 each October 15, 1958-1972, inclusive

Due	Prices to Yield	Due	Prices to Yield	Due	Yields or Price
1958	2.25%	1963	2.70%	1968*	2.85%
1959	2.40	1964	2.75	1969*	2.85
1960	2.50	1965*	2.80	1970*	100 (price)
1961	2.60	1966*	2.80	1971*	100 (price)
1962	2.65	1967*	2.85	1972*	100 (price)

(Accrued interest to be added)

*Bonds due 1965-72 have been sold.

The above Bonds are offered, subject to prior sale before or after appearance of this advertisement, for delivery when, as and if issued and received by us and subject to the approval of legality by the Attorney General of the State of New York.

The First National City Bank of New York	Bankers Trust Company	J. P. Morgan & Co. Incorporated	Lehman Brothers	Guaranty Trust Company of New York
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Gloré, Forgan & Co.	Lazard Frères & Co.	Merrill Lynch, Pierce, Fenner & Beane		Goldman, Sachs & Co.
Eastman Dillon, Union Securities & Co.	Drexel & Co.	Continental Illinois National Bank and Trust Company of Chicago	The First National Bank of Portland, Oregon	Wood, Struthers & Co.
Paine, Webber, Jackson & Curtis	Bacon, Stevenson & Co.	The Boatmen's National Bank of Saint Louis	Alex. Brown & Sons	Clark, Dodge & Co.
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Branch Banking & Trust Co.	City National Bank & Trust Co. Kansas City, Mo.	E. F. Hutton & Company	Mackey, Dunn & Co. Incorporated	Mercantile-Safe Deposit and Trust Company
Newburger, Loeb & Co.	The Ohio Company	Rand & Co.	Schaffer, Necker & Co.	Tripp & Co., Inc.
F. W. Craigie & Co.	The Illinois Company Incorporated	Stern Brothers & Co.	Van Alstyne, Noel & Co.	R. D. White & Company
				Tilney and Company

October 2, 1957

The Present Rail Outlook

By W. WENDELL REUSS*

Manager, Railroad Securities Dept., W. E. Hutton & Co.

Specialist in railroad securities explains why he believes rail equities "are extremely attractive buys for both substantial capital gain and excellent interim yield. Notes rails possess "hidden earnings strength" as exemplified by management's willingness not to defer controllable maintenance cost with declining traffic in order to avoid higher cost of post Nov. 1 wage rise. Mr. Reuss opines end of the year will show higher net income, further dividend rises or extras, and improving business conditions and rail traffic.

Very sketchily, the railroad averages, at this writing, are down roughly 25% from their 1956 highs; of late—and after the rail equity market previously had shown some semblance of "making a bottom," the press has carried plenty of publicity concerning the inadequacy of recent freight rate relief—as an offset to increased wage and material costs; beyond this, there has been much "telephone inquiry" and "wire-house" concern over the effects of "an impending change in ICC accounting procedures"—with another seige of repetitious oversteering of the future mal-effects of that old hack "fast amortization tax benefits and the lack of future tax reserves when THAT increased tax 'bite' takes effect." beyond which, one of our respected fellow-members, with an unquestioned large following, was reported in last week's magazine-spokesman for the railroad industry, in a "Pessimistic Report from Wall Street" as "seeing the Railroad Outlook bleak."



W. Wendell Reuss

Past Disappointments

Many of we rail analysts experienced numerous disappointments and discouraging interruptions to railroad security market trends during the period of World

*An address by Mr. Reuss before the N. Y. Society of Security Analysts, Sept. 6, 1957.

War II years 1942-1945; also in the immediately succeeding Post-War period of 1946 through 1949 when reconversion to peacetime production exerted major influences upon industrial output, employment and freight traffic, together with the deadly influence on earnings of the considerable time-lag between increased wage and material costs and inadequate rate relief — not forgetting the steel and coal strikes of 1949, the 45-day Missouri Pacific strike, also the institution of the 40-hour week for non-operating employees — and then, the Korean War Period of 1950-1951 and its aftermath.

Don't forget the effects of the 1950 strikes against the Santa Fe, Southern Railway, Pennsy, and New York Central for a second fireman on multiple-unit Diesel locomotives, also in the same year strikes against the Rock Island, Western Pacific, Rio Grande, Chicago Great Western and Great Northern roads for switchmen to operate a 40-hour week at 48-hours pay.

Maybe some of us have forgotten the influences on many roads' traffic and earnings in 1951 of the Kansas City floods which especially hurt the Santa Fe and Rock Island.

Then, let's throw in the 1953-1954 Inventory-Correction-Industry-Recession, continued diversion of rail freight to trucks and barge lines, the huge headache of the "continuing and ever mounting passenger deficit," the 1955 L & N-N C & St. L strike, the 1956 14-week Birmingham area steel strike and the following 6-week July-August steel industry strike.

And now in 1957 bear in mind the traffic effects of the consequences of "tight money" on

building activity and the chain reaction on lumber shipments and other building products, indigestion in the paper industry and the accompanying effects on pulp and chemical shipments, lower steel output, and a "not-so-good" General Motors auto year. PLUS another late-1957 automatic wage rise and probable escalator "cost-of-living" rise.

Sum all of these up and you really have a true understanding of SOME of the problems presently facing rail management; thus, first indecision in rail stock prices in early August, 1957, and then, in late August and early September a universal retreat in equity prices.

Case Histories

In view of these besetting perplexities, upsets and general bewilderment over the period of the last eight years, isn't it a wonder that (all prices adjusted for intervening splits):

Atlantic Coast Line rose from roughly 11 in 1949 to 40 in late 1952 and then from a subsequent rough 28 reactionary point in 1953-1954, rose to 58 in early 1955, reacted to 42 in late 1955, then rose to another new postwar peak of '63 in 1956 and now is resting around the 1952-1953 "top" of 38-40?

How about Santa Fe rising from around 8-9 in 1949 to around 21 in 1952-1953, then reacting to around 17-18 in late 1953, then rising to 32-33 in 1956, and now resting slightly above the 1952-1953 "top" of 21?

Memory is very short, but Baltimore & Ohio could be had in tremendous quantity for many months under 10 in 1949, then rose to around 23-24 in 1951, sank back to 16-18 in late 1951-early 1952; made a new high of around 30 in early 1953, sank back to the 1951-1952 level of 18 and then ran up to 52-53 in 1955, dropped back to 41-42 in early 1956, again rallied to a "double-top" of 52-53 in late 1956, again fell back to a "double-bottom" 41-42 low in early 1957, then made another new high of around 58 this year! Presently, the stock is selling around the 50 level.

Kansas City Southern was worth only \$20 a share during the greater part of 1949 and, subject to occasional setbacks, marched in a literal straight line to around 84 in early 1955, reacted to around 71-72 in late 1955 and early 1956,

then made a new high of around 90 in mid-1956; presently, selling around 61-62, it is approximately midway between the 1953 low and the 1955 high;

Southern Pacific, subject to periodic corrections, rose from around 16-17 in mid-1949 to a 1955 high of around 62-63; currently priced at around 41;

Southern Railway, jumped from a mid-1949 level of around 5 to a mid-1956 high of 50; presently selling around the 38-39 level.

I could give you many other case histories of like price-gains during and after temporary periods of "inclement weather" for the members of the railroad industry.

Isn't it refreshing to recount these difficulties of the past and compare them with today's uncertainties? Too often we are prone to quickly forget what appeared in the past to be momentous problems, and then feel that present-day problems are insoluble. Yet, note that in the 10-year Postwar Period, rare is the case where the market price of rail equities did not fail to surmount their temporary restraining influences and move forward further into new high ground.

Right now, I firmly believe we are in another one of those periods of besetting difficulties, where the clouds of uncertainty about traffic levels, rates, wage and material costs, competition and a host of other imponderables has brought about the present atmosphere, and "storm-cellar" position of rail equities—that is, six to seven times probable 1957 earnings and yields, of 7-8%.

"Don't buy rails" is the byword of analysts generally today!

Improving Outlook

In contrast with such common attitude and the present rail equity market action, I believe:

(1) Business conditions and rail traffic specifically will show an improving trend as the year 1957 closes;

(2) With this traffic improvement and the recently-effective higher rates, earnings will be aided, and thus present better contrasts with the closing months of 1956; further individual commodity rate rises are not an improbability, as an offset to the November 1 automatic wage rise etc.;

(3) Some amount of Mail Revenue "back pay" will be included in the income accounts during the last 4 months of this year;

(4) There is much unappreciated strength to earnings—other than just the cursory "Net Income" showing—due to the fact that many carriers during this period of lower traffic have chosen to maintain unchanged or even increase their Roadway and Equipment Maintenance programs, while wages were at present levels and prior to the automatic Nov. 1, 1957 rise; to wit:

Hidden Strength

Illinois Central, contrasted with a 5.6% decrease in Revenue Ton-Miles in this year's first half, when it recorded a \$7,600,000 drop in Pre-Tax Net Income — and a leader in the railroad field of "budgetary control" — chose to keep Roadway Maintenance \$500,000 larger than in the first half of 1956 and Equipment Maintenance \$3,100,000 higher. Thus, \$3,600,000 of higher combined Maintenance — a definitely controllable expense, especially in periods of reduced traffic volume—and an item that was NOT REDUCED during the first half of 1957's traffic recession—accounted for nearly half of the drop in Pre-Tax Net!

Louisville & Nashville, is another sample of a well-run railroad, and in the face of an approximate 2% drop in freight traffic volume, Roadway Maintenance was up \$1,400,000 and Equipment Maintenance up \$2,800,000—a rise

of \$4,200,000 in combined Maintenance expenditures, vs a drop in Pre-Tax Net Income of \$5,900,000!

Missouri Pacific, whose management has given an outstanding showing of "know-how" during the 10-Post-War Years Period of 1947-1956 in counteracting what I term "Four Body Blows," shows Revenue Ton-Miles in this year's first half off by about 5%, yet because of floods in the Southwestern region, indicating a break of the long-standing drought, raised Roadway Maintenance expenditures by \$400,000 and Equipment Maintenance by \$500,000, or \$900,000 of higher combined Maintenance Expenditures—with Pre-Tax Net Income off by \$3,000,000!

The Delaware & Hudson experienced a Revenue Ton-Mile decrease of 5% in this year's first half, yet raised Roadway Maintenance by \$200,000 and Equipment Maintenance by \$500,000—a total of \$700,000 — after which Pre-tax Net Income was off by \$800,000!

The "Pennsy" experienced a first-half drop in freight traffic of nearly 6%, yet chose to raise Roadway expenditures by \$3,500,000 and Equipment expenses by \$1,200,000—making a total of \$4,700,000 in increased Maintenance expenditures vs. the first half drop in Pre-tax Net Income of \$10,700,000!

Chicago, Burlington & Quincy disclosed a 6% recession in Revenue Ton-Miles in this year's first half, yet chose to INCREASE roadway and equipment maintenance EACH by \$900,000; a \$1,800,000 combined rise, or exactly one-half of the \$3,600,000 drop in pre-tax Net Income!

Time will not permit my citing more of these showings of "hidden earnings strength."

Of course, increased material and wage costs are a factor, and I do not deny this!

However, the plain fact is that these illustrations are excellent proof that the managements could have made much better "Net Income" contrasts IF they had decided to defer the maintenance until the latter period of traffic "pickup or recovery"—at which time, with the automatic Nov. 1, 1957 wage rise, the cost of the so-called "Deferred Maintenance" would have been that much more costly.

In this connection, I quote from the Delaware & Hudson Railroad press release covering the July 1957-1956 earnings' contrast (in part):

"(2) While Delaware & Hudson Railroad revenues were approximately the same as July, 1956, expenses were considerably higher because D & H has in no-wise curtailed its larger maintenance budget and its capital improvement budget this year, the purpose being to do as much as possible before wages are again increased on Nov. 1. . . ."

Offers Predictions

(5) I believe that many roads will disclose full-year 1957 Net Income HIGHER than for 1956 — with some roads even recording a brand-new Post-War Peak;

(6) In addition, I am confident that many roads will close considerably the gap of decline in full-year 1957 Net Income from 1956;

(7) I believe that there are still some further dividend rises to occur, or year-end extras to be announced;

(8) Relative to that oft-occurring, annoying and overstressed factor of fast-amortization tax-effects on railroad earnings, I read you a wire which I dispatched over our System on Sept. 4:

"This matter of a revision of railroad accounting to reflect tax effects of fast amortization has already been up before the I.C.C. twice before, and the Commission,

Continued on page 53

\$4,500,000

(Third installment of an issue not exceeding \$20,700,000)

Chesapeake and Ohio Railway Second Equipment Trust of 1957

4 3/8% Serial Equipment Trust Certificates
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September 27, 1957

Development of Sound Economies In the Nations of the World

By HON. ROBERT B. ANDERSON*

United States Secretary of the Treasury
Governor of the World Bank and International Monetary Fund

Nations are told what they must do in order to obtain foreign capital they seek by recently appointed U. S. Treasurer who stresses world wide need to combat inflation and to pursue economic growth with sound money. Mr. Anderson approves I. M. F.'s and I. B. R. & D.'s activities but warns borrowings should be repayed in convertible currencies to reconstitute revolving fund for new situations if they arise again. States taxpayers' burdens limit governmental expenditures, and foresees U. S. A.'s expanding production requiring larger imports.

I approach the international part of my duties as Secretary of the Treasury with enthusiasm. Much of my business experience



Robert B. Anderson

has been in the international field and my association with the Department of Defense of the United States. During the year which we are reviewing, the World Bank is to be congratulated on its steady and continuing efforts to help develop projects and to provide useful technical advice to its members. When we look back over the Bank's record, it is most interesting to realize that the loans of the Bank are now helping members in projects to add to their power generating capacity throughout the world more electricity than was available in the whole of Latin America at the time that the Bank began its development financing. Yet loans for electric power comprise only about one-third of the \$2½ billion that the Bank has loaned for development. Transportation has received nearly as much, and industry and agriculture have been accorded loans which together also represent one-third of the total.

As the operations of the Bank continue to expand, its continuing success in raising capital on the capital markets of the world is gratifying.

In the last year about half of the funds raised by the Bank through new borrowings was provided by investors outside of the United States. In a very real sense the Bank is becoming more international, as it draws upon the saving of many countries. This is most desirable.

Also during the year important releases of capital have been made by countries in the Western Hemisphere, the Far East, Africa, and Europe. Although about \$600 million of the capital originally subscribed by members have not yet been made available for Bank lending, my Government is glad to see that the Bank has crossed the billion dollar mark in recording subscriptions of capital which are either partly or fully available for lending operations.

The Bank's operations have taken place against a background of truly vigorous economic growth. Capital investment in general has gone forward at an even greater pace than the unusually high level of the previous year. In a number of countries a very high proportion of total output continues to be invested, as compared with

earlier decades. World trade has grown very sharply during the past year. Production has expanded in industry, agriculture and mining. Postwar gains in production and trade have not only permitted the servicing of existing foreign loans, but have enabled countries in need of development to expand their external borrowings very markedly in the past ten years.

The technical assistance which it has been providing to the member nations is a most important aspect of its activities. The Bank has given increasing help through its advisers on the technical aspects of development work, and the difficult stage of converting general ideas into bankable and well-engineered projects. It has also continued to recruit and train advisers on economic and financial policies, railway and port administration, banking legislation and other subjects. The Economic Development Institute is also proceeding with gathering momentum.

Approves Fund's Vigorousness

We can all take pride in the effectiveness with which the International Monetary Fund has effectively demonstrated during the past year its usefulness as a revolving source of short-term assistance to smooth out temporary disturbances in the world payments situation. During this most active fiscal year of its existence, the Fund acted decisively and expended or committed a very large amount of its resources. We can only speculate as to the position in which we might now find ourselves if the Fund had not been in existence, and had not been able to act as it did. We believe, however, that the active and vigorous course the Fund pursued has been an important factor in maintaining the momentum of world trade and prosperity during the past year. Through the breathing space and the reassurance in the short-run provided by the fund, the opportunity has been provided to effect the necessary longer-term adjustments, without a relapse into throttling restrictions on international financial and trading transactions. The fund will need to reconstitute its resources, through repayment of the recent drawings, in convertible currencies, as it did in the years before 1956. In this way its revolving character will be maintained, and it can meet new situations if and when they arise again.

At the same time the fund has continued its steadfast efforts to promote stronger financial structures and improve exchange systems, through its technical advice and consultations and its financial participation in stabilization programs. Increasingly the fund provides advice to its members on various aspects of financial problems such as central banking, money markets, and public finance, as well as the complexities of exchange policy per se. In all of its consultations with members, and in the technical advice it gives to members, the fund em-

phasizes the essential character of financial stability. It is a good and proper thing that the policies of our two institutions in the use of their resources are keyed to the progress which members make in arriving at economic and financial stability, both in their

economies and in their external transactions.

Concern Over Inflation

Although we can look back upon the previous year, and take a great deal of satisfaction in the expansion of production, world

trade and world investment, we cannot ignore problems and difficulties which remain before us. One matter of continuing concern to us is the effect of inflationary pressures upon our economies.

Continued on page 44

This announcement is not an offer to sell or a solicitation of an offer to buy these securities. The offering is made only by the Prospectus.

\$100,000,000

Southwestern Bell Telephone Company

Thirty-Five Year 4¾% Debentures

Dated October 1, 1957

Due October 1, 1992

Price 100.854% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

A. C. ALLYN AND COMPANY
INCORPORATED
BEAR, STEARNS & CO.

SALOMON BROS. & HUTZLER

L. F. ROTHSCHILD & CO.

HALLGARTEN & CO.

SHIELDS & COMPANY

SHEARSON, HAMMILL & CO.

TUCKER, ANTHONY & R. L. DAY

BLAIR & CO.
INCORPORATED

IRA HAUPT & CO.

THE ROBINSON-HUMPHREY COMPANY, INC.

October 2, 1957.

AMERICAN SECURITIES CORPORATION

LADENBURG, THALMANN & CO.

WERTHEIM & CO.

DICK & MERLE-SMITH FRANCIS I. duPONT & CO.

SCHOELLKOPF, HUTTON & POMEROY, INC.

REYNOLDS & CO. R. S. DICKSON & COMPANY
INCORPORATED

WEEDEN & CO. PHELPS, FENN & CO.
INCORPORATED

BACHÉ & CO. BAKER, WEEKS & CO.

WILLIAM BLAIR & COMPANY BURNS BROS. & DENTON, INC.

NEW YORK HANSEATIC CORPORATION

STERN BROTHERS & CO.

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\$17,000,000

Gulf States Utilities Company

First Mortgage Bonds, 4⅞% Series due 1987

Dated October 1, 1957

Due October 1, 1987

Price 101.50% and accrued interest

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

BEAR, STEARNS & CO.

R. S. DICKSON & COMPANY
INCORPORATED

STROUD & COMPANY
INCORPORATED

AUCHINCLOSS, PARKER & REDPATH

FIRST OF MICHIGAN CORPORATION

October 1, 1957.

BURNHAM AND COMPANY

THE ROBINSON-HUMPHREY COMPANY, INC.

WM. E. FOLLOCK & CO., INC.

STERN BROTHERS & CO.

MACKALL & COE THOMAS & COMPANY

*An address by Mr. Anderson before the Joint Meeting of the Boards of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, Washington, D. C., Sept. 23, 1957.

The Arrow in the West

By **NORMAN R. SUTHERLAND***
President and General Manager
Pacific Gas and Electric Company

West Coast utility head, in paying tribute to San Francisco Exchange's diamond anniversary, projects 5 million Californian population gain during the 1960's, and anticipates development of a vast new economy which is said to afford opportunities and challenges greater than those existing heretofore. Mr. Sutherland warns, however, that our incentive—encouraging free economy is threatened by government. Calls upon business to explain our American way of life, and terms the Exchange's efforts in directing people, industries and investment "an arrow in the West."

There is a lot of history worthy of review as we celebrate the 75th birthday of the San Francisco Stock Exchange. However, a recitation of even just the highlights of that history is neither my purpose nor your desire. But I do invite your attention to a lesson of that history which is of transcending importance.

A hundred and eight years ago, a migration to California began. The argonauts of 1849 came to find their fortunes. That migration never has stopped . . . and the motivating force never has changed. Throughout the intervening century, generations of argonauts have found fulfillment here. Neither has that promise changed—nor will it. Consider for a moment, if you will, what this city must have looked like to the 49ers. It was hardly more than a shack-town on a mudflat. But it did not look like what it really was to all those pioneers. To some of them, it looked like what it could be. There were dreamers among them; there were do-ers; there were men of vision. They saw, perhaps, a vision of what we see today when we look at San Francisco. And they set about to make that dream come true. These are the men, of any generation, who give pioneering its elevated place in civilization.

Incentive in the U. S. A.

It was not just gold in the placer diggings that inspired these men. It was a challenging new frontier. It was opportunity. It was incentive. It was everything, immediately at hand, that is the fibre from which our America has been fashioned.

Our forebears built this city with tools which still are within reach of every child born an American. They are simple tools, but their original cost was very dear. So is the cost of hanging on to them nowadays. The most basic of these implements is the freedom of man's enterprise, with proper reward for his labors and his achievements. That simple tool, described more simply, is the right and the freedom to earn an honest dollar. The power of that tool is incentive.

Incentive! What else motivates a man to work at all? What else makes him want to work harder and achieve more than his neighbor? What makes a boy want to win a footrace, or a man want to harness the atom?

Incentive is the key to American success and the secret to our way of life. Indirectly, it has built our cities, our cultural, business and financial institutions, our industrial might. Directly, it has built the men who forged these material things which accentuate

*An address by Mr. Sutherland in tribute to the San Francisco Division, Pacific Coast Stock Exchange, on its 75th Anniversary, San Francisco, Calif., Sept. 18, 1957.



N. R. Sutherland

the greatness of our nation—and demonstrate the greatness of our people.

Government and Mediocrity

The enemies of our way of life, whatever their motives might be, learned long ago that they must dull the edge of this incentive implement if they are to make any headway toward their goals. Unfortunately, they have succeeded a little in dulling that tool. The siren songs of do-gooders, mean-wellers and socialists have lured us closer and closer toward the rocks of collectivism. Each time we become a little more dependent upon government we become a little less independent as citizens.

The bigger government grows, the more it constricts incentive for its citizens. The bigger the cost of government, the less reward the citizen has for his labors and his achievements. The more government does, the less the citizen has to do for himself—and the less he wants to do. As more men are willing to follow, fewer are able to lead. Soon, such men do not aspire to excel, and they remain satisfied with drab mediocrity.

It is gravely apparent to those of us in the electric utility business, more so than to equally sensitive men in other fields, that growth of government to the point of competing in business with its own citizens is a reactionary force which threatens our way of life. It is truly reactionary, for it swings backward 200 years to the complex of statism from which the founders of our country fled the lands of their fathers. They fled governmental oppression. They fled to establish a new world . . . a free world . . . a world in which they could select their own destinies . . . a chance to have a government servant instead of a government master . . . an opportunity to earn an honest dollar . . . an opportunity to enjoy a life where every child born could climb the highest peak of his dreams.

The opportunities our forefathers established in this new world of independent and dignified individuals inspired accomplishment in their sons. The achievements of the sons who moved West are legion. They are all about us here in San Francisco. Every business, every building, every home, every automobile—our total prosperity itself—is a monument to the success of individual enterprise, or to the success of groups of individuals freely enterprising together.

Such a monument, also, is the financial institution we celebrate today on its diamond anniversary.

Expresses Pride

If you will pardon a personal reference, please, I would like you to know how immensely proud I am to have the honor of figuratively blowing out the candles on the Stock Exchange birthday cake.

Perhaps the choice was made because the company I represent traces its family tree back to San Francisco's earliest days—to 1852.

Perhaps it was because the company may demonstrate in its own

measurable growth the extent of the immeasurably large growth of the economy of San Francisco and this entire region.

Perhaps it was because several of Pacific Gas and Electric Company's predecessors were among the firms with securities listed on the Exchange the day it first opened its doors.

Perhaps it was because you men in the financial community try to know as much about an investor-owned business as its own management knows, and thereby you have learned that this diamond year of the Exchange also happens to be the year in which P. G. and E. will pass the \$2 billion mark in assets and the \$500 million mark in gross annual revenue.

Surely there can be no doubt that the company, not the individual, was given the honor. And just as surely, the individual voices his remarks only as a currently available spokesman for the men who built the company.

Many of you also are lifelong San Franciscans. I'm sure you must share some of the sentiment that wells up within me at this moment. As little boys, buildings much smaller than these around us today look much taller to us. The bankers looked taller too, and more fierce. So did the other businessmen, and those men-about-town with cutaways and long cigars who came out of the Palace Hotel after lunch.

The city was inspiring to us youngsters then, even as it is to us oldsters today. We little boys did not stop to think that one day we would grow to be those tall men of another year. But we could dream—and we could have faith in our dreams—for the little boy of any generation in a free land has the opportunity to see his dreams come true, if he wants to. If he has the ambition, and if the incentive is there, he can go as far as he has a mind to.

Wants Heritage Continued

This is our heritage. Our great responsibility is to see that it goes on to our children and our children's children, undiminished in either material or human values, and even better if we can secure it more firmly.

In the 75 years we are reflecting upon today, there have been successes and failures, big and little. Many of the events of the period shaped the character of this institution, of this city, and of this nation, just as important, happy or tragic events help mold the character of an individual.

The Exchange was founded the same year construction began on the Panama Canal, which was to open the door to our Pacific World. In the year of the Exchange's second birthday came the Panic of 1884. Then, in its early teens the Spanish-American War occurred.

In years to follow, along came the earthquake and fire of 1906, the first World War, the crash of 1929, the bank holiday in the early '30s, the abandonment of the gold standard, the Blue Eagle of NRA, the rise of the Hitlers and Mussolinis, the second great war, the explosive dawning of the atomic age, the full-bloom of the Communist conspiracy, and the latterday inflation.

Any one of these events could have destroyed our material advances and all our hopes. But from each experience we emerged stronger. Through it all, the Stock Exchange has been an important factor. You might think of it as an arrow in the West. For, not only is the Exchange a weather vane, marking the variables of the economic climate of the Golden West, but also it is an arrow of direction. It points out the course of business stability. It bears witness to the courage and manifests the confidence of the risk dollar. And it demon-

strates the faith of the investing public in American business management.

Predicts Vast Population Increase

The migration to the Northern California gold fields a century ago was a trifling trickle in comparison with the tide sweeping Westward today. By 1970, one out of every eleven Americans will be living in California. It is forecast that during the 1960's there will be a gain of five million in the California population.

Plainly, there is developing here a vast new economy, one which will require our most energetic and resourceful efforts . . . not only to absorb and serve the growth but also to preserve the system that has created our vast estate. Here is opportunity of a magnitude unmatched by that seen in the mudflat shack-town that inspired the men of vision among the argonauts of 1849.

The challenge to us is clear. The job to be done is bigger—on a vastly larger scale—then ever was faced by our predecessors here on the Pacific Coast. It will call for more enterprise, more ingenuity, more determination and in some ways even more courage than that mustered by the pioneers whose challenge was a wilderness.

We have the job to do, and the incentive to do it. But our opportunity to do it is threatened. Business is being maligned and its tools are being dulled by a relentless conspiracy to breed public distrust of the institutions of man's business enterprise. That calls upon us all for business statesmanship—to articulate for full public understanding the genuine, incontrovertible human

values of our "people's capitalism."

The word "capitalism" has been soiled by the assassins of truth. But it can be cleansed by informing the public on the real facts of this incentive and reward system of ours. It is this system itself which has made possible our American way of life which is the envy of the world.

In this connection, our tribute to the Exchange would not be complete without acknowledgement of the splendid work it has done, particularly in recent years, to promote a better public understanding of the function of auction markets for securities, the nature of corporate securities, and their relation to the functioning of our enterprise system. It is to be hoped that the Exchange will continue its efforts in this direction.

The Stock Exchange, an arrow in the West that helps direct new people, new industries, new investment to this land of promise, can help point the way toward the business statesmanship that will mobilize the great force of public opinion to support the cause of economic freedom. Without economic freedom, no man, even though he has all the other human rights, can be free.

Davenport With Goddard

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Carleton Davenport has become associated with J. H. Goddard & Co., Inc., 85 Devonshire Street, members of the Boston Stock Exchange. Mr. Davenport has recently been with Carr & Thompson, Inc. In the past he was an officer of Clayton Securities Corp., and conducted his own investment business in Boston.

Investment Bankers Association Name Slate for 1958 Officers

William C. (Decker) Jackson, Jr., President, First Southwest Company, Dallas, has been nominated for President of the Invest-



Robert H. Craft



William R. Adams



William D. Kerr



William R. Adams



W. Carroll Mead



William D. Kerr

ment Bankers Association of America, it was announced by Robert H. Craft, current President of the Association, and President, Chase International Investment Corporation, wholly-owned foreign financing subsidiary of the Chase Manhattan Bank, New York. The announcement was made following the Fall Meeting of the IBA Board of Governors, Sept. 26-27, Santa Barbara Biltmore Hotel, Santa Barbara, California.

Named with Mr. Jackson are the following nominees for Vice-President:

William M. Adams, Braun, Bosworth & Co., Detroit.
J. Earle Jardine, Jr., William R. Staats & Co., Los Angeles.
William D. Kerr, Bacon, Whipple & Co., Chicago.
W. Carroll Mead, Mead, Miller & Co., Baltimore.
William H. Morton, W. H. Morton & Co., Inc., New York.

The Association will act on the slate at its Annual Convention, Dec. 1-6, 1957, at the Hollywood Beach Hotel, Hollywood, Florida. Nomination is tantamount to election. The new President and the Vice-Presidents will be installed Dec. 5, and will hold an organization meeting the following day.

Banks Along the Mohawk

By DR. IRA U. COBLEIGH
Enterprise Economist

Listing some of the merits of a \$2 billion banking institution, serving a broad area in New York State benefiting from important advances in transportation facilities and a major expansion in electric power capacity—Marine Midland Corp.

When the Erie Canal was opened in 1825, it provided the State of New York with a traffic artery uniquely and strategically important in propelling the state to its present economic pre-eminence.



Ira U. Cobleigh

Decades before the through railroads, this historic ditch made possible low cost transportation of imported and manufactured goods from New York to Buffalo and beyond; and in return it made possible big-volume traffic in delivery of farm products from the West to the Eastern Seaboard.

In a somewhat comparable way, and serving much of the same geographic area across New York, the Marine Midland Corp. provides today a major financial artery promoting the well being and advancement of commerce and industry from Buffalo to New York. And, as was true 130 years ago, the dynamic growth envisioned here depends again on exciting improvements in transportation — the New York State Thruway, and the St. Lawrence Waterway, to be precise. With the added point that the new \$600 million power installation at Niagara Falls, a by-product of the Waterway, will, on completion, add to the area a vast kilowatt capacity equal to 90% of Grand Coulee.

All of which is lively background material for a swift look at our subject company for today, Marine Midland Corp., a unique institution. It is not a bank but a holding company for 15 individual banks, all of them in New York State. Beginning in the West, The Marine Trust Co. of Western New York serves the Buffalo-Niagara Falls area embracing a major rail center, large and diversified industrial plants, and a lake port, about to become a seaport. This bank has deposits of \$655 million and is the largest bank in the state outside New York City.

Moving east there are big subsidiary banks in Rochester, Syracuse and Utica; others in Auburn, Binghamton, Elmira, Jamestown, Malone, Massena and Potsdam with branches in surrounding areas; and the \$480 million Marine Trust Co. of New York. Altogether this integrated system serves 79 communities through 153 offices. Yet it is not in a strict sense a branch bank. It is a series of banks, independently operated banks — with 98% of their stock owned by the parent. Operational control is decentralized with most board members and officers from local areas.

Altogether, spread over the state there are some 400 individuals who are either directors of sectional banks or members of their Advisory Boards. The holding company device does not therefore take away from the essentially local character and home-town atmosphere of each controlled bank; but it does assure greater financial resources, higher loaning limits, interchange of credit information and portfolio management techniques, and inter-city

customer reference, and accommodation.

For example, a corporate depositor in the Utica bank, when opening a New York office, is more than likely to arrange, in advance, for an account in the Marine Midland Trust Co. in New York.

Altogether Marine Midland Corp. is an institution of considerable magnitude. Its \$1,850,000,000 in combined deposits make it the 11th largest bank in the United States. It performs well its function as a commercial bank with the loan account exceeding \$800 million, and loan interest contributing, in 1956, 54% of operating income. Moreover, interest rates on loans have been rising pleasantly. For 1956 the average rate received was 5.23% (against 5% a year earlier). For the first six months of this year, however, the average rate had advanced to 5.57%. About \$200 million of this loan account is devoted to personal and installment purchase borrowings, where the loan quality has been excel-

lent and the interest rates higher than on corporate credits.

From the investor viewpoint, Marine Midland common has many ingratiating qualities. First, it is the only bank stock listed on the New York Stock Exchange. It has shown a steady rise in earning power for years. Consolidated net operating income has risen steadily and uninterruptedly in the past nine years from \$5,364,000 in 1948 to \$13,697,000 in 1956. Per share net has risen in the same period from 96c to \$1.62, and cash dividends have been increased in eight out of the past nine years. The regular rate was increased only this year to which, at a 19 market price for the stock, creates a current yield of 5.26%. Such a return is excellent and especially attractive in view of indicated earnings of \$1.85 a share this year—and the real possibility of another dividend boost.

For those who, in this herky-jerky phase of the market, are seeking out issues providing strong elements of stability, a close look at Marine Midland may be rewarding. For 1957 the stock has narrowly ranged between 18½ and 20½; and in 1956 it never sold below 17. Those who enter this issue now are thus asked to pay no premium, and they may reasonably hope that their shares will not descend drastically in price, both because of the historic market stability of this issue, and the consistent year by year rise in earnings and dividends.

There are actually two ways of becoming a partner in Marine Midland Corp.—via the common stock, above mentioned, and the \$2 preferred, convertible in 2¼ shares of common. This latter issue sells at 52, virtually level with its conversion value right now, and since at that price the yield is below 4%, against 5.26% on the common, there is no logical reason to buy the preferred presently, particularly since it may be called for redemption at \$52.50. As a matter of fact, the issue will probably be steadily converted. At June 30, 1957 there were 330,736 preferred shares outstanding. Full conversion would increase existing common (now about 8.3 million shares) by 13%. Book value of common (also at June 30, 1957) was \$16.49, up from \$16.06 at the same date in 1956.

Marine Midland Corp. was founded in 1929, gaining its subsidiaries by acquisition. This method may be slowed down by bank holding company legislation expiring in May of 1958, but meanwhile substantial internal expansion is possible by the addition of branches to the existing units. (Three such branches have been opened this year.)

Investors, present or would be, in Marine Midland Corp., may view the past of this company with satisfaction and its future with considerable eagerness. The service area has been a growing one. Marine Midland has been a star in adding and building up ac-

counts—it now has over a million of them. But quite apart from historic growth, the years ahead are expected to be even better. The addition of huge electric capacity by the New York Power Authority's hydro-electric installations (to be completed in 2½ years) has already attracted to the area a \$150 million aluminum reduction plant of Reynolds Metal Co., and General Motors is building a new foundry for its Chevrolet division. These and many other exciting new industrial additions should result in broader prosperity and increasing banking activity and earning power. The St. Lawrence Seaway, talked about for decades, will be a reality in 1959 and should convert Buffalo from a modest lake port to a terminal and transfer point for ocean shipping; and the new low-cost waterway to Europe should prove a great stimulus for the St. Lawrence and Mohawk Valleys and the communities along Lake Ontario.

So for those who have rather shied away from bank shares either because of their low yields or other reasons, we say take a look at Marine Midland. It possesses most of the qualities that make for a good investment and for long-term stockholder serenity.

Joins Reynolds Staff

SAN FRANCISCO, Calif.—Robert E. Bolan is now with Reynolds & Co., 425 Montgomery Street.

This is not an offer of these Securities for sale. The offer is made only by the Prospectus.

NEW ISSUE

\$12,000,000

The General Tire & Rubber Company

6% Subordinated Debentures due October 1, 1982

with

Common Stock Purchase Warrants

Warrants exercisable on or after January 1, 1958 entitle the holder to purchase 20 shares of Common Stock (par value 83½¢ per share) for each \$1,000 principal amount of Debentures at \$25.00 per share to and including October 1, 1962 and \$27.50 per share thereafter to and including October 1, 1967 as more fully set forth in the prospectus. The Warrants initially will be attached to the Debentures, and until January 1, 1958 will not be detachable and will be transferable only with the Debentures to which attached.

Price 100% and accrued interest

Copies of the Prospectus may be obtained in any State in which this announcement is circulated from only such of the underwriters, including the undersigned, as may lawfully offer these securities in such State.

Kidder, Peabody & Co.

Lehman Brothers

Blyth & Co., Inc.

Eastman Dillon, Union Securities & Co.

Glore, Forgan & Co.

Smith, Barney & Co.

White, Weld & Co.

Dean Witter & Co.

Ball, Burge & Kraus

McDonald & Company

Paine, Webber, Jackson & Curtis

Bache & Co.

Clark, Dodge & Co.

Dominick & Dominick

Hallgarten & Co.

Hemphill, Noyes & Co.

Hornblower & Weeks

W. E. Hutton & Co.

Carl M. Loeb, Rhoades & Co.

October 3, 1957.

Chance of a Decade In Insurance Stocks

By SHELBY CULLOM DAVIS*

Managing Partner, Shelby Cullom Davis & Co., New York City

Insurance stock specialist spells out unique opportunities in fire and casualty stocks; and notes stocks permitted to be bought by Massachusetts savings banks, which in past four years have gone up 32% in dividends and 31% in capital appreciation, despite the worst three-year losses in insurance operations, offer the best buying opportunities in a decade. Mr. Davis predicts: (1) regulatory action will correct lost profit margins; (2) potential increase from 3.5% to 4.8%, at today's cost, by end of 1959 with possible 78% price appreciation; and (3) a 38% increase in dividends in two years hence. Of the firms mentioned, singles out Northern Insurance as "a sleeper."

There used to be a saying—"Don't run for a pretty girl or for a street car. There'll be another along any minute!" And in the language of Wall Street this meant not to get over-excited about anything—opportunities will always exist. And so they will.



Shelby Cullom Davis

But opportunities mean little unless they are grasped and grasped often in a lifetime has one heard people who "knew" all about it (I.B.M. or Connecticut General or Minnesota Mining) but never "did" anything about it. Which brings me to today's opportunity, not the best in a lifetime perhaps, but certainly the best in a decade, in fire and casualty insurance stocks.

Four years ago I highlighted the long-term benefits of investing in insurance stocks. This keynote seemed proper at the time for Massachusetts Savings Banks had just been granted permission to invest in fire and casualty insurance stocks. And I am glad to report that the intervening years have treated my thesis kindly. The 12 insurance stocks¹ now eligible for investment by Massachusetts Savings Banks have had their dividends raised 32% during these four years from 3.5% yield at cost to 4.6% at cost now, an entirely satisfactory return, and there has been a capital appreciation of 31%.

Why should yields and market prices have so gained? Because

the underlying values have increased, as predicted, like the endless rain from Heaven. Premium volume for these dozen companies has risen 22% on average, investment income 36% and liquidating values 40%.

Suppose you had not been long-term investors and had sold these stocks one year after you had bought them (and one year after my address), in early September, 1954. That is three years ago. Yet you would have received more for your shares than now. During the first year there was a capital appreciation of 35% and at the end of four years of 31%. Top quality insurance stocks not only have marked time but have declined during the past three years while the general market has advanced 25-30%. Good quality insurance shares (not on your list, however) have declined even more—25% or more in price.

But, as we have seen, the fundamental values of insurance stocks have been rising—premium volume, investment income, liquidating value. And yet prices for the past three years have stood still or declined. Such conduct cries for explanation—like the man who turns East to go West, or jumps down to go up!

Explains Divergence

The fact is that during the past three years—dating from the dread hurricanes of three years ago—underwriting conditions in fire and casualty have gone from bad to worse. The elements have almost seemed to compete against each other to wreak the most damage. Earlier this summer I was in Greece and saw and heard a great deal about the ancient deities. In modern parlance it looks almost as if the Gods were

¹These are: Camden, Continental, Federal, Fidelity Phenix, Fireman's Fund, Hartford, Insurance Company of North America, Merchants, Northern, Northwestern National, St. Paul, Westchester.

"wroth" at the insurance companies. There has been a succession of superlatives (worst not best!) that would tax the imagination of even a Hollywood script writer.

For example: (1) the hurricanes in the Fall of 1954 were the worst disaster in American insurance history, costing more than \$250 million, part of which fell in and helped to spoil also the 1955 account; (2) 1956 witnessed the worst insurance marine disaster in peacetime history, the Doria and Stockholm; (3) 1956 was the worst hail year in history; (4) Taking all insurance lines together, 1956 was the worst in history from the viewpoint of net dollar losses; and (5) the first half of 1957 has been worse than 1956!

The wonder to me after these succession of "worsts" is that insurance shares have not beat a retreat that would have made Bull Run seem a Northern-victory. Some of them have, of course, but not commensurately with their underwriting losses. If insurance stocks were valued only on their earnings from insurance operations, they would be valued at sub-zero—and all the shareholders would be practicing the Irish dividend method, that is paying to hold the shares rather than vice versa.

Such has not been the case. Not one dividend has been reduced and the dividends of the insurance shares now eligible for Massachusetts Savings Banks are 32% higher than four years ago.

A Proud Record

May I be pardoned, therefore, for re-emphasizing one of my key points in my address of four years ago. And we are at the end of a delightful summer and many of you, as I have been by the sea so I shall paraphrase it: "Come Hell or high water, insurance company dividends will be paid!" That is a fact worth remembering when you compare the yields of insurance stocks with those of some industrials whose dividends go surprisingly limp at any slight worsening of business. Here we have had—let us lump them together—the worst three years from the standpoint of net dollar losses in the whole long history of insurance operations, and yet dividends have not gone down. On the stocks you are permitted through the wisdom of the state authorities to buy they have actually gone up since 1953, no less than 32%.

Four years ago I explained why this would be so—and I am not going to burden you again with the explanation today. It is simply that an insurance company has two sides (and this is one of the jokes, albeit wry, in the insurance business today): the investment side that produces the income (the capital, surplus and reserves are invested in high grade securities) and the insurance side which produces the losses. Only the latter, the losses that is, are not always so. Hence the present opportunity.

Insurance is a regulated business and a kind of semi-public utility. According to the rating laws of the 48 states, insurance rates must be reasonable, as far as the policyholders are con-

Continued on page 53

Continued from page 2

The Security I Like Best

National Lead is probably best known for its line of paint bearing the "Dutch Boy" label, a trade-mark that has been used for fifty-one years. The paint line consists of lead oxide and titanium oxide paints, as well as newer acrylic latex interior paint. Ready-mixed paints are gaining popularity made with various pigments including antimony oxides. The major share of paint sales is for maintenance and home improvement and not new construction. The paint business varies with consumer disposable income and not the construction industry. National Lead manufactures titanium pigment with 70% of the output going directly into paint, while 30% is used for consumer products from white wall tires and billiard balls to door knobs and bathroom fixtures.

The Doehler-Jarvis division, in its various plants, produces die castings sold to the automotive industry and to aircraft manufacturers. More than 50% of this division's output is thoroughly diversified and consists of parts for lawn mowers, cameras, outboard motors and frying pans. The company recently purchased the largest die casting machine ever built to mass-produce aluminum engine blocks for the automotive industry.

The Baroid division sells oil well drilling muds used as a lubrication in drilling operations. The mud is also protection against atomic radiation.

Jointly with Republic Steel, the R-N Corporation was formed for the development of a process for the direct reduction of iron, bypassing blast furnaces.

In the atomic energy field, National Lead has joined nine other companies to form Industrial Reactor Laboratories, Inc., which is building its first nuclear reactor in Plainsboro, New Jersey. The company is supplying the atomic energy program with large quantities of uranium concentrates, zirconium, nickel and cobalt.

At Njcaro, Cuba, National Lead operates a nickel oxide plant owned by the U. S. Government. The oxide is refined at a plant located at Crum Lynne, Pennsylvania.

Jointly with Allegheny-Ludlum Steel Corporation, National Lead formed Titanium Metals Corporation of America in order to manufacture titanium as sponge metal as well as convert it into fabricated sheets, rod, and wire. Titanium sales in 1956 exceeded \$55 million up from \$38 million the year before. Net income in 1956 exceeded \$11 million compared with \$7 million in 1955. Titanium earnings have not been reflected in National Lead's earnings since this 50% owned company to date has paid no dividends. Ingot capacity exceeded 11,000 tons a year at the end of last year and \$15 million of retained earnings is being spent by the titanium corporation for further expansion. In spite of all the unfavorable publicity which the titanium industry has had, this corporation is exper-

encing no cutback in its production or its new orders.

National Lead has a very strong financial position. On June 30, 1957, current assets exceeded \$173 million with working capital of over \$119 million and a current ratio of 3.3 to one. In the first six months of this year, the pre-tax profit margin reached 19.8%. In 1956 the pre-tax margin was 18.6% whereas it has shown continuous increases from 15.8% in 1950 and 8.9% in 1947. Based on the present capitalization, 1956 earnings were \$5.23 per share and 1957 per share earnings are estimated at \$5.50. Each year during the past decade dividends have been increased. Dividends of \$3.25 a share were paid in 1956 plus 2% in stock and this year dividends may reach \$3.50 a share making a new all-time high. National Lead stock was split three-for-one in October, 1951 and is once again a split candidate.

The stock is listed on the New York Stock Exchange (symbol: LT), also the Boston Stock Exchange, the Cincinnati Stock Exchange, the Midwest Stock Exchange, the Philadelphia-Baltimore Stock Exchange and the Toronto Stock Exchange.

The stock is considered suitable for conservative investors, trustees and banks.

The common stock is considered to be legal for investment purposes and savings banks in New York and New Jersey and legal for trust funds in Pennsylvania.

A. G. & A. M. Widmann Join Westheimer Co.

CINCINNATI, Ohio—Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges, announces that Albert C. Widmann and Albert M. Widmann, former partners in Widmann and Company, have become associated with them in their municipal department.

Albert C. Widmann has been in the municipal bond business since 1921, and has had his own business since 1932. He is Vice-President of the Paramount Savings & Loan Company, a member of the Bankers Club of Cincinnati, the Municipal Bond Dealers Group of Cincinnati, and the Cincinnati Stock and Bond Club.

Albert H. Widmann served as a Lieutenant in the Army Anti-Aircraft Artillery in Washington, D. C., after graduation from Xavier University in 1953. For the past two years he has been associated with Widmann and Company as a general partner. He is also a member of the Cincinnati Municipal Bond Dealers Group.

Byron Foster and Ray Brandfass, whom the Widmanns are joining, have been in the municipal bond business since 1928 and 1929.

Gold, Weissman Co. Formed in New York

Benjamin Gold and Bernard Weissman have announced the formation of Gold, Weissman Co. with offices at 39 Broadway, New York City, as successors to the investment business of A. Trent & Co.

Joins Lloyd Arnold
(Special to THE FINANCIAL CHRONICLE)
BEVERLY HILLS, Calif.—James G. Cloud has become associated with Lloyd Arnold & Company, 364 North Camden Drive.

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U.S.A. Dollar Aid Hinders Britain's Recovery

By PAUL EINZIG

Cessation of U. S. dollar aid, reimposition of some exchange control, and re-introduction of moderate physical control, are some of the measures a leading British economist prescribes to cut the ground out from under excessive trade union demands and to stiffen the fight against inflation. Dr. Einzig deplores his Government's announcement of possible recourse to 500 million dollar credit; contends U. S. dollar grants and loans has softened Britain and "financed 12 years of fool's paradise"; and chides his Government's "premature dash to laissez-faire" and premature progress towards convertibility.

LONDON, Eng.—When the increase of the bank rate of 7% was announced it appeared reasonable to hope that this measure, together with the steps taken by the British authorities to establish a ceiling to capital expenditure and bank credits, would go a long way towards bringing the trade unions to their senses. The measures did convey the impression that the policy of taking the line of least resistance in face of their excessive demands was over. Unfortunately, it now seems at least possible that rejoicing over the hardening of the British Government's attitude was premature. For, the first step following on the batch of firm measures constituted a relapse into the policy of taking the line of least resistance.



Dr. Paul Einzig

The decision to utilize \$500 million of the credit arranged some time ago with the Export-Import Bank showed that the Government itself did not altogether trust in the effectiveness of its resistance to wages inflation. It was no doubt intended to be a gesture to discourage speculation against sterling. But from that point of view it was utterly futile, because every foreign exchange dealer had already been aware of the existence of this credit, and that the British authorities were in a position to draw on it at a moment's notice. On the other hand, the announcement, which created no new situation, did draw the attention of the semi-illiterate masses in Britain to the fact that there was this additional protection to sterling, which will enable the trade unions to continue plundering the community for another two to three months with impunity. And it did foreshadow the Government's intention to use these credits, possibly in preference to applying any additional unpopular measures in defense of sterling.

As the trade unions well know it, if speculative pressure on sterling should continue to deplete the gold and dollar reserve a stage is liable to be reached at which unemployment would develop as a result of Britain's inability to pay for raw material imports. This fear, together with the realization of the possibility that this time the Government really means to encourage employers to resist wages claims even at the risk of major strikes, would have gone a long way towards putting the trade unions into a reasonable frame of mind. But the announcement of the dollar credit arrangement has materially mitigated such fears. Indeed the reaction of the trade unions to the announcement was instantaneous.

Encouraged Labor And Speculators

For several days after the increase of the bank rate trade union spokesmen carefully refrained from disclosing their intentions. They were waiting to see whether the Government really meant business. But immediately after the announcement concerning the dollar credit the T.U.C. indicated that it was in a fighting mood, and one of the railway unions put forward a claim for a 10% wages increase. Other unions began to press similar claims they previously submitted.

If the dollar credit was intended for inducing speculators to cover their short positions in sterling, it failed deplorably in this object. Indeed it tended to produce precisely the opposite effect. For the attitude of speculators is determined by the view they take on the prospects of the wages spiral. If they believe that the inflationary increase of wages

will continue, no amount of temporary dollar credits would induce them to cut their losses by covering their short positions. And the gesture conveying the impression that even now the British authorities are not fighting with their backs to the wall but are adopting measures to facilitate yet another retreat certainly does not discourage speculators in this belief.

Deplores U. S. Aid

From the very beginning of the post-war period dollar aid received by Britain has largely contributed towards softening the character of both Government and people. The billions of the dollar loans and aids have financed 12 years of fool's paradise. They enabled the Socialist Government to indulge in the ideological dogmatism of nationalization, inflation through cheap money policy and excessive welfare state expenditure. They also enabled the Conservative Government to indulge in the ideological dogmatism of the premature dash to laissez-faire, and to buy temporary popularity by allowing wages inflation to continue.

If the American people really want to help the British people—as distinct from helping the British Government of the day—a law should be passed against granting any further non-military dollar aids or loans to Britain in time of peace. It would be even more effective if the Constitution of the United States were amended to that effect, because that would further remove hopes that the soft policy in face of the wages spiral could continue under the shelter of dollar aids. By making it quite plain that no further dollars would be forthcoming, the American people would greatly help the British people against the short-sighted greed of the trade unions and against the spinelessness and incompetence of the Government.

Wants Exchange Control

Another ground on which the British Government deserves criticism is for persisting in its

attitude of ideological dogmatism in spite of the fact that it has greatly facilitated the speculative attack on sterling. Simultaneously, with measures to resist inflation, measures should have been taken to reverse the grossly premature progress towards convertibility. Under existing arrangements half the world is likely to finance its dollar gap through the free commodity markets in Britain. In such circumstances the surplus of £200 million on the balance of payments of the United Kingdom is but a drop in the ocean of non-British claims on Britain's dollar resources. The re-introduction of some degree of exchange control, together with the adoption of selective bans on capital and credit for the production of luxuries, would deprive the trade unions of their main excuse in support of their excessive wages demands—that if there is a general "free for all" the trade unions are fully entitled to take their full share in it.

Moreover, if in existing circumstances the Government were to adopt the controls which could be adopted without a return to rationing, food queues and black markets, it would greatly strengthen its chances at the next general election. For it could then claim convincingly that a further physical controls that a Labour Government would adopt would necessarily mean a return to the bad old days of the war and early post-war period. As it is, the Socialists are in a position to impress the electorate by claiming that the return to moderate physical controls would obviate the necessity of a 7% bank rate and of unemployment through credit squeeze.

Key Lies in Rail Wages

The fate of the wages demand of the railway unions will constitute the test of the Government's new policy. Should the Transport Commission be instructed to meet the claim even partially, private employers will follow the example. In that case the credit squeeze would be of no avail against the wages inflation. For

the financing of higher wages payments does not require additional bank credits so long as the industrial firms are in a position to add the increase to the selling price of their goods. And if there should be indications that the wages spiral continues, private firms would be safe in assuming that they would be in a position to continue to pass on to the consumer the cost of higher wages. Sterling is secure for the present, but its fate in the long run necessarily depends on resistance to wages inflation.

Hugh W. Long Appoints Two Representatives

ELIZABETH, N. J.—Hugh W. Long & Co., Incorporated, sponsors of Fundamental Investors, Inc. and three other mutual funds,



Robert F. Keegan Edward K. Dantler

has announced the appointments of Edward K. Dantler, Jr. and Robert F. Keegan as district representatives.

Mr. Dantler was formerly associated with Dean Witter & Co. He also served five years as agent for The Federal Bureau of Investigation. He will be located in southern California with headquarters in Los Angeles, assisting resident Vice-Presidents Ernest Lewis and Robert Frank.

Mr. Keegan was most recently associated with Piper, Jaffray & Hopwood in St. Paul. His headquarters will be in St. Louis.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue

October 3, 1957

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Copies of the prospectus may be obtained from such of the undersigned (who are among the underwriters named in the prospectus) as may legally offer these securities under applicable securities laws.

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THE MARKET . . . AND YOU

By WALLACE STREETE

Traders finally shifted to some cautious buying in the stock market this week after the industrial average had lolled within easy reach of the February low for half a dozen sessions without showing any clearcut intention of seriously testing the critical bottom level.

Some sort of rally was indicated. In fact, the list hadn't put two worthwhile advancing sessions together since early last month. The retreat from the July high meanwhile had sheared more than 64 points from the senior average, a trim of around 12½%.

The confidence of which so much was made quite recently had been seriously impaired, both by the evident determination to slow down the credit boom on the part of Federal authorities and also by the fact that business has yet to show any ability to rebound in spirited fall fashion.

Giant New Issue

Standard Oil (New Jersey) was sufficiently confident of both the market and business to put on the calendar a stock offering running between \$250 and \$300 million which put the Jersey stock under a bit of pressure for awhile. The selling, however, couldn't drive the issue even close to its 1957 low and it was able to snap back smartly when the market climate showed improvement.

Steels swung pretty much with the general market without showing anything in the way of independent action. Their fate, marketwise, seems to be closely linked with the public reaction to the new automobile models which are only straggling into the limelight. This will be a continuing story for some time. Under the unveiling schedules so far announced, it will be well into November before all the new lines are around in supply and preliminary indications of consumer acceptance can be gauged.

Specialty steels appeared to be slowing down. Lukens, for instance, reported declines each quarter after the rousing first quarter profit and the nine-months' total of \$8.71 rolled up by the company made all but impossible the enthusiastic estimates of 1957 results of between \$15 and \$20 per share. It was these estimates that made the stock a skyrocket both late last year and early this year. Trading in the issue set an odd mark-

log, making it less dependent on government defense work than some of the prime warplane outfits.

Drug shares had been whittled back from the optimistic peaks of earlier in the year despite the fact that it is a prime group when it comes to candidates for higher earnings this year. Some estimates give Allied Laboratories a chance to boost 1957 results from below \$4 to nearly \$5 and increases of half a dollar a share are expected in Warner Lambert, Parke Davis and Bristol Myers.

Firmer Tobaccos

Tobaccos more times than not were able to show superior strength even when the general market was weak. Effects of the recurrent cancer scares were having less jolting effect on the individual issues, government statistics indicated a normal increase in consumption despite the implications and profits were good and promised to be better because of recent price increases. Lorillard, the low-priced item among the tobacco giants, was a rarity on a couple occasions as the only issue on the Big Board to post a new high for a session or so.

Foods were in some demand, a classic refuge when the feeling is prevalent that nonessential consumer expenditures are to be curtailed. They weren't overly conspicuous on strength yet but most were holding only a point or two under their year's peaks despite the recent market setback. General Foods, for instance, has been available at only a bit more than a point below its top although so far this year it hasn't yet built up a range of as much as 10 points. National Dairy similarly was only a bit more than a point away. It, too, has had a mundane market life and a range of not even half a dozen points. Both had well sheltered dividends on the basis of recent earnings statements.

Aircrafts Still Sold

Aircrafts had trying times in tune with the soft markets, and issues in the group were no strangers to the lists of new lows. However, the circle was growing of those who think the selling had been overdone, particularly in specific cases like Lockheed, where the issue was now well into the 7% yield bracket (plus stock) and a 25-point discount from the year's high was available. Lockheed is in the thick of the missile scene and the prop-jet transport where activity will start to pick up next year. In fact, the latest report indicated that Lockheed's backlog in commercial work ran to nearly 30% of its total order back-

log, making it less dependent on government defense work than some of the prime warplane outfits.

Something of a leading candidate in the dividend increase section could be R. J. Reynolds Tobacco which appears to be on the way to a record profit this year. The company has consistently posted the widest profit margins in the business, and with the price increase that wasn't in effect in the first half of the year, earnings projections for this year come to around \$7 which is more than double the \$3.20 dividend rate. The company's payout policy in recent years has been close to 60%. Last year's earnings were a bit short of \$6. Despite the good prospects, at the current dividend rate the issue has been available at well into the 5% yield bracket, well above the general average of around 4½%.

Un-Split Gulf Oil Liked

Gulf Oil, a perennial disappointment to those who have been banking on an imminent stock split, was still widely regarded among oil fanciers despite its 20-point markdown from the 1957 peak. It is definitely included in the issues with higher earnings prospects even apart from capital gains in sale of its Texas Gulf Sulphur stock. The nature of the increase is generally projected at between \$2 and \$2.50 a share. And, as the followers of stock split candidates normally find, an eventual split is still not completely hopeless.

Corn Products, a bellwether that hasn't been overly popular in recent years when all the accent was on rapid growth prospects, is also projected to better earnings not only this year but for several subsequent years as well. Corn Products' growth prospects are tied in with various diversification moves, plus broadened lines of products that might enable the company, noted up to now for its earnings stability, to edge into the "growth" listings from here on.

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

Electronics on the Horizon

By BRIG. GEN. DAVID SARNOFF*

Chairman of the Board, Radio Corporation of America

A brief review and a skeletal outline of automation's possible oncoming industrial and commercial prospects are depicted by Brig. Gen. Sarnoff in extolling the immeasurable contributions to prosperity, economic growth, and winning the Cold War that this most "vital asset" can make. The R. C. A. head avers that this concept born of the latest phase of electronic development offers the promise of being a boon rather than a bane; refutes fears of technological unemployment; and provides examples to illustrate usefulness in medical diagnosis, personal radio communication, and voice-controlled, space and time saving, electronic systems.

The electronic horizon is filled with exhilarating prospects for industry and business — and, I think, for the insurance business in particular.



David Sarnoff

Many companies have devoted thoughtful study to the development of plans for the efficient use of electronic data processing systems. Among insurance people there has been wide acceptance of the practicability and potentialities of these systems.

It is also significant that life insurance companies' funds have become a major source of capital for the expanding electronics industry. The money accumulated from premium payments of the 100 million American policyholders has done much to encourage electronic pioneering and development. These are the all-important insurance policies of any industry, for they provide a permanent endowment of versatility and vitality, and lead to new products and services.

It may well be said that the insurance business — through the intelligent application of electronic equipment and through the wise investment of its funds — has contributed importantly to the exuberant upsurge that has made electronics a \$12 billion industry, and one that is growing at the rate of three to four million dollars a day.

The Five Phases of Electronic Development

By comparison with the life insurance business, which has over 300 years of experience behind it, electronics is a mere youngster. It dates back only a few years before the turn of the century when a British physicist, J. J. Thomson, discovered the electron and demonstrated its true character as the tiniest thing in our universe. In the development of electronics since then, it is possible to trace five broad phases.

The first phase involved the application of electronic principles to communications. This began with wireless telegraphy, and in later years grew into radio, telephone and telegraph communication by long wave, short wave and microwave.

The second phase of electronic development brought radio broadcasting and the days when every other person you met told of having stayed up until one o'clock in the morning with earphones clamped to his head. Over the

*An address by General Sarnoff before the Life Office Management Association, Washington, D. C., Sept. 23, 1957.

years, we watched radio transformed from an agreeable novelty into a durable force with immense cultural and economic impact. Today, there are more than 135,000,000 radio sets in use in the United States.

The third phase saw electronics turned with great effect to military uses during World War II. We had radar, sonar, loran, shoran and the infrared "sniper-scope," to name just a few of the electronic devices that figured prominently in the war. Since then, our Armed Forces have come to rely increasingly on electronics. Today, for example, electronic gear accounts for fully one-third the cost of an all-weather jet fighter plane, and electronic guides direct our long-range missiles unerringly to their targets. We have the word of no less an authority than General Carl Spaatz, former Air Force Chief of Staff, that in any future war "superior electronics would be decisive."

The fourth phase of electronic development brought television — first in black-and-white and now in vivid, exciting color — to broaden and brighten our existence. During the first postwar year, television sets in the hands of the public numbered fewer than 10,000 and programming was confined to a few hours daily from a handful of broadcasting stations. Now, little more than a decade later, there are over 45,000,000 television sets in use, covering four out of five American homes, and there are more than 500 TV stations on the air. The profound impact of television on our daily lives is acknowledged by social scientists, by pollsters, and even by cartoonists. I like to recall the cartoon of the father who returns from work to find his small son sitting in front of a TV set, clutching a suitcase. "He's running away from home," explains the lad's mother, "just as soon as this program is over."

The fifth phase of electronic development has barely begun, yet even now it gives promise of exerting a further and still greater influence on our lives. This new phase is known as Industrial or Commercial Electronics, and involves the widespread application of electronics to our factories and offices. It is a vital ingredient of what has come to be known as automation. Indeed, as "Fortune" Magazine pointed out recently, "true automation can be achieved only by electronic means."

The New Phase: Electronics in Factory and Office

In this new phase, electronics is being called upon more and more to provide the sensing devices, the means of communication, and the computing systems. The more complex the task, the more important is electronics' role likely to be in performing it.

In American factories, the wizardry of electronics is adding startling new dimensions to human efficiency. We have aircraft plants producing intricately contoured jet stabilizers from direc-

Continued on page 61

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The East River Savings Bank, New York, announces the retirement of Joseph A. Broderick as trustee and Chairman of the Board on October 1.



Joseph A. Broderick

Mr. Broderick was born in New York City on Dec. 7, 1881, and completes 61 years in the banking field this year.

On June 15, 1896, Mr. Broderick started to work for the State Trust Company and successively served it and the Morton Trust Company as office boy, clerk, Auditor and Assistant Secretary.

In February, 1910, he joined the New York State Banking Department as an examiner and served in that capacity until November, 1914. In 1911 he was assigned to the staff of District Attorney Charles S. Whitman to assist in the banking investigations and trials. In 1912 he examined the European branches of New York State banks. In the Spring of 1914 he became a member of the Preliminary Organization Committee, which outlined the system of reports, accounting and technical procedures adopted for the operation of the Federal Reserve System.

Mr. Broderick joined the staff of the Federal Reserve Board on Nov. 1, 1914, as chief examiner, serving in that capacity until 1918. His duties included the examination of Federal Reserve banks and the supervision of the examining activities of such banks. He was Secretary of the Board from 1918 to 1919.

Resigning his position in September 1919, he joined the National Bank of Commerce in New York as a Vice-President, specializing in foreign exchange work for a period of nine years. In 1926 he joined the Kemmerer Commission to Poland in a study of its banking and economic conditions. He was decorated as Knight Commander, Order Polonia in Restituta by the Polish Government. In 1929 he was appointed by Governor Franklin D. Roosevelt as Superintendent of Banks of the State of New York and subsequently continued under Governor Lehman. He held this office until Dec. 31, 1934. His tenure covered the most active period of depression and recovery in the banking and business history of the country.

In January, 1936, Mr. Broderick was appointed by President Roosevelt as a member of the Board of Governors of the Federal Reserve System for a term of 14 years. He served from February 1936, until Sept. 30, 1937, resigning to accept the Presidency of the East River Savings Bank of New York. He was the ninth President of that institution. On Jan. 10, 1952, he became the first Chairman of the Board.

Mr. Broderick attended Grammar School No. 69 in New York City. He was a member of the Class of 1906 School of Commerce, New York University. He was also a graduate of the American Institute of Banking. Active in many of their local and national committees, he has been an Honorary Member since 1916. In 1936,

New York University presented Mr. Broderick with their Medalion For Meritorious Service. In 1951 he received the Madden Memorial Award for outstanding achievements in business.

Chemical Corn Exchange Bank, New York, has appointed ten new executives, it was announced today by Harold H. Helm, Chairman. They are: Richard A. Erbacher, Fred J. Raichle and John H. Yoe, who have been named Assistant Secretaries; Walter Sauerman, Assistant Treasurer, and Anders E. Anderson, J. Kuper Callahan, George R. Fritz, Chandler L. Mahnken, John F. McElheron and John A. Vander Drift, Assistant Managers.

CHEMICAL CORN EXCHANGE BANK OF NEW YORK

	Sept. 30, '57	June 30, '57
Total resources	3,105,106,636	3,095,521,522
Deposits	2,760,101,122	2,728,544,126
Cash and due from banks	737,732,247	752,925,459
U. S. Govt. security holdings	455,139,746	434,355,769
Loans & discounts	1,528,584,978	1,559,240,638
Undivided profits	38,158,862	36,088,353

IRVING TRUST COMPANY, NEW YORK

	Sept. 30, '57	June 30, '57
Total resources	1,791,380,590	1,735,874,435
Deposits	1,567,226,112	1,496,661,681
Cash and due from banks	453,956,787	434,225,704
U. S. Govt. security holdings	337,220,628	329,424,845
Loans & discounts	844,986,480	829,764,690
Undivided profits	26,297,181	24,975,522

J. P. MORGAN & CO., INCORPORATED NEW YORK

	Sept. 30, '57	June 30, '57
Total resources	851,248,831	878,766,036
Deposits	739,176,677	772,830,953
Cash and due from banks	193,818,151	223,445,129
U. S. Govt. security holdings	176,875,665	165,461,739
Loans & discounts	397,598,219	412,174,678
Undivided profits	16,112,135	20,186,294

THE NEW YORK TRUST COMPANY, N. Y.

	Sept. 30, '57	June 30, '57
Total resources	769,939,845	785,578,727
Deposits	661,835,365	681,909,470
Cash and due from banks	151,655,755	180,401,102
U. S. Govt. security holdings	156,903,521	149,730,698
Loans & discounts	412,858,161	411,783,193
Undivided profits	11,189,821	10,404,639

THE MARINE MIDLAND TRUST CO. NEW YORK

	Sept. 30, '57	June 30, '57
Total resources	608,668,051	573,397,155
Deposits	544,250,332	509,191,088
Cash and due from banks	203,534,974	178,402,449
U. S. Govt. security holdings	98,212,508	97,384,764
Loans & discounts	275,601,339	268,485,602
Undivided profits	10,942,087	10,411,314

THE BANK OF NEW YORK

	Sept. 30, '57	June 30, '57
Total resources	491,570,634	525,415,403
Deposits	428,117,062	466,538,839
Cash and due from banks	118,771,481	159,340,393
U. S. Govt. security holdings	93,477,947	83,147,230
Loans & discounts	245,918,701	255,440,083
Undivided profits	9,361,405	9,056,754

Kermit W. Schweithelm has been promoted to Assistant Vice-President in the public relations and advertising department of the Chase Manhattan Bank, New York, it was announced on Oct. 1 by George Champion, President.

Mr. Schweithelm joined the bank in 1926 and was assigned to the advertising department two years later. He was appointed to the official staff as an assistant advertising officer in 1952 and named advertising officer in 1955.

Henry G. Duvernoy has been elected a Trustee of The Greater

New York Savings Bank of Brooklyn, New York.

THE CLINTON TRUST CO., NEW YORK

	Sept. 30, '57	June 28, '57
Total resources	\$39,014,463	\$40,887,347
Deposits	35,922,225	37,872,470
Cash and due from banks	8,435,111	11,466,938
U. S. Govt. security holdings	14,534,023	12,545,628
Loans & discounts	12,708,620	13,867,276
Surplus and undiv. profits	1,378,799	1,355,944

GRACE NATIONAL BANK OF NEW YORK

	Sept. 30, '57	June 30, '57
Total resources	204,425,666	189,057,049
Deposits	183,291,855	169,946,294
Cash and due from banks	60,533,052	49,068,344
U. S. Govt. security holdings	47,358,753	45,396,162
Loans & discounts	77,166,588	77,856,194
Undivided profits	1,628,595	1,824,406

The Franklin Savings Bank, N. Y., elected on Sept. 26 Thomas W. Keese, Jr., a Trustee. Mr. Keese is a director of the Bessemer Trust Company of Jersey City, N. J.

Anton G. Kleine, retired Treasurer of the Peoples Savings Bank, Yonkers, N. Y., died on Sept. 23 at the age of 67.

Approval of the merger of the Security Bank and Trust Company of Stamford, Conn., and the Greenwich, Connecticut Trust Company, Greenwich, Conn., has been received from the Connecticut Banking Department and the Federal Deposit Insurance Corporation. The combined institution will begin operations Oct. 5, bringing Saturday morning banking to Stamford for the first time.

Frank G. Coughtry, President of the Orange Savings Bank, Orange, N. J., tendered his resignation of that office on Oct. 1 after serving in that capacity for 21 years. Succeeding him as President is Howard B. Lloyd who has been Vice-President of the Bank since 1953.

Mr. Coughtry was appointed to the Board of Managers of the Bank in 1922, became its Vice-President in 1931 and was elected President in 1936. Mr. Coughtry is 89 years old.

At a meeting of the Bank's Board of Managers, Howard B. Lloyd was elected to the Presidency.

Mr. Lloyd was elected to the Bank's Board of Managers in 1939 and became its Vice-President in 1953.

Frank J. Murray has been elected Chairman of the Board of Managers. Mr. Murray has been a member of the Board of Managers for 13 years. He was the first President of the Orange First National Bank, from 1933 to 1940 and thereafter Chairman of its Board of Directors. He was formerly a director of the Sterling National Bank of New York City.

Gustave P. Heller of West Orange was elected to fill a vacancy on the Board of Managers. He is a former director of the Dover Trust Company, having served in that capacity for 25 years.

Edwin O. Kraft was elected Vice-President of the First National Bank and Trust Company of Paterson, N. J. He was formerly with the Passaic-Clifton National Bank and its predecessor the Clifton National Bank.

DeHaven Develin, President of The Bryn Mawr Trust Company, Bryn Mawr, Pa., announced that N. Lane Irwin, a Vice-President of the Bank, has been placed in charge of the company's Customer Relations.

Mr. Irwin came to the trust company on Dec. 31, 1954, when the Bryn Mawr National Bank, of which he had been Cashier for

14 years, was merged into The Bryn Mawr Trust Company.

First National Bank of La Crosse, Wis., increased its common capital stock from \$400,000 to \$600,000 by a stock dividend effective Sept. 20. (Number of shares outstanding—6,000 shares, par value \$100.)

An increase in the common capital stock of **The First National Bank of Marietta, Ga.,** from \$200,000 to \$250,000 by a stock dividend and from \$250,000 to \$300,000 by the sale of new stock was made effective Sept. 18. (Number of shares outstanding—6,000 shares, par value \$50.)

The common capital stock of the **Broadway National Bank of Alamo Heights, San Antonio, Texas,** was increased from \$150,000 to \$350,000 by a stock dividend and from \$350,000 to \$400,000 by the sale of new stock effective Sept. 17. (Number of shares outstanding—8,000 shares, par value \$50.)

The First National Bank of Midland, Texas, increased its common capital stock from \$1,500,000 to \$1,600,000 by a stock dividend and from \$1,600,000 to \$2,000,000 by the sale of new stock effective Sept. 17. (Number of shares outstanding—20,000 shares, par value \$100.)

Merger certificate was issued on Sept. 13 by the Office of the Comptroller of the Currency approving and making effective, as of Sept. 13, the merger of The

Bank of Arizona, Prescott, Ariz., with common stock of \$500,000, into "First National Bank of Arizona, Phoenix," Phoenix, Ariz., with common stock of \$8,430,000. The merger was effected under the charter and title of "First National Bank of Arizona, Phoenix."

At the effective date of merger, the receiving association will have capital stock of \$9,200,000, divided into 920,000 shares of common stock of the par value of \$10 each; surplus of \$8,000,000; and undivided profits of not less than \$2,549,047.

FIRST NATIONAL BANK OF SALT LAKE CITY, UTAH

	June 30, '57	Dec. 31, '55
Total resources	89,551,299	113,218,336
Deposits	83,519,753	108,131,489
Cash and due from banks	19,553,525	30,663,737
U. S. Govt. security holdings	36,506,086	50,830,580
Loans & discounts	23,796,021	21,457,985
Undivided profits & Reserves	3,531,546	2,836,847

Subject to approval of shareholders and regulatory authority, the **Security-First National Bank of Los Angeles, Calif.,** the **Citizens National Trust & Savings Bank of Riverside, Calif.,** and the **Security Trust & Savings Bank of San Diego, Calif.,** will consolidate their operations under the name of Security-First National Bank as of Nov. 1, 1957. The consolidation will add 44 branch offices to the Security-First National Bank's branch banking system to bring the total of its offices to 198.

The banks on Aug. 31, 1957, had combined deposits of \$2,671,000.

Continued on page 51

This is not an offering of these shares for sale, or an offer to buy, or a solicitation of an offer to buy, any of such shares. The offering is made only by the prospectus.

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October 1, 1957.

Planting the Roots for Banking's Development

By ERLE COCKE*

Retiring President, American Bankers Association
Vice Chairman of the Board and Executive Committee Chairman,
The Fulton National Bank, Atlanta, Georgia



Erle Cocke

The long history of the American Bankers Association has spanned periods of peace and war, of prosperity and depression, and of optimism and pessimism. We meet today at the turning point of another chapter in that history. Embarking upon a new Association year, we find encouragement in the knowledge that our country is at peace, that our people are enjoying record prosperity, and that generally a spirit of optimism prevails.

A year ago, the membership of this Association honored me by election to its highest office. I am grateful for that confidence. The past year has been a truly rich experience for Mrs. Cocke and me. During our visits all over the country, you have been — as individuals, as groups, and as an organization — hospitable and gracious. We shall never forget all you have done for us, but shall cherish the memory of these friends and events in the years to come.

*An address by Mr. Cocke before the First General Session of the 83rd Annual American Bankers Association Convention, Atlantic City, Sept. 24, 1957.

Retiring ABA President and recently appointed FDIC member's perspective of our future dynamic economy embodies such challenges to banking as: (1) less assured markets in the face of keener competition with other non-banking institutions in meeting new demands; (2) staffing banks with modern technology and managerial talent; and (3) better government relations to put across banking's view of fiscal sanity and monetary stability.

Believe in Growth

As we review the events of the past Association year, we are thankful that the crisis over Suez a year ago did not lead to widespread hostilities, and that, despite disturbances here and there over the world, even at the present time, the efforts of men could and can be directed toward building for the future rather than to the destruction of military conflict. It has been a year of unprecedented capital expansion in our own country, as in the past few years. Such an expansion would not have been possible if our business leaders and our people in general did not believe that the forces of growth are genuine and that our democratic process will generate a continuing spirit of enterprise to reward their efforts over the years ahead.

In the challenging environment in which we work, our Association has had since the Los Angeles

Convention another busy year. It is a source of much pleasure for me to report, moreover, that through the cooperation and teamwork of the members, the committees, the staff, and other units which have served so unselfishly, the year has been a fruitful one. There have been some disappointments over progress toward certain of our specific objectives, but these must be expected in as diversified an industry as banking. Nevertheless, it should be a matter of pride to bankers today that their institutions are sharing to an important degree in the expansion and development our country is experiencing. Banks are busier than ever. The scope of their service is ever broadening, and new vistas are being unfolded as each year passes.

The detailed record of Association operations and programs has been made known to you through various channels. Some of you are more intensely interested in certain of these programs than in others. We have endeavored to serve you through committee contact, publications, legislative liaison, press reports, and conferences. We want you to consider it your privilege to use these services as active and interested members of the Association.

As I reflect upon the experiences I have had in this undertaking, upon the programs and objectives outlined for the American Bankers Association, and upon the environment in which banking operates today, I cannot help but feel that this is an appropriate occasion to project our thinking toward the future. All of us in banking know what we accomplished in the past; most of us have a pretty good idea of what we are accomplishing now; but have enough of us given thought to what we hope to accomplish in the future? Have we really given adequate attention to the direction in which our institutions are heading, to our role in the financial system, and to whether we shall measure up to the challenge of this changing economic environment?

Should Plan Ahead

Systematic thinking about the future is a widespread principle of business today. It underpins the broad programs of capital expansion in industry, transportation, and trade. Without planning and confidence in the future on the part of business leaders, the great challenge of our country's growth would not continue. It is true that forecasting is admittedly a risky business. The most reasonable and carefully devised forecast can go astray; but I submit that it is far more risky to be without a forecast—without some kind of target for the future against which one can evaluate the operations, policies, and programs of today. This holds true for the small bank as much as for the large bank, and for city as well as rural institution.

It should be considered, therefore, to be an important responsibility of each bank to think and plan ahead on a wider scale, and

it is my earnest hope that in the years to come the American Bankers Association will direct a goodly portion of its energies to helping you to anticipate what the future has in store. One need not have a detailed economic blueprint as a point of departure. The direction and intensity of the basic forces at work should serve as meaningful guideposts for projecting into the future. They should help to focus our attention on the major areas in which an Association such as this can continue to perform with vitality and foresight the essential function of helping our banks to achieve maximum effectiveness in service to the public, while at the same time rewarding our own employees and stockholders.

We live in a truly dynamic environment. Our population is growing, standards of consumption are rising, productive efficiency is increasing, new and better materials are being discovered, and broad horizons of technology and science are constantly coming into view. Despite the eroding influence of inflationary pressures, we have been able so far to achieve new records of real physical output. Unemployment is at a very low level. In an unprecedented stretch of prosperity, business activity has been on a plateau close to the all-time record. Recently there have been signs of a softening in some of the business indexes. Trained economic observers are divided over whether the trend will be upward or downward in the months just ahead, but there seems to be broad agreement that any change is likely to be modest.

For the longer pull, however, the popular forecast is that over the decade ahead, allowing for intervening swings upward and downward, the forces of growth will be unleashed to give us a much bigger economy than today—with a gross national product of perhaps as high as \$600-billion in terms of present prices—provided we have the good sense to guard against excesses.

More Competition

It will be an economy, though, in which the forces of competition will become keener, in which various geographic areas will be undergoing markedly different rates of growth, and in which new industries, businesses, and products will be replacing others. It will be an economy in which success will not be guaranteed, but in which vision and hard work on the part of progressive management will be rewarded.

For banking this means a bigger job to be done; a larger number of financial transactions; more people to be served in new ways and with improved techniques; a new look at balance sheets, with larger footings and new asset-liability relationships; a closer attention to costs; a realistic approach to management and other personnel matters; a challenging competitive environment both among banks and among all financial institutions; and an enlarged responsibility regarding the soundness of credit as a factor in

economic and monetary stability. I could continue in this vein at some length to pinpoint conditions and problems that seem to lie ahead; however, it is not my purpose today to dwell upon the many programs and operations which constitute the work of the various units of the American Bankers Association.

I would like to leave you, however with my observations on a few of the major developments in banking which hold real promise for the future, or which embody a challenge that will put us to the test.

First, there is the area of functional competition with other institutions. Economic growth will mean a larger financial system, but the environment is likely to be one in which most of the time the demand for funds will continue to press hard against the supply of savings. There will be keen competition to obtain those savings and to put them to work in loans and investments. Banking must be prepared to meet this competition on all fronts. Our markets will not be assured. This is a fact we should never forget.

For example, today much of the emphasis in consumer credit is on instalment loans for automobiles and appliances, and the emphasis in the mortgage market is on home purchase. Will new horizons be opened in the years to come? Will additions to homes to accommodate larger families account for a growing share of the business? Will our consumer credit departments find new ways of financing the education of a growing number of college students as the babies of the early postwar years grow to maturity?

Operating Efficiency

Second, there is the area of operating efficiency. We must progress in the adaptation of modern technology to bank operations. Electronics hold particular promise in this respect. In the years ahead, the pressure of a high volume of activity will tax the existing facilities of the bank clearing mechanism; and like other industries that have tapped the wonders of modern science and technology, we shall have to be prepared to adapt our own operations to changing conditions. But it will take more months and years of hard work, careful planning, and resourcefulness to keep ahead of the needs of a growing economy.

As a result of the work of the ABA Bank Management Commission and scientific developments by bank equipment manufacturers, we are well on the way to automatic check handling. The bank check of the future will be more efficient, more accurate, and less costly. Some banks are already moving ahead methodically to take advantage of automation as equipment becomes available. Others are in the planning stage. On the other hand, the vast majority of banks are marking time, mostly because they are looking for guidance. Banks should begin now to take basic steps so that they will be able to take advantage of automation, by placing financial and other documentary instruments on a uniform basis, developing properly coordinated systems, and installing actual equipment with proper priorities toward availability and use.

Governmental Relations

Third, there is the matter of governmental relations. During this past year, good progress has been made toward the enactment of a revised financial code which will modernize banking laws. There were also extensive hear-

Continued on page 36

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Common Stocks — The Big Challenge

By BENJAMIN STRONG*

President of the United States Trust Company of New York

Three years ago, on Oct. 18, 1954, to be exact, I had the temerity to address the Trust Division on the subject of common stock investments. Some of you may remember the title of that discussion: "Common Stocks—The Big Change." My intent was to explore the reasons for the great change in fiduciary investment policy in the last 50 years or so



Benjamin Strong

—a change that brought on the general use of common stocks in the portfolios of pension and insurance funds, institutional endowments, and all types of fiduciary accounts.

While recognizing the impact of inflation in this shift of investment emphasis, I ventured the opinion that the emergence of equities as a suitable medium for so-called conservative funds rests on a more dependable base than inflation. I cited these three rather fundamental factors:

First is the emergence of the United States as the world's hard-money financial center, with consequent stability in the pattern of interest rates. While we have just witnessed a rather substantial and rapid change in the money market, it should be pointed out that in a world harassed by inflation, the United States is still the cheapest place to borrow money.

The second factor is the more mature and stable industrial climate in which to invest in ownership.

The third element is the more favorable equity market in which to function, due to closer supervision and self-regulation, thereby reducing the speculative hazards.

The passage of three years has not in any way changed my views on this subject. I am glad to have this opportunity to say again that we are engaged in equity owner-

*An address by Mr. Strong before the Trust Division at the 83rd Annual Convention of the Association, Atlantic City, N. J., Sept. 23, 1957.

After praising the record made by common stocks in the portfolio of conservative funds, prominent N. Y. banker indicts the concept of slow, beneficent inflation as a swindle for which common stocks are not the cure. Mr. Strong describes today's business picture as one of consolidation; denies we can control the business cycle; urges bankers to exercise financial leadership with courage and foresight despite minority position against the tide of public opinion; and warns trust officers must fully believe in the country's long-term growth prospects or they should completely liquidate their equity positions.

ship as a permanent part of our investment fabric.

"Reassuring and Rewarding"

In recent years, the ownership of common stocks has been both reassuring and rewarding. A fast-growing economy and a rising stock market between 1947 and the middle of 1957 gave us a climate that was certainly stimulating, as well as free of economic storms or even of sudden and brief squalls. We must admit that we are likely to look back on those years as a period of relatively smooth sailing. Now we begin to worry as to whether or not these happy times will go on forever without disagreeable interruptions, either long or short.

Being interested in sailing as a sport, I cannot resist the temptation to compare the still prevalent tranquility of spirit with the yachtsman who sails along in a fair breeze with all sails set, but with total disregard of threatening thunderheads on the horizon. If our sailor-friend knows the danger signs that precede a sudden line-squall, he will take in some sail before the disturbance hits and until it blows itself out. He will then be in a position to sail on, with his boat still seaworthy and his sails intact. His craft, in short, will be able to take him on to many days of smooth and rewarding sailing. The inexperienced or reckless sailor will emerge from such an experience with his boat damaged, as well as his reputation as a yachtsman, and his sails so blown to bits that he has nothing left with which to sail on to the calm and rewarding waters that lay ahead for yachtsman number one.

"It Rains Unexpectedly"

With this oversimplified simile, I am trying only to point out that the weather, either climatic or economic, cannot be counted on to continue indefinitely without change. In my opinion, we have come no nearer to solving the economic cycle than we have to controlling the amount or distribution of the fall of rain. It is true that we have made some progress in flood-control and irrigation, but we must remember that it still rains unexpectedly. True also, we have learned to cushion many of the impacts and symptoms of the rise and fall of business swings; but we are surely not in a completely new era that eliminates the risks of temporary adjustments in our economic position, either minor or major.

Therefore, we must be prepared to weather storms as well as sunshine; and we must lay our plans and direct our policies in such a fashion as to command public confidence under all circumstances.

Responsibility of Trust Officers

We, as trust officers, have assumed many and diverse problems in our capacity as important holders of equities, in good times and bad. These problems will tax our judgment, knowledge, and experience to the utmost. I am deeply impressed by the responsibility that rests on us to make a good showing in our role as stockholders. We must, above all, justify the confidence that the public has shown by entrusting to us a constantly growing volume of funds for investment management. Furthermore, these funds are not just the accumulated wealth of the prosperous. They now include, in important measure, pension funds that have in their care the financial future of hundreds of thousands of men and women. As I ventured to say three years ago, we as trust officers are, with our institutions, wrapped up closely and irrevocably in the financial and economic fabric of our country and its people. Our thinking and our judgments must be broad-gauge; and our policies must reflect independent thought, and must be based on an objective approach to every phase of the problem.

In looking ahead, we must, I feel, agree on one fundamental premise—that the prospects for prosperous growth of our American economy can be regarded as a safe long-term expectation. Any trust officer who does not believe this should leave this room immediately, pack his bag, and fly home to start complete liquidation of his common stock position! After all, the only real justification for undertaking the risks involved in holding stocks at this point is the belief that over the years they will give our accounts a share in the growth and profit of our country's industrial and financial structure.

Beware of Cliches

So far I have not referred to the title of this discussion: "Common Stocks—The Big Challenge." What

does that have to do with the long-term prosperity of the United States of America? To me, the challenge is this—we, as fiduciaries and investment managers, must have the wisdom to chart a sound course of investment. We must produce policies that will bring the greatest possible rewards to our beneficiaries, our residuary interests, and our investment clients. We must be able to sift through the many cross-currents of varied and confusing opinion that bombard us on all sides. We must realize that some of these opinions are motivated by profit, some by political ambition, some by devotion to statistical dogma, and many others by wishful thinking and outright ignorance. We cannot possibly fulfill these responsibilities and produce these results just by reiterating such comforting statement as these:

"I believe in the long-term future of the U. S. A."

"I won't sell America short."

"We have a constantly expanding economy."

"We are in a long-term inflationary period, so stocks are bound to go up, and bond income can only go down in purchasing power."

"The growth in population insures an uninterrupted prosperity."

Such sentiments can and will, if we let them, lull us to sleep as surely and as pleasantly as a phenobarbital or a tranquilizer.

So much for generalities. To be more specific, we might examine for a moment the particular areas of challenge that common stock ownership involves. The problem of inflation is in the present scene perhaps the most basic of all to the investor in common stocks. This challenge has been met over the past 15 years to a large extent simply by the acquisition of large proportions of common stocks, particularly in the growth and raw material categories. In part because of the growth of the economy and the improved character of the equity market, this method of meeting inflation has accomplished much of its purpose. However, a fundamental difficulty has become apparent: inflation is incompatible over the long term with a healthy economy. It will eventually destroy the sound growth for which we all hope.

The experience of inflation in recent years has brought a rather general belief in the inevitability of rising prices. Inflation has been surprisingly widely accepted as necessary to a constantly growing economy. It is my firm belief that this concept of a slow, largely beneficent inflation is wrong and cannot last.

If the inflation does continue by getting imbedded in popular psychology and in governmental spending and monetary policy, it inevitably results in increasing efforts by businesses and individuals to build and to buy ahead of the anticipated price increases. It results in the acceptance by business of excessive wage increases simply as added costs to be passed

along. The resulting accelerated price advances cause greater efforts to anticipate the trend, and the inflationary pace turns into a gallop.

Since inflation is fundamentally a swindle, it weakens the moral fiber of society. The government, for example, may sell its bonds on the public assumption of the integrity of the dollar, yet with the private realization that depreciation of the dollar's purchasing power will deprive the investor of at least a part of his income as well as of his capital. As inflation continues, it destroys economic balance. It encourages overborrowing and overbuilding. It enriches some groups, including the most speculative elements. It impoverishes other groups, including all holders and beneficiaries of fixed incomes. Because of the destruction of economic balance, the inflation must eventually be followed by a period of drastic adjustment and unemployment. The further the inflation progresses, the more unbalanced becomes the economy, the stronger the temptation to inflate further, and the more severe the adjustment which must follow.

Today we are in the midst of an inflation which may accelerate and have much further to go, or it may be that it is much closer to an end than most of us believe. We see before us the developing conflict between the wage-propelled inflation that has become so persistent and the Federal Reserve's effort to keep credit expansion in line with normal economic growth, an effort to avoid providing the funds for inflation.

As the investors of conservative funds, as representatives of institutions which are identified with sound finance, and as responsible citizens, we must exert all influence possible in support of sound money and credit policies and against yielding to the inflationary trend. For example, we can take every opportunity to support the Federal Reserve's present monetary policies.

Before dismissing the subject of inflation, we should emphasize the fact that the great and final impact of continual and substantial price inflation and currency depreciation is violent, and usually leads to sudden deflation and chaos. I do not share the views of many authorities, including some of our legislators, who believe that a gradual rise in the price level can go on forever

Continued on page 29

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SINCE 1858—THE BANKERS BANK

FDIC's Role in Nation's Bank Economy

By HON. RAY M. GIDNEY*
Comptroller of the Currency

National banks continue to maintain their important position in our dual banking system. While at the end of 1956 they numbered



Ray M. Gidney

slightly less than one-third of the nation's commercial and savings banks, they had about 38% of the total number of banking offices, 47% of banking assets, and 54% of commercial banking assets. The national banks are, in general, healthy, aggressive and growing institutions; and they are giving a high measure of service to the banking public and to the nation. With very few exceptions, they are maintaining themselves in excellent condition as measured by the basic tests of competency of management, soundness of assets, capital adequacy, and earning capacity.

Assets and Earnings

Adequate capitalization of our banks is always important. In the 10-year period, 1947-1956, national banks completed new capital sale programs in existing banks which added \$1,074-million to their capital funds. At the end of 1956, the national banks' capital structure amounted to \$8,472-million, and their reserves for bad debts and other loan valuation reserves were \$833.5-million, or an aggregate total of capital funds and reserves of \$9.3-billion. Progress in building capital has continued in 1957, with sales of additional stock in the first eight months of the year totaling \$190-million. The volume of assets in the national banking system considered by national bank examiners to contain substantial or unwarranted elements of risk continues to be very small in relation to the capital afforded by capital structure and reserves.

*An address by Mr. Gidney before the National Bank Division at the 83rd Annual Convention of the American Bankers Association, Atlantic City, N. J., Sept. 23, 1957.

Currency Comptroller Gidney renders a review of national banking activities and problems ranging from earnings capacity and new bank stock sales to legislative progress made in "The Financial Institutions Act of 1957." Finds that the growth of the F. D. I. C. fund is just about keeping pace with the growth of coverage afforded and recommends bankers familiarize themselves with hearings and testimony dealing with proposed changes in the Federal laws governing financial institutions.

Our Annual Report for 1956, which will reach you soon, shows very interesting information on earnings and expenses. Net earnings from current operations for 1956 amount to \$1,497-million, equivalent to 1.39% of year-end deposits of \$107.5-billion, as compared with 1.28% for the year 1955. Aggregate net profits after deducting excess of losses over profits and recoveries equaled \$1,221.3-million. From this amount, \$142.9-million was used for net additions to bad debt reserves and valuation reserves, leaving net profits of \$1,078.9-million before income taxes. Total taxes paid were \$431.7-million, leaving net profits of \$647.1-million, or 9.32% of capital funds. This represented only 67 cents for each \$100 of assets or two-thirds of 1%. From net profits, 28 cents per \$100 of assets, or 3.89% of capital funds, was paid out in cash dividends, and 39 cents per \$100 of assets, or 5.43% of capital funds, was retained as addition to capital. Obviously the margin of earnings over expenses is very moderate; and with the continuing rising tendency of expenses and the present-day need for improvement and expansion of banking house facilities, the individual bank must weigh carefully its dividend policy. It may make its dividends relatively generous and take care of capital needs by occasional sales of new stock, or it may follow a restricted dividend policy in order to retain a large proportion of earnings. Figures indicate that most of our national banks prefer a middle-of-the-road policy, with moderate

dividends and sales of stock when needed.

Bad Debt Reserves and Pensions

The subject of reserves for bad debts is raised by a very large proportion of bankers with whom we come in contact. At the end of 1956, 2,721 national banks, or 58.4% of the total, with gross loans of \$45.2-billion (92.27% of the gross loans of all national banks) were maintaining reserves for bad debts of \$792.7-million, or 1.75% of gross loans in the banks maintaining such reserves. We in the Comptroller's office believe that there is a need for a bad debt reserve formula not limited to the loss history of the individual bank or group of banks and which would permit all banks to create and maintain bad debt reserves by transfers from earnings at a reasonable rate in relation to total loans until a suitable ceiling is reached. This ceiling should be based upon the average loss experience of all banks over such a period as is now allowed for individual banks. In our most recent call for report of condition, we asked for information as to the bad debt ceiling for each bank. This is needed to furnish additional reliable figures for the study of the problem.

An important subject in these days of keen competition for high grade personnel is the matter of pension plans. We have made studies which indicate that 35% in number of the national banks, with about 80% of the total salaried staff of all national banks, have pension plans. We believe that every bank which does not have a pension plan should consider what kind of a plan it needs, and what it can afford, and should move promptly to put in effect the best plan it can devise.

"Financial Institutions Act Of 1957"

Banking legislation is a very important subject at this time. When we were together in Los Angeles last October, I reported on the prospects for a general review of the federal laws governing financial institutions. The course of this legislation through the United States Senate, under the guidance of Senator A. Willis Robertson, was truly encouraging and resulted in the passage by the Senate of "The Financial Institutions Act of 1957" on March 21. We are including in our annual report a detailed discussion of the recommendations which were made by our office, all but four of which were included in the Senate Bill. The Bill as passed by the Senate was introduced in the House of Representatives by Congressman Paul Brown of Georgia, with only one change having to do with branches of federal savings and loan associations. I strongly recommend that every national bank give careful study to the material on this subject included in the Annual Report and to the actual text of The Financial Institutions Act of 1957. You should become fully informed as to what will be accomplished by the enactment of this legislation. We consider it an excellent Bill, which will simplify

and improve the laws under which you operate. As banking experience accumulates, and standards of bank management are advanced, we should seek to have banking laws advance to take account of banking progress. This should not mean liberalization to the point of laxity; but it should mean broadening of the provisions of the laws and their adaptation to conditions of the present and of the future, combined with the elimination of unnecessary or obsolete provisions which are unduly restrictive. This, the new law, if enacted, will accomplish to a very helpful extent. As you know, the House Banking and Currency Committee held hearings during the last part of the session over a total of 19 days. We understand that hearings will be resumed when Congress convenes in January, 1958. You should obtain copy of the hearings and testimony thus far given and familiarize yourselves with the trend of opinion reflected therein. We have endeavored to give the Banking and Currency Committee full and frank discussion of all matters in which they have asked for explanations of our views.

We continue our support of the provision, introduced at the instance of the American Bankers Association, which would eliminate the mandatory requirement for cumulative voting in the election of directors of national banks. On the proposed amendment to the Federal Deposit Insurance Act which is included in section 23 of Title III of the proposed law relative to bank mergers, the three federal supervisory agencies have continued in firm support of the principle of keeping authority over bank mergers in the supervisory agencies. There are so many good changes embodied in the proposed legislation that the enactment of the Bill in substantially its present form will be an accomplishment of great significance for the good of the banking system.

Discusses F. D. I. C.

Before concluding my remarks, I should like to say a few words about the Federal Deposit Insurance Corporation, on which, as Comptroller of the Currency, I serve as director and vice-chairman. I do not need to tell you that the existence of the Federal Deposit Insurance Corporation and its ability and willingness to act promptly in meeting its obligations whenever an insured bank is closed for liquidation do a world of good in keeping the public mind free of apprehension as to the possible effect of banking difficulties. When the assistance of the Federal Deposit Insurance Corporation is made available to a banking institution in trouble, it avoids or mitigates the community distress which would otherwise occur.

Over a good many years, it was the practice of the Federal Deposit Insurance Corporation, in most cases, to provide for the taking over of a failing insured bank by another banking institution, with protection of the depositors up to 100%. This method was designed

to reduce the risk of loss to the Corporation, and that is the statutory basis upon which it is permissible. However, there is a strong belief on the part of many that such an operation should be the exception rather than the rule, and should be consummated only where there is a clear showing that it will be to the advantage of the Federal Deposit Insurance Corporation. In the four years in which I have been a member of the Board, there have been five cases where deposit liabilities were assumed in full without receivership for the institution receiving assistance. There have been six cases where the Federal Deposit Insurance Corporation has been appointed receiver and has paid its statutory liability on insured deposits. Losses to uninsured depositors in these cases were relatively small. There have been two instances where the Federal Deposit Insurance Corporation was appointed receiver but where local capital was raised or contributions made which permitted the payment of depositors in full. In one of these cases, the Home National Bank of Ellenville, New York, the Federal Deposit Insurance Corporation made a loan of \$462,000 to the receiver to make possible the assumption of the deposits in full by a newly chartered bank, The Ellenville National Bank, with \$1,050,000 of new capital funds raised within a few days by citizens of the community. The Corporation has collected a substantial portion of this loan and anticipates full collection of the balance. In the other case, the Del Rio National Bank of Del Rio, Texas, new capital funds of \$750,000 and a guaranty fund of \$1,020,950 were placed in the institution by local interests, and the bank was removed from receivership and reopened. Both of these banks are operating successfully at this time.

Coverage Growth

With the generally prosperous condition of our banks, the occasions for Federal Deposit Insurance Corporation aid have not been important as to amounts involved. However, the insurance coverage afforded by the Corporation is related to a very large total of insured deposits; and it is good to know that the Federal Deposit Insurance Fund has now passed \$1.3 billion. That is a lot of money, but it is only 0.79% of total deposits in insured banks and approximately 1.44% of insured de-

Continued on page 39

STATEMENT OF CONDITION

FIRST NATIONAL BANK

OF SALT LAKE CITY
SALT LAKE CITY, UTAH
AS OF JUNE 30, 1957

RESOURCES

Cash and Due From Banks	\$19,553,524.73
U. S. Securities (Par Value or Less)	36,506,986.19
Municipal Obligations	9,506,629.38
Total Liquid Assets	\$65,566,240.30
Loans and Discounts	23,796,020.62
Stocks	87,600.00
Banking House	1.00
Furniture and Fixtures	1.00
Other Assets	101,436.43
Total	\$89,551,299.35

LIABILITIES

Demand Deposits	\$68,759,295.52
Time Deposits	14,760,457.80
Total Deposits	\$83,519,753.32
Capital Stock, Common	750,000.00
Surplus	1,750,000.00
Undivided Profits and Reserves	3,531,546.03
Total Capital Investment and Reserves	\$ 6,031,546.03
Total	\$89,551,299.35

David O. McKay, President Orval W. Adams, Executive Vice President
Member Federal Deposit Insurance Corporation

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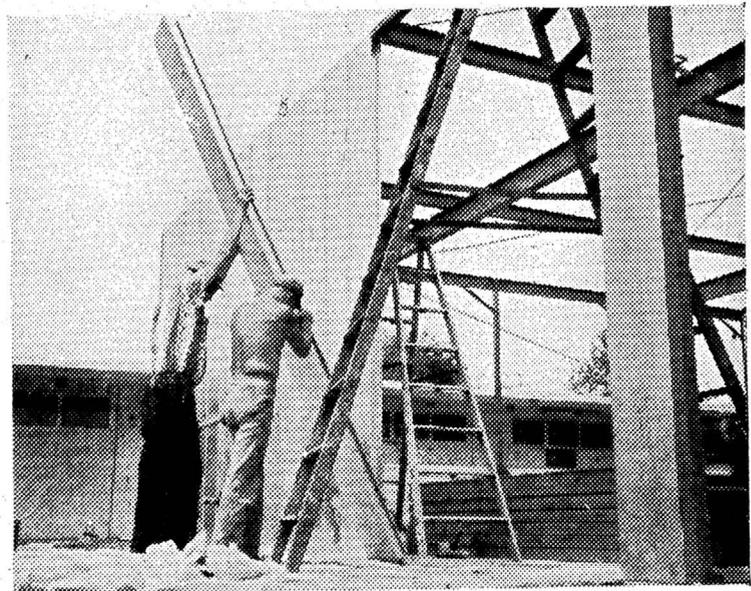
New classroom units were designed by C. K. Allen, Staff Architect, City of San Bernardino School District; contractors and developers of the panel construction used: Calcor Steel Building Division of The Calcor Corp., Los Angeles.

Needed: more schools in a hurry ... what San Bernardino did about it

The struggle to keep up with the booming school-age population has school authorities all across the nation a little out of breath. In solving this problem San Bernardino, Calif. (population: 85,000), turned to a simplified construction that provided urgently needed classrooms quickly and at low cost.

Key elements in the construction are panels, formed in large part from Bethlehem's Bethcon galvanized steel sheets. They are easily and quickly secured to the framework of light structural steel, most of which is supplied by Bethlehem's Pacific Coast plants. What's more, the buildings are portable. They can be lifted from their foundations and moved to new residential areas, should future shifts in population require it.

San Bernardino used this same construction for thirty-eight new school units last year, and followed it again this year, building a new elementary school and additions to ten existing schools in the short space of three months. As a result, when their children trooped back to school in September, 2100 pupils who would otherwise have been forced to "double-up," had desks and classrooms all their own.



The steel panels forming the sides and roofs of the new unit are among the many hundreds of products being made from Bethcon galvanized sheets. The Bethcon zinc coating adheres so tightly to the steel base that it doesn't crack or peel off even when a Bethcon sheet is bent sharply back on itself.

BETHLEHEM STEEL



Understanding the Big Debate

By ROGER M. BLOUGH*

Chairman of the Board, United States Steel Corporation

There is a quaint belief among some of our people in this country that steel is the root of all inflation—past, present and future—



Roger M. Blough

and that if we could just keep steel prices from going up, this problem, which has plagued mankind throughout the recorded history of the ages, would be miraculously solved; and we could all go home and forget it. That

this appealing bit of witch-doctory should be widely fostered and carefully nurtured by many of our labor leaders, as a diversionary tactic is, of course, understandable in the light of the part they have played in the matter. That it would find support among some of the members of a Congressional investigating committee before which we spent a number of torrid days last month in Washington was clearly predicable. But that a classic example of this kind of poppycock should come from a member of the banking fraternity was as surprising to me as I know it will be to you.

Yet, the other day, I received a letter from a retired school teacher who is living on his pension in a trailer park in Florida, and who is feeling the pinch of inflation. In the envelope was a notice which he had just received from his bank in St. Petersburg, and which read as follows:

"To Our Safe Deposit Customers: Due to the rise in the price of steel and increased operating costs, it becomes necessary for us to increase the rental of our Safe Deposit Boxes. This increase is reflected in the attached Bill."

On the back of this notice the school teacher had written a little note saying:

"The notice on the reverse of this slip amused me no end because I am one of your small shareholders. Of course, my tiny safe deposit box was bought long before U. S. Steel last raised prices. But perhaps you can use this absurd notice to show how U. S. Steel is being made the goat for heavy rains, drought, Asiatic flu and the Japanese beetle."

Yes, Gentlemen, I'm afraid that steel prices have been blamed for just about everything during these

*An address by Mr. Blough before the 83rd Annual Convention of the American Bankers Association, Atlantic City, N. J., Sept. 25, 1957.

Mr. Blough likens inflation to invisible, but nevertheless deadly, radiation. Recommends ending this economic menace by increasing productivity to catch up with unjustified wage rise, followed by gearing future wage increases to levels supportable by rising productivity, and encouraging personal savings to accommodate vast capital investment needs. Calls upon bankers to provide informative leadership, cautions against recklessly blind political action, and denies implications implied in Congressional accusations of administered pricing and concentration.

past few months, and I shudder to think of the calumny that would have been heaped upon my suffering head in Milwaukee if the Braves had blown their pennant chances this year.

But ridiculous as much of this furor over steel prices has been, I must add—in the immortal words of Queen Victoria—that "we are not amused"; for inflation is no laughing matter.

Likens Inflation to Radiation

In a sense, it is very much like atomic radiation—insidious, invisible, inescapable, and deadly. It helps none; and it spares none. It can corrode and dismantle the free system of production that made progress in this country possible. It can eat away the security which this generation prizes so highly. It can even jeopardize our cherished hopes for a peaceful world.

So let us make no mistake about it. The American people are not going to tolerate rapid inflation as a permanent way of life. They are going to insist that something be done about it. But will it be the right thing? Or will the cure, perhaps, be even more deadly than the disease?

It is entirely possible, I suppose, to cure our economic headache by cutting our economic throat; and the deplorable fact of the matter is that this is precisely the cure which has been practiced by governments in nation after nation throughout several thousand years of world history. So perhaps you would like to ponder—as I have during the past few weeks—a little exchange that took place at the hearings of the Kefauver Committee last month.

Senator O'Mahoney had asked me to tell him what I thought Congress and the Executive Department should do about stopping inflation. I replied that I hesitated ever to advise Congress or the Executive as to what they should do.

Well, retorted the Senator promptly, "You'd better begin because you might get what you do not like if you don't!"

And that, of course, is only too true. Unless people in every branch of economic endeavor can advise Congress on this problem of inflation, the whole nation may get what it won't like—a "cure" that is worse than the malady. And unless our people as a whole can understand this many-faceted problem, there is little hope that they can deal with it wisely—either in their own individual activities, or through their representatives in Washington.

Yet within the limited scope of his own individual horizons, every American is, in a sense, an expert on the subject of inflation. He is dealing with that problem daily, and has been for the better part of the past seventeen years. It is true, of course, that the problem presents itself to different businesses and different economic groups in different guises—that it may seem to stem from different sources, and may be met in different ways. And that is why each of us sees the problem in a different setting and has his own individual views as to what should be done about it on a national scale.

Role of the Local Banker

But in every community there is one man who has a more intimate knowledge of the behavior and effects of the forces of inflation upon the economic and financial lives of all his neighbors than does anyone else. And that man, of course, is the local banker.

In his daily dealings with his patrons, he naturally acquires a broader and more-varied insight into the effects of inflation upon a whole community than others do or could. So it seems to me that the banking fraternity constitutes a natural clearing house for this type of knowledge and experience, and I know of no occupational group which is better qualified to provide sound and well-reasoned advice on this subject within the local community, as well as to our elected representatives in Washington.

That is why I believe that the members of this organization must provide real leadership in informing people upon this vital issue; and that, too, is why I have hesitantly ventured into the discussion of a subject upon which the angels themselves might well have feared to tread in these surroundings.

For it seems to me that inflation presents a double threat to our national welfare: first there is the danger of the disease itself; and second, there is the still greater danger that—failing to understand the problem thoroughly—we may be led to resort to some suicidal remedy.

Political Scapegoat

Frankly, I am disturbed by the fact that many of our influential leaders seem to be more interested in finding a scapegoat upon which to vent our national wrath, than in locating the real cause,

and effectuating the cure of the malady. Pinning the tail of inflation upon the hard-working industrial donkey may be great fun and an innocent sport—or it could, conceivably, be a carefully contrived maneuver designed to dupe the American people into a vast extension of the powers of government and a wholesale surrender of their traditional and constitutional freedoms.

Certainly an uninterrupted rise in the cost of living—if it continues long enough—will provide a powerful weapon in the hands of those who have abandoned their efforts to atomize business, destroy our system of competitive capitalism, and to refashion our national economy in the image of the foreign ideological gods at whose shrines they seem to worship.

Yet the fact is, of course, that the present inflation is by no means unique to America. It is world wide. And thus far, it has been much less severe in the United States, under freedom of enterprise, than it has been in many of the nations abroad where government exercises wide socialistic powers.

The current annual report of the Bank for International Settlements presents a study showing the rise in the cost of living in 13 of the other principal nations of the world during the past three years; and in 12 of these countries prices have gone up much farther than in the United States. Only in Japan have they risen less.

So it would appear that the methods which are now being employed, under our enterprise system, to combat inflation have been more effective than those which are in general use abroad.

It is also interesting to note in this connection that when we seek an explanation of the present inflation in America, it is difficult to find a better one, perhaps, than that which appeared not long ago in the London "Economist." The "Economist," of course, was discussing inflation in England; but Cinderella's slipper could hardly have fitted her better than the "Economist's" shoe fits American inflation. Said the "Economist":

Cites the Economist

"There are, broadly, two kinds of inflation. There is the inflation that is caused by 'too much money chasing too few goods,' that is, by excessive demands at existing prices for the goods and resources available; and there is the inflation caused when (above all) wage costs persistently and generally rise faster than output.

"In practice, of course, the distinction between 'too much money' and 'too much wages' as a cause of inflation cannot be pressed too far: in each case the consequence is a general rise in prices, either pulled up by excessive demands or pushed up by excessive costs; and the so-called cost inflation could not continue if there were not enough money about to enable the ever-higher wages and the ever-higher prices to be paid."

And to this explanation, the "Economist" adds:

"There can be little argument about the guise in which the infection presents itself for treatment at this moment. It is cost inflation, and overwhelmingly the largest cause of it is the way in which the trade unions are exploiting the present strength of their bargaining position . . ."

Now all of this seems to square, to a T, with our experience in the steel business. So far as supply and demand is concerned, we have done in our own outfit about all we could do to help increase the supply of the steel goods which we are producing. We have renovated, improved, replaced and expanded our capacity. Through constant reduction of controllable costs, and by careful forward planning, we have sought and obtained ever-greater production from our existing facilities. And today the fact is, that except in a very few product lines, the capacity to supply steel is greater than the demand.

Cost-Push Inflation

So our major inflationary headaches are born not out of an excess of demand. They are primarily of the wage and cost increase type, as the figures published in our annual reports clearly show, year after year.

Since 1940, our employment costs per man-hour have risen by an average of a little more than 8% per year, compounded annually. At the same time, all our other costs have risen even more rapidly; so that our total costs per man-hour—including wages, purchased goods and services, taxes, and everything else—have increased at an average annual rate of almost 9%, compounded. Meanwhile, we have been able to increase output per man-hour by only 2% to 3% a year—a figure, incidentally, which compares closely with the nation-wide improvement of about 2% annually.

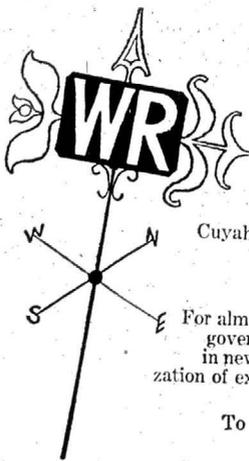
So what happens when your costs go up by nearly 9% annually, and the best you can do to increase productivity—by putting in new equipment, by installing better methods, by adding incentive plans, and by doing everything else in the book—the best you can do is to reduce your costs between 2% and 3% a year?

Well, the answer is: you either try within competitive limitations to take in more dollars from your customers or you go broke. And you will readily appreciate our natural aversion to the latter alternative!

So in order to bridge the widening gap between our rapidly mounting costs and our slowly improving productivity, prices have been raised, according to the Bureau of Labor Statistics, about 5½% per year on the average. But even this has not fully offset the effects of inflation upon our business, for never—in any year since the present cycle of inflation began in 1940—has our profit rate, as a percentage of sales, been as high as it was in that year. Each year we hope to recover this ground that inflation has cost us; and we are still hoping. But we haven't made it yet.

Now these are the simple facts of the matter as attested by the duly audited reports of our company. But what puzzles me deeply, and confounds me considerably in the face of these facts, is the approach that is taken by a few—though, happily, not all—of the members of a subcommittee of our senior legislative body in Wash-

Continued on page 36



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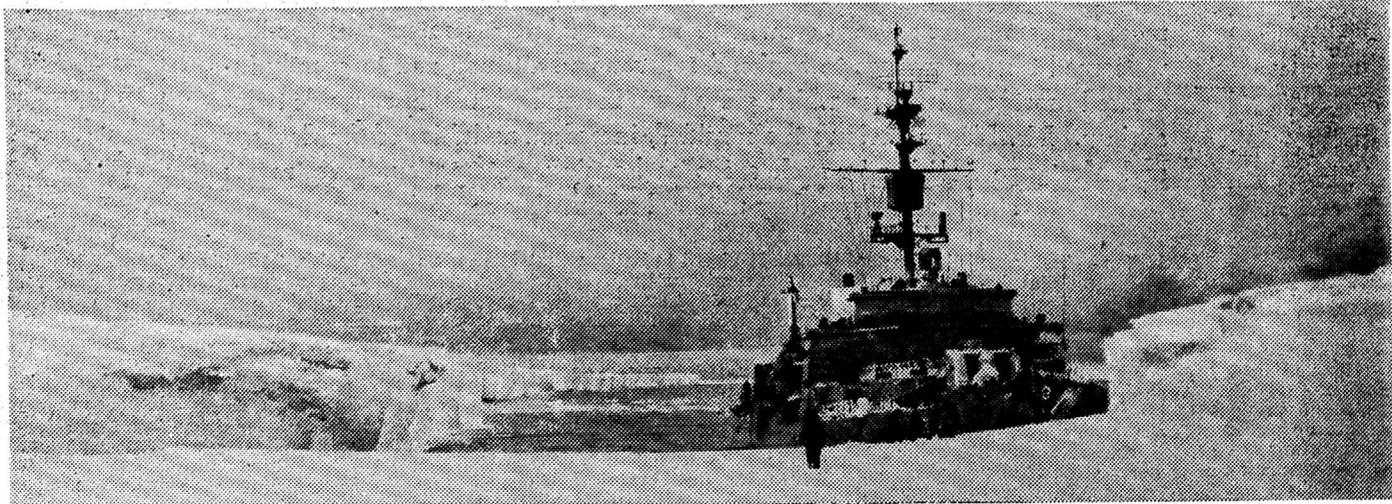
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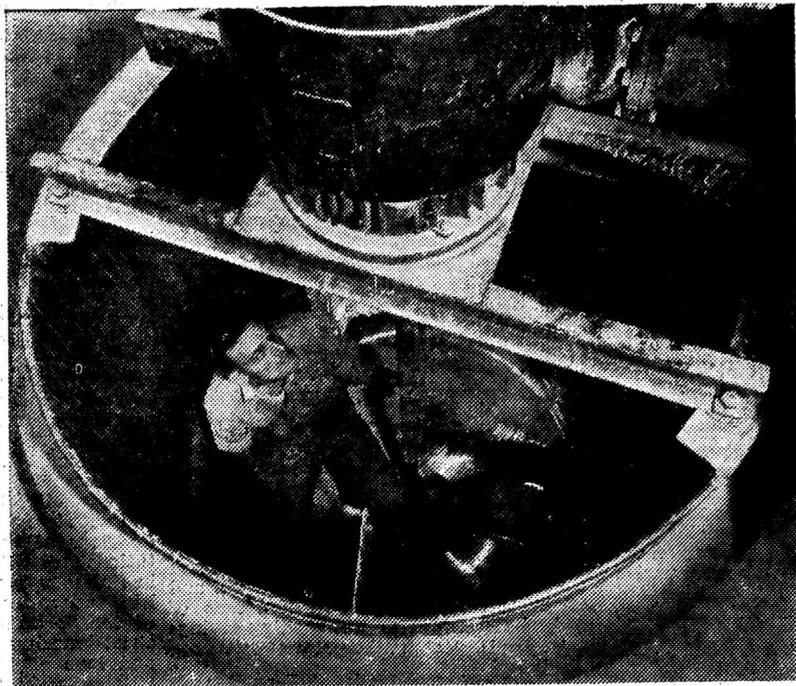
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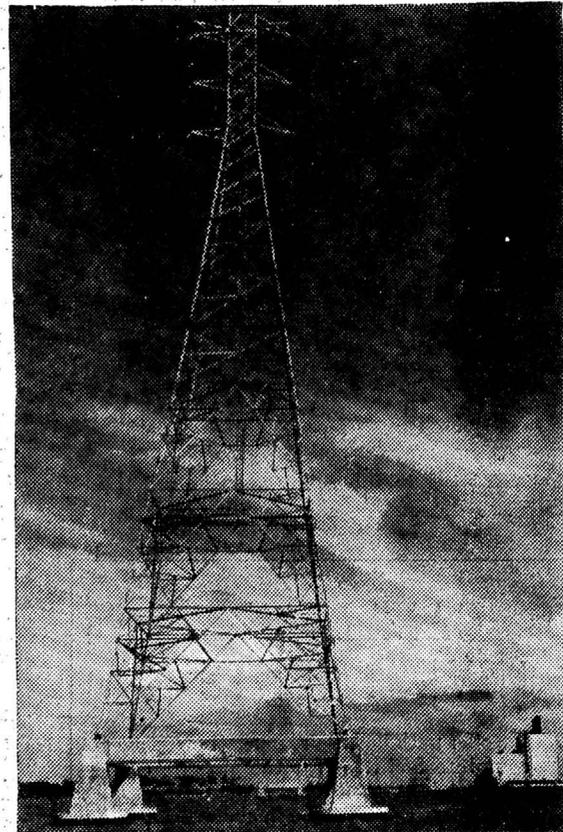
Only STEEL can do so many jobs so well



Operation Deep Freeze. Last year, to prepare Antarctic base sites for the present International Geophysical Year, U. S. Navy Task Force 43 made an almost complete circle around Antarctica. Lead vessel was the USS Glacier, powerful pride of the Navy's icebreaker fleet. In this startling picture, the Glacier pokes her tough steel nose into the desolate Atka Bay ice barrier so that scientists and Navy men can reconnoiter and plant the American flag.



The Finest Printing is Done on Clay. High-gloss papers (called enamel-coated) are covered with a thin coating of smooth, hard, lustrous clay to keep printing inks from being absorbed into the paper fibers. That clay is mixed in tanks like this one. Tanks are stainless steel because nothing else can withstand the grinding action of the clay and at the same time keep it pure and white. In fact, this stainless tank has lasted seven times as long as the previous non-stainless tank.



High Line At Low Cost. These gigantic electrical transmission towers are 198 feet high—because they must provide 100 feet of clearance for ships passing underneath in Old Tampa Bay, Florida. By using a special USS MAN-TEN High Strength Steel, 6½ tons were trimmed off the weight of each tower. The total money saving for four towers amounted to \$7,200 . . . far more than the slight extra cost of the high strength steel. Another job well done with steel!

UNITED STATES STEEL



American Bridge . . . American Steel & Wire and Cyclone Fence . . . Columbia-Geneva Steel
 Consolidated Western Steel . . . Gerrard Steel Strapping . . . National Tube . . . Oil Well Supply
 Tennessee Coal & Iron . . . United States Steel Homes . . . United States Steel Products
 United States Steel Supply . . . Divisions of United States Steel Corporation, Pittsburgh
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Watch the United States Steel Hour on TV every other Wednesday (10 p.m. Eastern time).

Inseparable Twins

By DANIEL W. HOGAN, JR.*

President, Savings and Mortgage Division, American Bankers Association
President, City National Bank and Trust Company, Oklahoma City, Oklahoma

Pleased with savings banks' record competitive success in attracting deposits, Oklahoma banker singles out the importance of savings advertising, notes that most bankers credit savings growth to increased interest rates, and ascribes welcomed turn in savings to bankers' rejuvenated attitude and to greatly increased mortgage business which grew hand in hand with its inseparable twin, savings. Mr. Hogan reviews the ramified, increased activities of the Savings and Mortgage Division in such areas as housing, automation, investments study, and stepped-up national advertising campaign.

Sleeping banks all over America are waking up! Believe it or not, these are the historic words of the United States Savings and



Daniel W. Hogan, Jr.

Loan League. These words, straight from the new giant's mouth, hit the nail on the head as they picture the regeneration of today's savings activities of our nation's banks.

We're always inclined to look at ourselves through rose-colored glasses; but quite often we come nearer getting the truth, the naked truth, from the opposition camp. Sometimes the truth hurts; not so in this case. As a matter of fact, the U. S. League, in sizing up the savings situation as it stacks up today, reluctantly swallows its pride and comes clean. Their associations, despite higher return to the customer, are, in the League's own words, "doing all right, but banks are setting the world on fire." This admission, that savings and loan associations are on the run, is sweet music to the ears of the Savings and Mortgage Division. For a stretch of years that seems almost like a geological epoch, our Division has burned the midnight oil, worked its fingers to the bone, and stood up constantly on a soapbox. All of this in the cause of bank savings! Now, out of a clear sky, this hard work is beginning to pay off!

Record Savings Rise

The fact is that, as far as savings are concerned, banks already have chalked up a healthy \$4.4 billion gain during the first half of 1957, while savings and loan associations were a poor "also-ran," with an increase of only

*An address by Mr. Hogan before the Division's Annual Meeting at the 83rd Annual A. B. A. Convention, Atlantic City, Sept. 23, 1957.

\$2.6 billion—just about half as much. Commercial banks really rang the bell for savings during the six-month period, with a resounding gain, almost as big as the entire gain for 1955 and 1956.

This is front-page news in any man's newspaper!

For a coon's age, banks have played second fiddle to savings and loan associations, and it's been routine to lose the annual savings sweepstakes. At last, banks have begun to use Ethyl gas; and it's making a whale of a difference in their savings pick-up. Stepped-up advertising and increased interest rates are the ingredients that have turned the tide.

Our Division has just completed a nationwide survey on savings interest rates. Certain factors stand out! For instance, it's encouraging that more and more banks are allocating a bigger chunk of their advertising budget to savings promotion; and it's a fact that savings advertising has skyrocketed the last five years.

Back in 1956, 23% of the commercial banks were paying 1% interest, 52% were paying 2%, and 13% were paying 2½%.

But our 1957 Savings Survey makes it plain that a wave of higher interest rates has swept the country and has left in its wake some astounding statistics on the more competitive position

of banks. It's hard to believe that 43% of the reporting banks upped their rates in 1956 and that 56% are paying a higher rate in 1957. But it's true!

Credits Interest Rate and Advertising

Of all the banks reporting a growth in savings, 63% believe that their growth was due primarily to increased rate of interest, while 33% give full credit to promotion. Personally, I'm a firm believer in the power of advertising. Consequently, I'll stick my neck out and say this much: if a bank that pays 2½% interest will spend one-quarter of 1% of its total savings deposits on advertising for new savings, this bank will build a greater volume than it would if it paid 3% and spent only the typical one-twentieth of 1% of its total savings deposits.

Just exactly what has brought about the welcome turning point in bank savings? Two things!

First, it's a rejuvenated attitude of mind on the part of bankers. It's their consciousness that deposits are now at a premium and their conclusion that the savings deposit is their land of opportunity. It's a newborn eagerness to hit the sawdust trail!

Second, it's the fight that the Savings and Mortgage Division has waged for years and years and years to keep the savings torch burning. We've systematically propagandized the value of the savings dollar to the individual bank, coaxing and coaching every step of the way, which proves once again that "ships don't just come in; some one has to steer them." Even though savings has been the forgotten deposit all these years, our Division has kept the banker posted on what's going on; and we're ready with advertising and promotion tools galore, now that he's turned over a new leaf.

Savings and mortgage are inseparable twins! This is no new twist, because it does take savings dollars to make mortgage loans. To turn the tables, it's been proved time after time that the bank that goes after the mortgage business in a big way is the bank that rakes in the lion's share of savings deposits, too. Another little known fact is that during the last 10 years, almost the entire increase in bank savings deposits has gone into mortgage loans.

The mortgage business is big business, and banks have a big stake in it. As proof, banks are becoming more mortgage-minded every day; their prestige as mortgage lenders is definitely on the upswing; and statistics back up yearly growth in bank mortgage totals.

Inseparable Twins

So it boils down to the fact that savings and mortgage really are inseparable twins! It's these lively, unpredictable twins that the expert staff and the all-star committees of the Savings and Mortgage

Division wrestle with, 24 hours a day, and 365 days a year. But they get the job done!

The Committee on Savings and Mortgage Development, for example, handles sales, advertising, and public relations. Louis Lundborg is the Committee's powerhouse chairman. His committee is responsible for the appetizing theme that "There's Nothing Quite Like Money in the Bank." If Lydia Pinkham could only read Walter Pidgeon's recent testimonial in the news columns of the New York Times, which quotes him as saying, "If you have money in the bank, you need not grow old." How true! How true!

Just a year ago, this committee of idea men teamed up with the Advertising Department and the Public Relations Council to develop a national advertising campaign that's in a class by itself. The fur has been flying ever since. Based on the rousing theme song that "The Bank Is the Saver's Best Friend," it's a complete advertising campaign; and it was designed for use of the individual bank at the local level, which is, by the way, where advertising pays the biggest dividends.

This kit includes newspaper ads, statement stuffers, give-aways, posters, radio and TV commercials, decals, balloons; in fact, everything. A. B. A.'s comic-book hero, Peter Penny himself, is cavorting throughout.

Six thousand newspaper mats have been used in local newspapers, reaching 20 million readers and a potential market of \$50 million in new savings. Banks have distributed 4,174,350 pieces of advertising material, and 230 radio and TV stations carry "Saver's Best Friend" commercials to a vast audience of potential savers. Peter Penny decals brighten bank windows from coast to coast, and colorful posters in hundreds of bank lobbies are courting savings prospects at the point of sale.

Larger National Campaign

Already, banks in 3,000 communities, in every state of the Union, are using this program—and that's a record. But we've barely scratched the surface. Just imagine the dramatic impact, on a national scale, if banks were pushing the "Saver's Friend" campaign in 10,000 communities. Anyway, that's our goal!

A. B. A.'s most ambitious and most successful advertising campaign is a knockout, and it's still selling like hot cakes.

The Advertising Department is keeping its blue-ribbon program fresh and up-to-date by adding new phases right along, such as the jaunty Peter Penny toy balloons, which are good for anniversaries, openings, and community activities. Another new item is the colorful Peter Penny 3-D cutout, which looks smart on check counters and desks.

Hollywood stars aren't the only ones who win Oscars! Peter Penny got one! Or perhaps it's

more accurate to say that A. B. A.'s "Saver's Friend" campaign got it, by winning a coveted top award in the 1957 Contest of the Direct Mail Advertising Association.

Since nothing succeeds like success, I hope you have an added incentive to visit the elaborate display of "Saver's Friend" material in the Exhibition Hall, here in Atlantic City. While you're over there, I'm sure you'll want to join A. B. A.'s nationwide crusade that's putting banks back on the map in the savings business.

The committee on Personal Money Management has come out of mothballs again this year. Under the adroit chairmanship of George Levine, this committee is responsible for our reliable publication on "Personal Money Management." This booklet, with its homespun answers on questions of food, clothing, and shelter, has been on A. B. A.'s best-seller list for many years. A good many farsighted bankers can tell you from experience that this economy "give-away" will win friends and influence people.

School Savings Promotion

The Committee on School Savings Banking reports that a record five million school kids in 13,400 schools in 39 states have a total of \$177 million on deposit in the 684 banks which now handle school savings accounts. So you can see for yourself that this program is beginning to click, and soon it will mushroom throughout the country.

Agnes Martin is the competent and enthusiastic chairman of this missionary committee, whose zeal has reached a new high for the 50 years that our division has been headquarters for school savings banking.

Last March, the National School Savings Forum, with its clinics, exhibits, and annual dinner hit the jack pot. The Forum fairly boiled over with demonstration on how to teach small fry that "The Bank Is the Saver's Best Friend"; and you'll have to admit it's a pretty good place to begin.

Restrict "S" & "I" Branches

The Committee on Federal Legislation, under its veteran Chairman, Paul Warner, is our watchdog Committee. Washington, D. C., is its scene of action. This year, the Committee has had its hands full with two out of the five major divisions of the Financial Institutions Act of 1957. The Senate has already passed a pretty fine Bill, and we are particularly proud of the Section which would restrict branches of Federal savings and loan associations under the "States' rights" principle which governs banks.

At the present time, the Committee is supporting bills to terminate postal savings, which, long ago, outlived its usefulness. Let's keep our fingers crossed, but it looks very much as though this legislation is in the bag. If that's the case, we've come a long way toward our ultimate goal of confining post office activities exclusively to the handling of mail.

The Committee on Investments, competently headed by Louis Finger, has just completed the year's big project, which is a comprehensive study of a 50-year period of actual corporate bond experience. It was based on the voluminous treatise developed by the National Bureau of Economic Research which took many years to compile. The Committee hopes that its study will supply basic investment principles and tangible information which will help investment officers solve knotty investments.

Continued on page 43

CANADIAN INVESTMENTS

We offer to United States investors complete facilities for the purchase of high grade Canadian investments. Our facilities include:

A Research Department with up-to-date information on major Canadian companies.

A Correspondence Department to deal in securities by mail.

Private wire service to our offices across Canada.



Inquiries from investors are invited.

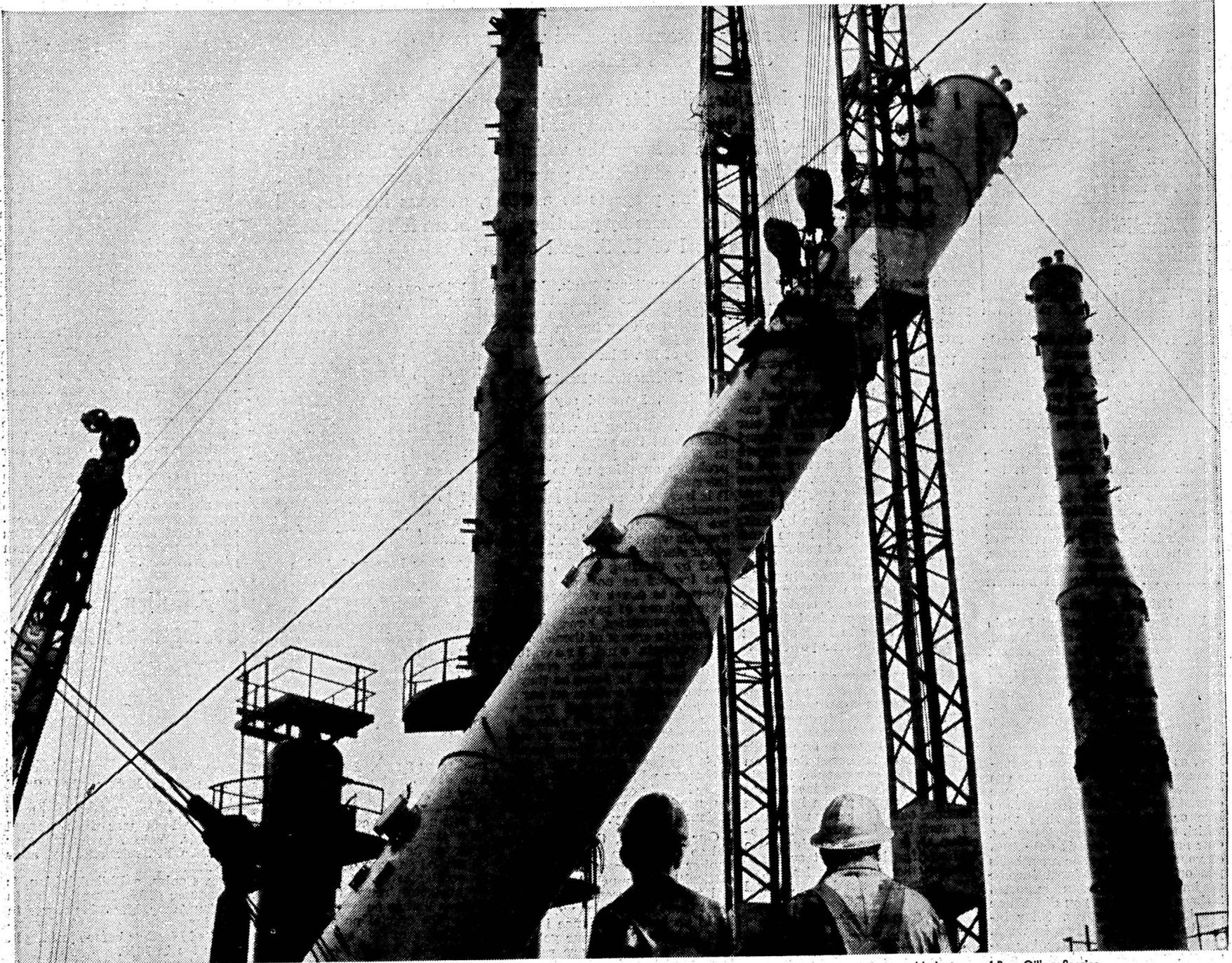
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GOVERNMENT, MUNICIPAL AND CORPORATION SECURITIES



Another new 12,000-barrel Catalytic Reforming Unit is being added at one of Pure Oil's refineries.

Pure Oil rebuilds its four refineries to keep ahead of the Joneses' car

Since 1940, we have added \$140,000,000 worth of new refining equipment needed to make the modern fuels required by today's and tomorrow's cars

You *could* drive a 1957 car on 1940 gasoline, but you'd sure be breathing everybody's dust and paying some heavy repair bills.

That's the reason Pure Oil has been researching, testing and rebuilding to provide the increasingly complex fuels and lubricants needed for each new development in engine design.

Since 1940, we've put \$140,000,000 into our four refineries to keep ahead of improvements in your engine. And we've also built bigger: our refineries today are turning out 6,854,564 gallons of oil prod-

ucts every day, against only 3,390,030 gallons back in 1940.

Despite all this, PURE scientists, production and refining experts are as hard at it as ever, because the cars of tomorrow are going to demand still better fuels and lubricants.

They'll be ready and waiting for you . . . wherever you see the "Be sure with PURE" sign.

THE PURE OIL COMPANY, 35 East Wacker Drive, Chicago 1, Illinois.



BE SURE WITH PURE

United Kingdom Policies and the U. S. A.

By RIGHT HONORABLE PETER THORNEYCROFT*

Chancellor of the Exchequer, London, England

I am an unashamed advocate of British Colonial policy. In recent years while other peoples have lost their independence, the spec-

tales in the British Commonwealth and Empire has been different. We have given much to these nations — a democratic way of life; a knowledge of Parliamentary procedures; a judicial system; a civil service; skill in administration. It may be that in their early stages they may make mistakes. They will not be alone in them. In our lifetime they will play their part in the free community of nations. It is something of which we in Britain are deeply proud.



G. E. P. Thorneycroft

Now let me tell you something of the economic scene as it appears from Britain. If we face difficulties we also face a challenge. We are not alone in them. I can best describe our attitude towards it by saying something of our three roles; first as a trader, second as an overseas investor, and third as an international banker.

Britain as a Trader

First then let us look at Britain as a trader. We are a small island. We have few raw materials except coal. But we have 50 million people and a highly organized and efficient industry. We also have a large merchant fleet, operating efficiently over the whole world. And we have a skilled and experienced mercantile community. We live, as we must, by our production and our trade. Unless we can contrive to sell a lot abroad, we cannot buy the food with which to live or the raw materials with which to keep our factories going. Our national income is only 10% of yours, and last year on a basis proportionate to national income we imported 8 times and exported 5 times as much as you did. These are impressive figures. They indicate our vital position in world trade. Trade and our trading accounts, which include not only physical trade—figures for which we publish monthly—but all the services, etc., which we render—known for this purpose as "invisible"—are, therefore, one of the basic things which any British Chancellor of the Exchequer must watch. These I watch at the moment with some satisfaction. In what you call fiscal 1957, we earned on current external account around £200 million, say \$600 million more than we spent. That was a pretty solid achievement in a period which covered the events of Suez.

And what about the future? It is, of course, very difficult to forecast the future. For my part I am a politician rather than a prophet, yet we have in our Administration, as you have in yours, the expert crystal gazers. Strange though it may seem, they are often much nearer to the mark than one might suppose they would be. The trends in our economy indicate to them even better figures in fiscal 1958. We are achieving them while still carrying some pretty substantial burdens: in particular we are still sustaining our fair share in defense—perhaps rather more than our fair share. This year we spent \$4 billion, one-third of our budget—9% of our national income. In relation to our wealth we have done almost as much as you and

British treasury head describes his country's recent fourfold anti-inflation policy, and states it is preferable to subject industrial levels of activity to a strain, even if painful, than to lower the value of sterling. Adds that this new policy, should also help end Britain's perennial capital account problem. Reviews Britain's encouraging progress as a trader, overseas investor, and international banker, and concludes by pointing out concern felt about recent reversal of U. S. gold outflow.

much more than anyone else in the free world. Our trading surplus has not been secured by shirking our defense effort, but in spite of it.

U.S.A. Helped Double Prewar Trade

During the last war we had, of course, no spare capacity for export. We lost two-thirds of our markets. Yet today our export trade is double the prewar figure in volume. That is a story not of failure but of success. Between 1948 and 1956 the output of our factories increased by two-fifths—engineering output up by half; total investment at home and abroad as a share of national income rose from 8% in 1948 to 10% in 1953, 12% last year. In technological progress we have a number of firsts to our credit: the first gas turbine car in 1950, the first jet air liner in 1952, and last year the first nuclear power station.

Let me say here and now that you in America helped us in this task of postwar reconstruction. We thank you for it. It was a vital factor in our development. But, of course, in the last resort a nation's progress must be based firmly on the efforts of her people. Practically all our domestic investment in the United Kingdom has been financed out of our own resources. So much then for our trading position. It is one which gives us a feeling of satisfaction, though not complacency and is indicative of our industrial and commercial skills.

Overseas Investor

I now want to say something to you about our role as an overseas investor. It is, as you will observe, relevant to our need to earn a surplus on our external trading account. Let me give you one figure to start with. Over the last few years, our net long-term capital outflow has amounted to over \$500 and \$600 million a year; this investment represents 1% of our national income. 1% of your national income is \$4 billion. You can see that in relation to our wealth this represents a major effort. Some may say that we should cut this investment because it is beyond our resources. We look at it in another way. We feel that this investment is essential not only to our own future prosperity but to the prosperity and welfare of the free world. We certainly cannot increase our effort in this field, but we intend to do all we can to maintain it. Why is this investment so important? It flows to all parts of the free world; most of it goes to the Commonwealth, both to the independent countries and, of course, to the dependent countries for which we have a special responsibility; and much is devoted to the development of oil and other raw materials which are vital to the world today. It is, I think, of interest that since the end of the war, 70% of the external capital invested in the Sterling Commonwealth has come from the United Kingdom, 15% from the United States, and 10% from the International Bank.

In addition we have played our proper part in such institutions as

the International Bank. We are, in fact, the second largest investor in that Bank, and we support to the full the very important work which it is doing under the leadership of Mr. Black.

International Banker

Thirdly, I would say a word about our role as an international banker. Sterling is widely held throughout the world. It is used to finance a large proportion, probably anything up to half, of international trade and payments. It is largely convertible into other countries' currencies. As a banker we must expect to meet withdrawals when they come. The bulk of our sterling liabilities are firmly held by Sterling Area countries and treated as normal currency reserves to cover fluctuations in their balance of payments. Some of these countries, however, held balances in excess of these normal requirements, and draw them down to finance their economic development. In doing so they, of course, enforce a claim on our resources. Over the past year we have also had to meet reductions in the sterling holdings of non-sterling countries. More recently there has been speculation on the exchanges which has fallen especially heavily on sterling precisely because it is a widely used international currency.

Our problems, therefore, arise not so much as a trader but as a banker and overseas investor. Our difficulties are much more on capital than on current account. To meet these difficulties we need to build up both confidence in sterling and the size of our gold and dollar reserves. We are resolved to expand the already substantial surplus on current external account. For this purpose, as well as for that of confidence, we need to take the necessary measures at home to deal with inflation. We are not the only country in the world which has inflationary problems. The world is indeed changed in the last 25 years. Between the wars the problem was that of unemployment, of unused resources, of the absence of techniques to build up demand or pump in credit. In the postwar world, most of these problems have been reversed. For most countries the problem has not been that of unemployment, but of securing and maintaining sound money—money about which people can be confident because they know their incomes and their savings will retain their value. Before I left England, I made a statement about my government's policy on the problem of inflation. I should like to say a few words about that policy now. The key to it was contained in the following extract from what I said:

"There can be no remedy for inflation and the steadily rising prices which go with it which does not include, and indeed is not founded upon, a control of the money supply. So long as it is generally believed that the government is prepared to see the necessary finance produced to match the upward spiral of costs, inflation will continue and prices will go up."

When one is witnessing a wage price spiral, it is always difficult and controversial to say what is the cause of what. Nevertheless, it remains true that money, particularly new money, if it is not the cause, is certainly the necessary food of any inflation. I believe profoundly that it is the duty of government to make plain that it will not be a party to underwriting these inflationary forces. Whether it is what you call a "demand-pull" or a "cost-push" inflation, we must be determined not to provide the extra money which alone will sustain it. I, therefore, announced four forms of action.

Four Forms of Action

First, a strict limit to be placed on government current expenditure. Second, investment under the control of government, in Britain between one-third and one-half of all fixed investment, to be held for the next two years within the levels reached this year. Third, the holding of bank advances for the next 12 months at the average level of the past 12 months. Fourth, an increase of the Bank rate, which corresponds to your re-discount rate, from 5 to 7%. The combination of these measures is to make money more expensive and more difficult to get. It will not bring our development to a standstill. It means simply that we have been traveling at 50 m.p.h., and we do not propose to accelerate to 60 m.p.h. while we are going round this corner. I believe that to be a prudent decision. The crucial point, however, in a policy of this character is to ensure that if people seek to take more out of the economy than is in fact put in, the resultant strain should not be placed upon the value of the currency, but upon the levels of industrial activity. The consequences may be painful, but they are much preferable to a decline in the value of the pound. It is against this background that I repeated on Sept. 24 our firm intention to maintain the present parity of 2.80, and not to widen the margins.

So much then for what we have done in the United Kingdom, and for the policies which we propose to follow. In this world, however, and particularly this world of international finance, we are all of us much dependent upon one another. Above all, the world is much dependent upon the financial and commercial policies of the United States of America. In the five years since 1952, the United States had a surplus on visible trade account of around \$14 billion. The important point is that this surplus was offset by your government's expenditure abroad, private capital investment and aid. The net result was an outflow of gold and dollars of just less than \$7 billion. Put for the past 12 months, all of us have observed with some anxiety a reversal of this outflow. In my speech at the I.M.F. meeting, I said that while it was too short a time to form a judgment, I felt bound, because of its vital importance to the world, to draw attention to it. I need not

again go over the points which I made then.

While many problems face us, underlying them is a strength which we tend perhaps to forget.

In the old days, in the century before 1914 we had an uncontested pre-eminence as a trading, investing, and banking nation. The rest were far behind. In the next half century you caught up, and moved well ahead with the almost staggering growth of your population and your wealth. At times it has looked as if we were slipping back in some absolute sense and not only relatively to your progress. There was a real danger of this after the last war, but with your help and our own efforts that danger has been averted.

Now we, (with the Commonwealth and Empire), stand with you as partners at the apex of world economic affairs. Together we conduct most of the world's trade, most of the world's overseas investment, most of the world's international banking. The statistics perhaps do not matter very much in themselves; the essential point is that the free world would not survive unless we both remain strong and continue to work together. That is true of economic and financial policy. It is true of much else including foreign policy as well.

E. F. Hutton Names Co.-Mgrs. of New Office

William M. Canby III and Frederick F. Pease were named as co-managers of E. F. Hutton & Company's "new concept" brokerage office which opens at 650 Madison Avenue, New York City, on Sept. 30. Walter Watson, 93, will continue as honorary manager, it was announced.

At present Messrs. Canby and Pease direct the investment firm's operation at the Hotel Plaza. This office, which was first opened with Mr. Watson as its manager in 1916, will be discontinued after Sept. 27.

Mr. Canby, a Philadelphian, is a graduate of Williams College in Williamstown, Mass. He served in the investment counsel department of Moody's before joining E. F. Hutton in 1945.

A veteran of over 23 years in the securities field, Mr. Pease joined the company in 1946. He was born in Canada and received his education at Wellington College in England.

Mr. Watson is regarded as the senior member of the nation's stock brokerage fraternity. Although a native of Canada, he spent most of his life in New York's financial district, starting as a young apprentice in the Bank of Montreal where his father was President.

F. L. L. Jones Joins First Boston Corp.

F. L. Lee Jones, formerly manager of railroad bond investments at Metropolitan Life Insurance Company, has joined The First Boston Corporation, 15 Broad St., New York City, as Assistant Vice-President, it has been announced by James Coggeshall, Jr., President. He will head the rail division of the investment research department.

Mr. Jones has been associated with Metropolitan Life Insurance Company for the past 26 years.

Joins Peters, Writer

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert J. Paul has joined the staff of Peters, Writer & Christensen, Inc., 724 17th Street. He was formerly with Crutten, Podesta & Co.

*An address by Mr. Thorneycroft before the 83rd Annual Convention of the American Bankers Association, Atlantic City, N. J., Sept. 25, 1957.

Continued from page 20

Common Stocks — The Big Challenge

without impairing the economic health of the nation. In order to prevent the excesses of over-expansion and unwarranted debt-creation, we need periods of adjustment and settlement.

Today we have some indication that we may be faced with such a period of consolidation. We need to appraise the implications of such factors as the rapid increase in outstanding credit of all types—short-term and long, public and private, producers' and consumers'. We all see weak spots in certain current aspects of industry. Cost levels are being scrutinized by purchasers. The buying public may be in the process of deciding to wait for better opportunities, after years of rising prices.

We must remember that if the whole business and financial community could accurately judge the future, these economic adjustments would be relatively painless. We must hope to be numbered among the minority that has the foresight and courage to turn against the tide of popular opinion.

A critical eye on all these factors is essential. This is no time for complacency or blind optimism. Whichever way things go, we can be certain that we are in or are approaching a period of change that will challenge our ingenuity and our resourcefulness.

No segment of our financial structure is better equipped to meet this challenge than the banks in their fiduciary capacity. In their corporate entity they have permanence and continuity, along

with strong legal and legislative authority and supervision. Long time experience in credit and investment matters, augmented by ready access to factual information and opinion, provides a background for investment judgment and decision that cannot be duplicated.

It is safe to say that the experience of the past 10 or 12 years has vastly increased the standing and prestige of the corporate fiduciary throughout the country. I doubt if any similar period in our financial history has brought more challenging opportunities to us as trust institutions than have these years since the Second World War. We have, I feel, gone a long way in throwing off the stigma that has dogged us for so long—best illustrated by the oft-heard remark, "All they do is buy Government bonds."

The greatest change in public attitude toward corporate fiduciaries has come from our own recognition of the place that common stocks have acquired in the investment picture. An important aspect of the ownership of stocks is the responsibility it carries—an aspect that bears constant repetition and emphasis. As substantial owners of the industrial fabric of the nation, we must use our influence and our position to foster the conditions that will enable these holdings to prosper.

For example, we are as bankers inevitably involved in and dependent on the political climate of the country. As we approach important national elections in

1958 and 1960, we should do our utmost to see that the selection of administrators and legislators is made with the greatest possible care and wisdom. Our free economic system requires understanding, appreciation, and devotion by our public authorities. Otherwise, its vitality soon disappears, along with the confidence that sustains it. Finally and inevitably its freedom seeps away, and the road to statism is wide open. Never forget that that is a one-way thoroughfare from which retreat is difficult and painful.

I had hoped to summarize my thoughts today without resorting again to the nautical metaphors upon which I have leaned so heavily. However, having transformed you all into mariners during the past hour, I have now no choice but to remain in character.

(1) There are clouds on the horizon today, which were not discernible before. It remains to be seen whether or not they contain winds and rain. In any case, some of us have already taken in a little sail.

(2) Nonetheless, we are in common stocks to stay; and no disturbance which I can foresee will prompt us to drag our staunch boats completely out of the water. There may be a challenging opportunity to demonstrate our seamanship in waters which are rough but still navigable.

(3) Inflation is an evil force for which common stocks are not the cure. Combatting inflation by every means at our disposal is a challenge as well as a duty. Our ownership of equities makes this imperative.

(4) Finally, as bankers we should exercise our financial leadership in such a way that our opinions will be respected and heeded. We should express them more often and more courageously

on the many issues that influence the country's economic life. The role of banks or trust companies as important owners of our country's industry must be active and not passive. Here lies, in my opinion, a final challenge in our ownership position—will we take our full part in steering the hazardous course that may confront our country in the years ahead?

Knowing you as I do, I feel confident of the answer!

Halsey, Stuart Group Offer C. & O. Ry. Cifs.

Halsey, Stuart & Co. Inc. and associates on Sept. 27 offered \$4,500,000 of Chesapeake & Ohio Ry. 4½% equipment trust certificates maturing annually June 1, 1958 to 1972, inclusive. The certificates, third instalment of an issue not exceeding \$20,700,000 and priced to yield from 4.25% to 4.40%, according to maturity, were awarded to the banking group on Sept. 28 on a bid of 99.2299%.

Security for the entire issue of certificates is to be provided by 55 diesel electric road switching locomotives and 2,000 hopper cars, estimated to cost \$26,091,030.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Freeman & Co.; McMaster Hutchinson & Co.; and Shearson, Hammill & Co.

First International Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert W. Allgaier, Maurice J. Fleming, S. Stanton Gould, Edward N. Jump, Dean McClain, and Mark Scott have been added to the staff of First International Corporation, Denham Building.

Egan Director of First California; Appoint New V-Ps.

SAN FRANCISCO, Calif.—First California Company, Incorporated, 300 Montgomery Street, announces that John F. Egan, Executive Vice-President and Sales Manager, has been appointed a director of the company.



John F. Egan

Earl W. Smith, manager of the Fresno office, has been elected a Vice-President. William E. Pooley and William E. Strei have been appointed Vice-Presidents and will be co-managers of the Oakland division.

Frank Noonan With Eastman Dillon Co.

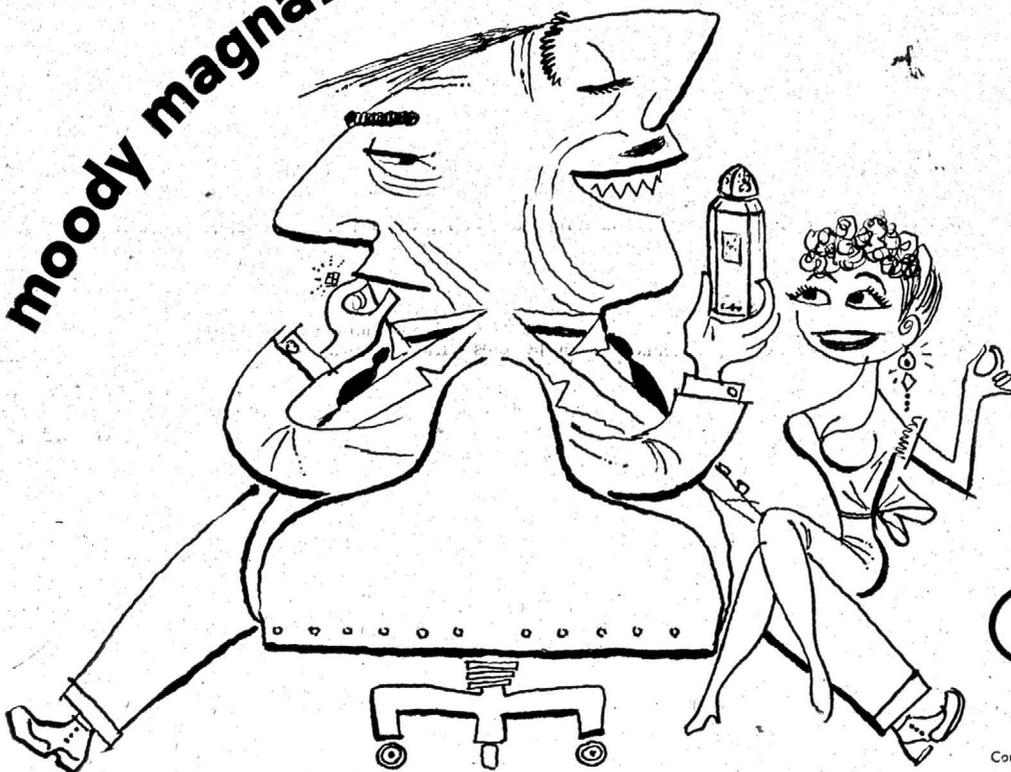
Eastman Dillon, Union Securities & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announces that Frank J. Noonan has become associated with the firm and will be manager of the municipal trading department. He was formerly with Bear, Stearns & Co. for a number of years.

With R. J. Connell

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Victor O. Staley is now with Robert J. Connell, Inc., 818 17th Street.

moody magnate or triumphant tycoon?



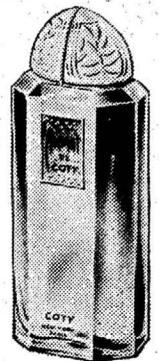
So you throw a lot of weight in a board of directors' meeting! So what? The caprices of the fair sex frequently have been known to leave you stewing in your own juice, nonetheless.

To duplicate your executive prowess in the realm of "women"—may we suggest that you resort to the flattery of a truly fine perfume? Right at the top of your gift list, simply write L'AIMANT! And keep writing it, all the way down the page. Nothing makes a woman more feminine to a man—and nothing is more appreciated by them, either!

L'AIMANT

BY

COTY



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Price of Defense Is Not a Military One Alone

By FRANK PACE, Jr.*

President, General Dynamics Corporation

In maintaining there is no justification for defense spending on economic grounds alone, Mr. Pace at the same time emphasizes why we must maintain our protection, aligned to our economic abilities, and should not overlook that it has resulted in economic, scientific, and cultural benefits of enduring and non-military value. Concludes we should not weaken our leadership position, and that we must consider our defense effort not solely in terms of its military cost but also from its ancillary contribution to new technologies, industries, products, etc.



Frank Pace, Jr.

I think it fair to say that the growth of the various sections of our country, and in a sense the growth of the world as a whole, has been in direct proportion to the "vision-grasp" of our bankers, and their willingness to finance dreams, or futures. It is most appropriate, therefore, that I should discuss a new and significant factor influencing the future growth of the United States—the growth stimulus of defense spending and its ancillary economic, social, and scientific benefits.

Let me make perfectly clear at this point that this is no attempt to justify defense spending on economic grounds. It is a clear recognition that large defense is with us for a long time and an attempt to assess the ancillary benefits that are being and can be achieved. Thus, although the prime purpose of defense spending is to maintain the nation's posture of international military and political leadership, it has had, nevertheless, a tremendous effect on our nation's economic system. This, I should say, is one of the more obvious facts of life.

Yet there seems to be on the part of most people a distressing tendency to regard defense spending as contributing only to military survival purposes; as an un-economic cost necessarily endured only to turn back immediate military aggression. It is this concept of defense spending, I believe, that makes us so vulnerable to the stock themes of Russian propaganda; false peace offers; false

*An address by Mr. Pace before the 53rd Annual Convention of the American Bankers Association, Atlantic City, N. J., Sept. 24, 1957.

disarmament talks; and false promises of peaceful co-existence. At the slightest hint that the enemy's policy of military aggression may be diminished or diverted, many of us are all too willing to drop the burden of our arms. I am dismayed that so many of our people can be repeatedly "faked out"—as the high school group would say—by Russian exploitation of this particular psychological and semantic weakness.

A Necessary Premium

It is a fact, and it should, of course, be an obvious fact, that our defense spending is the premium we must pay to insure against a world conflagration. We shall certainly have no right to pride ourselves on being prudent business men, economists, or financiers if we accept the verbal assurance of the arsonist in our midst that fears of fire are unfounded.

Those who have seen at first hand, as I have, the potential effects of nuclear war, and are thus fully aware of the incredible impact of thermonuclear war, require no further arguments in favor of large and continued defense expenditures. Of course, any thinking man recognizes that these expenditures must be made to fit the requirements of a viable econ-

omy and the sustenance of a strong free enterprise system.

As a matter of practical experience, we know that the public memory is short. Present problems and requirements tend to obliterate lessons on the nuclear past and make fictional and remote the potential disasters of the thermonuclear future. Thus we live in the ever-present peril that the public may forget or be persuaded to forget that the essential factor in our capacity to survive is the maintenance of a strong defense system. In an era of intercontinental ballistic missiles and international brainwashing, even a momentary hole in our total defense screen—military, financial, political, economic, psychological—could be instantly fatal to our society. Here, I should like especially to emphasize the vital importance of our alliance system—in particular NATO—to the security of the non-Soviet world. It is toward maintaining the continuity of this defense screen, then, that our defense funds are primarily allocated. Yet there is a secondary strength in our defense system less obvious than military striking power or counter-striking power, but of continuing value to our survival. I refer to the civilian impact of military defense spending and its function as an economic growth stimulant in our society. I should like, then, if I may, to examine briefly the role of defense spending on our economy quite apart from its contribution to our national safety and our capacity to pursue a meaningful and worthwhile foreign policy.

In this connection, historians would, I am sure, call attention to the impact of defense spending by the British Empire in a period in which no comparable expenditures were made by our own country. They might find it interesting, also, to compare the costs of the unavowed wars—World War I and World War II—to the present and proposed expenditures for the still-to-be-avoided World War III, which, should it occur, must obviously be not merely a more expensive world war, but a world catastrophe. Quite beyond these particular studies of history, we might find it illuminating to trace the relationship between the tremendous recent growth of our gross national product and our very substantial defense expenditures over the same period of time. If there is, as I suspect there is, a direct relation between the stimulus of large defense spending and a substantially increased rate of growth of gross national product, it quite simply follows that defense spending per se might be countenanced on economic grounds alone as a stimulator of the national metabolism.

Economic and Scientific Value

Yet such extrapolations and conclusions with respect to defense spending can, in my judgment, be misleading. Any massive monetary injection into our nation's over-all economic function would have an appreciable impact

on the gross national product. Quite obviously on economic grounds alone, spending for roads, schools, etc., would make a more valuable contribution to the gross national product. However, since defense spending is a part of our national program of survival, the real point at issue, I think, is not whether massive injections of defense dollars may currently stimulate economic growth (as any large sum might do) but whether or not the quality or character or nature of defense spending, as distinguished from its volume, results in the accession to our society of economic, scientific, and cultural benefits of enduring and nonmilitary value.

On balance the answer is strongly in the affirmative, and in two categories: first, in the enduring benefits accruing from conservation of human resources and their development—the planned increase and preservation of national manpower and man-skills. The difficulty which our armed forces are experiencing in holding their skilled manpower it but one indication of this contribution; second, in the enduring benefits accruing from the immense range of present national programs of scientific research and technological development.

As a nation we have long been highly respected for our capacity to produce materials in large quantities through repetitive processes. We have done remarkable work in taking a scientific or engineering idea and developing it to its ultimate form of usefulness and lowest unit cost. We have never previously been known, however, to exercise an aptitude for basic scientific research. Yet the urgent drive for survival, the necessity of reaching for the ultimate, manifest in our substantial defense research, has forced a scientific revolution in America, has compelled us to channel our energies and our ingenuity into basic research, as well as into mass production techniques, and, in consequence, has initiated a new era of economic and cultural growth. The value of this military inspired change in our scientific approach can never be measured in dollars and cents.

Compulsion to Improve

When one is faced with a potential enemy who has the capability and the announced intention of striking a sequence of catastrophic blows at times and places of his own choosing, one may not proceed by easy stages to the leisurely development of ultimate weapons. This is particularly true in the light of the tremendous emphasis that Russia is placing on research and development.

One must, with an alacrity just one step short of panic, make those essential advances in the state of the weaponizing art which will most instantly intercept any possible aggression by any potential enemy. When military power is multiplied by electronics and atomics, something

almost as good, or just as good or even slightly better is not enough. In our present international society, we are under the insistent compulsion of always reaching for the ultimate, and of always achieving it—first! In the thermonuclear age, the validity of the philosophy of "reaching for the ultimate" needs no lengthier justification than the philosophy of "reaching for the tree tops" in an earlier and perhaps less barbarous age. Incidentally, it is important not only that we maintain superiority over our potential enemies but equally important from a psychological point of view that they know about our superiority.

Help Us and Others

What does need explanation, however, the fullest explanation and the widest publicity, is the fact that the tremendous scientific and technological advances brought to fruition by our defense spending—nuclear fission and fusion, astronautics, new aerodynamic and hydrodynamic forms, electronic computation, communication and automation—have already spilled into industrial, commercial, and consumer fields, and will continue to do so with increasing effect. It is these by-products of the defense effort, of our defense spending, which are now adding immeasurably to our capacity to develop new resources, to create new technologies, new industries, new products, new employment and ultimately new standards of living, new standards of health, new kinds of wealth, not only for ourselves but for the hungry, economically underdeveloped nations of Asia, Africa, the Middle East, and Latin America.

Whether or not nuclear fusion—the thermonuclear process—might have been developed in an un-hurried era of peaceful scientific and economic growth, no one, of course, may say. In such an ideal climate, we may suppose that the fusion process would have come along—in perhaps 50 years. Yet under the emotional compulsion of the desire to survive as individuals and as a nation, under the need of "reaching for the ultimate," and of reaching for it fast, we have condensed 50 years into 10. In consequence, we have today the possibility of producing by nuclear fusion of the atoms in sea water limitless power for a million millennia.

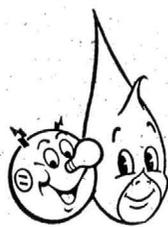
As systems develop which permit the low-cost utilization of power as plentiful as air, whole new universes will open before us. In a world soon to be short of conventional power sources, we shall have the guaranty of power in plenty. For the two-thirds of the world's people who have not the strength nor the knowledge nor the interest nor the opportunity to overcome famine, disease, and poverty, nuclear energy promises such individual and national cultural and economic development as never before dreamed of.

Today Americans traveling in pressurized comfort across our country and the globe do not stop to think that without military research, we might still be traveling almost exclusively on the ground. As for the commercial jet aircraft of next year, that would be decades away.

A tiny device no larger than a pea has brought about a revolution in the electronics industry. Whether or not military money played a part in the birth of the transistor, it certainly accelerated its growth substantially. As we watch the disappearance of the vacuum tube from certain areas of the electronic stage, we must

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WHEN YOUR CLIENTS are looking for new areas for expansion, ask them to take a good look at Iowa. Sixty of the nation's 500 largest industrials now operate manufacturing plants in Iowa. Iowa Power and Light Company, Iowa's largest business-managed utility, serves 26 Central and Southwestern Counties with gas and electric service—an area of approximately 5,600 sq. mi. In Ipalco-Land you'll find new industries making use of the native labor force made available as agriculture requires fewer hands through mechanization. Abundant electricity and natural gas in the area have been big factors in their choice of locations. They'll find many famous names for neighbors in Ipalco-Land. Inquiries are invited.

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Des Moines, Iowa

again tip our hat to military funds for development.

One of our basic international problems—a source of world unrest since the 1800's—has been that of the substantial economic gap between industrialized "have" nations and agrarian "have not" nations—an inequality recently widening rather than narrowing. Now, however, as the paradoxical by-product of military research and development, we possess the peaceful power with which to alleviate the hunger, the thirst, and the poverty of 1½ billion of the world's peoples, and to quench the militant nationalism that springs from them.

We Should Not Weaken

Yet this position of world leadership, this opportunity to reconstruct our world anew, is most gravely threatened not by the enemy across the seas but by the enemy within: a weakening of purpose, a weariness of the spirit. One of the facts that we as a people must recognize is that historically civilizations that have become fully satisfied are destined for obliteration. As comforts increase and the physical requirements grow less, there is a gradual weakening of the drive that has carried a nation to the top. It is only when there are higher goals to reach for that a nation or a civilization keeps itself in a state of readiness prepared for tomorrow.

Surveying the fate of nations satisfied with progress, I have come to view with alarm the establishment of any arbitrary ceilings on our growth. As a former Director of the Budget, I am quite aware of the fact that ceilings must be set and bench marks must be established. This is essential to the control of big spending in which this nation is engaged. Without them there cannot be sound economic control. On the other hand, for an economy which is constantly expanding, I feel that the imposition of arbitrary and final limitations either in our national or in our defense set-up would be unwise. Fortunately, I think that experiences of the past are such that we as a nation would not undertake to limit our defense requirements on purely economic grounds, for this would obviously be most unwise. It is quite clear that a strong defense is our insurance policy against total disaster and that we as a nation must be prepared to pay the price to protect ourselves—always, of course, a carefully considered price, and always a price in which we seek to obtain the full value of our money. The cost of two world wars leads unquestionably to the conclusion that on a preventive basis alone the price of our defense is a justifiable one. I think, however, that our people should be made aware that with the multitude of products being generated by military research programs—of which the ICBM is only one example, although clearly a most potent one—the problem of selecting the proper weapons and just as important, the proper anti weapons must become ever more difficult for our defense leaders. They need our understanding and support in trying to solve one of the most difficult problems of all times. Our leaders must be encouraged never to limit their vision, for the day we fail to reach for the ultimate will be doomsday—not merely the day we lose our world leadership, but the day we lose our chance for individual and national survival.

With Bennett Gladstone

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Hugh D. Claterbuck, Julius Fabian, Herb Folkman, John J. Goodman, Jr., Jack Kleiner, Tibey Kleiner and Stanley L. Zeitlin have been added to the staff of Bennett-Gladstone-Manning Company, 3417 Beverly Boulevard.

Mutual Savings Banks' Deposits at New High

The 1957-58 edition of the Mutual Savings Banks Directory, released by the National Association of Mutual Savings Banks, records an over-all increase of deposits during the year June 30, 1956-June 30, 1957 of \$1,717,000,000. Total deposits of the 525 mutual savings banks in the nation at mid-year stood at \$30,902,000,000 and depositors numbered more than 21,500,000. Assets kept pace

with deposit gains, reaching a new high figure of \$34,415,000,000.

Bowery Savings Largest Bank

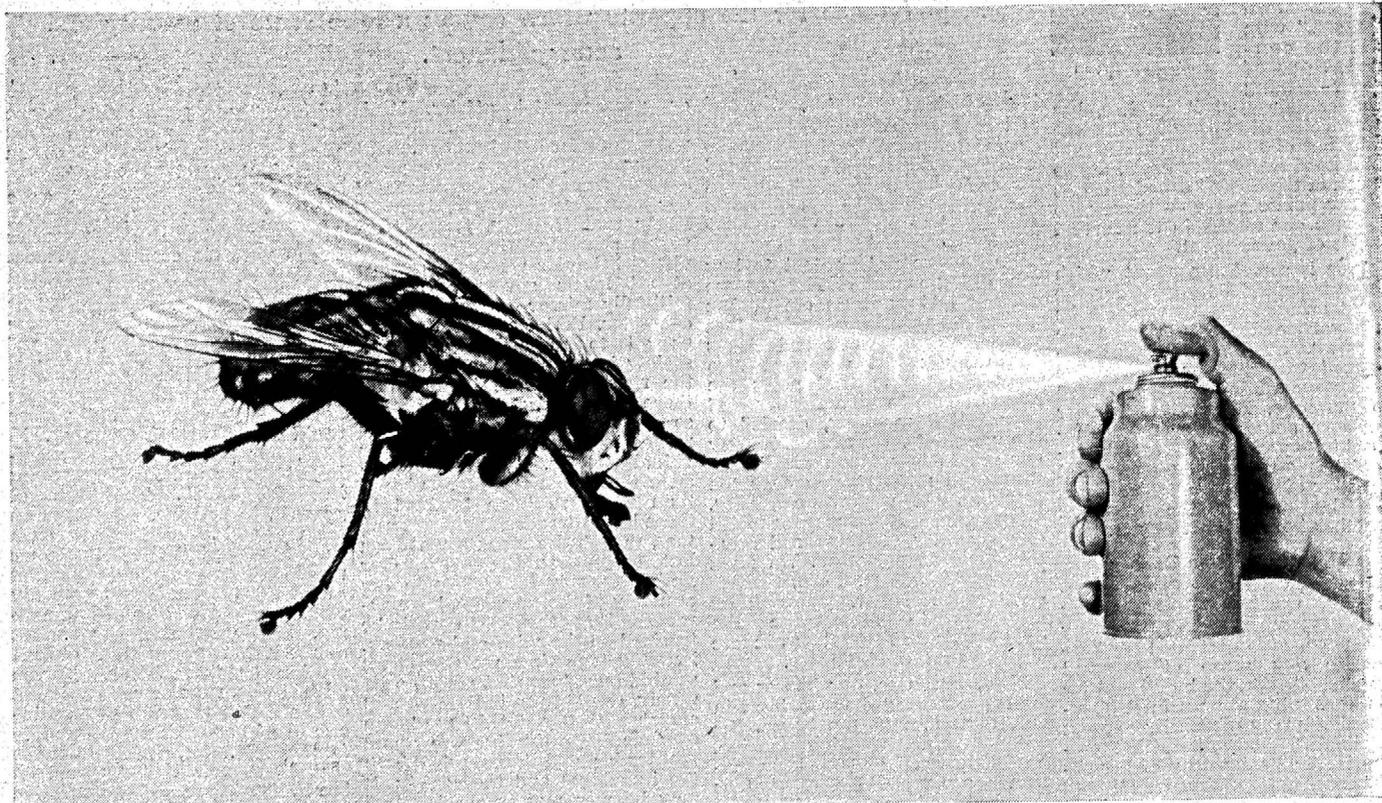
According to the statistics in the directory, the largest savings bank (The Bowery Savings Bank, New York) had deposits of \$1,400,000,000 at mid-1957—the smallest, \$657,000. The median-sized mutual savings bank had deposits of \$19,290,000 and 14,000 depositors. The new directory also reveals that there are now 185 mutual savings banks that are over 100 years old and 72 with deposits of more than \$100,000,000. A tabulation of sav-

ings bank services and branches shows that as of June 30, 1957, 234 savings banks had safe deposit departments; 287 issued savings bank life insurance; 464 had Christmas Clubs; and 255 conducted school savings programs.

This annual directory gives detailed information and statistics concerning individual savings banks as well as the mutual savings bank industry. In addition to providing the names of all officers, the location of branches, and an indication of the various services offered, the directory

gives for each individual bank current data on assets, surplus, deposits, number of depositors, amount of mortgage investments and number of mortgages, and the rates and methods of paying interest-dividends.

This year's edition of the directory has been expanded to include the Constitution and By-Laws of the National Association and a listing of the members of the various committees of the National Association together with the staff member assigned to each committee.



Meet a fly about to commit insecticide

Pushbutton products in pressurized tin cans are revolutionizing U.S. living habits

NEW YORK, N. Y.—When tempted to toss around such superlatives as "fabulous" and "phenomenal," you might well consider the spectacular rise of the aerosol (or pressurized) products industry.

In less than 10 years its production has rocketed from zero to more than some 350 million units yearly. And from a single product—insecticides—to more than 100 products for our better health, comfort and convenience.

Hair sprays and shaving lather, for example. Dessert toppings and fire extinguishers. Sun tan lotions and personal deodorants. Medicines, paints, waxes, pet and garden sprays . . . the list goes on and on. And new products are ever being made available.

A "Bomb" Started It

H. W. Hamilton, secretary of the Chemical Specialties Manufacturers Association, estimates a business volume in aerosols of "more than a third of a billion dollars a year—and it's fast multiplying."

"The industry," he reports, "sprang from the insecticide 'bomb' used by World War II GI's. These were small steel cylinders filled with pressurized gas to propel the bug-killing agents. Civilians took to them, too, for their novelty and convenience."

Then, through the resources of the canning industry, economical dispensing valves were developed, and in 1947 the first low pressure aerosols came out. "The low pressure," Mr. Hamilton points out, "means only a lower pressure of gas than in the original 'steel bombs.' Acceptance by the public was instantaneous. And so a lusty new industry was born—via the lightweight, easily stored, spoilage-safe and disposable pressurized tin can."

Compressed and liquefied gases are used to discharge the mist, foam, liquid, dry powder or whatever type of product is to be propelled through the nozzle by a pushbutton touch on the container's valve. The type of gas depends upon many factors and is given careful consideration by manufacturers. The propellant gases most widely used are among the fluorinated hydrocarbons. Certain liquefied petroleum gases find use, too. In food aerosols, nitrous oxide and carbon dioxide are usually the propellents. The name "aerosol"—literally a fine airborne mist or spray—today is the generic term for the whole industry.

"Metal can manufacturers were active in this field from the very beginning," says Mr. Hamilton. "The cans made to specifications they helped develop have withstood all tests in laboratories, factories, homes. Today, aerosols are a

great favorite everywhere, primarily for their convenience."

National's Role

The "tin" can is really steel thinly coated with tin to resist corrosion. It takes tin plate in enormous quantities to make the more than 40 billion cans the canning industry uses each year. And our Weirton Steel Company is a major supplier of both electrolytic and hot-dipped tin plate.

Of course, tin plate is just one of the many steels made by National Steel. Our research and production men work closely with customers in many fields to provide steels for the better products of all American industry.

At National Steel, it is our constant goal to produce still better and better steel of the quality and in the quantity wanted, at the lowest possible cost to our customers.

SEVEN GREAT DIVISIONS WELDED INTO ONE COMPLETE STEEL-MAKING STRUCTURE

Great Lakes Steel Corporation • Weirton Steel Company • Stran-Steel Corporation • Hanna Iron Ore Company • National Steel Products Company • The Hanna Furnace Corporation • National Mines Corporation

NATIONAL STEEL CORPORATION
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A Hard Look at a Few Tasks Ahead

By MALCOLM BRYAN*

President, Federal Reserve Bank of Atlanta, Atlanta, Georgia

One of the points troubling me a good deal these latter years has been the tendency for certain locutions practically to disappear from our language and, by the same token, from emphasis in our way of life. It has been nearly a generation now since I have heard any one say, "I can't afford it." The word "afford," with all the connotations of prior-earning and caution that it implies, has practically disappeared from the thinking of most individuals and of a good many businesses, not to speak of the distinguished trustees of our public purse — those who manage our affairs in the several levels of government.



Malcolm Bryan

This is something about which there is surely a mistake, for the word afford must somewhere be in good standing. Still, even the phrase "I don't need it" has also seemed to disappear from usage as a standard in any way related to purchase. It survives in our parlance only as a sort of wise-cracking prelude to social acceptability in making clear that the user of the phrase solaced his ego by making the purchase whether he needed it or not.

Departure From Reality

Instead, we have come increasingly to use bits of phraseology that de-emphasize any necessity for personal thrift and de-emphasize any sense of personal responsibility in the individual for his own ultimate welfare. Conversely, we uncritically accept intellectual conceptions that emphasize the desirability of luxurious consumption. Thus we all hold hands and assure ourselves that credit is a magnificent thing and that our own peculiar credit invention, consumer credit, is a stroke of illimitable genius. We assure ourselves endlessly that we are a high-savings economy and point out that the repayment of debt is a saving. We point with pride to our vaulting pension funds, assure ourselves that Social Security will take care of this big happy family; and, if we are then not entirely reassured, we point to the tremendous volume of our business-earnings plowback. Of course, no silly misapplication of capital or disregard of personal welfare on our own part, however great the stupidity, can cause anything bad to happen — a depression, for instance—for the government won't let it happen. It's all very comforting. Anyway, isn't the miracle of America the fact that we have operated a high-obsolescence economy? And won't longer vacations and the 30-hour work-week be lots of fun?

Partly our philosophy arises from the inflation of the postwar world, which has an inevitable effect — a huge reward for the reckless borrower and speculator and for the man who gets it now, and a penalty against the fellow who holds back, defers his purchase, and saves money in order that others may borrow. Partly our philosophy arises from the intellectual climate of the last 25 years. We have developed an imposing rationale to support the enticing belief that spending and consumption are altogether and always good, ignoring the more difficult problem of whether the spending produces wealth and

Atlanta Federal Reserve head suggests bankers resume their historical role as protagonists of thrift; takes a skeptical look at our supposed economic accomplishments and rate of progress; and, in disagreeing with some intellectuals, depicts the American economy's problem as one of production and saving and not stimulation of consumption. Warning that some of our capital commitments may be unable to liquidate the debts they have entailed, Mr. Bryan criticizes the tendency to cease using certain economic words and practices in preference for the opposite which exudes a false sense of security and accomplishment.

welfare or wastes our energies and resources. But more fundamentally, I think, we seem as a people to have a magnificent obsession: we must not only keep up with the Joneses but get ahead of them, regardless of where the Joneses are going.

So we are not content to buy a washing machine. Nor are we content to buy it on credit. We must have a washing machine that not only saves work and cleans the clothes; but we must also have a machine that plays the Blue Danube in high fidelity, and says "Good morning, dearie" to the housewife. We are not merely content to buy it on credit, but the terms must stretch over the hill into the wild blue yonder. We are not content merely to fill our need for effective and comfortable transportation. We must have a dreamboat. Then, too, we must have super, super-duper highways to accommodate the dreamboats, as well as more wreckers and ambulances.

Now, of course, our houses and apartments must have a built-in bar, even though the house, the automobile, the washing machine, the kiddie-coop, and the last vacation are not paid for. That is simple. The Joneses nourish themselves on spirits after a weary day. So we must do the same; and the Joneses wouldn't be caught dead mixing a drink in the kitchen sink. So it would be intolerably degrading for us to do so.

Although these remarks are somewhat facetious in expression, there is more than enough truth in their substance to trouble me a great deal. Let me be clear, I am not denouncing credit in general nor consumer credit in particular. The simple fact is, a modern society without a credit mechanism is hardly conceivable, and consumer credit is surely one of the greatest gadgets ever invented. What is bothering me is the fact that as a people seem to get swept away with our enthusiasms and insist on embracing the excesses of our virtues. What is bothering me, and becoming increasingly distasteful, is the thick frosting of nonsense that overlays so much of our expenditure.

Return to Realistic Concepts

It seems to me that it would now be useful for us all to reintroduce into the language certain phrases that are a first approximate test of expenditure: "Can I afford it? Do I need it? Is it productive? Is it wasteful? Does it contribute to solvency or endanger it? Have I earned the right to this luxury, or must I impatiently possess it by borrowing the savings of others? Such questions and many others are not the end-all or be-all of economic wisdom; but perhaps they contributed something to the language that might be usefully retrieved.

Maybe it would be useful for us to remind ourselves that if we are individually foolish we are not likely to be collectively wise, either in our business groupings

or governmental affairs. It is hardly likely that individual folly, with ill-afforded luxuries, will produce a government that can save us from the consequences of our own impudence. It is more likely that if waste is the pervasive characteristic of our individual behavior we shall produce at all levels governments that faithfully mirror our own lack of character. Perhaps it is time for us all to remember that our society is one of free choice, that the right to choose implies that there are consequences of choice, so that we do have an inescapable responsibility for our own individual welfare. It is barely possible that thrift has more virtues than we have been inclined in these latter decades to suspect and that, though the meek are at long last to inherit the earth, Our Father may just possibly in the economy of the universe, have arranged that the earth will be trusted to the wise and prudent. Possibly it is time we should all remind ourselves that credit, used wisely, can aid the individual and enrich a society but, ill used, can degrade both the borrower and the lender and impoverish both the individual and the society. It may be worth remembering that the facilities of credit can be used by wise men, wise businesses, and wise governments to allocate our resources to their most productive uses or, if used incautiously and unwisely, can support us all like "the rope supports the hanged."

None of this is of any use, of course, as an exhortation in morality or in virtue for virtue's sake. It is of some use, however, in case we Americans have totally underestimated some of the tasks that lie before us. For instance, such reminders might be useful in preparing us all if, one day soon, the rate of luxurious expenditure that seems to stretch onward and upward in an ever-more enticing aspect should prove insupportable, and a blue Monday follow an exciting weekend. A little intellectual preparation might be helpful in assuaging the psychopathic shock that too often besets people and populations in the face of grave and totally unexpected disappointments. Again, doctrines of the sort I have mentioned might prepare us in the event, as has always heretofore happened in headlong booms, we one day wake up to find that an embarrassing fraction of our capital commitments have been made in undertakings, public and private, that do not yield the earnings or social savings sufficient to liquidate the debts that they have entailed.

Population Growth's Danger

But the point I want to make does not lie in such vague apprehensions. It lies, rather, in the fact that we Americans—until just recently, when we have begun to suspect—have failed to appreciate the magnitude of the population explosion that this country is experiencing and, when we have grasped the magnitude, have tend-

ed casually to get the significance wrong end to. We have treated the population explosion as an augury of "good business."

Take magnitude — just as a shocker. It has been calculated, assuming that the human species began with the creation of Adam in 4004 B. C., that a 1% annual growth rate in the population of the world would, by 1900 B. C., have given the world a population of nearly twice what it is today.¹ Well, the population of our own country these latter years has been growing at a far more rapid rate than 1% per year. In 1950, our population was growing at the rate of 1.63% per year; in 1955, 1.73%. That rate of growth, to be sure, cannot go on forever; and it will fluctuate from time to time; but the point is, we are looking at a population that in the next 25 years will probably exceed a quarter of a billion people. Measure that figure against our present population of 171 million or thereabouts. If you wish, assume that romance is not constant and that the rate of increase of population will tend to fall sharply. Yet, simply from the youngsters now in being and on the basis of the most conservative assumptions, any resultant figure gives an astonishing magnitude.

Now, add the fact that this population explosion comes at a time in our history when we must devote an unparalleled proportion of our productive capacity to armaments, when the raw materials problem is becoming acute in many areas of our economic life, when the capital requirements to outfit a new member of society, distinctly including education and training, are at a peak and can be expected rapidly to increase, and when Americans of every class seem determined to work less and play more, then throw into the picture our national preoccupation with ever increasing standards of consumption—mix all these things together and add a few other factors, and we have some idea of a major task ahead.

Not as Rich as We Think

The size of that task has been greatly underestimated by most of us. We have been inclined to go along on the easy assumption that miracles will always be forthcoming; that we can have more and more leisure, more and more luxurious consumption, and more and more little per capita—all at one and the same time. It seems to me, instead, that we are not nearly as rich as we think we are and that, unless we are very careful, the next generation of Americans can easily find itself, per person, with a diminishing rather than an increasing standard of consumption, both of things and of leisure. I am sure that we shall need luck and prudence to avoid such a result and that the prudence we need is going to involve for all classes of society and all segments, private and public, a

¹Dr. Karl Sax.

pretty serious reappraisal of our attitudes toward wasteful expenditure.

The shadow of events is already cast, and it is bigger than a man's hand. We have lived through a decade when the ability of the American people to lay out money on current consumption has apparently skyrocketed, when we could apparently afford to solace our emotions with the luxurious gadgeteering that we so dearly love. But if we translate the increase of money incomes into terms of constant dollars, we get a totally different picture. A big part of our apparent increase in income has been the "money illusion" of inflation. When the figures are further adjusted by dividing the totals of income, whether Gross National Product or disposable income, by the number of people who must share in the total, we get a negligible and shocking or, at best, quite modest figure. If we make the necessary adjustments for money and persons, the rosy glow that enshrouds our accomplishments becomes very faint. Why, then, the apparent justice of the philosophy of easy come, easy go? Well, the answer is, because the little per capita — and I am not disapproving of little per capita — thus far have been little consumers. Most of the increase in our national product has thus far been available for Papa and Mama. But each passing month finds the little per capita becoming bigger per capita and bigger consumers; and it is going to be a good many years before these growing per capita become producers in their own right.

Formidable Capital Requirements

The shadow of events can also be foreseen by the process of recollection. Let us recall the vast array of apparatus and things necessary to equip a participating member of our economic society: tools, machines, factory buildings, desks, chairs, houses, churches, streets, sewers, hospitals, schools, training, and so on through a prodigious list—the whole structure of things that can be attained only by diverting men and material from the production of immediately consumable goods to the production of the capital goods and durable equipment that means ultimate welfare. It takes no genius to point out that, unless we do equip the onrushing generation with this equipment for producing, training, and living, the standard of consumption for the new generation will be lower, not higher, than it has been for the present generation.

We are now spending about \$40 billion a year on capital investment. A distinguished writer² on economic subjects has recently estimated that by 1965 we will need to be spending \$65 billion a year and, 20 years from now, \$100 billion. Even allowing for increased efficiency of capital—by one-sixth to 1965 and by one-third in 20 years—allowances that, if attained, would verge on the miraculous — that writer comes out with 1965 requirements of \$55 billion and 20 years hence, \$70 billion. Let us quarrel with these figures all we want to, let us do a lot of statistical cherry-stone polishing, let us plus or minus the figures by considerable amounts; nonetheless, the essential fact comes through: the task of saving the required capital sums is going to be no mean or little undertaking.

Problem of Production, Not Consumption

It is going to require not only fantastic absolute amounts but probably an increased percentage

²Peter Drucker.

*An address by Mr. Bryan before the Annual National Bank Division Meeting of the 83rd American Bankers Association Convention, Atlantic City, N. J., Sept. 23, 1957.

of saving in proportion to the national income. It is entirely clear that as individuals, businesses, and governments we are not going to have a dime to waste by the misapplication of our resources; and if, in the American tradition, we are to have a still higher level of consumption and leisure, we are not even going to have a penny to throw away on ill considered or foolish adventures. Doubtless we can do the job, but it is going to take a good deal of doing. The greatest rate of obsolescence to be seen in the American economy today, I think, is the intellectual obsolescence of some gentlemen, a few of them learned, who fondly imagine that the problem of the American economy is the stimulation of consumption. There will be shifts of balance as the years unfold, of course; and somebody is wrong, to be sure; but for whatever it is worth, my own opinion is that in the long view such notions are not only obsolescent but obsolete.

The tenor of these remarks is not inspiring. They may not be out of place, though, in a bankers convention. The banker has a fundamental function in our economic society, for he has a major responsibility in allocating credit to its most productive uses. If the credit is well allocated, if it improves the economic situation and welfare of the borrower, it is likely to improve the whole position of our economic society; and then a large part of the praise for such a beneficent result can rightly belong to the banker. In the opposite case, when resources are ill allocated, when they subtract from rather than add to the wealth or welfare of the borrower, then the blame also rests in part on the banker's shoulders; and most of the blame will be made to fall there for the simple reason that few borrowers will ever have the stamina to blame themselves for their own discomfort or the injury that society may have suffered by their recklessness.

Money Safety Is Not All

In banking there is a fundamental and classic test of procedure in lending. It revolves around the question, "Can this borrower repay the debt that he is creating?" It is the first test of credit that must always be made. I think that bankers, who have had a vast experience in these matters and a centuries-long tradition of what will work and what won't, have been doing a good job with that question, perhaps an even better job than some classes of lenders with less experience and less tradition.

However, it does not seem that the banker's responsibility in the present position and prospect of our economic affairs is wholly discharged in the determination of whether a loan is or is not money safe. Perhaps the banker, without trying to run his borrower's affairs, could, usefully to us all, introduce an additional question in his lending operation. He might in a gentle fashion say to some of his borrowers, "Look, my friend, I know I can get my depositors' money back. The loan is money safe. We've settled that. But when the loan is made, and the money spent for the purposes you have in mind, will you be better able to repay or less able? Will you be more solvent or less solvent?" Such a question, added to the test of money safety, would be something of an intrusion that new and then would be resented and would, in any case, represent a shift in the lender-borrower relationship from the lender's to the borrower's point of view, a side of the equation in which the lender is not wholly expert. Yet, ever so often, the banker would find that by gently raising such a question he would have done the borrower a great service and, later on perchance, have saved lender,

borrower, and the economy a vast embarrassment.

Then, there is one other matter. Historically, the banker in America has been the great protagonist of thrift. It is a role in our society that in the last couple of decades he has all but abdicated. A few oldtimers have stayed with their role. Latterly, almost day before yesterday, a few bankers have rather self-consciously reassumed their classic posture. Perhaps you will not mind my saying that bankers could perform a real service to the American people if they now took up again their historical role and more generally and forcefully reassured the American people that thrift is at least not shameful.

Gulf States Utilities 4 7/8% Bonds Offered

Halsey, Stuart & Co. Inc. on Oct. 1 headed an underwriting syndicate which offered \$17,000,000 of Gulf States Utilities Co. first mortgage bonds, 4 7/8% series due Oct. 1, 1937, at 101.50% and accrued interest, to yield 4.78%. The group won award of the issue at competitive sale Sept. 30 on a bid of 100.619%.

Net proceeds from the sale of the bonds will be used by the company to pay off short-term notes incurred in connection with the construction program, and the balance of the proceeds will be used for other corporate purposes.

The new bonds will be redeemable at regular redemption prices ranging from 106.40% to par, and at special redemption prices exceeding from 101.50% to par, plus accrued interest in each case.

Gulf States Utilities Co. is engaged principally in the business of generating, distributing and selling electricity in southeastern Texas and in south central Louisiana, comprising an area of about 28,000 square miles with an estimated population of 900,000. The company also conducts a steam products business and sells natural gas in the Baton Rouge, La., area.

For the 12 months ended June 30, 1957, the company had total

operating revenues of \$58,413,765 and net income of \$11,589,442.

Two With Mountain States

(Special to THE FINANCIAL CHRONICLE)

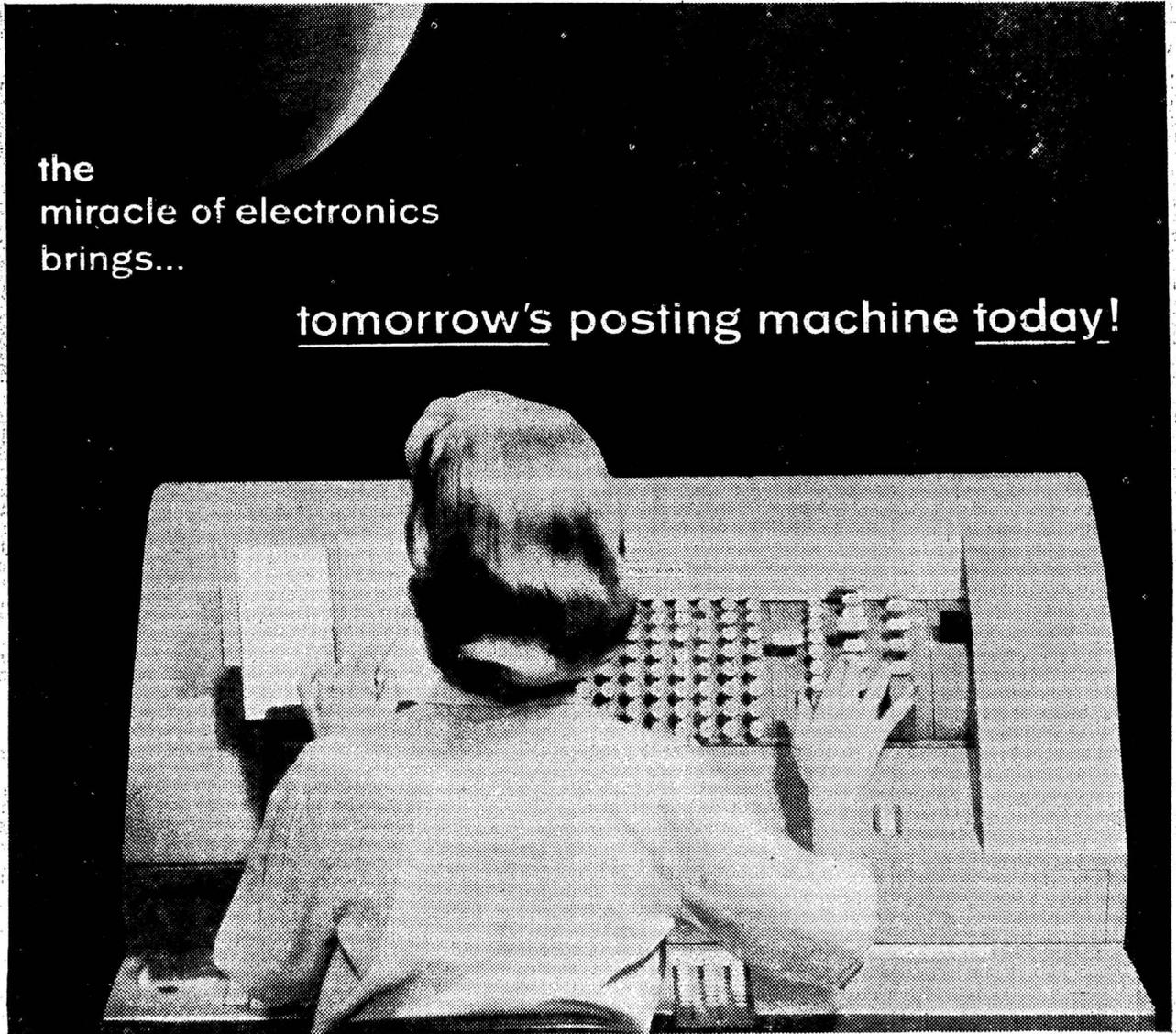
DENVER, Colo. — Benjamin L. Golden and Edward D. Richardson are now affiliated with Mountain States Securities Corporation, Denver Club Building.

Newbold to Admit

PHILADELPHIA, Pa. — W. H. Newbold's Son & Co., 1517 Locust Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, will admit William S. Crowder to limited partnership Nov. 1.

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Up to Now most of the operations in bank posting were subject to the human element, with countless possibilities of error and with time-consuming human effort.

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It posts ledger and statement and journal *simultaneously*, all three in original print (no carbon). It simplifies operator training, and makes the operator's job far easier. And it has many other advantages which, combined with *electronics*, bring the lowest posting cost ever known. It will soon pay for itself with the time-and-effort it saves and the errors it eliminates.

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Realistically Solving Agricultural Problems

By WILLIAM I. MYERS*
Dean of the New York State of Agriculture
Cornell University, N. Y.

During the past four decades, United States farm families made sure that a growing America did not have to worry about its food supply. They have produced more and better food per person from about the same total acreage for our rapidly expanding population, and in addition they have more than doubled the output per farm worker.



W. I. Myers

These remarkable gains in productivity are due largely to mechanization, specialization, and the application of science to agriculture. They have been made by farm families under the American system of free competitive enterprise, with tractors, power machines, fuel, feeds, seeds, chemicals, credit, and other services provided by private business corporations. They have been made possible in large part by the scientific research of hundreds of scientists in agricultural experiment stations and private research laboratories.

The application of science and engineering to the problems of farm production and marketing has been the basic factor in increasing the output per man in agriculture. The Agricultural Extension Service shares in the credit for these achievements because it has greatly shortened the time lag between the discovery of improved methods and their use on farms. As a result of this increased efficiency, food has become steadily cheaper in comparison with the spendable incomes of consumers. In no other major country of the world can an urban worker earn so much food of such high quality in so short a time as in the United States.

As a direct result of rising productivity, farm people have become a steadily declining minority of the population. Family farms have continued as the dominant factor in our farm production, but they have changed from self-sufficient to commercial operations, selling their products and buying most of the necessities of production and living. More and more of the jobs formerly done on farms have been transferred to factories to reduce costs or save labor.

Agriculture has kept pace with industry in increasing the output per worker, and farm people have shared with other groups in the improved levels of living made possible by these achievements. With these changes, however, serious problems have developed in the monetary exchange between modern commercial family farms and our industrial economy.

First and most important, farmers have not been able to attain as stable prosperity as other major economic groups. Wide fluctuations in farm prices, with resulting violent swings between high and low levels of net incomes, have become a major economic problem of modern agriculture. The price level at which farmers buy is becoming increasingly sticky because of administered prices, long term wage agreements, and the like. Farm prices fluctuate more widely than farm costs because in large part they represent raw products sold on competitive markets. The farmers' problems are growing

Leading agricultural expert offers specific and over-all solutions to the farm problem. Dean Myers would like to see bankers recognize that today's farming: (1) requires "more term or intermediate credit loans"; (2) possesses characteristics different from other kinds of business and, thus, loans can be made safely without analysis and credit statements every year; (3) did not contribute to present boom, and, therefore, should not be squeezed so as to handicap efficient operation. Declares real preventative of recurring surpluses is not price-supports but a stable economy not subjected to major fluctuations.

steadily more difficult because these inflexible cash costs are becoming more important every year in modern farming. Hence, rising prices result in rapid increases in net farm incomes while falling prices bring a severe squeeze.

Shows Farm Income Drop

Farm price-support programs have developed as attempted solutions to the problem of protecting American farmers against severe losses resulting from declining prices. In pointing out the weaknesses and disadvantages of such programs, we should not forget the basic problem at which they are directed: how to protect the welfare of families on modern commercial farms and maintain efficient food production in an industrial economy with fluctuating demand and prices.

The past 20 years have afforded an excellent demonstration of these problems. In the wartime inflation of 1939-48, net farm income rose from \$4.5 to \$17.7 billion because farm prices rose faster than farm costs. In the postwar decline of 1949-55, net farm income dropped rapidly to \$11.6 billion because farm prices declined while costs continued to rise. Net cash income per farm dropped one-fourth from 1947 to 1955, a period of unparalleled general prosperity.

The drop in prices after the end of Korean Hostilities hit producers of all basic commodities, but farmers fared worse than other groups because they had additional problems not shared with other producers: overproduction for example, amounting to 4 or 5% more than can be sold at current prices; and unbalanced production—too much of the wrong things—encouraged by continued high support prices for products in over-supply.

Government holdings are still large, about \$7.3 billion largely in cotton, wheat, and corn; but they have declined more than a billion dollars below the same month last year. Price supports for basic crops were continued at 90% of parity until 1955, then were lowered only slightly until 1957. The reduced acreage of cotton and wheat has resulted in a larger acreage of feed crops, thus shifting excess production to meat, milk, eggs, and livestock products.

Do Price Supports Work?

We are learning the hard way that government farm price programs cannot make enduring farm prosperity. Price-support programs can cushion declining prices for a few months by loans or purchases; but getting rid of government-owned stocks is slow, painful, and costly to farmers and the government.

A long-run program of high supports encourages continuing overproduction by guaranteeing speculators against loss even though acreage is restricted because of the incentive for more intensive production. The Acreage Reserve is a temporary measure to reduce excessive output of "basic"

crops and give our growing population a chance to catch up. Export programs are helping to reduce large stocks, especially of cotton and wheat. Agricultural exports in the last fiscal year were the largest in history.

However, now that cotton stocks have been reduced at heavy costs to taxpayers, rigid formulas written into the law require the Secretary of Agriculture to raise the support price of cotton in inverse proportion to the smaller supply. The 1959 price support on cotton is likely to be close to 90% of parity and thus encourage a repetition of overproduction. The Secretary has asked Congress to remove these rigid formulas to permit greater flexibility, but up to now no consideration has been given to this request.

Offers Over-All Solution

In spite of their obvious disadvantages, the United States is likely to continue some type of farm price-support program until a better method is devised or the need disappears. The only real preventative of recurring agricultural surpluses is reducing the violence of fluctuations in the demand and prices of farm products. The most effective way to do this is to work toward greater stability of prices, employment, and production in our total economy. Wars have been the major cause of these difficulties.

Substantial progress has been made in curbing booms and cushioning recessions in peacetime, but more is needed. Thus far, the record of the United States in this postwar readjustment is fairly good. The greatest danger is a speculative boom followed by the inevitable bust. Continued sound and courageous fiscal and monetary policies to reduce economic instability are essential for national welfare and are of vital importance for modern commercial family farms.

If reasonable economic stability at favorable levels can be achieved and maintained, there is reason to hope the present overemphasis on government farm programs will be corrected. Both farmers and the nation would be better off if we lower price supports and move toward free markets to guide production and consumption, and gradually relax acreage restrictions. The flexible price-support law is a step in the right direction, but more flexibility is needed. Price supports should be placed at levels that will not add further to government stocks and will give farmers freedom to operate efficiently.

Since the low point of December, 1955, the U. S. farm prices have made a modest recovery and are now 11% higher due mainly to improved prices for meat and dairy products. Net farm income gained a little in 1956 and will probably go up a bit more in 1957. Income from dairy products and meat animals will be substantially above last year. Cotton and wheat producers will have lower produc-

tion and prices but will be aided by government payments.

Unfortunately, farmers have to contend with higher costs, especially of tractors, machinery, and labor. Farm costs the first half of 1957 were 4% higher than in 1956. There will be a continuing squeeze; and only slow, irregular improvement can be expected, along with steady pressure for higher efficiency and larger operating units.

What to Do About It

The most promising ways of increasing net farm incomes are by reducing costs, improving quality, and expanding markets.

Bankers should encourage farmer-borrowers to continue their efforts to increase efficiency of production and marketing in order to earn satisfactory incomes with present prices and costs. The Extension Service program in farm and home management is especially timely and important in this effort. Farmers should have a business big enough to keep the labor force fully employed, using labor-saving machinery and methods; strive for higher yields per acre and per animal of high quality products; and by vigorous efforts seek to expand markets and improve merchandising of farm products.

Support and assistance should be given to the Rural Development Program to help the large number of underemployed, low-income farm families to develop more profitable farms or to find more attractive opportunities in industry. Two million small units have disappeared in the last 20 years, but one million farm families are still getting most of their income from small underequipped farms. At least half the boys who grow up on farms today will not be needed in modern mechanized family farm operation. These boys, and farm girls, too, should be given a change to develop their capabilities by still better educational opportunities that include training for skilled nonfarm jobs.

Longer Term Credit Needed

Another need is for credit to permit efficient farm operation, but at the same time to help borrowers to keep their debts on a safe basis.

There has been a continuing increase in the capital and credit requirements of modern commercial family farms. Larger acreages at higher prices per acre for efficient production frequently require longer term mortgages than banks can give. Working capital requirements for tractors, machinery, livestock, chemicals, and other cash costs also have grown rapidly. Short term credit has about tripled in 10 years while the mortgage debt has doubled.

As a result of these changes, farmers have real need for more term or intermediate credit loans of from 2 to 3 years or even longer to finance machinery purchases, livestock operations, and soil-building practices. These loans

would bridge the gap between short term production and long term mortgage loans. Financing bulk milk tanks is a good example of this type of credit.

There is some tendency to squeeze farmers too hard because of the current credit stringency. Production loans, for example, might require faster repayment than good farmers can make without sacrificing efficiency. The farm business has characteristics different from other kinds of business, and its turnover cannot be speeded up. Since farmers did not contribute to the present boom, it seems only fair they should not be squeezed so as to handicap efficient operation.

Farm production loans cannot be made safely without a farm management analysis and credit statement every. Wise bankers will differentiate between good farm businesses, those just getting by, and those losing out. They should realize that good farmers require adequate dependable credit to finance their increasing capital requirements. This is good business for banks that handle it well.

Peckenpaugh Partner In Sec. Supervisors

CHICAGO, Ill.—Robert E. Peckenpaugh has been admitted to partnership in Security Supervisors, investment counsel organization which manages the investments of Selected American Shares and other institutional and individual accounts.

Formerly with the trust investment department of the First National Bank of Chicago, Mr. Peckenpaugh became associated with Security Supervisors in February, 1952. He now acts as an account manager and is assistant to Carl Holzheimer, partner in charge of the firm's individual and institutional counselling activities. He is a member of the Investment Analysts Society of Chicago and the American Finance Association.



R. E. Peckenpaugh

Boston Branch for B. J. Van Ingen Co.

BOSTON, Mass.—B. J. Van Ingen & Co., Inc., underwriters and dealers in municipal bonds, have opened an office at 31 Milk Street under the management of John C. Mathis, Jr.

Mr. Mathis was formerly associated with Hemphill, Noyes & Co., American Securities Corporation and Estabrook & Co. in Boston. His association with B. J. Van Ingen & Co., Inc. was previously reported in the "Chronicle" of Sept. 26.

B. J. Van Ingen & Co. Inc., whose main office is located in New York City, also maintain offices in Chicago and Miami.

Josephthal Co. Adds

Josephthal & Co., members of the New York Stock Exchange, announce that Arthur Barr is now associated with the firm in its Brooklyn office, 186 Montague Street, as a registered representative. The firm also announced that Kaye Siegel is associated with them in the main office at 120 Broadway, New York City.

*From a talk by Dean Myers before the Agricultural Division at the 83rd Annual Convention of the American Bankers Association, Atlantic City, N. J., Sept. 24, 1957.

San Fran. Div. of Pac. Coast Exch. Celebrates 75 Years

SAN FRANCISCO, Calif.—Celebration of the 75th anniversary of the founding of the San Francisco Division of the Pacific Coast



William H. Agnew

Stock Exchange on Sept. 18, 1882, marks an important epoch in the industrial history of the West, according to William H. Agnew, Chairman of the Pacific Coast Stock Exchange. It also serves to direct attention

to one of the boldest and potentially far-reaching strokes in financial history, i. e., the formation of an exchange functioning simultaneously on two trading floors 400 miles apart.

This was accomplished Jan. 2, 1957 through the consolidation of the Los Angeles and the San Francisco Stock Exchanges. By bringing the West's two big boards under a unified roof, so to speak, a much wider and broader market for securities was achieved.

The volume, the number of new listings, new memberships and the harmonious operation are proof the consolidation has worked well from its inception. All of which emphasizes the prestige of this marketplace in the rapidly developing West.

The first stone in the foundation of the present exchange was laid with the formation of "The Local Security Board" in the back room of Wohl & Pollitz' basement office on California Street, Sept. 18, 1882. Growth in those early years was slow and painful. The era of wheat was succeeding that of mines and cattle. Industry was limited to a few powder mills in the Bay Area and an occasional manufacturing struggling for a foothold.

By the turn of the century California's oil reserves were beginning to attract attention. Oil shares, now very popular, met with little favor at first, the board refusing to list them in 1900. Completion of the trans-Pacific cable in 1902 stimulated public interest in Hawaiian sugar issues, which soon became an important factor in the San Francisco Market.

The Exchange was closed by the earthquake and fire of 1906. After a week or so, sessions were resumed at I. Strassburger's home at 2112 Jackson Street. The board was officially reopened by candlelight on May 28, in the basement of the burned out Merchants Exchange Building at 465 California Street.

The market's real growth began with the industrial development of this coast during and after World War I. Oils, industrials, hydroelectric power, mines and agriculture combined in one gigantic group to promote this rise.

One significant development that undoubtedly promoted growth took place on Dec. 1, 1914. Following the outbreak of World War I in July, 1914, stock exchanges throughout the world were closed to prevent panic. First of all the exchanges with the necessary stability and confidence to reopen was the San Francisco board. This was probably the first event in financial history to direct international attention to the Exchange.

Serving the fastest growing industrial area in the United States and one that is already the source of an estimated 10% of the total volume of all registered national securities exchanges, the consolidated Pacific Coast Exchange ap-

proaches the end of its first year of operation with great confidence in the future. The Exchange's transactions for the first six months of 1957 totaled \$329,405,948, which is at the rate of \$630,000,000 a year. If California makes half the progress forecast for it in the next 20 years, the Exchange will occupy a truly imposing position in the financial world.

Form Polonitza Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harry C. Polonitza & Co. has been formed with offices at 210 West Seventh Street to engage in a securities business. Officers are Harry C. Polonitza, President and Treasurer; Henry W. Cutter, Vice-President; and Sidney H. Wyse, Secretary. Mr. Polonitza was formerly with Kerr & Bell.

World Bank Loan to Union of South Africa

The World Bank on Oct. 1 made a loan in various currencies equivalent to \$25,000,000 to the Union of South Africa for the import of equipment and materials required for the expansion of railway capacity. The bank loan was made concurrently with the granting of a \$20,000,000 revolving credit to the Union by a group of United States commercial banks. This line of credit, which was arranged by Dillon, Read & Co. Inc., will replace a similar credit of \$10,000,000 which was first made available in 1951 and has since been regularly renewed. The participating banks are: Bank of America N. Y. & S. A., The First National City Bank of New York;

The Hanover Bank; Bankers Trust Co.; Chemical Corn Exchange Bank; The New York Trust Co.; and the First National Bank of Chicago.

The World Bank loan, together with \$10,000,000 of additional funds to become available from the new revolving credit from the United States banks, is to be used for the expansion program of the South African Railways and Harbours Administration, the government department which is responsible for operating the railroad network on which South Africa depends for long distance transport.

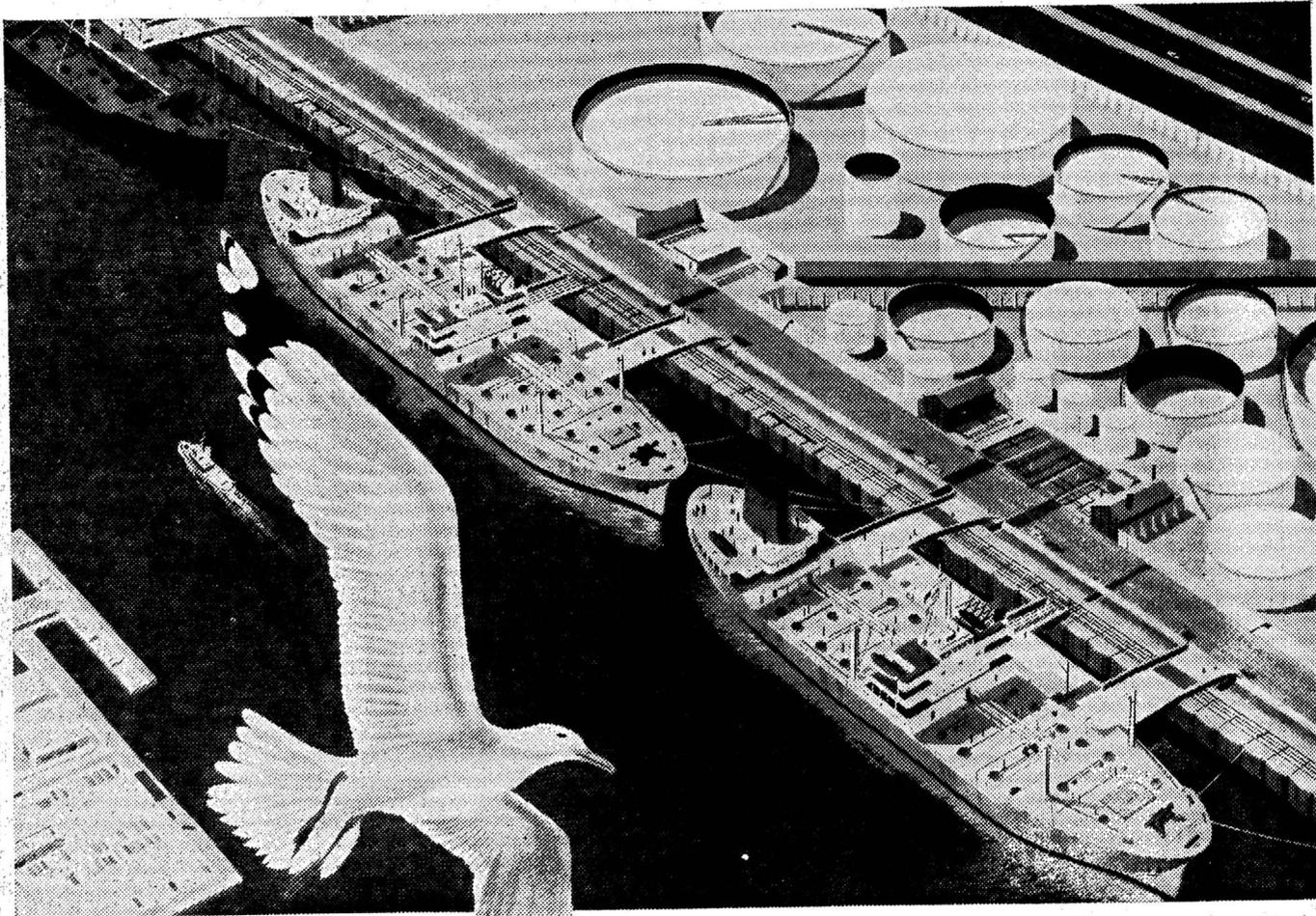
The Bank loan of \$25,000,000 is for a period of ten years, and carries interest of 5 3/4%. Amortization will begin on April 1, 1960, and will be continued in half-

yearly instalments through Oct. 1, 1967.

The loan agreement was signed in New York by Eugene R. Black, President of the World Bank and by the Hon. J. F. Naude, Minister of Finance of the Union Government. The agreement doubling the commercial line of credit was also signed by Mr. Naude on Oct. 1 at the offices of Dillon, Read & Co. Inc.

Form First Inv. Co.

PROVIDENCE, R. I.—Stellerio Savasta has formed First Investment Co. with offices at 111 Westminster Street to engage in a securities business. He was formerly with McDowell, Dimond & Co. and Gifford & Co.



New Super Terminal for super tankers

During 1956, Richfield's Marine Terminal at Long Beach, California, was expanded to make it the most modern deep-sea facility in the Long Beach-Los Angeles area.

Nearly a half-mile in length, the terminal will accommodate two giant 45,000-ton tankers and a 16,000-ton tankship simultaneously. Old-style hoses have been replaced with aluminum alloy connectors which eliminate spillage and greatly speed loading operations. New steel storage

tanks now provide a total capacity of 1,500,000 barrels to handle shipments of gasolines, jet fuels, fuel oils and specialty products to Richfield's markets throughout the West, as well as deliveries to the Armed Forces.

Even as this new terminal is completed, plans are under way for an even larger facility at Long Beach—evidence of Richfield's "years-ahead" planning to provide its expanding markets with ever finer petroleum products.

The Far West—where the name Richfield stands for the best in petroleum



RICHFIELD a leader in Western Petroleum Progress
OIL CORPORATION

Continued from page 24

Understanding the Big Debate

ington with whom we have had recent contact.

Critics Congressional Committee

So far as these few members are concerned, the politically-unpalatable facts that I have outlined here just don't exist at all. They do not deny them; they do not accept them. They simply ignore them; and go on searching for some other explanation of the present inflation, in the hope that it may prove to be less embarrassing.

These few members would like to show that the current inflation is rooted squarely in rising industrial profits. But the fact, of course, is that total corporate profits after taxes last year were smaller than they were in 1950. Even if we make no allowance whatever for the depreciation of the dollar—and it is totally unrealistic not to do so—we still find that the total dollar profits of corporations as a whole have never been as large in any since 1950 as they were then. And as a share of the total national income they have declined even more sharply—from 9% to 6%.

During the same period, let us note, compensation of employees has risen by \$87 billion; and as a share of the national income it has increased from 64 to 70%.

But when we point these facts out, and inquire politely how falling corporate profits can possibly contribute to inflation, we are greeted by a deafening silence and our critics promptly shift their ground.

Steel profits, they say are different. Steel profits are inflationary.

And when we point out that in the steel industry as a whole the profit rate in relation to sales has never, in any year, exceeded the level which prevailed in 1940 before the present cycle of inflation began, and has been lower in each of the last six years than it was in 1950, they say that profits as a percentage of sales have no meaning.

The right way to measure profits, they insist, is to take the latest single quarter or single half-year as a base and to multiply our earnings by 2 or 4, as the case may be, in the optimistic expectation that the resulting figure will correctly reflect our total profit for the year. Then they tell us we should measure these 50-cent profit-dollars as a percentage of all of the 60-, 80-, or 100-cent dollars that we have invested in our business over the past 25 and more years; but in doing so, we must never, never, never make any allowance for the differing value of these dollars. Then, having done this, we must plot on a chart a dubious correlation between our percentage return on investment and our steel production as a percentage of capacity and cross our fingers with respect to the future operating rate. And when we have done all this, they say, we will find that our profits are going to be simply wonderful and that we didn't really need any price increase at all.

Now that is about as nonsensical a concept of statistical measurement as a prudent student of economic affairs could readily find in a lifetime of diligent search. It is something like measuring the size of a cow's feet as a percentage of the number of teeth in a cow's mouth, and correlating the result to the color of the cow's tail in order to arrive at the price of milk!

But when we point this out to our dedicated critics in the gentlest possible terms, they hear no word that we have spoken, and promptly take refuge in the charge—so widely publicized by organ-

ized labor—that for every dollar of direct increased wage costs, our prices have gone up three dollars.

And here again, I find that the mental processes of these few members of our senior legislative body are something of a puzzle to me; for they fully understand that wage costs are only a part of our total costs, and that all these other costs are rising too, and must be met if we are to stay in business.

Should we patiently mention that fact, however, it fails to register, and our critics retort, in great triumph:

Administered Prices and Concentration

"Ah, but you administer your prices!"

And that, of course, is very clever of them; for so many of the unpleasant things in life seem to be "administered." Medicine is administered to the reluctant schoolboy. So is punishment. And it all sounds very horrible—even though there is nothing new about the term, which has been used with some political success for nearly twenty years.

But when we point out that the prices people pay for almost everything they buy are what are now termed administered prices—whether these things are bought from big companies or small companies, or from the butcher, the baker, or even the undertaker—our critics reply that the steel industry is different... it is a highly "concentrated" industry—as if that were necessarily, and of itself, a bad thing.

Now the fact is, of course, that the most successful industrial community in the world—Industrial America—is made up of industries all of which are usefully specializing in some field. And it's hard to find an industry, which requires large invested capital, which doesn't fall within the critical limits of what the word artists call "concentrated."

The fact also is that according to the Department of Commerce at least one quarter of all of the industries in the United States are more highly "concentrated" than steel; but this impresses our critics not at all. Concentration in the steel industry, they say, is increasing; and they prepare voluminous reports to show that U. S. Steel is the largest producer in many of the leading steel product lines—a disclosure that will hardly come as surprise to anyone in view of the fact that United States Steel has been—throughout the fifty-six years of its history—America's biggest producer of steel; and I am happy, of course, that it still is.

But when I confess reluctantly, and with some injury to our corporate pride, that throughout these fifty-six years our competitors have been taking an ever-increasing share of the total steel market away from us—that they have grown far more rapidly than we have—that for the first time in history we now produce less than 30% of the steel that is made in America, where once we produced 66%; and that if this is what our critics call "increasing concentration" we wish they'd tell us what we can do about it—again, they hear me not.

And so the Big Debate between political fantasy and economic fact goes on, to the consternation and confusion of us all.

Now I am sure—or at least, I am reasonably sure—that most of this talk about "concentration" and "administered prices" is not born out of any conscious desire to make frontal attack upon the American industrial system as a whole. But why, then, does it persist?

Deliberate Blind Spot?

Could it be that there is a kind of a blind spot in certain legislative quarters? Is this blind spot in some way associated with the attractiveness—politically speaking—of not bringing into Congressional debate the wage-cost phase of this inflation problem? Could it be that increasing wage costs by double and triple any improvement in productivity is a matter of no political moment? Or does this blind spot forestall seeing what is only too evident and what is there available for all to observe?

Now I am not suggesting by any means that the critics of business have no right to criticize. In fact, one of the great attributes of this country is its willingness to give—and to take—criticism. Healthy criticism is as American as blueberry pie. It is necessary by-product of our democratic institutions and our free way of life. It is to be invited. It is to be expected. It is practically universal. There are critics of foreign policy; there are critics of domestic policy; there are critics of labor unions; there are critics of the Supreme Court; and I know of no good reason why businessmen should expect to live in a world without criticism when even an occasional highly respected Congressional investigating committee is not above having its friendly critics.

But we can ask, I think, that when criticism comes, it be well informed, and reasonable, and—hopefully—that it be constructive. And surely we can also ask whether any debate which maneuvers at the intellectual levels that the present debate has achieved in certain quarters can serve any useful purpose to America.

I am convinced that we shall never solve this problem of inflation by spreading political smoke screens designed to conceal the facts. Nor can we regard the march of inflation one whit by pointing the finger of blame at any group of our citizens. To select big business, or organized labor, or any other economic group as a convenient whipping boy, and to heap calumny and abuse upon this hapless victim will help us not at all when our task is first to understand the causes of inflation. Understanding these causes, our task then is to curb inflation—not to punish those may, unwittingly and in over-eager pursuit of perfectly proper and legitimate ends, have contributed to its progress.

So if—as the London "Economist" concludes, and as I am forced by the facts to conclude—a primary source of our present-day inflation is to be found in the fact that wages have been forced up far more rapidly than productivity, this does not mean that organized labor is a public enemy, or that the leaders of labor cannot be expected to act with an understanding responsibility and with regard to a proper balance between what labor contributes to production and what it takes out.

Proposes Anti-Inflation Program

The question simply is: what can labor and business and all of the rest of the American people, in their collective wisdom and their individual activities, do about it? And the mere statement of the problem itself seems to suggest two possible approaches—in addition to those money and credit policies which have lately received so much attention:

The first—and most desirable approach—would be to increase productivity to the greatest possible degree in order that the inflationary gap between the too-rapid rise in wages and the laggard improvement in productivity may be narrowed or eliminated.

The second, and most difficult approach, would be to avoid future wage increases not clearly supportable by rising productivity. And presumably the final and only practical answer will be found in a combination of these two approaches.

Now a national effort to increase productivity is a task that will command the most diligent and intelligent efforts of all of us—labor, management, bankers and government. That labor, if it approaches the problem with real enthusiasm, can—through its own, on-the-job efforts—still contribute greatly to improved productivity. I do not doubt; but the greatest part of the task will necessarily fall upon management, for it largely depends upon the willingness and the financial ability of industrial enterprise to risk vast sums of money on the development and installation of better and more efficient tools of production.

Expand Savings

But if these large capital sums are to be gathered and spent without, in themselves, contributing to the forces of inflation, the total supply of savings in this country must be expanded considerably. And here, I think, is where Congress can wisely and fruitfully serve the welfare of all by acting to encourage saving on the part of our people, and by acting to protect and enlarge the incentive to invest these savings in productive enterprise. For if existing and prospective legislation were to be examined carefully with this point in mind, I am sure that Congress would find many opportunities to make a real contribution to increasing productivity.

When we look at the other side of the picture, however—the task of preventing uneconomic and excessive wage-rises in the future—it is much easier to agree, I think, on what we should not do, than to determine what we should do.

And clearly the thing we should not do is to seek to impose any form of wage controls upon our people, whether or not these are accompanied by price controls. These twin controls have been perpetuated on inflation-ridden nations of the world throughout recorded history; and almost inevitably with disastrous consequences—but never, so far as I can ascertain, have they halted inflation. In fact, if you were to examine most carefully the total hourly employment cost of United States Steel, year by year, since 1940, you would find it almost impossible to identify the nearly seven years when wage controls were in operation and the over ten when they were not.

Public Understanding

So the answer here, I believe, lies in our ability to bring about a broad public understanding of the problem itself. And to contribute as widely as possible to that public understanding is the task of all of us—particularly, as I have said, the task of the members of this great association of bankers with their intimate knowledge of the facts.

For there is no doubt, I am sure, that if the American people thoroughly understand this problem, they in the course of their normal daily activities will provide the ultimate controls and the ultimate solution to inflation. They have the greatest power in the world—the power of informed public opinion; and they have the greatest stake in the outcome of this battle against the loss of the purchasing power of the dollar.

And that is why it always seems to be true, in this great republic of ours, that once any national problem is really understood, it is more than half solved.

Continued from page 18

Planting the Roots for Banking's Development

ings on monetary and fiscal matters, in which banking and monetary control occupied a central point of discussion. These were good examples of how important are banking's relations with government.

Over the years ahead, banks and bankers will have to continue to develop in legislative halls a better understanding of their functions and responsibilities. We must always be alert to the dangers that might tend to undermine the vitality and independence of the existing chartered banking systems. We can expect a continued drive for government loan credit in sheltered markets, strong efforts of certain other financial institutions to gain competitive advantage by using the influence of mass appeal, and increasing resistance to stabilizing policies on the part of groups who falsely believe they are benefited by creeping inflation. Banking shall have to make its position and record clear. We must carry forward the message of fiscal sanity and monetary stability in the interest of the welfare of all the people.

Fourth, there is the matter of public relations. As individual banks and as an association, we are hard at work at this job of telling our story to the public. The American Bankers Association program has been greatly expanded. But the finest techniques and broadest media will prove of little value if the bank customer does not receive fair and proper treatment. We must never forget that in a highly competitive business structure the same techniques are available to all. The consumer is price and service conscious. He will place his business where his tastes and wishes are best served. Banking has a great opportunity to serve a growing market, and to serve it well. Sound public relations—meaning action not words—will go a long way toward meeting that challenge. It is my view that national advertising, in co-ordination with and in addition to individual actions of local banks, could be the spark needed to give the proper glow to our embers of effort toward producing both the desire and appreciation of people toward doing business with their "own" bank.

Finally, there is the challenge of management. We shall have to continue to explore ways of bringing to banking the caliber and type of management that modern scientific business methods demand. We shall have to place more emphasis on technicians if we are to become increasingly mechanized. We shall have to give more attention to salesmanship and market analysis if we are to tap growing areas and segments of a rising population. And in many other ways, we shall be required to blend the human equation of management and personnel with the physical equation of facilities and machines.

Yes, at this turn of the American Bankers Association year, we are in an environment that is intriguing and challenging. It is my guess that a decade or so from now we shall look back at 1957 as "the horse and buggy days" of many aspects of our operations. The roots of our future development are planted. They are being fertilized by the best thinking that this Association and banking leaders all over the country can bring to our industry. I am confident that we shall reap a bumper harvest of progress if over the years ahead we fill with vision and determination.

Banks Must Help Fight Inflation

By CLARENCE E. MANION*

Member, Doran and Manion, Attorneys at Law, South Bend, Indiana
Former Dean, College of Law, University of Notre Dame

Mr. Manion declares banks must face up to and constructively act on the matter of dollar devaluation or find savers spending money as a hedge against inflation. This is said to entail effectuating not merely budget balancing but, also, ending Federal extravagance, confiscatory taxes, and informing 90 million savings account owners present-day unpleasant facts.

Thrift is more necessary now than it has ever been at any time in the history of our country. If we are to stop destructive inflation, additional millions of citizens must be induced to save more and more of the dollars that they are now spending. A savings account is the first step in the accumulation of investment capital without which there can be no new jobs created for our rapidly increasing population. Under the pressure of these circumstances, savers should be encouraged by the higher rates of interest now being offered for the money they deposit in savings accounts. But banks must do more for the savings depositor than simply raise the rate of interest on savings. The prospective savings depositor is more interested in maintaining the value of the dollar that he saves than he is in the rate of interest return that the savings dollar earns. If he can be sure that by saving his dollar, rather than spending it, he can stop dollar-devaluation and eventually draw out dollars with the same purchasing power of those put in, he will have; otherwise he will continue to spend his money for "things" as a "hedge against inflation."



Dr. C. E. Manion

Banks Must Fight Inflation

Bankers cannot conscientiously and effectively campaign for more and bigger savings accounts unless at the same time they fight the destructive moths of inflation and employ every available means to preserve the real value of their savings accounts. The first step in such a campaign would be to inform the 90-million owners of savings accounts that their prudent thrift is being undermined by Federal Government extravagance. What is true of savings accounts is true of federal Savings Bonds as well.

In the same Senate Committee hearings the following fact is disclosed: The man who purchased a \$750 U. S. Treasury "E" Savings Bond in May of 1942 received \$1,000 for it on its maturity in May of 1952. This was a dollar gain of \$250 in interest. However, in that same ten-year period the general price level rose more than 60%. For practical purposes, therefore, what this investor received in 1952 was not \$1,000 but \$614. He thus lost \$136 by buying and holding a United States Savings Bond. Furthermore, the lowest income-taxpayer would have been required to pay \$50 of the \$1,000 he received in 1952 for federal income tax, which further depleted his net-value return on what the Treasury Department had assured them was "the best investment" that any citizen could make.

End Federal Extravagance

Present experience shows that we cannot avoid the inflationary effects of federal extravagance merely by balancing the federal budget. Before the Senate Committee, Secretary Humphrey admitted that federal spending is inflationary whether the budget is balanced or not. But if the value of the dollar is sliding downward inside a balanced budget, what can we expect to happen to that value when and if federal deficit spending is resumed? Senator Byrd points out that if American business activity now goes back merely to the high level of 1955, the present spending program of the Federal Government will leave it \$13-billion in the red. What \$13-billion worth of deficit spending would do to the real values of your savings accounts I leave to your own imagination. I merely point out that this prospect will not make a good selling point for the increased thrift on the part of all American citizens that is so vitally necessary at this time.

Bankers have a legal obligation to preserve the "quantity" of their depositors' dollars, but they also have a moral obligation to guard the quality of those dollars as well. If confiscatory taxes and senseless federal spending are destroying the value of your savings accounts, you must call that fact to the attention of your depositors. There are many more of these depositors now than there were voters in the last presidential election. All you have to do in order to reverse the dollar-destroying extravagance of the Federal Government is to tell the 90-million owners of your savings accounts the unpleasant facts. To

save their money, they must also save their country. The time has come to raise the general rate of interest in economical constitutional government.

Explain the Facts

Let me suggest that Savings Banks make a virtue of the present necessity to surrender from 20 to 91% of our earnings in federal income taxes. When Benjamin Franklin said that "A dollar saved is a collar made," he spoke the simple truth of his day and generation. But if Franklin had lived today he would observe that a dollar saved is at least 20% more than a dollar made, and if he were in the highest income tax bracket as Franklin would probably be, then a dollar saved by him would be better than \$10 made. To replace every dollar that he spends, the American income-taxpayer must earn anywhere from \$1.20 to \$11 depending upon his income tax bracket. Anyone who can save money now and who does not do so is facing an enormous handicap in replacing each dollar that he allows to slip through his fingers. I dare say that if this fact were properly explained and repetitiously illustrated in bank advertising it would increase the volume of your savings accounts and at the same time build effective popular pressures to reduce the most oppressive tax burden that the American people have ever had to bear.

Rauscher, Pierce Branch

FAYETTEVILLE, Ark. — Rauscher, Pierce & Co., Inc., has opened a branch office in the Otasco Building under the management of Donald Trumbo, Jr.

LETTER TO THE EDITOR:

Shull Avers Gold Devaluation Would Adversely Affect Savers

Writing from New Haven Conn., Mr. Shull opposes proposal to raise the U. S. official mint price for gold. Asks Dr. Ernest R. Gutmann if he has "given thought to what cutting the value of the dollar in-two would do to the owners of . . . accumulated savings?"

Editor, Commercial and Financial Chronicle:

In his Letter-to-the-Editor, appearing in your issue of Sept. 5, Dr. Ernest R. Gutmann uses as his excuse for writing that letter my article "The Gold Standard: Retrospect and Prospect" carried in your issue of Aug. 22. But other than doing me the honor of mentioning my article, I am unable to detect any important connection between the Gutmann letter and my article.



Frederick G. Shull

Mr. Gutmann's only reference to my article is that Shull "proposes to return to the old Standard on the old basis"—a statement which seems entirely inadequate to express any views I hold on this subject. The "old Standard," of course, was a dollar valued at \$20.67 a fine ounce of gold, and redeemable, on demand, at that fixed value; while our present standard—if it may be graced with such a name—is dollar valued at \$35 a fine ounce of gold, but not redeemable, on demand, at that value.

Instead of introducing all of his mathematical equations—both "de jure" and "de facto," as Dr. Gutmann refers to them—I wish he had stuck to my story and pointed out wherein the authorities I quoted were wrong in their opinions as to what constitutes sound and honest money—said authorities being Adam Smith, Alexander Hamilton, Daniel Webster, Thomas Hart Benton, John Sherman, Andrew D. White, Grover

Cleveland, Henry Cabot Lodge, Theodore Roosevelt, Andrew Carnegie, Woodrow Wilson, Andrew W. Mellon, the late Professor Edwin W. Kemmerer of Princeton, and today's Dr. Walter E. Spahr of New York University. If Dr. Gutmann can prove those gentlemen wrong, all I can say is that I am glad to be in their company.

In your foreword to the Gutmann letter you say: "Dr. Gutmann contends redeemability with a \$70.00 gold ounce, unlike \$35.00, would not require deflation, kill the patient, nor run counter to political and social considerations." I assume you refer to the fact that Dr. Gutmann has been promoting an official price of \$70.00 an ounce, and his current statement, "It is a method which cures the disease by killing the patient." By "It" he evidently means \$35.00 an ounce. But since the people of this nation own more than 500 billion of dollar assets in the form of bank deposits, government bonds and life insurance benefits already paid for, has Dr. Gutmann given thought to what cutting the value of the dollar in-two would do to the owners of those accumulated savings? Knocking 50% out of the value of those dollar assets would cure nothing, but it would almost certainly result in "killing the patient."

Very truly yours,

FREDERICK G. SCHULL

2099 Chapel Street,
New Haven 15, Connecticut,
Sept. 26, 1957.

Two With First Southern

(SOCIAL TO THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Fred M. Jackson and Charles R. Yarbrough are now connected with First Southern Corporation, Peachtree at Ponce de Leon.

TEN YEARS OF GROWTH



UNITED UTILITIES, INCORPORATED

603 V. F. W. Building 34th & Broadway
KANSAS CITY 11, MISSOURI

HIGHLIGHTS

System Statistics

	12/31/47	5/31/57	Increase 12/31/47 to 5/31/57
Operating Revenues (12 mos. ended)	\$8,266,956	\$31,867,137	285.5%
Telephones Served	168,308	422,061	150.8
Construction Program	\$4,150,000	\$21,000,000	406
1957 Estimate \$21,000,000			
Largest in Our History			
Plant Investment	\$25,803,745	\$110,520,624	328.3
Employees	2,552	5,376	110.7
Stockholders	7,452	14,441	93.8

Results

	12/31/47	5/31/57	Increase 12/31/47 to 5/31/57
Net Income (12 mos. ended)	937,860	\$3,046,329	224.8
Average Number of Shares Outstanding (12 mos. ended)	598,353	1,761,839	194.4
Earnings Per Average Share (12 mos. ended)	\$1.56	\$1.73	10.9
Dividends Per Share (12 mos. ended)	\$.80	\$1.20	50
Book Value Per Share	\$12.33	\$17.87	44.9

The telephone subsidiaries of United Utilities, Incorporated comprise the second largest independent telephone system in the United States. Approximately 87% of the consolidated operating revenues are derived from telephone operations. The balance of the operating revenues are obtained from subsidiaries engaged in the electric, gas, water and LP gas businesses.

*From a talk by Dean Manion before the Annual Meeting of the Savings and Mortgage Division at the 83rd Annual Convention of the American Bankers Association, Atlantic City, N. J., Sept. 23, 1957.

Continued from first page

Politics vs Sound Money

period of severe trial and tribulation, whether it can uncontrolled inflation or a severe depression, politics will again enter the picture with respect to banking, the issuance of money, and the fixing of its value.

Colonial History

Not many bankers realize that it was 87 years after the first settlement at Jamestown before even the British had a bank. Their first bank, The Bank of England, was chartered in 1694.

As I have said, the Colonists, prior to the Revolution, had no banks; neither did they have a metal currency of their own. The Pilgrim Fathers, for instance, used the Indian wampum for currency until Indian squaws with the aid of iron tools did such a flourishing business in wampum production that it lost its value as money. In the early Virginia Colony, wampum was used for trading with the Indians; but tobacco was the principal medium of exchange. There again overproduction destroyed its value.

This year our nation is participating in two memorable celebrations—the 350th anniversary of the settlement of Jamestown and the 200th anniversary of the birth of one of America's greatest statesmen—Alexander Hamilton. Those who wish a clearer conception of the part played by Virginia in the birth of a new nation should visit the Jamestown Festival, which will continue through November. Those who wish a clearer conception of the present universal recognition of banking as a necessary and vital part of our economy should refresh their memory of the remarkable career of Alexander Hamilton.

It will be recalled that when George Washington assumed the presidency of the new republic, he selected, as his Secretary of State, Virginia's political philosopher, Thomas Jefferson, and as his Secretary of the Treasury, New York's soldier and statesman, Alexander Hamilton. Incidentally, they were to become the symbols of two great political parties—Jefferson, the apostle of state's rights; and Hamilton, the apostle of a strong central government. But there was one item on which these two great men of differing political philosophies agreed; namely currency. Jefferson stood firmly with Hamilton against the issuance of paper money like that of the Continental Congress which became so depreciated it wasn't worth "a tinker's dam." Hamilton, preferring gold, agreed to Jefferson's suggestion about bimetalism, with silver to be coined at the ratio of 15 to 1 to gold, the American dollar to be the counterpart of the Spanish dollar, and the American currency to be in units governed by the decimal system rather than the arbitrary units of the English system.

Hamilton on Money

On Dec. 13, 1790, Alexander Hamilton submitted to the House of Representatives what has since become a famous report on the subject of a national bank. In that report, Hamilton, speaking of banks, said:

"Trade and industry, wherever they have been tried, have been indebted to them for important aid. And government has been repeatedly under the greatest obligations to them, in dangerous and distressing emergencies. That of the United States, as well in some of the most critical conjunctures of the late war, as since the peace, has received assistance from those established among us, with which it could not have dispensed."

In arguing that the issuance of

bank notes redeemable in metal coin of gold or silver was a far safer way to expand the credit needs of the nation than for the government to print "greenbacks," Alexander Hamilton said:

"The emitting of paper money by the authority of government is wisely prohibited to the individual states, by the national constitution; and the spirit of that prohibition ought not to be disregarded by the government of the United States. Though paper emissions, under a general authority, might have some advantages not applicable, and be free from some disadvantages which are applicable, to the like emissions by the states separately, yet they are of a nature so liable to abuse, and it may even be affirmed so certain of being abused, that the wisdom of the government will be shown in never trusting itself with the use of so seducing and dangerous an expedient. In time of tranquility, it might have no ill consequence; it might even perhaps be managed in a way to be productive of good; but in great and trying emergencies, there is almost a moral certainty of its becoming mischievous. The stamping of paper is an operation so much easier than the laying of taxes that a government, in the practice of paper emissions, would rarely fail in any such emergency to indulge itself too far in the employment of that resource, to avoid, as much as possible, one less auspicious to present popularity. If it should not even be carried so far as to be rendered an absolute bubble, it would at least be likely to be extended to a degree, which would occasion an inflated and artificial state of things, incompatible with the regular and prosperous course of the political economy."

Later, I shall point out how fundamentally right Hamilton was in stressing the dangers of paper money. It is an evidence of his superior political wisdom that although he grew up in a colony where the Mother Country had prohibited the coinage of money and although his previous training and experience had been that of a lawyer and soldier, he clearly recognized the fact that the only sound and dependable currency was one anchored to gold, acquired by the government with the revenue from taxation.

Banking

There was great opposition to the establishment of a national bank. But Hamilton's persuasive argument prevailed. The Congress voted to charter the Bank of the United States until 1811. Then Congress refused to renew the charter, partly on account of opposition, in general, to banks, and partly on account of the opposition of the state-chartered banks. Five years later, however, Congress chartered another Bank of the United States—this time with a capital of 3½ times as large as the original bank and with the government owning 20% of it. You will recall, of course, that this second Bank of the United States became the political target of President Andrew Jackson. He could not induce Congress to repeal its charter, but he did withdraw from it the deposits of all Federal money and exerted enough influence to keep Congress from renewing the charter when it expired in 1836.

From that time until 1863, there were only state-chartered banks and private banks. As a war measure to create institutions to purchase government bonds and to lend money to the government, Congress passed the National Banking Act of 1863. While that Act largely followed the banking

statutes of New York and Massachusetts, one of its primary purposes was to have national bank notes to take the place of state bank notes; and to the latter end, when the Act was revised and re-enacted in 1865, a 10% tax was imposed on state bank notes, which, of course, ended their use as money. For the first time in our history and also for the last time, the number of national banks between 1865 and 1891 exceeded the number of state banks.

In the campaign of 1892, the presidential nominee of the Populist Party, General Weaver, made many bitter attacks against bankers, describing them as concessioned usurers and saying of the national banks: "The fundamental vice which underlies the national banking system is this: it is the surrender of one of the highest duties and powers of the government to the control of private adventure with the demands of the whole people at all times for a stable and adequate money supply." He lost the election but received over one million votes.

Rate of Carter Glass

The next milestone in banking history was Carter Glass's Federal Reserve Act of 1913. The depression of 1907, when many banks, especially in the South, resorted to scrip because of an inadequate supply of currency, pointed up the necessity for a better plan to assure the production of sufficient money to do the money work of the nation. The Aldrich Monetary Commission appointed by the Senate in 1908 studied the problem for nearly four years; and on the basis of that study, Senator Aldrich presented a bill to the Senate to create a Federal Reserve System. That bill was defeated through the combined efforts of the big city bankers, principally of New York, who exercised great control over the nation's credit, and by state bankers because the Aldrich bill virtually would have wiped out the dual banking system.

Glass's bill the following year carefully preserved the dual banking system, while at the same time providing greater flexibility to meet changing needs for money and long term growth of the economy. It provided central facilities for rediscounting to supply additional money when the need arose and for meeting paper currency needs. In the language of the Act, it provided a means "to prevent injurious credit expansion or contraction" and thus to combat the boom and bust cycles which too frequently had afflicted the American people.

To carry out its functions with respect to credit conditions, Congress conferred upon the System three general powers for use singly or in combination as circumstances may require: (1) to change, within limits, the legal reserve requirements applicable to national and state member banks; (2) to make loans to member banks at the rate of interest ("discount rate") deemed appropriate by the Federal Reserve; (3) to purchase and sell government securities in the open market. It also was granted the power to issue Federal Reserve notes with a gold backing of 40%, later changed to a backing of gold certificates, government securities, or discounted commercial paper, provided, however, the gold backing was not to be less than 25%.

Under a subsequent topic of "Money," I shall indicate how Glass's plan to expand currency on a sound basis was to a large extent nullified in 1933 by political pressure to help farm prices by the printing of greenbacks and the subordination of the Federal Reserve Board to the Treasury.

In 1932, Governor Eugene Meyer of the Federal Reserve Board recommended to the Senate Banking and Currency Committee that, on account of the then alleged un-

safe condition of state banks and in effective supervision thereof and for the purpose of eliminating competition between member and nonmember banks, Congress should enact a new banking law to provide for a unified system under national supervision. But you will recall, of course, that the Banking Acts of 1933 and 1935 turned down that recommendation and carefully preserved the dual banking system. The dual banking system has the unqualified support of the present Federal Reserve Board.

Current Banking Law Changes

Last summer, when I undertook the job of codifying the banking and credit laws, I was very careful not to interfere with that dual system. The Senate Banking and Currency Committee and the Senate approved, in substantial form, the changes I recommended in existing banking and credit laws. Those changes were based upon the recommendations of all federal agencies concerned with banking and credit; a wonderfully fine, able, and conscientious Advisory Committee; and the national associations of banks and credit institutions. On the tentative Bill so prepared, there were full public hearings.

The big job, of course, was to codify the financial laws since there had never been a codification since the first Banking Act of 1791. The next job was to eliminate many obsolete acts which encumbered Title 12 of the Federal Code. While the Senate Bill made over 100 changes in existing laws, most of them were of a relatively minor character and did not touch the fundamental issue of sound money and supply controls. Some of the most controversial issues, such as cumulative voting and bank mergers, had previously been acted on by the Senate in separate bills.

Considerable concern, especially from southern state bankers, was expressed to me relative to the provision in the first tentative draft prohibiting absorption of exchange; but that was dropped. Some concern was expressed concerning the provision of the Bill on mergers. But I believe most, if not all, state bankers now favor that provision in the Senate Bill for two reasons: (1) There can be no merger of two or more state banks without state authority. It is only after the state authority has agreed to the merger proposal that the FDIC, if they are insured banks, can enter the picture. In other words, that gives a full measure of state control. (2) The second reason why many state bankers favor the merger provision of the Senate Bill is that they recognize that if Congress doesn't approve the proposed control of bank mergers by banking authorities, it undoubtedly will approve a Bill strongly sponsored by the Justice Department to apply antitrust laws to bank mergers and thus confer jurisdiction on the subject upon the Justice Department. That, of course, would include all banks, state and national, insured and uninsured.

The Bill to codify the banking and credit laws as passed by the Senate last March will strengthen the dual banking system, will serve to eliminate some present sources of friction between state and national banks, and will facilitate the work of bankers and bank lawyers in finding what the federal bank laws are.

Naturally, I was disappointed that the House Banking and Currency Committee delayed its hearings until late in the session and then postponed action until next year after hearing only three federal witnesses. Early next year, I hope action can be completed on this legislation.

Money

While the history of banking legislation, as we have noted, has not been free from political interference, few public issues, over so long a period of time, have generated more bitter political animosities than the issue of money and its value. I can find no reference in history, at home or abroad, to control of money which has been wholly free from political interference nor any instance in which any currency that was not gold minted coins or paper money anchored to gold was not subsequently debased or inflated.

Money is a social institution, and the manner in which it is used is an evidence of the character of its users and the conditions of the community in which it is used. A study of primitive money will show a background of primitive people while the wide circulation of minted gold and silver coins indicates a mature civilization.

We find in recorded history evidence as far as 5,000 years ago of the use of certain metals as money as distinguished from pure barter, originating with the Babylonians of the Euphrates Valley. When Abraham, whose home was in Ur on the west bank of the Euphrates, returned from Egypt nearly 2,000 years B.C., he brought back much wealth in cattle and in silver. At that time, wheat was the principal medium of exchange in Egypt and cattle in the Middle East. Some years later when Joseph's brethren sold him into captivity, they received from the Midianites 20 shekels of silver, a Mid East coin geared to the value of wheat.

But it remained for the little country of Lydia to invent stamped money. That was about 700 B.C., when Lydia was the greatest gold-producing country in the world. Lydia's King Croesus (560-546 B.C.) accumulated so much gold that his name became synonymous with great wealth. But minted money as we know it today really dates from the Roman Emperors who rejoiced to have their likenesses imprinted on gold coins. Such coins, called "sacra moneta," or sacred money, were protected from debasement, and even after the fall of the Roman Empire were eagerly sought after throughout the civilized world. But not so the silver coins of the Roman Emperors, which were deliberately debased to the point where they lost their value.

French Franc

In modern times, national currencies of recognized value have been anchored either to gold, silver, or to gold and silver combined. For instance, the currency of France for more than 100 years prior to 1914 was anchored to gold, and the value of the franc for that entire period remained virtually unchanged. Then, as a war measure, France started issuing paper money. In the last 20 years, the French franc has been devalued 11 times; and its present value as compared with its value in 1914 is comparable to the purchasing power of ½ of 1 cent now as against \$1 in 1914.

In 1946 the Bank of England was nationalized and used as an instrument of the government program to manage its currency on a paper basis and to devalue the pound sterling from time to time. We are now engaged in extending financial or military aid to 67 nations. Ever since the Marshall Plan started nine years ago, one of our major difficulties in trying to rehabilitate allies and those whom we hoped to have as allies has been the instability of their currencies and the lack of convertibility. In other words, the currencies of most nations with which we have been dealing have felt the impact of politics to their

detriment from the standpoint of soundness.

American Currency History

We have maintained one of the soundest currencies of the world, because prior to 1934 it was anchored to gold and even after going off the gold standard, the gold holdings of the Treasury have remained the largest in the world.

We were not fully on a gold basis until 1837 when the gold content of the dollar was adjusted to 23.22 grains. Incidentally, the silver content of the dollar has never been changed since 1791 although the silver in the fractional coins has been substantially reduced. In 1873 a money bill, called by silver-producing states the "Crime of 1873" omitted provision for the coining of silver dollars. Senator John W. Daniel of Virginia, an eloquent free silver advocate, said that bill slipped through Congress "with the silent tread of a cat." Its passage ended bimetallism but in doing so touched off a political controversy over currency that lasted for the next 23 years.

In 1890 the Senate voted for the free coining of silver, the House turned it down, and the compromise agreed on in conference was later known as the Sherman Silver Purchase Act. Under its provisions, Treasury notes redeemable in gold could be issued for the purchase of silver bullion. The money panic of 1893 was attributed to the gold shipped abroad under that Act, and it was repealed by a special session of Congress called by President Cleveland for that purpose. That threw the issue of free silver into the presidential campaign of 1896 in which Bryan, advocating the free coining of silver at the ratio of 16 to 1, threw such a scare into Republican ranks that Mark Hanna raised and spent in the last three weeks of the campaign \$10-million, saying "Ten million dollars can't be wrong." A majority of the voters agreed with him.

New Deal Legislation

Passing over the Gold Reserve Act of 1900, we come to the spring of 1933 when we were in our worst depression. It was then that Congress passed the kind of currency laws against which Alexander Hamilton had warned in 1791. That bill authorized \$200-million of foreign war debts to be paid to us in silver at 50 cents an ounce and authorized the President to reduce the weight of the gold dollar and fix the weight of the silver dollar.

In addition, the bill contained a provision that was considered most objectionable by Senator Glass, which provided for purchase of \$3-billion worth of Government Bonds by the Federal Reserve Banks. If the Federal Reserve failed to make these purchases, the President was authorized to issue \$3-billion in greenbacks.

The same year we went off the gold standard; under the Gold Reserve Act the price of gold was fixed at \$35 per ounce, and under the Silver Purchase Act the price of silver was fixed at \$1.29 per ounce, which is a ratio of 27.07 to 1 to gold. At the present time, all silver is purchased under the Act of July 1, 1946, at a price of 90.5 cents per ounce.

The purpose of all greenback and all silver legislation has been to make the country more prosperous by making money more plentiful or to promote the sale of silver. In 1933, the purpose was to help the farmer. The Agriculture Committee report said the dollar was a 200-cent dollar and added: "Agriculture does not demand a 50-cent dollar or an unsound dollar."

We now have a 48-cent dollar and the highest volume in history in circulation, but the price of farm products is still depressed. On the other hand, the cost of

living is at an all-time high. For 11 consecutive months that index has advanced. By some that is called creeping inflation. Some claim it is an indication of the fact we do not have a stable dollar. With respect to current prices, my conclusion is that the effect of currency expansion on prices since we left the gold standard in 1933 has been a relatively minor one. In managing the supply of paper money, the Federal Reserve Board has done a good job.

I would list as major factors in the current price inflation the following:

- (1) Deficit financing and especially the sale of government bonds to commercial banks.
- (2) Unprecedented peacetime spending by all government agencies—national, state, and local.
- (3) Unprecedented credit expansion, including the government's program of underwriting mortgages.
- (4) Monopolistic price controls in which big business and big labor unions have been silent partners.

In view of the fact that the leading economists of the nation have signally failed to chart the course of the present boom, I frankly don't attach too much importance to their present guesses.

Suggests Anti-Inflation Program

It is vital, of course, that the upward pressure on prices be checked. To that end, I suggest the following program:

- (1) Maintain the independence of the Federal Reserve Board. In the management of currency it may make some mistakes, but it will be as free of partisan politics as we can hope to get.
- (2) Urge industry and labor to unite on a price stabilization program.
- (3) Encourage savings as a source of new expansion money.
- (4) Cut Federal spending by \$10 billion and taxes by \$8 billion.

A national program of that type would save us from uncontrolled price inflation, but "man doth not live by bread alone." "One kind thought," said Thomas Jefferson, "is worth more than money." Daniel Webster, at the dedication of the Bunker Hill Monument, said that our example of a democracy that could fully protect personal freedom while promoting prosperity would be of more value to Europe than our material exports. By the same token, a demonstration to those behind the Iron Curtain that the motto on our coins, "In God We Trust," is not an empty gesture may hasten, more than atomic weapons and foreign aid, the fulfillment of the prophecy concerning the Russian people: "Only in after years when their sins have taught them charity, and their despair has taught them hope, and their loneliness has led them to faith, they shall listen again to the sound of bells coming across the field and comprehend and reverence the symbolism of the Cross."

Richard M. Delafield

Richard Moncrieff Delafield, 45, a Vice President of The First Boston Corporation, passed away Sept. 25 at his home in Sewickley, Pa.

Mr. Delafield joined the New York office of The First Boston Corporation in 1931. In 1936 he transferred to Chicago where he remained until 1950. Appointed at that time to the Pittsburgh office, he resided in Sewickley for seven years and would, but for his illness, have moved last January to the main office of the corporation in New York.

Columbine Secs. Adds

(Special to THE FINANCIAL CHRONICLE)
DENVER, Colo.—Ray L. Lower has become affiliated with Columbine Securities Corporation, 1575 Sherman.

Continued from page 22

FDIC's Role in Nation's Bank Economy

The growth of the fund is just about keeping pace with the growth of coverage afforded.

Praises Individuals

I should like to say a word of appreciation of my association with the retiring chairman, H. Earl Cook, and the late Maple T. Harl. It has been a pleasure and a privilege to work with them, and I speak with authority when I say that the Corporation has maintained a high level of efficiency in its operations in every way. The death of Maple Harl a short time before he would have completed his appointed term as a director was a great shock to all of us and brought deep sorrow to his host of friends.

To Earl Cook, who has just completed ten years of service to the Corporation, I extend appreciation for a job well done and for the ever friendly, courteous, and constructive attitude which he has manifested. We shall all miss him greatly in the Federal Deposit Insurance Corporation, but we are happy that he is to continue active in a field of work which will keep him in close touch with his friends among banks and bankers.

It is a great satisfaction to know that the work of the Federal Deposit Insurance Corporation is to be carried on with Jesse H. Wolcott and Erle Cocks, Sr., as members of the Board of Directors. They have been appointed by President Eisenhower for the six-year term beginning Sept. 6, 1957, and will bring to the Corporation maximum elements of strength inherent in their high character and ability and their long experience in important positions. Congressman Wolcott has been long known for his thorough understanding of banking matters from the point of view of a member of Congress, where he served for long years as a member and for a briefer period as chairman of the House Committee on Banking and Currency. It will be most helpful to have him in the Corporation to carry out the provisions of the law which he helped to frame. Erle Cocks, Sr., brings a broad experience in the field of commercial banking and an unexcelled width of acquaintance, broadened in recent years by his service as vice-president and president of the American Bankers Association. All banks, state and national, are to be congratulated on having these men join the Board of the Federal Deposit Insurance Corporation. It will be my duty and pleasure to work closely with them in managing the affairs of the Corporation in a completely impartial manner and in the best interests of the dual banking system.

Express Appreciation to Treasury

In speaking before bankers, I always value the opportunity to express the appreciation of the Treasury Department for the help that you give in the United States Savings Bonds Program, and again I extend the thanks of the Treasury to the members of the National Bank Division for all they have done and are doing in this field. I think you will be interested if I pass on to you the comment made by Under Secretary Burgess at a luncheon in his honor on Sept. 12 when he said: "In spite of the handicap of interest rates, we are selling more small Savings Bonds than we ever have." Promotion of savings in all forms is a worthy cause, and the United States Savings Bonds Program deserves full support. There is also an opportunity to say a word of appreciation, which

I know you all share, for the great work Randy Burgess has done for the country during his service with the Treasury Department in the past four and one-half years. He richly merits the respect, confidence, and affection which all bankers hold for him. We wish him happiness and success in his new and great honors as Ambassador to NATO. We welcome with enthusiasm and confidence our friend and fellow banker, Julian Baird, who comes to take up the post which Randy relinquishes.

It is a great pleasure and privilege to serve the Treasury Department for many reasons, but particularly for the opportunity it gives to have a close view of great men at work. To borrow the words of John Drinkwater in his Ode to Lincoln:

*When the high heart we magnify,
And the clear vision celebrate
And worship greatness passing by,
Ourselves are great.*

I know of no one to whom these words can be more fitly applied than to the recently retired Secretary of the Treasury George M. Humphrey. It has been a great privilege to serve under him and to know intimately his greatness in mind, character, and performance.

Happily there has come to the office of the Secretary of the Treasury Robert B. Anderson, who will appear at the Wednesday session of the Convention and who will carry on the work of the Treasury in accordance with its best traditions.

In concluding, I would like to take this opportunity again to ex-

press my appreciation and enjoyment in working with the national banks individually and with the National Bank Division. You are a great aggregation of banks and bankers and are doing a fine work. Our office appreciates your willingness to cooperate, to receive suggestions in good spirit, and to give us the benefit of your ideas so that we may understand your problems fully. We all want to have the national banks perform creditably in every way, to give the highest possible measure of service to the public, and to keep themselves strong. During my four and one-half years service as Comptroller, I have been tremendously impressed by the way in which you are meeting your responsibilities and the efforts you are constantly making to maintain high standards. It is a great privilege to work with you. Keep up the good work.

M. M. Townsend Director

Morris M. Townsend, President of Townsend Investment Company,



Morris M. Townsend

Short Hills, N. J., has been elected a director of the Financial Industrial Fund of Denver, Colo. Mr. Townsend, a former U. S. Treasury official, is consultant to the Axe-Houghton Funds and is a director of several industrial and financial corporations, including Vitro Corporation of America and Flying Tiger Lines.

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Continued from first page

ABA Holds 83rd Annual Convention

banks during the months ahead were discussed, before more than 7,000 bankers from every state and territory of the United States and many foreign countries.

The Convention presented a well rounded picture of the domestic and international economic scene. The program for the General Sessions and for the ABA Divisions included in addition to leading bankers, speakers from government, education, agriculture, and industry. [Editor's Note — Full texts of most of the talks are published elsewhere in this issue.] An important overseas guest was the Honorable Peter Thorneycroft, Chancellor of the Exchequer, London, England.

Membership Constitutes 98% of U. S. Banks

The Association's Organization Committee announced that 17,526 banks and branches are now members of the ABA. The report was made by the Committee's Chairman, Frank W. Thomas, President, Washington Loan & Banking Co., Washington, Georgia. His figures are as of Aug. 31, the close of the ABA year.

The total membership of 17,526 includes 176 members in foreign countries. It represents a growth in Association membership over the past year of 141 banks and branches. Included are over 98% of the banks in the United States and over 99% of the nation's banking resources.

In 18 states and the District of Columbia, every bank is a member of the ABA. The states are: Arizona; Arkansas; Colorado; Delaware; Georgia; Idaho; Louisiana; Mississippi; Montana; Nevada; New Jersey; New Mexico; North Carolina; Oregon; Rhode Island; Vermont; Washington; and Wyoming.

The ABA has members in every state in the Union and in Alaska; Bermuda; Bolivia; Brazil; Canada; Cuba; France; French West Indies; Great Britain; Hawaii; Honduras; India; Japan; Mexico; Philippine Islands; Puerto Rico; Salvador; Tangier; Venezuela; and the Virgin Islands.

President Eisenhower's Message

In a message to the Convention, delivered Sept. 24 through the Association's outgoing President, Erle Cocke, President Dwight D. Eisenhower said:



Pres. Eisenhower

"To the members of the American Bankers Association assembled in their 83rd Annual Convention, I send greetings. "Our national prosperity has brought many material blessings and some problems. The demand for funds to finance expansion in all parts of the country has exerted strong upward pressure on prices. But with your assistance in helping our citizens understand the importance of sound money and the need for strong credit policies, we are meeting the challenge of inflation.

"Your government will continue to benefit from your advice and cooperation in support of a healthy, growing economy. Best wishes for a splendid convocation."

"Dwight D. Eisenhower."

Secretary Anderson Lauds Work of ABA in Promoting Savings Bond Program

The American Bankers Association and its retiring President, Erle Cocke, were honored by the U. S. Treasury Department for leadership in the promotion of United States Savings Bonds on Sept. 25, when Secretary of the Treasury Robert B. Anderson presented the Association with the new flag of the Savings Bonds program.



Robert B. Anderson

Secretary Anderson presented the flag to Mr. Cocke, who accepted it in behalf of the ABA. In making the presentation, Mr. Anderson said: "Throughout your term of office, Mr. Cocke, you have been of great help not only to your ABA associates and the banking business generally, but also to the Treasury Department. You have helped the Treasury particularly in the promotion and sale of United States Savings Bonds; and so has the ABA all these years.

"In appreciation, I take pleasure in presenting to you — for the American Bankers Association — the new flag of the Savings Bonds program. I have been told that the Association would like to display this flag in its New York headquarters, and the Treasury certainly will feel honored if that is done."

At the same time, Secretary Anderson presented incoming ABA President Joseph C. Welman with a Certificate of Appointment which reads: "Know Ye, that respecting special confidence in the Patriotism, Integrity, and Diligence of Joseph C. Welman — I do hereby appoint him — Good Will Ambassador for the Savings Bonds Program."

Mr. Cocke received another citation for his backing of the Savings Bonds program at a meeting of the ABA Savings Bonds Committee. At that time, Paul I. Wren, Assistant to the Secretary of the Treasury, presented him with a framed replica of an advertisement for Savings Bonds bearing a special message from Mr. Cocke in the copy. The ad, "Every Month



Paul I. Wren

Make One Payment to Yourself," was distributed in January as part of the Treasury's newspaper advertising program for Savings Bonds, and turned out to be the most popular ad for Bonds in the first quarter of 1957. It led eleven other ads used during the same period, with 220 insertions.

Banks Push Savings Bonds

The nation's banks have been directly responsible for a substantial portion of Savings Bonds sales and have processed the Bonds for the government ever since the War Bonds and Savings Stamps program was initiated during World War II.

During the first eight months of 1957, sales of E and H Bonds were down 13% compared with the

same period last year (\$3,106,000,000 in 1957 compared with \$3,589,000,000 in 1956). However, sales of "small saver's bonds" (E bonds in \$25 and \$50 denominations) were at record peacetime levels, indicating the effectiveness of the promotional appeals made to the general public in behalf of the Bonds.

The ABA program of promoting Savings Bonds sales is under the guidance of the Association's Savings Bonds Committee, Chairman of the Committee for 1956-57 is Bruce Baird, President, National Savings & Trust Company, Washington, D. C.

Trust Division Head Speaks

Trustmen were presented a brief picture of the work being done by eight of the ABA Trust Division Committees by retiring Trust Division President Thoburn Mills, Vice-President and Trust Officer, The National Bank of Cleveland, Cleveland, Ohio, who envisions an exceedingly bright future for the trust business. Mr. Mills admitted that a greater need exists for better public relations and referred to better progress expected in Life Insurance—Trust Councils and Estate Planning Councils developments.



Thoburn Mills

Mr. Mills noted in part as follows:

"At this moment, final arrangements are being made for the 31st Western Regional Trust Conference, which will be held on Oct. 10 and 11 at the Multnomah Hotel, in Portland, Ore. A strong program has been planned, and we are looking forward to another most successful Conference.

"The names of the Trust Division committees indicate the important and diverse areas in which they work. They are: Common Trust Funds; Corporate Trust Activities; Costs and Charges; Employees Trusts; Fiduciary Legislation; Handling Businesses in Trusts; Operations for Trust Departments; Relations with the Bar; Relations with Life Underwriters; Relations with the Public; Relations with Supervisory Authorities; Trust Statistics; Taxation; Trust Investments; Trust Personnel; and Trust Policies.

"One of the most pressing problems in our business is the perennial one of costs and charges. The Committee on Costs and Charges recently conducted a national survey to determine what is being done and what needs to be done to keep them in reasonable balance. Sixty-four per cent of the trust departments responding to the questionnaire indicated that they would welcome outside help in instituting a cost survey within their own departments. Our Committee is now considering ways of providing this assistance.

"That young giant in the trust business—employee benefit plans of all types, including pension and profit-sharing plans, thrift plans, and SUB (supplementary unemployment benefit) plans — poses many problems for our Committee on Employees Trusts. Currently, the Committee has suggested to the Commissioner of Internal Revenue important changes in the proposed regulations covering the estate tax provisions of the Internal Revenue Code of 1954 with respect to profit-sharing trusts. The Committee has also made suggestions to the House Ways and Means Committee covering the exemption from the stock issuance tax on participations in qualified pension trusts in a pooled common investment fund. The Committee

is also working on a Statement of Principles concerning employee benefit plans. It is the opinion of the Committee that the existing Statement of Principles of Trust Institutions does not adequately cover this field.

"The Committee on Fiduciary Legislation is now preparing a model statute to permit the creation of a mutual investment fund and has also been working on the following legislative matters: microfilm statute to permit destruction of original trust records; uniform supervision of trustees for charitable purposes act; legislation for the handling of businesses in trust; model act to exempt employees' trusts from the operation of the rule against perpetuities; and a statute to validate a bequest or devise made by will to an existing trust.

"The Committee on Handling Businesses in Trust is busily working on the man-sized task of writing a book on this subject.

"The Committee on Common Trust Funds has published its third edition of the 'Common Trust Funds Handbook,' and it is now being distributed. That Committee is never idle—it now has four or five important irons in the fire.

"The Committee on Trust Investments — one of our hardest working committees — has as its objective the providing of maximum assistance to smaller trust companies in connection with their investment problems. This Committee has just revised and published the booklet, 'Laboratory on Trust Investment Problems.' The Committee is also working on the study of sources of information on institutional investment policy. This committee has prepared a series of investment case studies to be published in six issues of the 'Trust Bulletin' beginning with the current issue for September. Each study sets up a hypothetical investment problem and then gives several answers prepared by Committee members. I am looking forward with anticipation to reading this series.

"The Committee on Statistics is weighing all angles of the proposal to gather trust statistics on a national basis. It is believed that such a study will disclose policies and trends in fiduciary investment, the extent of investment responsibility which corporate trustees exercise, what they are doing in the capital market, and the amount and growth of personal trust business handled by corporate fiduciaries."

National Bank Report

Sam M. Fleming, retiring President of the National Bank Division, reviewed his Division's efforts for the past year and answered exaggerated profit charge usually made against banks. Mr. Fleming, who is also President of the Third National Bank in Nashville, Tennessee, declared that "during the past year, the National Banking System again has demonstrated its ability to keep pace with the demands and needs of the country's expanding economy. At the year end, there were 4,659 national banks operating 3,655 branch offices and holding 54% of the commercial banking assets of the nation. According to the Comptroller's annual report, deposit totals of the System increased 3.2% to an all-time high mark of \$107.5 billion, and loans increased 10.6% to a grand total of \$48.2 billion. The larger loan



Sam M. Fleming

and deposit totals have been supported by such capital increases as considered necessary to maintain proper capital ratios; and we can feel gratified that in a year of credit restraint, national banks were able to take care of the legitimate credit requirements of both large and small customers.

"The most significant event of the year for the National Bank Division and for banking in general has been the preparation and passage by the Senate of S. 1451, commonly known as the Financial Institutions Act of 1957. This legislation brings together in one place the maze of laws and regulations under which banks operate.

"The work of our National Bank Division is carried on through five standing committees.

"The Committee on Federal Legislation has directed its primary attention to the Financial Institutions Act of 1957. The work of the Committee on Real Estate Loans also has been primarily in connection with the Financial Institutions Act of 1957. The Act incorporates all but one of the proposals made to amend the real estate loan limitations of the National Bank Act. Significant provisions are: permission to make 18-month construction loans on commercial or industrial property, an increase in the ceiling on total construction loans to 100% of combined capital and surplus; and a more liberal interpretation of both leasehold loans and the taking of liens on real estate as additional security without the liens being subject to real estate loan limitations.

The Committee on Relations with Federal Agencies has contacted the Chief National Bank Examiners in all 12 Districts and, through such contacts, continues to develop a better understanding between banks and the supervisory authorities. The Comptroller's office, working with the Committee, has prepared a booklet detailing how examiners' reports are made, how requests for new branches and charters are handled, and outlines the details of many other staff operations. It has been distributed to all national banks and will be of great assistance in increasing our knowledge of the Comptroller's office and the details of its operations.

"The Committee on Research and Operations has emphasized the importance to banking of the report recently released by the ABA Economic Policy Commission on revisions of member bank reserve requirements. It also has directed its attention to the need for FDIC assessment reduction, a more realistic bad debt reserve formula, and the several provisions of S. 1451 which reduce the areas of discrimination against national banks in favor of state-chartered institutions. The Committee on State Legislation has kept us advised of developments in the state legislatures.

Net Earnings 7.8%

"In these days, we hear much about the evils of high interest rates, and allegations are often made that they benefit only the bankers. All too few people understand the workings of interest rates, which, or course, are determined in the market place through the law of supply and demand and not by banks or bankers. As a matter of fact, bank earnings actually are not large and are much smaller than most other types of businesses. The annual report of the FDIC for 1956 reveals that the aggregate net earnings of the 14,000-odd insured banks in the United States were only \$1.216 billion or 7.82% on total capital accounts. Dividends paid to stockholders of the entire banking system for the year 1956 aggregated only \$617 million. This is a rather modest showing when compared with manufacturing

Continued from page 40

ABA Holds 83rd Annual Convention

companies, which, on the average, earned 12.3% on capital in 1956. Several individual companies earned almost as much as all of the banks in the country combined.

Wants Bad Debt Formula Changed

"The cold facts are that bank salaries, general expenses of operation, and interest paid on savings accounts have just about kept pace with increased revenues from higher interest rates and larger loan totals. In fact, the modest earnings of banks in times of unusual prosperity, accompanied by steadily increasing loan totals, point up the need for the taxing authorities to adopt a more realistic attitude towards valuation reserves on loans. It is hoped, in the public interest, that we will be successful in obtaining a more realistic and adequate bad debt reserve formula which is not geared to give preference to those institutions which suffered the greatest losses during the depression years.

Commends Federal Reserve

"We would be remiss if we did not commend the Federal Reserve authorities for their courageous and intelligent fight against inflation, which continues to be Public Enemy Number 1. It is unfortunate that more people do not better understand the workings of money and fiscal affairs. In a period when wages and operating costs are constantly and apparently inexorably rising, some restraint must be maintained on the money supply, or the inflationary pressures might well break out of bounds. The rise in velocity of the circulation of money has complicated the problems of the Federal Reserve authorities in the past year, and the battle is not yet won; but it is encouraging to know that Federal Reserve policy continues to be guided by what is considered by so many monetary authorities as being best for our country.

"As banks compete for deposit totals, a dangerous situation is being built up in the give-away services offered as an inducement to obtain deposits. We bankers should continue to strive always to find as many means as possible to serve the public, but we are entitled to receive reasonable compensation in so doing.

"In 1963, or only six years from now, we will observe the 100th anniversary of the establishment of the National Banking System. It is fitting and proper that this most important occasion should be properly commemorated. A committee from our Division already has begun making plans for this significant event."

State Bank's Assets Up

The retiring President of the State Bank Division of the American Bankers Association, in a speech before the Annual Meeting of the Division, Sept. 23, praised the excellent representation attending the hearings on the Financial Institutions Act of 1957. Division head Archie K. Davis also spoke of the success met with in joint meetings held with the National



A. K. Davis

Divisions in company with representative leadership at the Washington level.

Mr. Davis, who is Chairman of the Board of the Wachovia Bank and Trust Company, Winston-Salem, N. C., claimed, "state-supervised banks can derive con-

siderable satisfaction from the relative progress and increased stability achieved in 1956. Their capital position was \$596 million stronger than a year ago. At the year-end such institutions numbered 9,448, of which 8,921 were commercial banks (including loan and trust companies, stock savings banks, private banks, industrial banks, and cash depositories) and 527 were mutual savings banks.

"Total assets of state-supervised banks in the United States and the District of Columbia reached a new high plateau of \$133.7 billion,

a \$4.9 billion increase over Dec. 31, 1955, or 3.8%. While total loans and discounts continued their upward climb to a record volume of \$62.3 billion, the increase of \$5.3 billion over comparable 1955 year-end figures was only half that experienced in the previous year when the gain was \$10.8 billion. The deposit rise of \$3.3 billion and the liquidation of \$1.5 billion in United States Government securities provided the funds for the increased investment in loans. Total deposits — \$120.1 billion at the year-end — were

3.3% above 1955, as compared with the 2.9% increase the year before. Investment in United States Government obligations declined 4.2% to a total of \$34.9 billion."

Resolution Adopted

At its Second General Session of the 83rd Annual Convention, the Convention adopted the following resolutions:

"The Inflation Problem: Persistent inflation is one of the foremost problems today in our Nation and throughout the world.

Continued on page 42



WITH BETTER CROPS COMES A BETTER LIFE

Vast undeveloped agricultural resources of Latin America can provide the food demanded by the world's swiftly increasing population. Science meets the challenge with modern experimental stations dedicated to crop research and development.

Today's agricultural scientists working with United Fruit Company and subsidiaries, put the emphasis on improving indigenous crops, obtaining higher yield from rice, sugar, corn, bananas . . . on restoring nutrients to the soil and guarding against wind and water erosion or loss of soil moisture, by plowing under new cover crops like sorghum or beans.

By men of the Americas working together, the agriculture of Latin America is progressing rapidly . . . filling the needs of the people, increasing local government revenues, earning dollars for manufactures in world markets. It is a vital part of the Living Circle of trade and communication that unites the freedom-loving Americas.



THIS LIVING CIRCLE STRENGTHENS THE AMERICAS

United Fruit Company has been serving the Americas usefully for 57 years—reclaiming wasteland, stamping out disease, developing human skills, helping by research, new techniques and transportation, to increase the production and sale of bananas, sugar, and other crops, and expediting communications.

United Fruit Company

General Offices: 80 Federal Street, Boston 10, Mass.

Continued from page 41

ABA Holds 83rd Annual Convention

It imposes the serious threat of sapping the economic strength which is so essential to the survival of the Free World. Too many people are willing to accept the view that long-range inflation is inevitable. Many hold the false notion that a persistent, creeping inflation can be kept within bounds. The history of inflations all over the world gives contrary evidence that forces which are seemingly mild at the start always lead to crisis and collapse unless realistic measures are undertaken to correct them.

Measures of Restraint: While monetary controls, exercised through the Federal Reserve System, are one of the important weapons against inflation, they must be accompanied by an appropriate fiscal policy and by a willingness of all important economic groups to recognize that lasting economic growth can be supported only by improvement in productivity and the accumulation of the capital needed to make more effective use of our technical knowledge and resources.

"In the area of monetary control, the Board of Governors and their associates in the entire Federal Reserve System are exercising their authority with skill and courage. They especially are to be commended for recognizing that inflationary doses of money could drug the economy into a sense of false prosperity. They have clearly understood that sound and lasting economic growth can be sustained only if the structure of credit remains healthy. They have recognized that credit should not be used for speculation or undue anticipation of future needs on the premise that debt can be repaid later in cheaper dollars.

"The Federal Reserve authorities also are to be commended for their firm reliance on the market place to determine the impact of monetary restraint. This is in the democratic tradition, for it is the only way that monetary authority can be exercised without invading the prerogatives of individual borrowers and lenders in the use of credit.

The Current Situation: We believe that creeping inflation is not inevitable and that a major target today should be the elimination of inflationary psychology from the public mind. The welfare of all our people and lasting improvement in the standard of living require that this be done without delay. For this reason, while recognizing the importance of flexibility in policy under changing conditions, we urge the monetary authorities in the current situation to resist pressures from particular groups for easy money and credit whenever signs of a slackening in their segment of the economy begin to appear. No thinking person or group wants depression or unemployment, but we believe that the surest way of avoiding them is the prevention of excesses.

"The solution of the problems of inflation is beyond the scope of monetary authority alone. In order to further sound economic growth, therefore, all agencies of government must recognize as an essential criterion for their actions the importance of stability in the cost of living and of combatting persistent inflationary pressures.

"We believe that it is the responsibility of every American to take an honest and unselfish stand against inflation. It is the duty of each of us to support—indeed to insist upon—policies of restraint in the democratic tradition which will preserve the value of

our currency for this and future generations.

Savings: One of our most powerful weapons against inflation is savings. Our banks, through their own savings departments and their vigorous support of the Treasury savings bond program, will continue to encourage thrift on the part of the people.

Appreciation

"To Erle Coker, our President, we extend our sincere thanks and appreciation for his leadership and devotion to the affairs of our Association during the year.

"We likewise acknowledge our appreciation of the loyal and effective work of the other officers and the members who have served on divisions, sections, councils, commissions, and committees of the Association.

"We thank the New Jersey bankers for their assistance which has contributed so much to the success of this Convention. We are grateful to the hotels, the press, and the people of Atlantic City for their hospitable assistance during our visit here."

Memorial Tribute to Dr. Harold Stonier

A memorial to a devoted servant of the American Bankers Association, Dr. Harold Stonier, adopted by the 83rd Annual Convention of the American Bankers Association at Atlantic City, Sept. 24, was read by Robert V. Fleming, Chairman of the Board of The Riggs National Bank, Washington, D. C.

National Advertising Recommended

A national advertising program was recommended by the Administrative Committee of the ABA. The proposal was made at the 83rd Convention and it will be submitted to a referendum of member banks, perhaps by mid-October.

Annual contributions ranging from \$25 to \$15,000, depending on size of the bank, were suggested. The funds so raised will, if approved, be channeled into a separate fund.

Themes suggested include educating the public on banking as distinguished from other financial institutions, banking contribution to the economy, consumer credit facilities, and source for employment.

New Division Heads

Officers elected Sept. 23 for the four divisions and the State Association Section of the American Bankers Association at annual meetings held in connection with the 83rd Annual Convention are as follows:

National Bank Division

President: William M. Lockwood, President of Howard National Bank and Trust Company, Burlington, Vt.

Savings and Mortgage Division
President: John Adikes, President of Jamaica Savings Bank, Jamaica, N. Y.

State Bank Division

President: Ben C. Corlett, Vice-President of American Trust Company, San Francisco, Calif.

Trust Division

President: Walter Kennedy, President of The First National Bank of Montgomery, Montgomery, Ala.

State Association Section

President: Frank N. Gans, Executive Manager of West Virginia Bankers Association, Charleston, W. Va.

Heads of ABA Divisions and State Association Section



Wm. M. Lockwood



Ben C. Corlett



Walter Kennedy



John Adikes



Frank N. Gans

NEW ABA OFFICIALS

William M. Lockwood is newly elected President of ABA's National Bank Division; John Adikes, President of Savings and Mortgage Division; Ben C. Corlett, President of State Bank Division; Walter Kennedy, President of Trust Division; and Frank N. Gans is head of the State Association Section.

Changes in Seven ABA Staff Titles Announced

Seven members of the staff of the American Bankers Association were given new or additional titles at a meeting of the Administrative Committee of the Association held in connection with the 83rd Annual Convention.

William R. Kuhns, editor of the Association's magazine, "Banking," was named a senior deputy manager.

Rudolph R. Fichtel was advanced from assistant director to director of the Public Relations Council.

Robert G. Howard, assistant to the executive manager, was named director of the News Bureau effective Jan. 1.

Dwight J. Townsend, assistant director of the News Bureau, was made associate director and given the additional title of secretary of the ABA Savings Bonds Committee.

Dr. Murray G. Lee, secretary of the Economic Policy Commission, was given the additional title of assistant director of the Department of Monetary Policy.

Christian F. Schnell of the Legal Department was named assistant counsel of the Association.

Edward E. Craviolo of the Instalment Credit Department was named assistant secretary of the Instalment Credit Commission.

ABA Organizational Changes Announced

Because of the enlarging scope of the activities of the American Bankers Association over the last few years and the resultant increase in the burdens and responsibilities of the executive staff of the Association, the Administrative Committee of the Association made the following changes in the provisions for the executive management of the Association, which were approved Sept. 24 by the Executive Council:

(1) There is established a Management Committee consisting of the President of the Association, who will be Chairman; its elected Vice-President; its Treasurer; its Executive Vice-President; its Executive Manager; and its Senior Vice-President. The Management Committee will serve under the policies and direction of the Administrative Committee.

(2) The President of the Asso-

ciation shall be its Chief Executive officer.

(3) The office of Executive Vice-President (formerly occupied by Dr. Harold Stonier) is recreated, and Merle E. Selecman has been elected to that office. Mr. Selecman will also continue as executive manager pending election of a new executive man-

ager, which is expected to take place shortly, such election of a new executive manager being part of the Association's program of adding depth to the executive management team.

(4) The Senior Vice-President (a newly created office) will have charge of the activities of the Association's Washington office.

Backgrounds of New ABA Top Officers

Thumbnail sketches of ranking officers of American Bankers Association follow:

JOSEPH C. WELMAN President

Joseph C. Welman, President of the Bank of Kennett, Kennett, Mo., was born in Johnston City, Ill., and moved to Missouri in early childhood, being educated in the Kennett schools.

He has been with the Bank of Kennett since 1925 (except for two years in the United States Navy, attaining the rank of Lieutenant), becoming Cashier and a director in 1930 and President in 1939.

Mr. Welman has served on many committees of the Missouri Bankers Association and was its President in 1948-49.

In the American Bankers Association, he was Vice-President for Missouri from 1934 to 1936; a member of the Subcommittee on Section 5219 U. S. Revised Statutes of the Committee on Federal Legislation from 1951 to 1953; a member of the Federal Legislative Council from 1952 to 1954; a member of the Country Bank Operations Commission from 1949 to 1956, being Chairman from 1954 to 1956; a member of the Executive Council from 1951 to 1956; a member of the Committee on Mechanization of Check Handling of the Bank Management Commission from 1954 to 1956; a member of the Credit Policy Commission in 1955-56; a member of the Committee on Employee Training formed in 1956; and Association Vice-President in 1956-57. He was elected President of the ABA at the 83rd Annual Convention in Atlantic City, N. J., Sept. 24, 1957.

Mr. Welman is a former President of the Kennett Business and Professional Association; a former

President and currently a member of the Dunklin County Sportsmen's Association and the Kennett Lions Club; a former member and Secretary of the Kennett Board of Education; former coordinator of the Kennett Civilian Defense Organization; former Director of the Missouri State Chamber of Commerce; former Regional Chairman of the U. S. War Bond Committee; and one of the founders and a Director of the Kennett Housing Corp.

He is at present a director of the Kennett Development Corp., the Kennett Chamber of Commerce, and the Dunklin County Compress and Warehouse Co.; Secretary-Treasurer of the Baker-Welman Insurance Agency, Inc.; and Chairman of the Trust Committee of the Southeast Missouri Area Boy Scout Council. He is a member of the Voluntary Home Mortgage Credit Program Committee for Region XI.

Mr. Welman is married, has two sons, and makes his home in Kennett.

LEE P. MILLER Vice-President

Lee P. Miller, President of the Citizens Fidelity Bank and Trust Co., Louisville, Ky., was born in that city and attended the Louisville schools.

He entered banking in 1911 with the Fidelity Trust Co., now the Citizens Fidelity Bank & Trust Co., of which he was elected President and a director in 1949.

Mr. Miller has long been active in bankers association affairs. In the Kentucky Bankers Association he was a member of the Jurisprudence Committee from 1937 to

1956, being Chairman from 1937 to 1951; Chairman of the Tax Research Committee from 1951 to 1954; and a member of the Executive Committee from 1938 through 1941, being Chairman in 1940-41.

In the American Bankers Association, Mr. Miller has been identified for many years with the work of its legislative committees, particularly in the field of taxation. He was a member of the Committee on Federal Legislation for a number of years, and was its Chairman from 1955 to 1957. He was, likewise, a member of the Subcommittee on Taxation of the Legislative Committee and was its Chairman for several years. He was also a member of the ABA Special Committee on Excess Profits Tax during its life from 1952 to 1954. In addition, he served on the Committee on Taxation of the Trust Division of the ABA for 11 years and was Chairman for four years. He was a member of the Trust Division's Executive Committee for three years. He was elected Vice-President of the ABA at the 83rd Annual Convention in Atlantic City, N. J., Sept. 24, 1957.

Mr. Miller is serving on the Federal Advisory Council for the Eighth Federal Reserve District. He is President and director of the Citizens Fidelity Insurance Co.; director of the Associated Industries of Kentucky, the Kentucky Chamber of Commerce, and the Louisville Trans Co.; Chairman of the Board of Trustees of the University of Louisville; and Trustee of the Masonic Widows & Orphans Home.

Mr. Miller is married, has one son, and makes his home in Louisville.

ELWOOD F. KIRKMAN
Treasurer

Elwood F. Kirkman, President of The Boardwalk National Bank of Atlantic City, N. J., is a native of Philadelphia, and attended Dickinson Law School, Carlisle, Pa., and Georgetown Law School, Washington, D. C., from which he received an L.L.B. degree. He was admitted to the New Jersey Bar in 1926 and is also a member of the American Bar Association.

Mr. Kirkman is senior member of the law firm of Kirkman, Mulligan & Harris of Atlantic City.

He has been a Director since 1932 and President since 1942 of The Boardwalk National Bank and has been a Director since 1927 and Chairman of the Board since 1955 of The National Bank of Ocean City, Ocean City, N. J.

He was President of the New Jersey Bankers Association in 1951-52.

In the American Bankers Association, Mr. Kirkman was a member of the Executive Council and of the Finance Committee from 1953 to 1957. He was also Vice-President for New Jersey on the Organization Committee in 1953-54 and a member of the Federal Legislative Council in 1955-56. He was elected ABA Treasurer at a meeting of the Association's Executive Council held at the close of the 83rd Annual Convention in Atlantic City, N. J., on Sept. 25, 1957.

He is Chairman of the Board and Director of the Chelsea Title and Guaranty Company, Atlantic City; President of the Flanders Hotel Company, Ocean City; Director of the Dennis Hotel (Walter J. Buzby, Inc.), Atlantic City, and of the South Jersey Gas Company and the Pennsylvania-Reading Seashore Lines; past Director of the Community Chest and Welfare Council of Atlantic County and of the Atlantic City Chamber of Commerce; Trustee of Dickinson Law School and The Training School at Vineland, N. J.; and President and a member of the Board of Governors of the Atlantic City Hospital Association.

Mr. Kirkman is married and has

one daughter; he makes his home in Margate City, N. J.

1958 Meeting to Be Held in Chicago on Sept. 21-24

The 1958 Convention of the Association will be held in Chicago, Ill., it was announced by Joseph C. Welman, newly elected President of the Association. Mr. Welman is President of the Bank of Kennett, Kennett, Mo. The dates for the Convention will be Sept. 21-24, 1958.

Various Convention committees will be organized and announced to the ABA membership later. Hotel applications will be sent to members early in 1958. No applications will be accepted by the hotels directly. Official reservation forms will be used and will be handled by the Convention Hotel Committee after it is organized.

Blyth Group Offers Northern Natural Gas 5.80% Preferred Stock

An underwriting group headed by Blyth & Co., Inc. on Oct. 1 offered publicly a new series of 160,000 shares of Northern Natural Gas Co. 5.80% cumulative preferred stock at par (\$100 per share). Application has been made to list this preferred stock on the New York Stock Exchange.

Proceeds from the sale of the new preferred will be used for a portion of the cost of Northern Natural's 1957 construction program and for the purchasing of securities to be issued by subsidiary companies for their construction costs and property acquisitions. Total 1957 construction costs are estimated at \$64,000,000. It is anticipated that construction requirements throughout this year will require Northern Natural to undertake additional financing through the sale of approximately \$25,000,000 of debentures later this year.

These shares have no conversion rights. The new series is redeemable at \$115 per share on or before Sept. 30, 1962; at \$106 per share thereafter and on or before Sept. 30, 1966; and declining 50 cents per share annually to \$100 on and after Oct. 1, 1977, plus accrued dividends.

As a sinking fund for the new series of preferred stock, the company is to make provision on or before Sept. 1, 1961 and on or before Sept. 1 in each year thereafter for the redemption at \$100 per share, plus accrued dividends, of 6,400 shares of the new series.

The company, along with its subsidiaries, owns and operates 10,768 miles of pipeline through which it transmits natural gas to points in Kansas, Nebraska, Iowa, Minnesota and South Dakota. The gas is purchased principally from the Texas Panhandle and Hugoton gas fields. It is distributed locally through its Peoples Natural Gas division. Northern Natural Gas, with executive offices in Omaha, Neb., owns 90% of the common stock of Permian Basin Pipeline Company which purchases gas in western Texas and sells it to Northern Natural. The Northern Natural Gas Producing Company is a wholly-owned subsidiary of Northern Natural.

For the 12 months ended June 30, 1957, total operating revenues of Northern Natural and subsidiaries were \$116,539,000 and net income was \$15,009,000. In 1956, total operating revenues were \$111,280,000 and net income was \$14,400,000. Comparable figures for 1955 were: \$104,368,000, operating revenue; \$12,843,000, net income.

Sidney O. E. Dryfoos

Sidney O. E. Dryfoos, partner in Weingarten & Co., passed away Sept. 20.

\$24 Million Issue of New York State Bonds Offered to Investors

An underwriting syndicate formed by the consolidation of accounts headed by The First National City Bank of New York and Lehman Brothers was awarded on Oct. 1 an issue of \$24,000,000 State of New York State Mental Institution General Obligation Bonds, due Oct. 15, 1958 to 1972, inclusive.

The group bid 100.0273 for a 2.90% coupon, representing a net interest cost of 2.8965% to the state.

Public reoffering of the bonds due from 1958 through 1964, in the amount of \$11,200,000, is being made at prices scaled to yield from 2.25% to 2.75%. The balance of \$12,800,000 of the bonds due 1965 through 1972 are not being reoffered publicly as they were sold at a presale.

Participating in the offering are:

Bankers Trust Company; J. P. Morgan & Co. Incorporated; Guaranty Trust Company of New York; Harriman Ripley & Co. Incorporated; The First Boston Corporation; Smith, Barney & Co.; Halsey, Stuart & Co. Inc.; First National Bank of Chicago;

Phelps, Fenn & Co.; Glore, Forgan & Co.; Lazard Freres & Co.; Merrill Lynch, Pierce, Fenner & Beane; Goldman, Sachs & Co.; Eastman Dillon, Union Securities & Co.; Drexel & Co.; Continental Illinois National Bank and Trust Company of Chicago;

The First National Bank of Portland, Oregon; Wood, Struthers & Co.; Paine, Webber, Jackson & Curtis; Bacon, Stevenson & Co.; The Boatmen's National Bank of Saint Louis; Alex. Brown & Sons; Clark, Dodge & Co.; Coffin & Burr Incorporated; Dominick & Dominick;

Ira Haupt & Co.; Hayden, Stone & Co.; Hirsch & Co.; Laidlaw & Co.; Lee Higginson Corporation; Wm. E. Pollock & Co., Inc.; Roosevelt & Cross Incorporated; Shearson, Hammill & Co.; F. S. Smithers & Co.; Robert Winthrop & Co.;

Dean Witter & Co.; Braun, Bosworth & Co. Incorporated; Dick & Merle-Smith; J. C. Bradford & Co.; Eldredge & Co. Incorporated; R. H. Moulton & Company; National State Bank, Newark; Stroud & Company Incorporated; Tucker, Anthony & R. L. Day; G. H. Walker & Co.; A. M. Kidder & Co., Inc.;

R. S. Dickson & Company Incorporated; Bramhall, Falion & Co., Inc.; Trust Company of Georgia; Andrews & Wells, Inc.; Bacon, Whipple & Co.; J. Barth & Co.; Branch Banking & Trust Co.; City National Bank & Trust Co., Kansas City, Mo.; E. F. Hutton & Company; Mackey, Dunn & Co. Incorporated; Mercantile-Safe Deposit and Trust Company; Newburger, Loeb & Co.;

The Ohio Company; Rand & Co.; Schaffer, Necker & Co.; Tripp & Co., Inc.; Field, Richards & Co.; F. W. Craigie & Co.; The Illinois Company Incorporated; Stern Brothers & Co.; Van Alstyne, Noel & Co.; R. D. White & Company; Tilney and Company.

Hirsch Adds Two

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Monroe J. Friedlander and Edward J. Miller have become associated with Hirsch & Co., 1610 Washington Avenue. Mr. Miller was previously with Sutro Bros. & Co.

With Robinson-Humphrey

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—Lawson S. Yow is now connected with The Robinson-Humphrey Company, Inc., Rhodes-Haverty Building. He was formerly with Mathews, Crews & Lucas.

Continued from page 26

Inseparable Twins

vestment problems, and will also help them in formulating a sound investment policy.

The Committee on Real Estate Mortgages and its alert Chairman, Cowles Andrus, with inflationary danger as a sinister backdrop, have not been in the least wishy-washy in tackling this year's perplexing problems. For instance, at a time when builders and politicians have been screaming their heads off for easier and longer mortgage terms, the ABA has put up a gallant fight against the insidious, inflationary influences that go hand in hand with the liberalization of guaranteed mortgages and with the devious operations of the Federal National Mortgage Association.

Discusses Housing Legislation

This year we got a new Housing Act, and now we've got a new regulation to go along with it. FHA down-payments have been cut; interest has been hiked to 5 1/4%; and a system to control lender discount has been instituted. We, ourselves, can't claim a legislative victory; but at least we did inject a much needed needle into an utterly liberal body politic.

Our Committee has gone all out for the Voluntary Home Mortgage Credit Program. And why shouldn't we? After all, V. H. M. C. P. is a true instrument of private enterprise, because it channels mortgage money into remote areas without leaning on the direct-lending crutch of the Federal Government. We rejoice that Congress has extended this worthy program for another two years.

We've had a couple of years to scrutinize the unrealistic, fixed-interest rate of Government-guaranteed mortgage lending. We've come to the logical conclusion that this kind of loan isn't going any place. Bankers are fed up with vanishing down-payments, with ridiculously long terms, with phony discounts, and with deeper and deeper encroachment of Government in the mortgage field. After the reckless passage of the ultra-ultra liberal Housing Act of 1957, our Division is more firmly convinced than ever that FHA should administer GI mortgage lending.

It's a mystery to me why any one engaged in housing and home finance can't get it through his head that the present-day "fixed" rates just won't get the job done. If mortgage interest rates are to compete in the money market, it's just plain horse sense that a "free" interest rate is the only way out. Lower down-payments simply grease inflationary tracks and will not, by any stretch of the imagination, attract any new mortgage money. On the contrary, lower down-payments will only increase the present demand for mortgage money; and today money isn't the easiest thing in the world to find for mortgages that are handcuffed to a "fixed" interest rate that's below the market.

No wonder the conventional mortgage is beginning to tempt so many bankers. Don't forget, the 1957 conventional loan has come a long way since its Model T days!

The Committee on Savings Management and Operations and its wizard Chairman, Everett Livesey, are concerned with the business of running the bank.

Complete Automation Plan

The strategic Committee on Electronics is very much in the banking spotlight these days because we bankers want to know what automation is all about. What will it do for us, when can we get it, and how much will it cost? As a matter of fact, it's later

than we think! Get a load of this: a complete savings and mortgage automation, based on our Committee's functional specifications, is already on ice; two equipment manufacturers have it! What do you think of that? Furthermore, one enterprising company is preparing to spend millions to organize corporations that will serve 10 or more smaller banks on a regional basis.

Our Committee has had frequent meetings with manufacturers and has even visited their plants. The climax was a stimulating two-day session in June which was attended by several manufacturers.

Every bank should make a study of its own individual situation so as to determine whether automation might fit into its picture in the near future, or in the distant future, for that matter. Our Committee has taken the bull by the horns and is compiling material which will enable banks to make their own feasibility studies. Going one step further, the Committee is preparing specifications for new and remodeled buildings so that space and adequate wiring will be on deck when a bank is ready to take on automation.

So we begin to get the whole picture of what makes the wheels go round in the Savings and Mortgage Division. It's the conscientious work of its committees and the wide scope of that conscientious work, plus the ubiquitous ABA staff, who call the shots.

It has always been the aim of the Savings and Mortgage Division to keep its finger on the pulse of the savings and mortgage world. It's the aim of our Division, at all times, to be on its toes, to know the score, to have the answer; to keep you bankers informed, and to be ready to put out a fire.

Our goal is to reinforce the private enterprise system by preaching the rock-ribbed doctrine of thrift. Our goal is to stand up for chartered banking by selling Mr. and Mrs. America on the basic principle that "There's Nothing Quite Like MONEY in the BANK."

R. W. Sutphen to Direct Investment Plan

Robert W. Sutphen has been appointed Vice-President of Mutual Fund Distributors, Inc., national underwriters of Managed Funds, Inc., it was announced.

Mr. Sutphen was most recently with the New York City Eastern office of Financial Industrial Fund as director of account service and dealer relations. Prior thereto he was with Oppenheimer & Co.

With Scott, Bancroft

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Robert B. Bagnall is now with Scott, Bancroft & Co., 235 Montgomery Street.

Joins Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif.—Thomas S. Stillwell is now connected with Walston & Co., Inc., 81 West Santa Clara Street.

Thomson & McKinnon Add

(Special to THE FINANCIAL CHRONICLE)

NAPLES, Fla.—Merrit M. Long, Jr. has joined the staff of Thomson & McKinnon, 882 Fifth Ave., South.

Joins Goodbody Office

(Special to THE FINANCIAL CHRONICLE)

ORLANDO, Fla.—Jack H. West, Jr. has joined the staff of Goodbody & Co., 127 North Main St.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

The Hanover Bank

This bank is the outgrowth by mergers of three large New York institutions, the Central Trust Company, Union Trust Company, and Hanover National Bank. It has operated since 1873 under Central Trust Company's New York State Charter granted specially a number of years previous to the enactment by the Legislature of the State's General Trust Company Act. Hanover National, organized in 1851, had absorbed three banks, Union Trust Company, dating from 1864, merged with Central Trust Company in June, 1918; and in May, 1929, Central Union Trust and Hanover National combined under the title Central Hanover Bank & Trust Company. This name was shortened to the present title in July 1951.

The merger was most logical. Unlike so many others in that period, it was not made solely to attain greater asset size under single management, but rather because the two banks tied in so well. Hanover had been a bankers' and correspondents' bank. Central Union Trust had a large part of its operations concentrated in trust and similar lines. There thus came into being an exceptionally well integrated institution, whose growth since that time has been steady and consistent.

At the time of the Central Union-Hanover National merger deposits were \$446,000,000. At the end of June, 1957, they were \$1,625,000,000, an increase of approximately 265%. Hanover continues to occupy a prominent position with respect to its trust business. It operates eight branch offices in Manhattan besides the head office, with two complete banking offices in London and a branch in Paris.

Statement of Condition — June 30, 1957

ASSETS		LIABILITIES	
Cash & Due from Banks	\$526,515,000	Deposits	\$1,625,133,000
U. S. Govt. Obligations	272,061,000	Acceptances, Net	37,381,000
State, Munic. & other Secs.	56,990,000	Reserves, Taxes, Int., etc.	13,950,000
Loans	933,619,000	Dividends Payable	1,800,000
Real Estate Mortgages	2,774,000	Capital	\$36,000,000
Banking Houses	10,089,000	Surplus	406,000,000
Accrued Interest Received	2,353,000	Undiv. Profits	26,343,000
Customers' Liab. on Accept.	36,206,000		
	\$1,840,607,000		\$1,840,607,000

A breakdown of these assets into principal categories follows:

Cash	28.6%	Loans	50.7%
U. S. Govt. Obligations	14.8	Real Estate Mortgages	0.2
State, Municipal and		Banking Houses	0.5
Other Securities	3.1	Miscellaneous Assets	2.1

Following is a comparison of Hanover's United States Government bond portfolio by maturity categories, for the past 7 years:

	1950	1951	1952	1953	1954	1955	1956
Up to five years	62%	82%	72%	70%	58%	61%	100%
5 to 10 years	38	*18	*28	*30	*42	*39	--
Over 10 years	--	--	--	--	--	--	--

*Due in five or more years. †Based on nearest call date.

A breakdown of sources of gross income in the same period follows:

	1950	1951	1952	1953	1954	1955	1956
Loan interest	41%	50%	50%	55%	52%	55%	56%
Interest & div. from securs.	36	28	29	24	27	24	14
Fees, commissions & misc.	25	22	21	21	21	21	20

In this period there has been a 36% in the gross income derived from loans, this source being considerably more profitable per dollar invested than are security holdings.

Ten-Year Statistical Record — Per Share *

	Book Value	Operating Earnings	Invested Assets	Dividend	—Price Range—	
					High	Low
1947	\$35.40	\$1.95	\$338	\$1.17	30 ⁵ / ₈	24 ⁵ / ₈
1948	36.26	2.00	300	1.17	27 ¹ / ₈	24
1949	37.00	1.99	323	1.17	29 ¹ / ₂	24
1950	37.82	1.97	343	1.17	30 ³ / ₄	27 ¹ / ₂
1951	38.47	2.17	358	1.29	32 ³ / ₄	28 ⁵ / ₈
1952	39.47	2.53	357	1.33	33 ³ / ₈	29
1953	40.62	2.74	383	1.33	34	30
1954	41.84	2.81	374	1.50	40 ¹ / ₂	31 ¹ / ₄
1955	42.90	3.23	383	1.62	45 ³ / ₈	39 ³ / ₄
1956	44.06	3.78	372	1.75	45 ¹ / ₄	38 ¹ / ₈

*Adjusted for stock dividends and splits.

In this decade the gain to the stockholder, consisting of the increase in his equity plus cash dividends, amounted to \$23.09 per share, or at the annual rate of \$2.31. This was also at the rate

of about 5.1% on the present market value of the shares. Book value in the decade was up about 23%; earnings 94%; dividend approximately 50%.

Dividend Record

All three principal components that went to make up the present Hanover Bank had long unbroken dividend records. If the bank's organization is dated from Hanover National's start the uninterrupted record goes back some 104 years. Under the Central Trust charter the continuous record stands at 84 years. The present annual rate is \$2.00 a share, and with the price of the stock around 45, the yield is a generous 4.44%. The stock is selling at about 11.9 times 1956 operating earnings. The \$2.00 dividend is about 53% of 1956 earnings; and in that year about 8.6% was earned on the year-end book value.

This department looks for 1957 earnings about 8% higher than in 1956.

Continued from page 11

Development of Sound Economies In the Nations of the World

Most of us are heads or senior officials of treasuries and central banks and our institutions bear a heavy share of responsibility for the strength of the currencies of our countries, the solvency of our governments, and the soundness of our financial systems.

Inflationary pressures as of now, seem worldwide. Nearly everywhere costs and prices are rising and demands for capital press heavily on the supply of savings. We are all agreed that these inflationary pressures must be resisted. Of necessity, many difficult and troublesome decisions must be made if we are successfully to encourage enduring values. In the United States, though the rate of inflation has been less than in many countries, we are exerting our continued efforts to deal with the situation. Our cooperative action as members of the bank and fund can mutually reinforce our individual efforts in the continuing vigil we must keep to attain economic growth along with and based on sound money.

Sound Currency

For this reason, I want to emphasize the interdependence of all of us upon the success of each of us in maintaining prosperity based on money of enduring value and all that means in better, fuller lives for our people. Every Governor at this meeting is concerned with maintaining a sound currency for his nation's economy. There is no other successful basis for durable economic growth in any country.

The costs of inflation are heavy and the benefits of stability are great. Inflation destroys existing savings and discourages new. Money markets become unstable; many businessmen, large and small, find it difficult to borrow; real estate becomes the favorite investment; and income distribution becomes more uneven. Such economic growth as occurs is frequently poorly balanced so that resources are wasted in half-completed or otherwise inoperative projects.

In the United States, our progress in achieving the objectives of a sound currency and an expanding economy has given us both satisfaction and concern. In this country—as in most of yours—we have had great prosperity during the past year. Our prosperity, however, has been accompanied by some rising prices. These price advances indicate, among other things, that we have been trying to invest more than we have actually saved out of our earnings.

Even though we feel that we are gaining in the battle of inflation in the United States, we cannot relax our efforts for one moment. As new ideas appear, we must consider them soberly. As new facts appear, we must analyze them carefully. We must take every precaution to assure

that we are doing everything that is humanly possible to keep inflation down and to keep America growing and strong.

We believe that economic growth can march hand in hand with soundness in monetary values. In my view, this must be the objective of our separate national efforts to meet the problems that will constantly confront us.

U. S. A. Needs Imports

A basis goal of the nations represented in these meetings is the development of mutually beneficial trade among the free nations of the world. This expansion of trade is not to be had merely for the asking. It can be based only on competitive conditions of price and supply.

We believe that one of the most important things that the United States can do to further world trade is to maintain the American economy at a high level with production expanding, while at the same time avoiding inflation. Our expanding production will require larger imports which will be beneficial to the economies of other countries, which, in turn, can buy our exports.

None of us thinks of trade as an end in itself. Trade is important both for economic reasons and mutual understanding. The ultimate objective is to improve the lives of people and their standards of living. This is why we must all follow policies directed toward maintaining our own stability and our own prosperity, which will be beneficial in the long run for all the peoples of the free world.

The year that has passed since the last annual meeting has been marked by a sharp expansion in world trade. The expansion in world trade has not been evenly distributed throughout the trading countries, partly because of the differing intensity of inflationary pressures among various countries. As a result, substantial deficits in payments positions have developed in some areas, while others have recorded significant increases in their international reserves. The credit facilities of the fund have been called upon to enable some members to gain time to adjust their international accounts. It is noteworthy that these adjustments continue for the most part to be pursued by broad measures of fiscal, monetary and economic policies that are designed to strengthen the fundamental position of the currency and the economy, rather than through measures which restrict world trade and isolate a country's economy. This, we are convinced, is the right course.

Dollar Gap

We are living in a world subject to many changes in the currents of international payments. Recent developments in our own international accounts represent a decided change from the position

which prevailed during the six months October 1956 through March 1957. Considerable attention has been drawn to the fact that during that six-month period the transactions of the United States with the rest of the world resulted in losses of about one-half billion dollars in the gold and dollar position of the rest of the world. In the six years beginning with 1950, and through the first three quarters of 1956, U. S. international transactions had been marked by continuous gains of gold and dollar assets by the rest of the world, amounting in all to nearly \$13 billion. Preliminary figures for the second quarter of 1957 show a sharp change from the first quarter results, and a return to the earlier situation in which the world was gaining dollars. Our exports of goods and services continued to exceed our imports by about the same margin as in the first quarter. There was, however, a very large increase in private United States capital investment abroad. The result of this record movement of private U. S. capital and the rest of our international transactions in this quarter was that the rest of the world gained from us almost \$200 million in gold and dollar assets.

Encouraging Investments

It is obvious that in normal circumstances the well-being of any nation depends primarily on a sound domestic economy. If this economy is to grow at a steady rate, it must provide the conditions in which capital can be invested to finance the construction of plant and equipment, power and tools, and all the thousands of other things which make for production and jobs, and the advancing productivity out of which compensation can be paid without inflation. Both domestic accumulation of capital and foreign investment can be encouraged by sound financial policies which give the investor assurance that his capital will be preserved and that it can earn income for him.

In the making of our economic decisions, each of our countries in the long run should strive for the maximum expansion of our productive capacity through the investment of our own savings. As conditions become more attractive, private investment would be expected to provide international financing with less dependence on the budgets of any of the countries of the free world. The burdens of our taxpayers and the consequent restraints upon each of our budgetary outlays constantly remind us that there do exist limitations upon our several abilities to meet government expenditures in the domestic and international fields.

It is well for us to remember that credit can be generated by various means which could impose undesirable consequences, but true capital must be saved by the hard process of sound planning and careful expenditures.

All these things go hand in hand. The well-being of the peoples of the world is dependent upon the development of sound economies in the individual countries. In this effort, the nations of the world are interdependent, for the accumulation of capital, the flow of investment and the expansion of trade are matters of common concern. Furthermore, attainment of the maximum results and benefits requires the concerted efforts of the governments of the various countries and these institutions which are meeting here. As we have seen, at the base of it all must be a pursuit in each of our nations of those monetary and fiscal policies which will result in healthy, stable and growing economies. Only then can we secure for our peoples more and more of the better things of life.

BANK and INSURANCE STOCKS

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Authorized Capital—£4,562,500
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Reserve Fund—£3,104,687
The Bank conducts every description of banking and exchange business. Trusteeships and Executorships also undertaken

Continued from page 4

New Climate for Interest Rates

new financing to business and individuals in the course of the economic boom. Although the Federal Reserve authorities have kept member bank reserves from increasing significantly in recent years, they have not on balance reduced them. The commercial banks, faced with large loan demands and limited reserves, have cut their holdings of Treasury obligations and other securities in order to make room for additional loans, and this has contributed to higher short- and medium-term rates, but despite the restrictive credit policy, bank loans surged upward beyond all previous records in 1955 and 1956 and have continued to advance, although at a more moderate pace, in 1957. What the Federal Reserve has achieved has been a more restrained growth in the money supply, greater pressure upon liquidity positions generally, and increased dependence of capital borrowers upon the flow of funds from institutional and individual savers at the going rate.

Efforts to hold interest rates down by means of an easing of credit, as some have advocated, would not have come to grips with the underlying pressures in the capital markets, namely, active business and private investment, inflated costs of capital projects, a shortage of savings, and consequently strenuous competition for funds. On the contrary, it can hardly be doubted that if the Federal Reserve had kept credit easy in the environment of the past three years, the money supply would have expanded much more rapidly, business investment would have received an added stimulus, the savings incentive would have been reduced, cost and price increases would have been facilitated even more than was actually the case, and inflationary psychology and pressures would have been even stronger. Nor would such action necessarily have bettered the position of long-term borrowers, for while they might at first have found credit more readily available, this advantage would very likely have been offset, and possibly more than offset, by the higher costs of the projects to be financed.

Recent Market Pressures

Recent market developments have clearly demonstrated the many imponderables that can affect the movements of interest rates. The big increase in long-term rates came relatively late in the boom—mainly in the past 12 months or so, at a time when economic activity was approximately on a plateau. There was a temporary reversal of the rise in the early months of 1957, partly because of the belief that the Federal Reserve was easing the pressure upon the credit markets and partly also because large redemptions of savings bonds were increasing the flow of funds into the corporate and municipal bond market. The decisive influence upon market conditions, however, proved to be an unexpected surge in new corporate debt financing, accompanied by larger offerings on the part of state and local governments, and bond yields soon resumed their rise to new heights.

Contributing to the push upon bond yields was the fact that the expansion in the volume of new offerings came at a time when many long-term lenders were already heavily committed. Moreover, the commercial banks, faced with large loan portfolios, further loan increases and tight reserve positions, materially curtailed their new investments in mort-

Another significant factor was the unexpectedly large amount of new borrowing by the Treasury in the spring, necessitated by substantial increases in defense spending and large redemptions of savings bonds and maturing marketable government securities.

At present, the bond market appears again to be critically reviewing the outlook. Once more, as in the spring of 1956 and again of 1957, there is some concern over the course of business, and this deterioration in sentiment has been accompanied by some improvement in bond prices and slightly lower rates on new financing. Short-term credit, however, is still very tight; in fact, rates on new issues of Treasury bills are still close to their recent highs. Moreover, it is difficult to see any subsidence in demands for funds in the immediate offing.

The corporate financing calendar is still large, as is the volume of municipal new issues in prospect. Also, the large institutional investors remain heavily committed through the end of this year and beyond. Demands for bank loans, finally, are increasing seasonally, and instalment credit continues upward month after month. The crucial factor in the sentiment of the market place today, however, seems to be not so much the large demands for funds looming over the near term but the question whether business, and specifically investment spending, may slacken sufficiently to bring about an easing in credit demands and interest rates in the year ahead.

Investment and Savings Outlook

Of primary importance, therefore, is whether the huge investment boom of the past several years is now topping off. This would seem to be the case with regard to business spending on new plant and equipment; the trend of manufacturing outlays appears to be heading downward. However, any drop in the total is likely to be fairly gradual, especially as aggregate capital investment is being bolstered by long-range expansion programs in many important industries, such as aluminum, steel, chemicals and petroleum. Public utilities, moreover, will probably show larger capital expenditures in 1958, and these are the industries which finance the bulk of their investment programs by borrowing. On balance, therefore, the volume of corporate new financing next year is likely to be not far below the record level of 1957. One unpredictable element is the extent to which companies will seek to improve their liquidity positions by raising funds in the long-term market; efforts along these lines evidently are already under way, and might well assume greater proportions should market conditions turn more favorable for borrowers.

Further increases, on the other hand, are in sight for new issues of state and local governments as public works expenditures continue upward. Demands for real estate mortgage money in 1958 may also be somewhat above 1957. The decline in housing starts of the past two years seems to have bottomed out, and current guesses are for a modest improvement in 1958; even if starts do not advance, the rising costs and growing size of new homes, together with a larger amount of alterations and additions to existing dwellings, suggest continuing high requirements for home financing. Moreover, although the tightening of credit was by no means the sole reason for the weakness in housing activity, an easing in the flow

of mortgage funds later in 1958 would probably provide some stimulus to residential building. Nonresidential building, finally, continues strong, and the increase in such mortgage debt in 1958 is likely to approximate or exceed that of the current year.

In sum, prospects are that total demands for long-term financing in 1958 will be of the same general magnitude as in the past three years of peak demands, and that any easing in the total volume of new financing is likely to be fairly moderate. Furthermore, the recent issuance of 12-year bonds has put the market on notice that the Treasury has not shelved its efforts to improve the maturity distribution of the Federal debt, and it would seem prudent to assume that any relaxation of pressures in the capital markets will bring additional Treasury offerings, possibly of longer maturities.

Against this outlook for financing demands must be weighed the prospects for the flow of savings. Despite some encouraging reports to the contrary, there is little evidence of any important increase in personal savings so far this year. Admittedly, time deposits of commercial banks have risen steeply in 1957, presumably as a result of widespread increases in interest rates paid. However, some of these additions probably reflect shifts from other savings institutions. Another part appears to represent transfers from demand deposits, which have grown very slowly this year; thus the commercial banks have not experienced a corresponding increase in their ability to absorb investments. Also, the flow of funds to life insurance companies, mutual savings banks and savings and loan associations is running below a year ago, while the growth of corporate pension funds and of retirement funds of state and local governments seems to be only slightly ahead of last year. Fire and casualty insurance companies continue to wrestle with unfavorable underwriting experience which cuts into their investment buying and there is little sign of improvement as yet.

At present, therefore, there are no indications of any real upsurge in the flow of funds to savings institutions. Consistent with the broad trend of savings, it seems reasonable to expect savings institutions (except the commercial banks) to receive a somewhat larger volume of funds in 1958 than in the current year, and while this increase is likely to be relatively small, it may help narrow the gap between investment demands and the savings supply in the capital markets. This might suggest some easing in bond yields as the year moves ahead, although it must be remembered that many lending institutions are heavily committed for at least part of 1958, with the terms of financing already established. Consequently, terms for many borrowers will reflect current market conditions; moreover, many important investors, whose absence from the bidding for public issues intensified the competition for available funds in 1957, will probably not be active bidders at least for some time also in 1958.

A strategic factor in the outlook for interest rates, finally, is the position of the commercial banking system. Reflecting the fairly sustained pressure on bank reserves since 1955, the total of bank loans and investments has increased only slightly in the past three years. An easing of credit policy—synonymous with a more generous provision of reserves to the commercial banking system—would enable the banks to expand their aggregate holdings of loans and investment securities more rapidly, thereby relieving some of the strains in the financial markets and contributing to an easing of interest rates. The final issue, therefore, is the outlook for credit

policy, and specifically whether business conditions, employment and price developments will be such as to prompt some relaxation of credit restraint.

Questions for Credit Policy

The basic goal of Federal Reserve policy, as the authorities have repeatedly stated and demonstrated over the years, is to foster conditions conducive to economic growth at a rate sustainable over the long range. This means minimizing the economy's exposure to the hazards of boom and inflation on the one hand, and of recession and unemployment on the other. Indeed, at least one valid argument against permitting a boom to proceed unrestrained is that unbridled expansion would greatly increase the chances of a subsequent painful business correction. In the past few years of active business, full employment, rising costs and prices and general optimism, the need for a policy of credit restraint has been quite obvious; in fact, the Federal Reserve authorities have evidenced better recognition of economic trends and prospects than many of their critics.

Very recently, the difficulties of making credit policy decisions have been heightened by the controversial economic outlook. Price trends have become mixed, with some raw materials decidedly weak but prices of a wide range of finished goods posting new highs and living costs still on the rise. Also, despite some production cutbacks and layoffs, mainly in defense work, total industrial activity continues well maintained and employment has set new records. So far, there has been no evidence of cumulative weakness in the business picture as a whole, and credit policy has remained restrictive.

Obviously, the recent dampening of business optimism has some bearing upon the outlook. Currently, the added caution apparent in the business community, together with signs of a topping off in business investment, argue against the probability of further intensification of credit restraint and of another major upturn in interest rates. Major relaxation of credit policy, however, would be an unrealistic expectation until there is convincing evidence that the investment boom as a whole, and not merely the business spending sector, is leveling off; that the shortage of savings is being eased; that the rise in costs and prices has been effectively halted; that unemployment is becoming troublesome; and that the hazard to stable economic growth posed by the inflationary psychology of our times has been clearly eliminated.

Conclusion

This review of the current outlook, then, suggests that the United States business boom has entered a new phase—a phase of pause and reappraisal, during which additional measures of credit restraint and further significant interest rate increases are unlikely. Costs, especially of labor, are continuing to advance, but barring renewed troubles on the international scene, the probability of a resurgence of inflationary spending seems to have lessened, and business outlays on plant and equipment appear to be heading for a somewhat lower level in 1958.

It would be unrealistic to claim too much for credit policy, but it is surely permissible to suggest that credit restraint has made some contribution to slowing down the investment boom and putting a brake upon inflation. In that event, interest rates are probably around their peaks for this phase of the business cycle, and long-term borrowers may find market conditions somewhat more favorable than

they have been recently. However, with total demands for long-term funds in 1958 giving every indication of remaining close to the huge volume of 1957 and no material increase in the flow of current savings in sight, expectations of a radical change in the investment market environment do not appear justified at this time.

Looking beyond the immediate questions confronting the market place, a word of caution may not be amiss. Inflation is strongly entrenched in the social and political institutions of our economic society. A subsidence of inflationary pressures for the moment should not cause them to be forgotten or dismissed. On the contrary, whether overt or latent, they remain a constant threat to our long-run economic stability. Hasty or excessive easing of credit during a period of hesitation and questioning in the financial markets or in the business world would merely add to the strength of inflation and the difficulties of restraint in the next resurgence of economic activity. A more rewarding policy objective, both for a stable economy and stable interest rates, is to encourage a flow of savings sufficient to meet the large capital requirements of economic growth.

FHLB Notes on Market

Public offering of \$199,000,000 Federal Home Loan Banks 4.75% non-callable consolidated notes, dated Oct. 15, 1957, and due April 15, 1958, was made yesterday (Oct. 2) through Everett Smith, fiscal agent of the banks, and a nationwide group of securities dealers. The notes are priced at 100%.

Part of the net proceeds from the offering will be used to redeem \$138,000,000 of notes on their maturity on Oct. 15, 1957. The balance of the proceeds will provide funds to the Home Loan Banks to make additional credit available for their member institutions.

Upon completion of the offering and the retirement of the notes falling due on Oct. 15, the Home Loan Banks will have a total of \$826,000,000 notes outstanding.

Bernard C. Cobb

Bernard C. Cobb, 87, pioneer and leader in the development of electric, gas and transportation utility companies and one-time Chairman of The Commonwealth & Southern Corporation, passed away Sept. 30.

Mr. Cobb began his career with the Pennsylvania Railroad System in Grand Rapids in the engineering and maintenance of way department. Subsequently he became Assistant to the General Manager of the Grand Rapids Gas Co., General Superintendent of the Detroit City Gas Co. and Vice-President and General Manager of the Saginaw-Bay City Railway and Light Company.

In 1906 he was called to New York by the public utility banking organization of Hodenpyl, Walbridge & Co., and upon dissolution of that firm in 1911 Mr. Cobb was one of the organizers of the firm of Hodenpyl Hardy & Co. Mr. Cobb became its Vice-President and Chairman of the operating committees of the various electric, gas and transportation properties with which it was identified.

He was one of the organizers and first officers of The Commonwealth Power, Railway & Light Co. Upon formation of The Commonwealth & Southern Corp. during the early part of 1929, Mr. Cobb became Chairman and a member of the board of directors. He retired from this office in 1934 and was succeeded by Wendell L. Willkie.

Continued from page 5

Financing Inter-Municipal Public Project Developments

municipal units of government, especially where State credit is raised, the question of over-lapping debts and debt limitation restrictions as well as borrowing power of the various units involved, it is clear the picture is frequently confused and difficult.

Special Revenue or Authority Bonds

The easiest way to deal with this dilemma in many cases has been to issue bonds payable solely from special revenues or special taxes. In this way the general credit and taxing power of the governmental units concerned are not pledged, and consequently the borrowing power provisions and debt limitation laws do not technically apply.

As an escape from such troublesome restrictions the sale of special revenues or authority bonds has been a most convenient and useful device. In many other cases this form of financing has been widely used, and the bonds have afforded excellent investment quality and have been well received by discriminating investors. Commendable care has usually been exercised by issuers, underwriters and municipal attorneys in providing suitable protective features.

Special revenue bonds are not new, having been used principally for public water works purposes in various sections of the country for over 40 years. The first water revenue bonds issued, I believe, were in 1897 by the City of Spokane, Wash. The purposes for which revenue bonds have been used have expanded tremendously during the past decade as has also the volume of such financing. The conspicuously successful financing by the highly respected bi-State agency, the Port of New York Authority, dates back to 1924. The character of its facilities and services has broadened from bridges, to tunnels, freight terminals, airports, bus terminals and dock facilities. The original Triboro Bridge Authority has similarly expanded its operations but in somewhat different directions.

The public favor and investor confidence expressed in the Pennsylvania Turnpike and New Jersey Turnpike projects gave great stimulus to this general type of financing. During the year 1954 the volume of special revenue financing as distinguished from general obligation financing totaled over \$3,200,000,000, equalling 46.1% of the total amount of tax-exempt financing for the year.

A Costly Form of Financing

In spite of the popular acceptance of such bonds and the fact that they afforded an easy way, in many cases, of avoiding restrictive legislative provisions, many casual observers, I believe, have failed to realize how much more costly this form of financing has been for the issuing public agencies. As these agencies charge fees or tolls for public services rendered or made available, the public in the last analysis pays for the cost of a higher borrowing rate.

Fortunately borrowing rates were relatively low during the period where most of the special revenue financing was done. Consequently the cost, in comparison with the rates prevailing today, appears both reasonable and attractive to the borrower even though there was at the time of borrowing and is today a substantial difference in the interest rate required between special revenue bonds and general obligations, test,

The same principle can be applied to State credit. Many States are restricted in the purposes for which they can incur debt—some by provisions of their State Constitution. These provisions should be broadened, if necessary, by constitutional amendment to give greater flexibility so that State credit could support a limited number of adequately secured revenue projects that will render an essential and greatly needed public service of wide benefit to the citizens of the State.

It is frequently helpful in understanding the application of suggested legislative changes to give a few specific illustrations where such changes have been made or where they might have been wisely used.

Connecticut Example

As we are meeting in the capital city of the State of Connecticut, it may be appropriate that we turn our eyes first in this direction as an excellent example may be cited. Connecticut Expressway Revenue and Motor Fuel Tax bonds were authorized in the amount of \$398,000,000, to construct an express highway from Greenwich to Killingly and to finance the cost of such project. Because the State would derive substantial benefit from this highway it was deemed appropriate that in addition to toll revenues a lien on the State motor fuel tax, as the title of the bonds suggests, be pledged to secure the payment of principal and interest of the bonds and to improve the credit position of the Authority.

In effect the State was pledging its own credit to a degree in the form of dedicated taxes that removed largely the risk element in the bonds, but because the pledge was of a limited character these bonds had to be marketed as special revenue obligations. When a later issue (the fourth series) had to be sold to meet the cost of a heavy construction schedule, the higher rates recently prevailing appeared to the State excessive when a tender was received for revenue bonds. It was then decided, with legislative approval, that the bonds be sold as obligations guaranteed by the State. In this way a much better rate was secured. This adds up to a sensible decision in every way. The financing is done at a much lower cost which benefits the "Expressway project" and ultimately the citizens, and there is in fact no added burden placed upon the taxpayers of the State as the revenues already pledged are adequate with a substantial margin to meet the full obligation of operating costs and debt service.

Let us give recognition at this point to the fact that it is a desirable and healthy thing in public finance to have officials faced with an urgency to keep operating and financing costs within bounds so that they can be met fully by revenues. The inability to use general credit may thwart political machinations and encourage sound business management and economy in operation. If administrative policies are carefully watched and competently directed, it does not mean that these objectives cannot be realized where the benefit of general credit is also pledged.

Cites Pennsylvania Instance

There are various other cases that might be mentioned, but I will refer to only two which are of quite a different character. The first is a type of financing that has been widely used in Pennsylvania where State or local authorities, many of them school authorities, finance the cost of public buildings or schools by the sale of authority bonds, and have as security for the bonds, long-term leases to public agencies or school districts. The cost of this financing in some cases has been

excessively high. It has made possible the avoidance of voter approval required by State or local laws, but there are times when this may be desirable. If this or other restrictions are not needed in providing reasonable protection, then it is time to make a studied effort to amend the laws so that necessary construction may be accomplished and financing done on a more orthodox and favorable basis.

The second type I would like briefly to refer to is the financing which has been done by various State agencies in the State of Georgia. The constitution of the State limits rigidly the purposes for which the general credit of the State can be pledged.

The purposes include only the following: "To repel invasion, suppress insurrection or defend the State in time of war."

These restrictions were adopted following the unfortunate extension of State credit in the 19th Century in connection with railroad and other financing which in the 1870's resulted in default and repudiation. This experience brought the laudable desire to protect the credit of the State against any abuse. While this is to be commended, such inflexible provisions are hardly in keeping with the services demanded today by citizens of their State governments. The State of Georgia has sought to provide the essential services and facilities, but because no serious effort has been made to amend the excessively rigid provision of the State Constitution it has had to do so at a much higher cost than should have been necessary.

As in Pennsylvania, the principle of long-term leases to state or local public agencies is employed. Thus schools, state hospitals, roads and bridges have been financed by the sale of various state authority bonds and the security back of the bonds is annual lease payments to the authorities for which the state either directly or indirectly is liable. In view of the fact that many of these bonds are payable in effect from state funds made available on a contractual basis each year, it doesn't make much sense that the cost of financing

has been as much as 1% more than if the state had issued general obligations or guaranteed the bonds issued.

Not Influenced by Banking Connection

Because I am an officer of a commercial bank, and such institutions under the Banking Act are not permitted to act as underwriters or dealers in municipal securities that are not general obligations of our state or their political subdivisions, I can imagine some of the raised eyebrows and knowing smiles on the faces of some of my investment banking friends.

Let me assure them and you, however, that although I believe sincerely that the public interest would greatly benefit by the underwriting and distributing ability which banking institutions could contribute as dealers in revenue obligations, this fact has not influenced me in the recommendations I have made.

Revenue and authority financing gained great popularity in recent years with both issuers and investors and as frequently happens, under such circumstances, was a bit overdone. I am not in disagreement with Mr. Robert Moses, a respected champion of such financing, as to the practical advantages that are sometimes present. He recently said — "The nearest thing to business in government is the public authority, which is business with private capital under public auspices, established only when both private enterprise and routine government have failed to meet an urgent need."

"This device is often attacked because it is too independent of daily pressures, too unapproachable by the boys and therefore essentially undemocratic."

I am suggesting it is not impossible to retain the practical advantages and at the same time secure the benefit of a substantially improved borrowing rate by means of constitutional or legislative changes. It appears to be time that some start is made in this direction. While the time required to make such changes is somewhat discouraging, the objective will never be realized unless the effort is started.

Halsey Stuart Group Offers \$100,000,000 Southwestern Bell Telephone Debentures

Halsey, Stuart & Co. Inc., yesterday (Oct. 2) headed an underwriting syndicate which offered \$100,000,000 of Southwestern Bell Telephone Co. 35-year 4 3/4% debentures, due Oct. 1, 1992, at 100.854% and accrued interest, to yield 4.70%. The group won award of the issue at competitive sale Oct. 1 on a bid of 100.1099%.

Net proceeds from the financing will be applied by the company toward the repayment of advances from American Telephone and Telegraph Company, the parent organization. Advances from A.T. & T. are obtained in conformity with an established practice of the company, of borrowing from the American Company, as the need arises, for general corporate purposes, including extensions, additions and improvements to its telephone plant.

The debentures are to be redeemable at optional redemption prices ranging from 110% to par, plus accrued interest.

Southwestern Bell Telephone Co. is engaged in the business of furnishing communication services, mainly local and toll telephone service, in Arkansas; Kansas; Missouri; Oklahoma; Texas, and a small portion of Illinois in the vicinity of St. Louis. On June 30, 1957, the company had 5,201,944 telephones in service. The company also furnishes inter-

state toll service between points within its territory, partly in conjunction with other companies, principally the American Company. It also furnishes teletypewriter exchange service and services and facilities for private line telephone, and teletypewriter use, for the transmission of radio and television programs and for other purposes.

At June 30, 1957, capital stock equity amounted to \$1,114,407,826; funded debt, was \$175,000,000 and advances were \$127,400,000, compared with \$614,676,046, capital stock equity; funded debt of \$175,000,000 and no advances at Dec. 31, 1951.

For the six months ended June 30, 1957, total operating revenues amounted to \$313,537,083 and net income was \$50,335,135.

Joins Kidder, Peabody

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Robert Ricker has become connected with Kidder, Peabody & Co., 75 Federal Street.

With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Ronald F. Trenholm has joined the staff of Paine, Webber, Jackson & Curtis, 24 Federal Street.

Continued from first page

As We See It

receipt of very substantial help from outside. The governmental managers appear not to have made great headway in "muddling through" as Britishers are said to have done successfully in the past. Examples could, of course, be multiplied easily enough. The socialists, and the semi-socialists usually marching under some other banner, who for a decade or two have been proclaiming the necessity for and the efficiency of centralized management of the economic affairs of their countries appear to have been very badly discredited by events, or should have been by now. As might have been foreseen with confidence, and was foreseen with confidence in many quarters, collective direction of the economic affairs of the people has clearly demonstrated its inability to match the record made in this and many other countries by the *laissez faire* system of business and government. For our part, we are quite confident that it never will be able to make it.

Economic Aid Discredited

By and large, the events of the past decade or two now coming to a fairly definite head have likewise discredited massive economic assistance as a permanent cure for poverty and general social discontent. Very few countries have made use of such foreign assistance in such a way as to place their economies on a greatly improved financial and economic footing. Some countries, notably Germany, have made great postwar progress, and without question aid extended from without was of great assistance. The fact is, though, that the key to German success was not receipts of aid, but the energy and initiative of the rank and file of the people in those countries. Where the people themselves were not prepared to work with the vigor that circumstances required, and were not ready to do what was obviously necessary to get ahead in the world, foreign aid, though abundant, simply was swallowed up and disappeared almost without trace.

All this naturally raises the question as to how long it will be before there is a general, world-wide re-consideration of some of the doctrines and the philosophies upon which these socialistic and semi-socialistic systems rest. Of course, it is true that for a number of decades *laissez-faire* has been losing ground in the minds of even the men who really brought it to full flower and reaped great benefits from it. Britain has long not been a faithful follower of Adam

Smith. Much of the continent of Europe never did show much liking for the ideas of this leader in the field of liberal immigration policy in past decades, and doubtless to other causes, a good deal of this alien trend of thought has taken root in this country. It is apparently difficult for us to learn from sad experience.

Should Be Convinced by Now

The rise of socialistic and semi-socialistic regimes may or may not have had certain economic causes. The fact is, though, that economic causes aplenty now exist for a turn-about in this course of human thought. Meanwhile, though, socialism and its cousins have been dubbed "liberal" and have become almost sacrosanct in the minds of many who absorbed the teachings of a number of forceful leaders, not the least of whom in this country was, of course, Franklin Roosevelt. It may be that more travail than has yet been experienced will have to be endured before the mind of man really awakes to the conclusions so evidently to be drawn from economic history of the past two or three decades. We can and do certainly hope that such is not the case, but in any event we are wholly confident that at one time or another this country at least will turn back to its own fine traditions.

This whole idea of economic salvation of the entire world by gigantic gifts, so labeled or mislabeled as "investments," is really a sort of offshoot of the totalitarian economics of the day. Granted a wealthy nation ruled by liberals and other nations economically backward but with a few leaders ready to manage the business affairs of the nation, and it is quite possible to bring some sort of economic millennium to pass in large parts of the world if not to all the world — so the specious argument runs. But the experience of the past decade or two now makes it clear enough that gifts do not make wealth and that investments can do permanent good only if there is a sound economic basis for them—which means resources and men willing and capable of exploiting them.

The time has come, accordingly, for a full re-consideration of these ideas of developing and satisfying the so-called backward countries and peoples. Neither India nor any other country in this world is going to be greatly assisted in the task of economic self salvation by mere grants in aid. Neither will funds "invested" in these regions do so unless there is basic economic justification for them. From time to time

someone in this country comes up with the suggestion that we replace the gifts of the past few years with loans—as if to change the label on a gift could do more than lay the basis for disappointment and probably ill-will in the future. A loan which has no reasonable prospect of repayment had better be called a gift if it is to be made at all.

Of course, there are many complex factors of a political nature to be considered in all this. World politics has always been difficult and perplexing. Large grants to nations with managed economies provide no solution.

J. F. Stephens With Continental Research

KANSAS CITY, Mo. — J. F. Stephens has been added to the Kansas City staff of Continental Research Corporation, the Investment Manager for United Funds, Inc. For the past 19 years Mr. Stephens has been associated with Waddell & Reed, Inc., the Underwriter for United Funds, having served as an Officer and Regional Manager of sales offices in several locations throughout the country. For many years he has been an active member of the National Security Traders Association and was President of the Kansas City affiliate in 1950.



J. F. Stephens

Customers Brokers to Hear Prof. DeTuro

The Association of Customers' Brokers will have as guest speaker at their meeting to be held Oct. 8 Professor Patrick A. DeTuro of New York University. The meeting will be held at 4 p.m. on the third floor of Schwartz Restaurant, 54 Broad Street, New York City.

J. T. Martin Elected By Mercantile Bank

DALLAS, Texas—The Mercantile National Bank of Dallas has elected Jake T. Martin Assistant Vice-President. Mr. Martin is in the bond department. He was formerly with the local office of Shearson, Hammill & Co. and prior thereto was a partner in Hermitage Securities Co., Nashville, and was with the Commerce Union Bank of Nashville and Equitable Securities Corp.

Joins McCarley & Company

CHARLOTTE, N. C. — J. Ray Efrid, formerly an officer and director of Efrid's Department Stores, has joined the Charlotte offices of McCarley & Co., Inc., Commercial National Bank Building, members of New York Stock Exchange.

Charles D. Ross Opens

HOUSTON, Tex. — Charles D. Ross is conducting a securities business from offices at 1408 Jefferson Street.

Joseph M. Wineman

Joseph M. Wineman passed away Sept. 26 at the age of 51 following a long illness. Mr. Wineman was a partner in Wineman, Weiss & Co., New York City.

Public Utility Securities

By OWEN ELY

Growth Utilities Now Available at Lower P-E Ratios

The accompanying table lists a number of so-called "growth utilities," most of which are now available at 16 or 17 times earnings compared with ratios of 18-20 times in mid-July, before the general market decline. Some general comment on these issues may be of interest.

The Texas utilities enjoy the dual advantages of cheap natural gas for fuel and no state regulation. The state law of Texas mentions 8% as a maximum return but this has been exceeded from time to time by some utilities. Regulation of electric utilities is in the hands of the municipalities which they serve, but only in rare instances do city authorities take an active role in regulating rates or service. Of course it is necessary about every 20 years to renew municipal franchises, and sometimes questions of local taxes, etc. are then raised, but these are usually settled without difficulty. When rates are raised it may be necessary to obtain approval from the municipalities, but there is rarely any real trouble and rate increases in any event are infrequent.

It is for these reasons that Texas utilities generally rank "tops" among the growth utilities. While the population growth has not been as rapid as in California, Florida and some other states, nevertheless the exploitation of oil and gas have so stimulated the economy that utilities have enjoyed rapid gains in gross and net. While the cost of natural gas for fuel is now increasing, the companies are protected to a large extent by long-term contracts and by the increased efficiency of new generating plants.

In Florida the utility companies have not thus far enjoyed the advantages of natural gas although they are scheduled to receive gas when proposed pipelines are completed. They have, however, been well protected against the increasing cost of fuel (principally oil) by comprehensive fuel adjustment clauses in their rate structures. They have also benefitted in recent years by a favorable regulatory climate in marked contrast to the difficulties Florida Power Corp. formerly encountered with the old Pinellas County Board. Recently, it is true, Florida Power & Light was suddenly asked to reduce rates because of an alleged excessive rate of return, but this has been amicably adjusted. Despite a rate cut equivalent to about 38¢ a share per annum, the company expects to earn \$3.10 to \$3.16 for the calendar year 1957 compared with \$2.80 for the 12 months ended June and \$2.59 in 1956.

In the miscellaneous group are listed a number of utility companies which are showing steady gains in share earnings for various reasons. Delaware Power & Light has been expanding rapidly and has benefitted from the generating plant constructed to serve the big Tidewater Refinery, in the operation of which it is virtually guaranteed an over-all return of 6%. Tucson G.E.L.&P., benefitting by the number one position of Arizona among growth states, has been able to avoid issuing any new common stock for some years, thus permitting an unbroken string of increases in share earnings.

American Gas & Electric has a huge expansion program scheduled for the next four years, including large generating facilities to service new aluminum plants in Ohio and West Virginia. President Sporn's aggressive research and development program has kept the company in the forefront of utility engineering progress.

Atlantic City Electric has benefitted by the growth of industry in southern New Jersey, and Virginia Electric & Power by an industrial renaissance in its state. General Telephone's sharp earnings gains reflect substantial rate increases and an aggressive merger program in addition to normal growth. Southern Company has enjoyed an influx of new industries in its area. Transcontinental Gas Pipe Line is benefitting by a steady expansion program confined largely to its own area, geared to a successful financing program. The Canadian companies reflect the rapid industrial growth of their country, plus sound management.

While there have been signs recently of a slowing down in the average rate of gain in the electric utility earnings due to rising fuel costs and higher money rates, it appears likely that the growth companies have such momentum that they should be able to continue their record of increasing share earnings, though perhaps at a somewhat slower pace. Hence this would seem to be a buying opportunity for shrewd investors more interested in capital gains than high yields.

GROWTH UTILITIES

	Share Earnings					Inc. 1956 Approx. Price-Interim Over Recent Earnings		Ratio
	1952	1953	1954	1955	1956	1957	1952	
TEXAS UTILITIES:								
Houston Lighting	\$1.78	\$1.99	\$2.30	\$2.52	\$2.80	\$2.66a	57%	52
Texas Utilities	1.56	1.67	1.93	2.06	2.35	2.50	51	42
Central & South West	1.60	1.72	2.00	2.04	2.32	2.24a	45	38
Gulf States Utilities	1.45	1.87	1.88	2.16	2.21	2.25	53	36
Southwestern Pub. Service	1.40	1.48	1.46	1.54	1.64	1.76	17	30
FLORIDA UTILITIES:								
Florida Power & Light	1.42	1.54	1.75	2.05	2.59	2.80	83	49
Florida Power Corp.	1.81	1.89	2.22	2.30	2.86	2.91f	58	51
Tampa Electric	1.08	1.18	1.37	1.37	1.66	1.76	54	30
OTHERS U. S.:								
Delaware Power & Light	1.75	1.84	2.08	2.32	2.50	2.72	43	44
Tucson, G. E. L. & P.	1.22	1.40	1.64	1.58	2.02	2.14	66	31
American Gas & Electric	1.55	1.61	1.68	1.95	2.03	2.12	31	34
Atlantic City Electric	1.15	1.30	1.41	1.54	1.65	1.71	44	28
Virginia Electric & Power	0.87	0.89	1.10	1.27	1.39	1.41	60	23
General Telephone	1.45	1.77	1.84	2.62	3.05	3.25	110	40
Southern Company	1.18	1.24	1.29	1.35	1.54	1.55	21	23
Savannah Elec. & Power	0.67	0.92	1.18	1.13	1.36	1.21a	103	19
Transcontinental Gas P. L.	0.62	0.91	1.01	1.15	1.32	1.55	113	19
CANADIAN COMPANIES:								
British Columbia Power	1.34	1.47	1.62	2.05	2.34	---	75	39b
Shawinigan Water & Power	1.91	2.26	2.84	3.48	4.25	---	120	74b
Calgary Power	2.03	2.35	2.72	2.95	3.73	---	84	61b

a Decline due to heavy equity financing. b Canadian markets. c Based on 1956 earnings. f Based on average shares.

Continued from page 6

Inflation and Its Significance To Commercial Banking

consumers have spent 92%, or more, of their income after taxes. As a result, savings have not been large enough to finance the enormous needs of mass capitalism, and certainly not under today's inflationary conditions.

Our population increase also contributes to inflationary pressures as the increase has been in the young, and the old. This rapidly increasing proportion of non-working population to the working population improves the bargaining position of labor and enables labor leaders to drive wages up as fast, or even faster, than the increases in productivity.

This is far more serious than is generally recognized, and for a reason which does not seem to be recognized at all. I refer to the economic consequences of the growing proportion of our labor force which is engaged in service as opposed to production. Today, in America for the first time in the history of the world, our standard of living has reached levels which require more people to be engaged in service than in production. Unfortunately, in the service field, it is very difficult to increase productivity, but they have to eat, so they must get wage increases also if the more highly unionized production workers get increases. It follows that, if the production workers get all of the benefits of their increased productivity in the form of higher wages, any wage increases received by more than one-half of our working force will be inflationary. In this connection, keep in mind that the increased number of government civilian employees and the more than 3,000,000 men in military service all add to the problem!

Corporations, too, are guilty of contributing to inflation with "soft" wage settlements, with capital expansion even though uneconomic prices have to be paid for the capital goods themselves and for the financing of the goods, and, most of all, with their insistence on setting prices high enough to cover their costs of capital expansion.

Labor leaders, with their insistence on escalator provisions, on ever greater fringe benefits, on ever higher wages, and, now, on shorter hours, are another basic source of inflationary pressures. But the wage-price spiral has been discussed so much that it will be unnecessary to treat it further. Sufficient to say that everyone, including the union leaders, recognizes its dangers.

Weighing these many factors, it seems that probably the greatest inflationary pressure of all is the changed social philosophy of our times. People are impatient—they want what they want, when they want it. They want a brand new house, they want two automobiles, they want super-highways, they want new schools, hospitals, and so on *ad infinitum*; yet, they are unwilling to do the necessary saving to get them on a non-inflationary basis. In other words, they refuse to recognize that our wants must be fitted into our available capacity, if inflation is to be avoided.

Summarizing, practically every way you look in America you see inflationary pressures. Moreover, if you look abroad at the countries on our side of the Iron Curtain, or if you look at South America, you see inflationary pressures of greater intensity than in the United States. Thus, inflation is a *vera pneumonia* and this, too, increases our own inflationary pressures. And, al-

though our inflationary pressures will subside in the near future, they undoubtedly will reassert themselves at the next upswing in business activity.

Impact of Inflation on Our Commercial Banks

Many economists, and even some bankers, feel that inflation is not serious to banks as their assets and liabilities are expressed in terms of the same dollar. But this is far from right. Banks have problems of liquidity, growth, and safety, which are vitally affected by inflationary expansion. Even more important, banks are not only part of the economy, they serve the entire economy, and anything which is not good for the economy is not good for the banks.

Inflation has already reduced corporate liquidity to prewar levels. The doubling of inventories in the past ten years, the heavy taxes and the huge spending for new plant and equipment have reduced corporate liquidity to low levels. This pressure and the steady pressure of increased costs for wages, raw materials, etc., have accelerated the merger movement in industry and trade. Liquidation and absorption of many small businesses have hurt the smaller banks and forced many of them to merge in self-defense.

The oft-repeated claim that the larger volume of loans at higher interest rates will more than offset any problems that inflation may bring, overlooks some of the basic facts of banking life. As all bankers well know, not only does the quality of loans deteriorate in a boom, there are limits to the rates which can be charged and there are limits to loan expansion imposed by reserve requirements, by the ratio of capital to risk assets, and by liquidity requirements.

Interest rates are already high and they cannot increase to the same extent as costs. As you know, usury laws as well as competition limit the rates charged individuals; and competition with other banks and non-bank lenders limit the rates charged corporations. Moreover, it takes a long time, if ever, for the higher loan rates to offset the loss on bond account caused by those same high rates.

Reserve requirements are a serious limiting factor on loan expansion during a period of inflation. Under such circumstances, the Reserve authorities follow a policy of active credit restraint. As a result, banks have to borrow or sell securities. Borrowing is limited, as banks, for many reasons, don't like to borrow. The sale of securities offers only a "Hobson's choice," as tight money depresses their market price to the point where losses on such sales are prohibitive.

Capital requirements are another serious limiting factor on loan expansion. Most bankers follow a rule-of-thumb limitation of a minimum of \$1 of capital to each \$7 of risk assets. As government securities are considered non-risk assets, their sale in order to make loans causes the ratio of capital to risk assets to decline. This sets limits to the loan expansion, unless the bank raises new capital. The board may decide against this because the price paid for the new capital under inflationary conditions may be grossly unfair to the old stockholders. And, if they do decide to seek more capital, they find themselves competing with swollen demands

from corporations and governments at the very time investors are likely to discriminate against the bank's shares, on the ground that they do not constitute a hedge against inflation. Unfortunately, this applies most particularly to the smaller banks with shares of limited marketability, which are often the ones that have the greatest need for new capital.

Liquidity of the banking system goes down in an inflationary period, even though the internal ratios may be maintained. As mortgage loans, consumer loans and even corporate loans mount to ever new levels, more and more banks tend to rely on *anticipated income* as the basis of their liquidity. The "musical chairs" aspect of this type of liquidity needs no explanation to investment men.

Even more important, as Chairman Martin of the Federal Reserve Board has indicated, it is well-nigh impossible to control creeping inflation. Sooner or later, it starts to "gallop" and this invariably, as experience throughout the world has indicated, leads to a sharp collapse. A sharp decline in business activity following a period of inflation inevitably has an adverse effect on the quality of loans. Not only are many marginal businesses forced to the wall, with substantial losses, but also many other loans become slow, and many have to be written down. The break in 1920 which followed a period of galloping inflation is proof of the above statement.

Impact on Capital

In a period of inflation, the capital assets of the banks tend to deteriorate. As is well known, other than their real estate and banking offices, the capital of the bank is invested in the same manner as the deposits. In consequence, when the value of the dollar declines, the value and purchasing power of the assets in which the capital is invested also decrease. This attrition of bank capital has been a basic problem in every country in which inflation has become rampant.

Turning to the profit and loss side, during a period of inflation, the cost of doing business by the banks, particularly wages, increases rapidly. Moreover, as in other industries, when the inflation period is over, wages are not reduced. The net result is a squeeze on the margin of profits. This is particularly true because, in a period of deflation—which invariably follows a period of prolonged inflation—money rates go down, with the result that earnings of the banks also decrease.

Moreover, the social and political consequences of inflation must be taken into account. In particular, it is important to note that in countries where inflation has been rampant, such as in France, the large commercial banks, the so-called credit banks, have been nationalized by the government.

Impact on Trust Departments

The trust departments of commercial banks also can be put in jeopardy by galloping inflation. While it is perfectly true that there is no legal obligation on the banks to maintain the purchasing power of the funds entrusted to them for the benefit of life tenants and remaindermen, yet each bank makes an effort to do so. It follows that, in a period of inflation, more and more of the assets of the bank will be invested in equities. But, as was stated before, inflation is invariably followed by deflation. Will the trust departments be nimble enough to liquidate the equities before substantial losses are sustained? And if such losses are sustained, there will be rescission suits with unfavorable publicity if not actual losses. Moreover, in periods of

inflation, individuals, no matter how experienced, are less inclined to entrust their funds so much to trust departments as they may consider trust investment officers too conservative.

Thus, although on the surface banks have nothing to lose by inflation because both their assets and liabilities are expressed in terms of the same dollars, yet, as this analysis indicates, even the banks are seriously affected by it.

Summarizing, inflation causes bank earnings to go up, but costs go up even more. This is clearly shown in the Federal Reserve figures for net profits on total capital accounts, which were at the rate of 9.3% in 1954, 7.9% in 1955, and 7.7% in 1956. Moreover, had it not been for increasing mechanization, the results would have been even worse. As mechanization is quite costly, and often uneconomic for the smaller banks, inflation thus exerts another pressure towards merger and consolidation.

Commercial Bank Policies to Counter Inflation

Prudent bankers should prepare for further inflation. They should do this even though inflationary pressures appear to be leveling off. In short, they should take long-run precautions on the theory that the coming leveling off may be only a temporary one, and that the real test will come later on as sharply increasing family formation and a rapidly growing population once more renew the forces of inflation.

Well, what should a banker do? The prescription seems quite clear to me. In fact, it seems so obvious that it will be given in condensed, semi-outline form. Within the limits of his own circumstances and conditions, every banker should:

- (1) Continue to oppose inflation, particularly the more insidious, creeping variety, in every possible way.
- (2) Encourage, in all of its ramifications, greater saving, as it is one of the most effective anti-inflationary and bank-strengthening measures which can be taken.
- (3) Re-study all loans, particularly those which will be vulnerable when the inflation levels off or changes, even though only temporarily, to deflation.
- (4) Set up even larger reserves than at present.
- (5) Insist on better training for all loan officers, particularly a fundamental knowledge of money management methods and goals. After all, younger men know only the postwar boom; they have a lot to learn about what can happen!
- (6) Mechanize operations as far as economically feasible.
- (7) Scrutinize bond portfolio in the light of the effects the ending of the boom could have on their credit risk.
- (8) Eliminate those bonds already adversely affected inflation-wise which could later be hit credit-wise.
- (9) Above all, insist on a restoration of liquidity to the level necessary to meet, alternatively, the threat of a continuation of inflation, or the opposite, even though such a deflation would be only temporary.

Florida Underwriting

MIAMI, Fla.—Florida Underwriting & Securities Services Corp. has been formed with offices in the Metropolitan Bank Building to engage in a securities business. Officers are George C. Smith, President; Theodore Barr, Vice President and Treasurer; and Celia Barr, Secretary. Mr. Barr was formerly with Waddell & Reed, Inc. and Alfred D. Laurance & Co.

Firestone Optimistic On Tire Sales and General Business

Anticipated 1957 record sales of 108,000,000 tires is expected by Mr. Firestone to be exceeded in 1958 by as much as 2.8%. Turning to the economy as a whole, the tire executive finds the outlook generally encouraging for final quarter of 1957 and that the economy is sound despite certain readjustments.

The nation's general economy is strong and healthy, despite readjustments in some areas, and the outlook for most basic industries



H. S. Firestone, Jr.

for the final quarter of 1957 is encouraging, Harvey S. Firestone, Jr., said Sept. 25.

The 1958 outlook for the tire industry, in particular, is good, Mr. Firestone said, with studies indicating new sales records possible.

Sales of tires will reach an all-time high next year, when 111,000,000 are expected to be marketed, said the Chairman of The Firestone Tire & Rubber Co. This would be 2.3% higher than the now anticipated record 1957 sales of 108,000,000 tires.

The statements were made by Mr. Firestone just before he and Mrs. Firestone sailed for Europe aboard the Queen Elizabeth. Mr. Firestone will inspect his firm's factories and sales operations in France, England, Spain, Switzerland and Germany. He also plans to attend the Automobile Salon in Paris in early October and the International Motor Show to be held in London Oct. 16-26.

"Replacement tire sales this year are expected to amount to 56,000,000, a new record, and we believe replacement tire sales will climb to another new high of 58,700,000 in 1958," Mr. Firestone said.

Active 4th 1957 Quarter

"The general economy is aided by a steady population growth, record personal income, higher than ever standards of living, and industrial expansion," Mr. Firestone said.

He pointed out that there were signs that business will be very active during the final quarter of 1957.

"There has seldom been a period when there were more new developments, new products, new inventions, and new scientific advances," Mr. Firestone said.

"These factors contribute greatly to the economy and they are proof of the alertness of American business and industry."

Mr. Firestone said that advances in the rubber industry were especially notable.

"Rubber manufacturers spent more than \$200,000,000 on new plants and equipment in 1956 and there are indications this figure will rise to a new record in 1957," he said.

James F. Fitz-Gerald

James F. Fitz-Gerald, Manager of the Trading Department of W. L. Canady & Co., Inc., New York City, passed away on Sept. 26.

Frank J. Miller

Frank J. Miller passed away Sept. 24 at the age of 54. He had been associated with Stone & Webster Securities Corp. for the past 15 years.

Securities Salesman's Corner

By JOHN DUTTON

Sell Benefits

If you want to make certain that one of your sales letters hits the wastebasket tell your customer that you are disappointed that he hasn't done business with you for a while. If you want to make certain that your prospects and customers will be too busy to see you tell them you need an order. If you want your advertising to be ignored then don't offer any specific benefits—you might as well throw the money you are spending on such ill-advised sales promotions in the river.

Not only is it necessary to offer benefits, but you must also explain these benefits. Many people don't understand the power of compound interest, how money will grow over the years if it can be put back to work consistently. Dig up an example and show what happens to an investment when 3% is compounded, and how much sooner you can double capital if you can make it grow at a 6% rate.

Or take the case of tax-exempt bonds. Too many actually believe they are receiving a net return on their government bonds, their savings accounts, their dividends, their mortgage and taxable bond interest. Of course this is not so. They only are able to keep what they have left after they apply their income tax rates against these gross returns. They can't spend, or save what the Federal Government takes from them.

The only way you can show people the benefits from investing in tax-free bonds is to apply their top tax rate—30%—40%—60% or whatever it is to their return on other avenues of investment and show them what they have left in dollars. Drive it home and you will begin to show some benefits that they can understand.

The other evening I was on a radio program over a prominent station in my city and I was discussing the impact of present day confiscatory taxes on the income that people actually receive. This is a program which is so arranged that the listening public can telephone their questions to the station and the radio audience can hear both the question and the answer. One man phoned in and asked, "I have \$15,000 invested in taxable bonds that have matured. Would it be to my advantage to buy an equivalent amount of good 4% tax-free bonds?" I asked him what was his top tax-rate and he said "about 38%." I then pointed out to him that he was receiving his current return on those bonds, less 38%, and he said he was aware of this. Then I pointed out to him that if he bought a 20-year tax-exempt bond that paid him 4% and even if he took the \$600 a year of net, clear, income and put it in an envelope and stuck it in his savings deposit box (without any compound interest at all) that when the 20 years passed by he would have a total of \$27,000.00. There would be \$15,000 of his principal plus \$12,000 of uncompounded interest which would insure him of this excellent and assured capital increase. Of course, he could even do better because, if he wished, he could buy another \$500 tax-free bond every year, and put the rest in a taxable savings account, compounding as rapidly as possible in more tax-free bonds and the result would be even more favorable.

This example is a sound way to illustrate to people what IS a

benefit. It is one thing to tell the uninitiated that they should buy tax-free bonds—it is quite another to EXPLAIN THE BENEFITS.

The same goes for Mutual Funds. Explain the benefits of diversification. Show how even the best intentioned advice on individual stocks has often gone hay-wire. Bring it up to date by citing what has happened, for example, to so many of the so-called "growth stocks" during the past few months. Or to others in industries with widely touted dynamic possibilities. When you spread your risk over hundreds of issues you do reduce risk, don't you? Well, drive it home by example of specifics!

And there is the benefit of selection. How about picking the better issues—those with the management, the financial standing, the research, the strong competitive position. Tell a story of how professional management does this. If you don't know, write to your funds and ask them, or pay them a visit and find out. Then explain the benefits—the difference between guesswork and research.

And the benefit of supervision. Tell how it works and why it is needed. Alert management would not make the mistakes that a busy and uninformed individual would commit—they would see over-production coming, they would be alert to some of the technological change that today is ruining the once bright prospects of some of the newer metal producers. They wouldn't stay with decadent situations—not if they could avoid it.

If you want to make sales—sell and EXPLAIN benefits. In your sales letters, your advertising, and your sales interviews.

Renewed Optimism on Fourth-Quarter Business

Seventy-eight percent of Purchasing Agents report end of year business will match or do better than earlier predictions. Majority contemplate no change in capital expansion plans for rest of 1957. Note keener competition and inventory reductions.

A renewed optimism that fourth-quarter business will match earlier prediction is reflected in the September report of the National Association of Purchasing Executives. While this pattern is selective, there are 32% listing better production, compared with 22% in July; 46% report the same, against 54% in July, and 22% worse, against 24% two months ago. On new orders, 36% show better, against 24% in July; 44% the same, compared with 48%, and 20% worse, against 28% in July.

The comments comprise the composite opinion of purchasing agents who comprise the N.A.P.A. Business Survey Committee, whose Chairman is Chester F. Ogden, Manager of Purchases, The Detroit Edison Company, Detroit, Michigan. The committee members indicate greater selling pressures, with keen competition prohibiting the passing on of higher costs on many items.

Currently, commodity prices are relatively static and incentives to increase inventories are largely nonexistent.

There is a downward adjustment in employment, some attributable to seasonal aspects as summer employed students return to school, and some to overtime elimination.

Of the members of the Committee who answered the September question on their capital expansion plans for the remainder of 1957, the majority replied that no change was contemplated. 72% say continue as planned, 20% indicate a cutback and 8% are increasing.

Commodity Prices

While most of the Committee members report a greater price stability, the trends are not specific. Higher prices are reported by 51%, compared with 57% in July. The same prices are shown by 42%, against 37% two months ago, while 7% list prices as lower. Our members' comments support the general contention that curtailment of government spending, uncertain auto sales, and the present ample supply of most items will tend to hold the price line for the remainder of the year.

Inventories

The September reports reflect a continuation of the inventory reductions of recent months, as 34% say inventories are lower, 51% the same and only 15% list an increase. Those reporting point to

dependable deliveries and price leveling as lessening the need for superabundant stocks.

Employment

There is a slight downward adjustment reported in September, with 28% indicating less employment, opposed to 20% in this category in July. Seasonal layoffs of summer help, reduction of overtime and inventory corrections are the factors emphasized. However, many Committee members report a continuing need for highly skilled workers.

Buying Policy

Purchasing Executives continue to keep their forward purchase commitments on a near-term basis. Production materials, MRO supplies and capital expenditures, all again illustrate little need for extended purchases.

On production materials, those reporting in the hand-to-mouth to 30-day category increased from July's 33%, to 38% in September. Those in the 60- and 90-day buying ranges eased off, from 63% in July to 56% in September.

The change in MRO supplies' buying was less significant, with 72% in the hand-to-mouth to 30-day category in September, against July's 73%. 26% were in the 60- and 90-day ranges in July, compared with 25% in September.

Most noticeable change comes in the forward commitments for capital items and plant expansion. Where 59% said they were in the 120 days and over category in July, 49% so report in September. On the other hand, those in the 60- and 90-day ranges increased from July's 27%, to 38% in September.

Specific Commodity Changes

While the number of items reported up this month is relatively high, there seems to be a general feeling that the upward price trend is leveling.

On the up side are: Aluminum ingots and castings, steel pipe, fittings, shapes and fabricated components, hand tools, rubber, bearings, electrical equipment, fasteners, phosphates, grinding wheels, multiwall paper bags, caustic potash, steel chain, hardware, and freight rates.

On the down side are: Brass, copper, steel scrap, lumber, and petroleum products.

In short supply are: Nickel, heavy steel plates, structural and stainless steel.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is assimilating the issues which were offered in the recent new money operation of the Treasury and reports appear to indicate that these obligations are being well absorbed. The demand for the 4% bond due Oct. 1, 1969, seems to be growing which means that investment funds are being attracted to this obligation. Not to be outdone, the "2½ x 5s" are likewise finding permanent homes, with a varied group of savers putting money to work in the optional call security.

There is no change in the policies of the Federal Reserve Board, although there are more opinions around that the unsettled economic conditions could have a retarding influence on the flotation of securities for new plant and equipment. With more money available for the purchase of fixed income bearing obligations, there appears to be an increasingly constructive attitude towards the money market.

Expect Twelve-Year 4s to Attain Premium

The money market continues to operate under the same restricted conditions, even though there is an increasing amount of money seeking investment in interest bearing obligations. The interest of many investors now appears to be veering away from equities into bonds, with selected issues of Governments, corporates and tax exempts being bought at this time. The recently offered 12-year 4% bond continues to be finding favor among institutional as well as individual buyers, with reports indicating that this issue is going into strong hands. The way in which this bond is being put away means that the securities which have been coming into the market from the "fast movers," and those that have been selling them in order to meet payments to the Treasury, are being very well digested and premium prices should be witnessed again in the very near future.

Optional Note Issues Equally Favored

The optional redemption Treasury notes are also being well taken with the "2½ by 5s" evidently getting a bit more of investors favor than the "2½ by 4s." These two issues, according to reports, are being bought by savers, with much of this money coming from saving banks and saving and loan associations. Also funds which have been in Treasury bills are now being invested in the two optional notes. It is indicated that money which came out of common stocks and was put to work in the most liquid Government issues is now being reinvested in both of the optional note issues.

Activity in the 3s of 1995

Some switching is also reported in the longer-end of the Government list, which is being attributed mainly to tax operations. Also, certain state pension funds continue to make purchases of the 3s of 1995 when this bond is available in fairly sizable amounts. It is reported that the supply of the longest Government bond is rather small and limited, at currently existing quotations. Not a few owners of the 3s of 1995 are not inclined to take losses in this bond at this time. On the other hand, this issue is still being sold in some cases, and the proceeds are being reinvested, largely in corporate bonds, when there is protection in the call price.

Buyers View Interest Rate at Peak Level

The uncertain action of the common stock market is not having exactly an adverse effect on the market for fixed income bearing securities. To be sure, some of the recent offerings of corporate bonds have not gone too well and there may have to be syndicate dissolutions in order to get them sold at higher yields. Nonetheless, the buyers of bonds are definitely on the increase, and this means that opinions are growing that interest rates either are at or very near peak levels.

The determination of the monetary authorities to check the current wage-price inflation spiral has clouded near-term economic prospects. This should soon be having an influence on the flotation of securities for new capacity purposes because there is some doubt now appearing that the added capacity will be needed. Just the stretching out of spending for new plant and equipment will have an effect on the demand for funds.

Even though there be no change in the policies of the monetary authorities a lessening of the demand for money for new plant and equipment will have a salutary influence on the money market. This could bring about lower yields for the issues of corporate securities which would be coming into the market for sale. Tax free bonds evidently will continue to be in ample supply.

Hunter Syndicate Mgr. For McKelvy & Co.

PITTSBURGH, Pa.—McKelvy & Company, Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, announced that David W. Hunter, a partner in the firm, has been appointed Manager of the syndicate department.

Miss Trent Joins Siegel Co. Staff

Miss Anne Trent has become associated with Siegel & Co., 39 Broadway, New York 6, N. Y. Miss Trent was formerly a partner in A. Trent & Co.

New Coast Exch. Member

SAN FRANCISCO, Calif.—William H. Agnew, Chairman of the Board of Pacific Coast Stock Exchange, announced the election of Duke O. Hannaford to membership in the San Francisco Division of the Pacific Coast Stock Exchange, effective Sept. 30, 1957.

Mr. Hannaford is President of Hannaford & Talbot, a corporation, upon which he will confer the privileges of his membership. Other officers of the corporation are: Leonard A. Talbot, First Vice-President; John F. Finnegan, Vice-President; Donald L. Colvin, Vice-President; James J. Morris, Vice-President, Director and Assistant Secretary - Treasurer; Robert Crawford, Vice-President and Director; and Maude Trumbo, Vice-President and Secretary-Treasurer.

Field & Teeters Adds

(Special to THE FINANCIAL CHRONICLE)
ST. PETERSBURG, Fla.—Herbert J. Masson and Richard G. Watson are now with Field & Teeters Investment Company, 16725 Gulf Boulevard.

Walter C. Louchheim

Walter C. Louchheim, a member of the Philadelphia Stock Exchange since 1914, passed away Sept. 5.

Continued from page 5

Observations . . .

rate by itself will further this by making it easier for them to finance domestic expansion and foreign direct investment by German firms.

In England conversely, the higher rate will lower British foreign investment and thus be effective in building up the exchange position.

The British position, in line with (3) above, will be importantly helped by the Germans exporting less and consuming more at home—with the British consuming less at home and exporting more, to Germany and also third markets.

Implication of Germany's Rate Action

From the viewpoint of the German Central Bank authorities, as expressed by them here in Washington during the International Monetary Fund meetings, the rediscount double change, up and down, will get relief of the exchange pressure well-started in the following ways:

(1) The reduced profitability for traders and speculators to switch from pounds to marks will ease the burden on London.

(2) International traders speculating on revaluation of the mark finding the operation more expensive will also relieve the British situation, if only over the long run.

(3) The lowering of interest rates in Germany will have the effect of increasing German internal investment, increasing its profitability, reviving her boom at home, and thus reducing the incentives for current exporting.

(4) Germany's reduction of interest rates from foreign trade will for its own part stimulate her capital exports, thus relieving London in financing international trade.

Overshadowing the Fiscal Program

As is freely granted by Mr. Thorneycroft and Britain's other leaders, her future is not bound up in the seven per cent rediscount rate nearly so much as in the projected curtailment of the availability of credit and in the effectiveness of accompanying policies implementing the seven per cent step.

This surrounding program raises the most important issue of all. For it entails, to maintain a competitive export position, "non-inflation" at home including a restrictive wage policy even with the risk of some unemployment including the possibility of the strike weapon. And this brings us smack up against the basic exigencies of self-interest versus the common good as registered in a community of universal suffrage—even where the next counting of the votes may not occur until two years hence.

Although, per Mr. Bernard Shaw's observation quoted at the beginning of this article, the British people will accept more in the way of corrective medicine than the inhabitants of other democracies, there still remains some doubt about their swallowing of the necessary program. As E. M. Bernstein, Director of the Research and Statistics Department of the Fund, although an optimist on the program's net result, notes: "Unlike some continental European countries, the United Kingdom has never experienced a runaway inflation. On the other hand, there is an irrational fear that even small pockets of unemployment are a menace to the economy. Fair shares for everybody is no longer a principle for maintaining austerities in a hard-pressed economy, but a slo-

gan for higher wages all around without regard to the increase in productive efficiency or the competitive position of British industry."

An Adenauer Myth

Many, including Per Jacobssen, who challenge us cynics who are skeptical about the statesmanship of the voters, point to the alleged implications of Chancellor Adenauer's re-election. However, the impression that the German people voted on the issue of economic soundness or self-discipline is wholly mythical. Actually, Germany's austerity and sound monetary policies were instituted at the start of the postwar regime, when the economy was severely suffering from lack of money and illiquidity. Shortly before last month's election, the Adenauer Government extended liberal bounties to the electorate by way of tax reduction and social security increases, with encouragement toward wage increases.

It is true that restrictive credit action was taken in 1955, with a raising of the rediscount rate from 3% to 5%. But this step was taken amidst a domestic investment boom and distinct over-employment. And more important to our discussion, the German Central Bank, completely independent of the Government, was vigorously opposed in its 1955-56 restrictions by Adenauer, who openly accused it of punishing small business and "axing" the business boom. This difference of outlook between the political head of the state, Mr. Adenauer, and the Economic and Finance Ministers, Messrs. Erhard and Scheffer, as well as with the Central Bank, are played up for, and realized by, the man-in-the-

street, to the benefit and exculpation of the political officials.

In Britain, contrasting, such independence of the Central Bank from the elected Government is absent, and the opportunity is not afforded to the latter to make a scapegoat of the former in the eyes of the voter.

Surely the accompaniment of the statesmanship on the part of the entire community—both outside and inside the labor union area—which will be so indispensable for the successful defense of the pound, is problematical!

Columbus & Southern Ohio Electric Co. 6% Pfd. Stock Offered

Dillon, Read & Co. Inc. and The Ohio Company head an investment banking group which is offering today (Oct. 3) 80,000 cumulative preferred shares, 6% series, of Columbus & Southern Ohio Electric Co. at par (\$100 per share).

Proceeds from the sale of the preferred shares will be used by the company to reduce bank loans which were incurred for its construction program. The construction program for the period from July 1, 1957 to Dec. 31, 1959 contemplates expenditures of approximately \$53,300,000 and includes the installation of two 125,000 kilowatt units at a new electric generating station near Conesville, Ohio. The initial unit is expected to be placed in service in December, 1957 and the other late in 1958.

The company's electric service area comprises portions of 23 counties in central and southern Ohio having an estimated population of 970,000. A subsidiary of the company operates a transit system in Columbus and suburbs.

Continued from page 4

The State of Trade and Industry

last several weeks has been a disappointment to the mills. The customer is still in the saddle and it looks as though he will stay there for some time, declares this trade weekly.

The fact that this year will be the second-best in steel history from a production standpoint is little comfort to the mills. They had expected a stronger pickup than is evident so far and the chief reason behind the slow improvement is Detroit. The automakers are waiting to see how their new models sell before they commit themselves to heavy tonnages.

The mills are selling hard. More often than not a sale is made on the basis of prompt delivery. Buyers are running their inventories close to the danger point, but as long as they know the mills can give quick delivery, they are taking advantage of the situation and using their cash for other purposes. Quality also is more important than it has been for some months. Steel users are picking more on quality and do not hesitate to reject tonnages that would have been welcome when the market was tighter.

The only place where the buyer is not calling the turn is in wide-flange beams, heavy plate and line pipe. But indications are that in 1958 he will have more to say about these items, too, concludes "The Iron Age."

Higher food costs in August lifted consumer prices to a new high for the twelfth consecutive month.

The price index calculated by the Bureau of Labor Statistics advanced 0.2% between July and August to 121.0% of the 1947-49 average. The level was 3.6% above a year earlier, the bureau reported.

Food prices rose 0.4% during August to a record 117.9% of the 1947-49 average, it noted.

Commissioner Ewan Clague estimated that 157,000 workers, mostly in the aircraft industry and a few in the glass and metal working fields, will get hourly wage boosts of two to three cents an hour, effective Oct. 1.

One other factor of importance in the price increase, Mr. Clague noted, was a 0.2% increase in housing costs. The gain was attributed to increases in gas rates, residential rates and higher interest rates on mortgages backed by the Federal Housing Administration.

Although living costs went up, factory workers' after-tax pay went up even more as a result of a seasonal increase in the work week, the bureau added.

In the automotive industry September new car sales, based upon second 10-day reports, were exceeding all previous expectations and were running above September last year by nearly 20%, "Ward's Automotive Reports" disclosed on Friday of the past week.

This significant about-face in consumer purchasing habits—January-August sales ran 2% below the like period in 1956, "Ward's" said, not only reflects a willingness to purchase but also is spurring fourth quarter production schedules.

The statistical service said that Chrysler Corp., which is releasing details of its 1958 model cars today, is programming its October-December car output 16% above the same period last year, or to more than 300,000 units.

Chrysler Corp. last week bit off 55% of the industry's 1958 model assembly, tripling its volume of two weeks ago, "Ward's" stated. At the same time, General Motors Corp. produced no cars last week due to model changeover and Ford and Mercury ended their 1957 model assembly, marking an end to the industry's old model run. United States producers last week built 51,225 cars, only 2.2% below the 52,365 of the preceding week as the Chrysler Corp. rise offset the decline by Ford Motor Co.

Truck production, down a severe 34%, fell to 8,821 last week from 13,441 the week before as Ford and Chevrolet entered model changeover and Willys and White Motor Co. halted operations for a one-week inventory adjustment.

"Ward's" said the industry's dealers during the period Sept. 11-20 sold a strong 18,100 new cars daily compared with only 15,900 a day in September last year. Current sales also are running 10% above August with General Motors Corp. in particular firming up its share of the fall market.

August exports totaled \$1,534,000,000 of non-military aid shipments. That topped the \$1,504,000,000 of July and the \$1,377,000,000 of a year earlier, the United States Department of Commerce reveals.

After soaring to a record-breaking \$2,013,000,000 in March, commercial exports slipped steadily in the following four months before apparently halting the drop in August. Trade officials blame the decline on the fact March was abnormally high and that foreign countries have recently attempted to slow down imports as a step toward combatting inflation. Sales have been consistently running above year-ago figures for more than two years, it noted.

July building permit values increased slightly over the previous month but were below the comparable 1956 level for the third successive month, Dun & Bradstreet, Inc., notes. The aggregate for 217 cities including New York last month rose 2.2% to \$555,858,809, from \$543,843,626 in June, but fell 6.3% from \$593,229,352 in July a year ago.

For New York City alone permits for July totaled \$33,359,346, a decrease of 65.1% from \$95,455,909 in July last year and a loss of 39.6% from the \$55,200,493 a month earlier. The precipitate drop recorded in the metropolis was largely responsible for the decline in the country as a whole.

Steel Mills Set This Week to Produce 82.4% of Ingot Capacity—Up 0.2% From Last Week's Actual Rate

The steel industry set a record for the first nine months of a year by producing 87,600,000 net tons of steel for ingots and castings, but output will have to increase in the fourth quarter if the year is to be a record one, "Steel" magazine stated on Monday of this week.

Helping to bolster the nine-month figure was high production in the early part of the year and sustained output at mid-summer, the national metalworking weekly declared. The previous high for this period was 85,800,000 tons in 1955. Last year, the outturn was 82,800,000 tons.

Production this year will equal the record 117,000,000 tons made in 1955 if output averages 83% of capacity in the final quarter. The industry will have to make 29,400,000 tons of steel, or an average of 9,800,000 tons in each of the final three months. Output has not been that high since April, it added.

Bookings for October delivery have been pretty good, but there still is a lot of room on the November and December books. Automakers want to see how the 1958 models sell before ordering much steel.

If autos come through, output of steel in 1958 could well set a record somewhere near 125,000,000 tons, the metalworking weekly pointed out. If they do not, the industry will likely turn out in excess of 117,000,000 tons, the average operating rate of only 83% of the expected capacity, 141,000,000 net tons.

Next year could well be a carbon copy of 1957 as far as business prospects are concerned, the publication declared. Many of the factors at work in 1957 will carry over into 1958. No overall downturn in 1958 is anticipated, neither is a decided upturn. It looks like a high plateau year, prior to the boom expected in 1960.

Prices will continue to rise next year to the tune of about 3%, the trade weekly notes. Increased costs will boost Gross National Product at least 3%, and there will be some increases in the service industries. In durable and nondurable goods, pluses and minuses will about balance, leaving a final Gross National Product just under \$450,000,000,000.

Industrial production will hold to about the same level that prevailed this year, although there will be a shake-up in the mix. The Federal Reserve Board's monthly production index (seasonally adjusted) will average about 145 (1947-1949=100) for the year, with relative stability from beginning to end.

While the most commonly heard production figure for passenger autos in 1958 is 6,500,000 it could be conservative. With a possible shortage of cars in June or July a strike may occur and the constant threat of higher prices, 1958 could be the year that car buying surprises the experts.

Last week, the slowed pace in steel buying and production, cut scrap prices to the lowest level since mid-May. "Steel's", price composite on steelmaking grades slid to \$46.33 a gross ton, \$1.84 below the previous week.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry, will be an average of 82.4% of capacity for the week beginning Sept. 30, 1957, equivalent to 2,108,000 tons of ingot and steel for castings, as compared with 82.2% of capacity, and 2,105,000 tons (revised) a week ago.

The industry's ingot production rate for the weeks in 1957 is based on an annual capacity of 133,495,150 tons as of Jan. 1, 1957. For the like week a month ago the rate was 81.0% and pro-

duction 2,073,000 tons. A year ago the actual weekly production was placed at 2,596,000 tons or 101.8%.

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 Receded the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Sept. 28, 1957, was estimated at 11,697,000,000 kwh., according to the Edison Electric Institute. Output the past week turned lower following modest improvement in the preceding week.

The past week's output decreased 294,000,000 kwh., below that of the previous week but advanced by 332,000,000 kwh., or 2.9% above that comparable 1956 week and 1,070,000,000 kwh. over the week ended Oct. 1, 1955.

Car Loadings Eased by 2.2% in Latest Week Following Gains of Preceding Period

Loadings of revenue freight for the week ended Sept. 21, 1957, declined by 16,213 cars, or 2.2% the preceding week, the Association of American Railroads reports.

Loadings for the week ended Sept. 21, 1957, totaled 724,934 cars, a decrease of 97,502 cars, or 11.9% below the corresponding 1956 week and a decrease of 88,786 cars, or 10.9% lower than the corresponding week in 1955.

U. S. Automotive Output Continued at a Low Level The Past Week as a Result of 1958 Model Changeovers

Automotive output for the latest week ended Sept. 27, 1957, according to "Ward's Automotive Reports," continued at a substantially curtailed rate as manufacturers concentrated on 1958 model changeovers.

Last week's car output totaled 51,225 units and compared with 52,365 (revised) in the previous week. The past week's production total of cars and trucks amounted to 60,046 units, or a decline of 5,760 units below that of the preceding week's output, states "Ward's."

Last week the agency reported there were 8,821 trucks made in the United States. This compared with 13,441 in the previous week and 13,316 a year ago.

Last week's car output declined below that of the previous week by 1,140 cars, while truck output decreased by 4,620 vehicles during the week. In the corresponding week last year 43,369 cars and 13,316 trucks were assembled.

In Canada, 900 cars and 190 trucks were built last week as compared with 2,234 cars and 835 trucks in the preceding week and 5,369 cars and 934 trucks in the like period a year ago.

Lumber Shipments 4.9% Above Production in Latest Week

Lumber shipments of 485 reporting mills in the week ended Sept. 21, 1957, were 4.9% above production, according to the National Lumber Trade Barometer. In the same period, new orders were 0.8% below production. Unfilled orders amounted to 29% of stocks. Production was 0.1% below; shipments 10.6% above and new orders were up 2.7% from the previous week and 15.0% below the like week of 1956.

Business Failures Turn Modestly Lower Following 16-Week High of Previous Period

Commercial and industrial failures dipped to 278 in the week ended Sept. 26 from 287 in the preceding week, Dun & Bradstreet, Inc., reports. However, casualties remained moderately above the 251 a year ago and the 186 in 1955. Failures also exceeded by 5% the pre-war level of 264 in the similar week of 1939.

Liabilities of \$5,000 or more were involved in 231 of the week's casualties as compared with 237 in the previous week and 215 last year. Small failures under \$5,000, dipped to 47 from 50 but continued above the 36 of this size in 1956. Twenty-five businesses failed involving liabilities in excess of \$100,000 as against 21 in the preceding week.

Retail and wholesaling casualties edged upward while mild declines prevailed in other industry groups. In manufacturing, construction and commercial service failures declined. More businesses failed than a year ago in all lines except wholesaling.

Six of the nine major geographic regions reported increases during the week, but a marked drop in the Middle Atlantic States to 76 from 102 brought the overall total down from a week ago. Casualties in the Pacific, East North Central and South Atlantic states advanced. Year-to-year increases occurred in four regions, noticeably the Pacific and South Atlantic States, while five regions had fewer casualties than a year ago.

Wholesale Food Price Index Again Turns Sharply Lower the Past Week

Continuing the sharp downward movement of the previous week, the Dun & Bradstreet wholesale food price index fell to \$6.17 on Sept. 24, from \$6.24 a week earlier. The current index compares with \$6.08 on the corresponding date a year ago, or a rise of 1.5%. It is the lowest in four months, or since May 28, when it stood at \$6.11.

Higher in wholesale cost last week were flour, rye, hams, butter, sugar, raisins, and prunes. The list of declines included wheat, corn, oats, barley, bellies, lard, coffee, cottonseed oil, cocoa, peas, eggs, potatoes, hogs and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Scores Further Decline the Past Week

There was another decline in the general commodity price level last week, with decreases occurring in prices on grains, livestock, rubber and steel scrap. On Sept. 23 the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fell to 286.96 from 288.23 a week earlier and 298.77 on the comparable date a year ago.

Corn prices decreased fractionally, following reports of favorable weather conditions in growing areas. Corn buying, however, improved somewhat at the end of the week, as forecasts of freezing temperatures in Northern producing areas were announced.

Purchases of soybeans lagged and prices fell moderately.

Trading in wheat futures was sluggish, as orders from flour millers sagged, resulting in a noticeable price decline. Although rye futures prices dropped appreciably, quotations on oats were close to those of the prior week. Wholesalers of most grains reported a lack of export business during the week.

Some scattered orders for flour helped prices remain close to those of a week earlier. Flour receipts at New York railroad terminals amounted to 94,216 sacks, including 20,541 for export and 73,675 for domestic use.

Movements of rice were curtailed last week by heavy rains in Louisiana and Arkansas, and wholesale stocks were in short supply. Inventories were cut further by increased export demand from Cuba and Korea. Rice prices were unchanged from the levels of the preceding week. There was a slight decline in raw sugar prices, as trading lagged.

Prospects of larger supplies and crops in the next marketing year discouraged coffee buying last week. Orders from roasters fell noticeably, and futures prices slipped below the levels of the prior week. Fractional declines were reported in cocoa futures prices. Trading fell somewhat, as buyers awaited reports on crop estimates. Warehouse stocks of cocoa in New York declined slightly to 324,451 bags and compared with 379,338 bags a year ago. Arrivals in the United States so far this year totaled 2,578,081 bags, as against 3,278,792 bags in the corresponding period last year.

Hog prices declined for the third consecutive week as buying narrowed, while hog receipts in Chicago were at the highest level for any week since early June. Purchases of cattle slackened and prices fell below week earlier levels. While cattle receipts dipped somewhat below those of the preceding week, they were slightly above year ago levels. Although salable receipts of lambs were the lightest for any week in almost a month, lamb prices dipped. Following the decline in hog prices, lard futures prices dropped moderately.

Reports of unfavorable weather conditions in the Cotton Belt resulted in slight rise in cotton futures prices. Cotton consumption in August was equal to a daily rate of 33,300 bales. This was slightly below the 34,300 bales daily rate of August 1956, but higher than the 22,500 bales of July, according to the United States Bureau of the Census. The New York Cotton Exchange Service Bureau estimated that total cotton stocks at the end of August totaled 22,500,000 bales, including 5,100,000 bales held by the government. Stocks a year ago amounted to 26,200,000 bales, with government holdings of 9,700,000 bales.

Trade Volume Registers Further Slight Decline Both for Week and Year Ago

Continued hot weather discouraged consumer buying in many regions the past week and total retail volume was slightly below that of both the previous week and the similar period last year. Moderate declines were reported in purchases of many lines of Fall apparel, major appliances and food products, but sales of furniture and housewares remained higher than those of a year ago. Sales promotions helped boost volume in new passenger cars, but dealer inventories continued to exceed year ago levels.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 3% below to 1% higher than a year ago, according to estimates by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: West South Central States +4 to +8%; Pacific Coast +2 to +6; West North Central +1 to +5; South Atlantic -1 to +3; East South Central -2 to +2; Mountain -3 to +1; East North Central -4 to 0; New England -7 to -3 and Middle Atlantic States -9 to -5%.

Apparel stores reported slight declines in the buying of women's coats and suits, offsetting gains in dresses, millinery and sportswear. Interest in girls' clothing was sustained at the level of a week earlier. Volume in men's apparel fell somewhat, with the most noticeable decreases in topcoats, suits and hats; the call for dress shirts advanced substantially. Best-sellers in boys' clothing were sports jackets and slacks.

Except for some scattered sales of lamps and lighting fixtures, purchases of major appliances were sluggish during the week. While shoppers stepped up their buying of linens and floor coverings, the call for draperies, curtains and slip covers sagged. There was a moderate rise in volume in upholstered and bedroom furniture. Grocers reported a decrease in sales of canned goods, fresh meat, poultry and dairy products, but interest in fresh fruit and vegetables and frozen foods was unchanged.

Although wholesale orders for women's apparel lagged behind those of a week earlier, they noticeably exceeded those of the similar 1956 week. Bookings in children's clothing slackened during the week.

A substantial gain was reported in purchases of furniture at the wholesale level. The buying of housewares expanded appreciably and buyers anticipating the Christmas season, noticeably stepped up their orders for toys and games. Orders for major appliances and television sets were close to those of the preceding week.

Trading in the textile market improved last week.

While wholesalers reported a moderate increase in purchases of butter, sugar and coffee, interest in fresh meat, poultry and eggs fell somewhat.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Sept. 21, 1957, declined 4% from the like period last year. In the preceding week, Sept. 14, 1957, a gain of 1% was reported. For the four weeks ended Sept. 21, 1957, an increase of 1% was reported. For the period Jan. 1, 1957 to Sept. 21, 1957, an increase of 2% was registered above that of 1956.

Retail trade sales volume in New York City the past week declined 7% to 9% below that of the similar period in 1956, according to trade observers. Rainy weather and the celebration during the week of the Jewish New Year were important factors in the lower sales volume.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Sept. 21, 1957, decreased 11% below that of the like period of last year. In the preceding week, Sept. 14, 1957, a decline of 5% (revised) was reported. For the four weeks ending Sept. 21, 1957, a decrease of 1% was registered. For the period of Jan. 1, 1957 to Sept. 21, 1957, the index recorded a gain of 3% above that of the corresponding period of 1956.

Continued from page 17

News About Banks & Bankers

000 and total resources of \$2,988,000,000.

F. N. Belgrano, Jr., Chairman of the Board and President of Transamerica Corporation, on Oct. 1 announced the sale of the corporation's stock interest in its sole foreign subsidiary, Banca d'America e d'Italia.

Transamerica's stock interest in the Italian bank, which has total resources equivalent to more than \$270,000,000, was acquired for an undisclosed amount by Bank of America (International), wholly-owned subsidiary of Bank of America, N.T. & S.A., San Francisco, Calif.

"The satisfactory sale of Banca d'America e d'Italia," Mr. Belgrano said, "was not only of financial benefit to Transamerica. It also means the corporation can now concentrate on the development of its 23 banks in the 11 Western States. These banks, with more than 300 offices, will now broaden their arrangements with foreign correspondent banks in order to provide their customers with complete foreign banking service throughout the world."

He said the board of directors of Transamerica decided to sell the corporation's foreign banking subsidiary after several potential purchasers had expressed an active interest in acquiring its holdings. Mr. Belgrano explained that "On my return from Italy in November, 1956, I advised the directors of Transamerica of the interest of several parties in our Italian bank. It was the feeling of the board that it would be in the best interests of Transamerica stockholders to devote full energies to the further development of our banking operations in the 11 Western states." (It is contemplated that these banks will be in the hands of Firstamerica Corporation in 1958, according to recently announced plans.) "Also," Mr. Belgrano said, "the board decided that because of our common heritage, Bank of America should be given first opportunity to acquire our interest in our Italian subsidiary.

"We are pleased, therefore, that the successful purchaser is affiliated with Bank of America, N.T. & S.A. The Italian bank was created by the late A. P. Giannini, who also founded Transamerica as well as Bank of America.

"In addition to being a profitable transaction for Transamerica stockholders, we are sure, too, that this addition to the active international banking operations of Bank of America will be an important stimulant to the further development of trade between the United States and Italy. Furthermore, it will assist in the advancement of the economy of the Italian people."

Two With Central States

(Special to THE FINANCIAL CHRONICLE)

MANSFIELD, Ohio — Harold T. Heitzman and Stanley K. Morris have been added to the staff of Central States Investment Company, Walpark Building.

Revel Miller Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Dale D. Billips is now with Revel Miller & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange.

Joins Jonathan Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Richard H. Christiansen has joined the staff of Jonathan & Co., 6399 Wilshire Boulevard.

Continued from page 3

Fundamental Principles For A Sound Future

12%, even after eliminating the effect of price changes.

The record of the past four years is one of great enhancement in personal financial security, in such forms as increased life insurance policies, hospital insurance, time deposits in banks and share accounts in savings and loan associations, fraternal and union funds and shareholdings in American industry, in new homes with new and intriguing appliances, and new small business concerns.

This great increase in the income, the living standards, and security of our people has been achieved at a time when there has been a substantial contraction in our defense expenditures. Contrary to the dire predictions of some of the opposite party, our free economy has demonstrated its ability to absorb reductions in government expenditures not by contracting, but by expanding employment and the living standards of our people.

The record of the past four years has been one of unequaled investment. The Nation has devoted a vast amount of its resources to improving and enlarging its productive capacity. Businesses have spent an all-time high, of more than \$150 billion on new plant and equipment, compared with less than \$125 billion in the preceding four years. This record volume of capital outlays has provided a dramatic answer to those who would contend that our economy would run down without the artificial stimulus of chronic deficit spending and the backlog of private demands deferred by the war.

The increased confidence of our people and of our business concerns, that they will be free to determine their own course—the course of their own free choice, free from unnecessary regulation or harassment—greater confidence in the stability of our government and our money, and the wider distribution of purchasing power, have encouraged our consumers, our home owners, our business concerns, and our communities, to plan for the future, and to buy the automobile or the home, to build the factory or the schoolhouse, that a brighter future justifies.

The record of the past four years is one of sensitive and flexible adjustments to the release of controls, and to the return to free markets, an accommodation of the post-Korea curtailment in military spending, and of a free market's emphasis on housing and innumerable new and improved items for better living, automobiles, and new plant construction for the production of more goods for more people and more and better jobs, with continuous improvement in the total economy.

It is a record of encouraging savings and investment in increased productive capacity, of encouraging an adequate volume of credit, but of not encouraging that excess of credit which, in a period of high employment, could only penalize our people by bidding up prices without increasing production.

It is essentially a record of flexible and quickly adjusting fiscal and monetary policy designed to continue sound money and the sound improvement in levels of living, widely shared, which is the wonder and ambition of all the rest of the world.

It is above all a record of the renewal of widespread confidence of the people in the preservation of their individual freedom of choice, in their jobs, in their right to the enjoyment of the fruits of

their own initiative and endeavor, and in the security of their savings. It is a record of renewed confidence in the security of our country.

Problems Faced in 1953

When the Republican Administration came to office in January of 1953, we faced—

A Federal debt equal to nearly 90% of our annual national income.

Budget expenditures of over \$74 billion for fiscal 1953, and proposed budget expenditures of nearly \$78 billion for 1954.

A deficit of nearly \$9½ billion for 1953, and a planned deficit of nearly \$10 billion for 1954.

And a continuing spiral of inflation which had reduced the purchasing power of the dollar by nearly one-half from 1939 to 52 cents by 1952.

To what extent have we accomplished improvement in what we inherited?

We first reduced and then entirely eliminated planned deficits.

We reduced Federal expenditures from over \$74 billion in the inherited budget of 1953 to less than \$64½ billion in 1955, a reduction of nearly \$10 billion. However, as a result of additional programs authorized by the Congress, substantial pay increases, and the need for increasingly expensive military equipment, expenditures increased in the past year by almost \$5 billion for 1957, or nearly half of our previous reduction.

We have met the huge costs of our defense.

Major national security expenditures have been reduced from over \$50 billion in 1953, to \$41 billion in 1957. This reduction has been achieved despite the fact that, though not at war, we are still engaged in a titanic contest which requires not only the expense of preparedness, but extremely expensive research and development as well.

The budget proposed for the fiscal year 1954 called for nearly a \$10 billion deficit. The Eisenhower Administration reduced that to less than one-third of that anticipated by the prior Administration.

All of this made possible the largest tax cut in our Nation's history, a cut that has already saved our people nearly \$25 billion in taxes. In that way we were able to pass most of the savings from our reduced expenditures back to the people for them to save or spend as they each thought best by their own free choice instead of having the Government direct its spending for them. More than 60% of this huge reduction went to individuals, and every taxpayer in this country benefited. The tax burden is still far too heavy, and further tax cuts should and will be made at the earliest justifiable opportunity.

Fiscal 1955 was the last year of deficits.

By fiscal 1956, we had entirely eliminated deficits, balanced the budget, and completed the year with a surplus of \$1.6 billion.

The 1957 budget resulted in another surplus, and the budget proposed by the President for 1958 provides for a third successive surplus for the first time in 25 years.

Checking Inflation

We have substantially checked the menace of inflation.

A continuous rise in prices affects every housewife, everyone on a pension, every person with a fixed or lagging income, every saver. It robs labor of much of its gain in wages.

There are two ways to check continual rises in prices: (a) increase the supply of goods, and (b) slow the expansion in the number of dollars bidding for what goods there are.

The Eisenhower Administration utilized both methods. We encouraged an increase in productive facilities which is the only way to increase the supply of goods. The Federal Reserve and the Administration then took action to restrain a too rapid growth in the number of borrowed dollars available to bid up the prices of the limited supply of goods and services. This subjected the Treasury to additional burdens for higher interest, just as it has other borrowers. But not to do so would have created much more serious burdens for us all.

There has been effective action in several other areas.

We promptly relieved the public of the burden of controls.

We reduced Government activities which compete with private business.

We have created a more favorable climate for enterprise.

We have moved vigorously to prevent monopolies.

We have encouraged small business.

We have encouraged trade with other countries.

And we have encouraged savings.

The importance of savings is so great that I would like to make three important points.

There are many people who benefit from higher interest just as there are many who find it an additional cost.

Interest Rates Are a Two Way Street

You and I hear complaints today about the increased cost of money. We know it is nowhere as important as the increased cost of labor, but we also know that higher labor cost is a two-sided coin. Someone pays more—but someone receives more. The same is true of interest. Everyone with an insurance policy, with a savings account, with a pension, or an account in a savings and loan association, or a fraternal organization or union fund, or with hospitalization, or savings in almost any other way, benefits from payment of interest.

Increased interest stimulates savings. The higher interest rates paid in the past few years have encouraged greater savings. During the four years of the Eisenhower Administration, our people saved \$75 billion in personal savings compared to only about \$56½ billion in the preceding four years, an increase of more than one-third in savings.

Increased savings are a major means of assuring continued high employment and prosperity. Savings buy the tools that make the jobs that pay the higher wages we now enjoy. Without savings and investment, employment would languish.

The record of the Eisenhower Administration is a gratifying record of the improvement in the level of living that can be achieved through a vigorous, competitive, free market economic system which offers both individual freedom of choice and the stimulation of initiative through personal incentive. In particular, it shows the capacity of such a system to bring about confidence and daring in enterprise, and widespread participation in the benefits of economic expansion. This is in sharp contrast to the artificial restrictions, interferences, and controls of a paternalistic bureaucracy.

During the New and Fair Deal days, many of us, particularly the young, were led to believe that henceforth we must rely upon the largess of a paternalistic government for all progress, both personal and national. But now these past four years of Republican

administration have demonstrated the ability of the nation's private economy to expand, to provide an increasing number of better jobs, at better pay, and to raise levels of living. These four years have tested the capacity of our economy to adjust to large changes in the pattern of demand and the effectiveness of public policies designed to promote growth of individual freedom and stability in the economy. Our problems have shifted from those of a controlled wartime economy to those of a rapidly widening prosperity. We have been able to encourage this prosperity.

We have accommodated the reduction in wartime government spending, accompanied by record-breaking tax reduction, and offset a threatened decline in employment and business activity. We have encouraged an expansion of private and personal enterprise to new high levels, and through expenditure and debt reductions, as well as debt management, we have slowed the growth of inflationary credit. We have encouraged a rapidly rising economy which has brought more wealth, more purchasing power, more comfort, more jobs, more homes, more luxuries, more leisure, more education, and more security to our people than they have ever enjoyed before.

All Is Not Perfect

Now this fine record of the past four years does not mean that everything is completely well. As I told the Senate Finance Committee in mid-June, "the threat of renewed inflation . . . is perhaps our most serious domestic economic problem."

The fact is that consumer prices have risen for 16 of the past 17 months. The consumer price index is now almost 5% higher than it was 17 months ago.

It is important that this renewal of inflationary pressures be curbed. I disagree completely with those who sometimes foolishly suggest that "a little inflation is a good thing." Inflation "little" or "big" is a bad thing. Inflation benefits the relatively few speculators, but is a cruel injustice to the vast majority of our people and ultimately destroys the economic vitality of any nation.

Monetary and fiscal policies have not yet fully overcome inflationary pressures, and accompanying higher interest rates have led some partisan critics to suggest that these policies be relaxed. This would be utter folly.

We must have the patience to let our present policies work and not to underrate their effectiveness. History has proven that they are powerful influences for economic stability. There are indications that, in our current situation, the policies may already be taking hold.

No feasible alternatives to the present policies of restraint have been suggested. Certainly we do not want to resort to direct controls. Governmentally enforced wage or price controls during peace-time are not only inconsistent with our traditions but would be well-nigh unenforceable.

In pursuance of our present policies of restraint, however, there is need for Federal, state, municipal governments as well as businessmen and consumers to guard against excessive borrowing for excessive spending. In this connection it now appears that state and municipal borrowing for the first nine months of this year will total \$5 billion, which is a billion dollars more than was borrowed during the same period last year. It might be well for responsible public officials in state and municipal governments to appraise the wisdom of forging ahead at this time under present conditions.

All parts of our population must remain aware of the dangers of over-supply of money and credit

at a time of very high use of available men and materials.

Our Responsibility

As President Eisenhower pointed out last January, "Business and labor leadership have the responsibility to reach agreements on wages and labor benefits that are fair to the rest of the community as well as to those persons immediately involved . . ."

We, the people, can and must control our own fate. The consumers of America, the everyday citizen, is the all-powerful force. If he demands fair prices before he buys, if he buys wisely and not to excess, and borrows conservatively and spends reasonably within his means, supply will soon balance demand, production and prices will stabilize, and the fear of run-away inflation will diminish.

Current monetary and fiscal policies, if buttressed by public understanding and active support, can be effective. The alternatives to these policies are contrary to the American way of life and destructive of our free system.

As a practical matter, the real choice is between the anti-inflationary course which we have pursued, and a new round of greater inflation.

To solve such problems and preserve a sound economy and our free way of life, all of us in the Republican Party must remain united to support our fundamental objectives; united to overcome demagogic propaganda for political ends and avoid return to unsound practices which can lead ultimately to the destruction of the very freedoms which have made America great.

Ours are now the problems of prosperity. Vexing as they are, they are less painful than the problems of adversity. They can and will be solved by a united people supporting the leadership of a dedicated Republican Administration in Washington and at many other levels of our government. They will not be solved by returning to the Democratic policies of the past with mounting debts and deficits, controls and restrictions, and reductions in the value of our money by half its worth.

Let's all work in unity, keep the faith of our principles, and meet and solve in the free American way the problems of today in order to maintain our present high prosperity for many bright tomorrows.

Keller Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Donald E. Lowe has been added to the staff of Keller & Co., 31 State Street.

With B. C. Christopher

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Warren S. Yukon is now affiliated with B. C. Christopher & Co., Board of Trade Building, members of the New York Stock Exchange. Mr. Yukon was previously with Bache & Co.

H. O. Peet Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Ludwell G. Gaines is now connected with H. O. Peet & Co., 23 West Tenth Street, members of the New York and Midwest Stock Exchanges. He was formerly with Merrill Lynch, Pierce, Fenner & Beane in Akron, Ohio.

McDonald, Holman Branch

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—McDonald, Holman & Co., Inc., of New York, has opened a branch office at 639 South Spring Street. James N. Johnson is Resident Manager. Kenneth N. Russell is associated with the office as Manager of the Local Trading Dept.

\$26,600,000 Oregon Highway Bonds Won By Banking Syndicate

Bankers Trust Co. and Harris Trust and Savings Bank joint managers of underwriting group.

Bankers Trust Company and Harris Trust and Savings Bank are joint managers of the group that made public offering on Oct. 1 of two issues of State of Oregon bonds. The larger consists of \$20,600,000 in 2 3/4 and 3% state highway bonds which are being re-offered at prices to yield from 2.70% for those due Nov. 1, 1960 to 3.25% for the 1973 and 1974 maturities. Bonds due 1968 to 1974 are subject to redemption at par and accrued interest at the option of the state on or after Nov. 1, 1967. The group was awarded the bonds on a bid naming a net interest cost of 3.17261%.

The smaller of the issues consists of \$6,000,000 in 3 1/4 and 3 1/2% veterans welfare bonds, due Oct. 1, 1971, which were won on a bid naming a net interest cost of 3.33213%. Of this total, \$4,000,000 of the 3 1/4% bonds are being re-offered at 102 1/2 and \$2,000,000 of the 3 1/2% bonds are being re-offered at 102 1/2. They are subject to redemption at par and accrued interest at the option of the state on or after Oct. 1, 1967.

Rated Aa by Moody's, the bonds are general obligations of the state, for the payment of which the full faith and credit of the state are pledged.

Among those associated with Bankers Trust Company and Harris Trust and Savings Bank in the offering are:

The First National City Bank of New York; First National Bank of Portland; The Chase Manhattan Bank; Kuhn, Loeb & Co.; Blyth & Co., Inc.; The Northern Trust Company; Chemical Corn Exchange Bank; The Philadelphia National Bank; and Equitable Securities Corporation.

Seattle-First National Bank; R. W. Pressprich & Co.; Eastman Dillon, Union Securities & Co.; F. S. Moseley & Co.; Dean Witter & Co.; Carl M. Loeb, Rhoades & Co.; The Marine Trust Company of Western New York; J. C. Bradford & Co.; and F. S. Smithers & Company.

13 Banks for Cooperatives Sell Debs.

The 13 Banks For Cooperatives are offering publicly today (Oct. 3) \$63,000,000 of 7-month consolidated collateral trust debentures, according to their fiscal agent, John T. Knox. The debentures are being sold by their fiscal agent with the assistance of a nationwide group of security dealers.

The debentures are being offered at par and bear interest at 4.85% per annum. The interest is payable with the principal at maturity. They are dated Oct. 15, 1957, and will mature May 15, 1958.

The proceeds from the sale of the debentures will be used to redeem the \$48,200,000 of 3 3/4% debentures due Oct. 15, to repay short-term borrowings, and for lending operations.

The debentures are the joint and several obligations of the 13 banks for cooperatives. The banks are chartered under the provisions of the Farm Credit Act of 1933. They operate under the supervision of the Farm Credit Administration. The banks make and service loans to farmers' marketing, purchasing, and business service cooperatives on terms particularly suited to their needs.

Continued from page 14

Chance of a Decade In Insurance Stocks

cerned, and adequate as far as the companies are concerned. A fair measure of adequacy over the years has been 5% of earned premiums. That is an average. Some lines, such as Workmen's Compensation, have a lower allowable margin of profit, in this case only 2 1/2%. But for insurance as a whole, 5% would be a fair and working average for the underwriting margin of profit allowed by the various state insurance commissioners. And in practice it has worked out that way. The average underwriting margin of profit for life and casualty companies for the five years ending 1955 was 5.4%; for the past 10 years 6.0%; and for the past 20 years 6.1%.

Predicts Restored Profits

So when the industry is operating at a negative margin of profit as in 1956 and the first half of 1957 (a negative margin of nearly 3%), clearly this is inadequate and corrective measures are called for. The last time the business operated at a clearly inadequate margin of profit was 10 years ago, in 1946, when there was actually a profit margin of 1.2%. Corrective measures were taken in 1947 and the margin of underwriting profit improved to 3.7%, in 1948 to 8.8% and in 1949 to 12.4%. When the pendulum swings too far one way and produces an adequate margin of profit, it tends to swing too far the other way and produces an exaggerated margin of profit in order to affect an average over the period. I believe we are in the early stages of such a swing upwards in the underwriting margin of profit now.

What is being done? First of all, the insurance itself is aroused after three straight years of declining profit margins. If the profit margins get any worse, some companies may have to decline right out of the business! It has become almost an "either-or" situation. Either conditions improve or some companies will drop out of the race. Already we have seen mergers and we shall see many more.

Just recently, in Seattle, the insurance commissioners of 10 Western states sat down with insurance company Presidents to review the first six months' figures and the need for rate increases. Discounts have been lowered on fire term policies (three and five year) in nearly 40 states, the equivalent of an eventual raising of rates of around 7%. The rate increases have just begun in fire. A sustained effort is being made by the companies to persuade their assureds to increase their insurance more in line with current values—which will mean more money to the companies immediately. In automobile substantial increases in rates, averaging close to 20% have been effected. Recalcitrant commissioners—and not only in the Bay State—have been brought to book by judicial process. Hurricane (extended coverage) rates have gone up as much as 100% in certain states. Ocean marine rates are up.

You will find that insurance has lived through disastrous times before. It has a flexibility, a way of adjusting itself to new conditions. We are in the midst of just such an adjustment now that will spell a return of underwriting profits and higher dividends and prices for insurance shares.

Increased Yield and Price

Specifically for your dozen eligible insurance stocks it seems reasonable to predict a 38% in-

crease in dividends when normally profitable underwriting conditions return, say two years from now, in the fall of 1959. The 3.5% average yield obtainable now will have become 4.8% at cost. And if these stocks sell in the same relationship to investment income as they did three years ago, before the hurricane struck, there will be a price appreciation of 78%. This is not a prediction but a possibility since it has happened before duly recently.

Surely this is a prospect which should please—3.5% now, a potential 4.8% within two years plus a 78% capital appreciation. That is the situation in a nutshell—and that is why I have entitled this talk "Chance of a Decade." Not since 1947 have there been such opportunities—and 10 years ago we saw these opportunities gradually being fulfilled in the insurance share bull market of 1948 and 1949. Insurance shares then rose 41% compared with 11% for the Dow Jones Industrial Average.

Should savings bankers be concerned about such matters as rising dividends and rising market values—whether in insurance stocks or common stocks generally—when your obligations are in fixed dollars?

I say "yes" for three reasons:

(1) Your expenses are not in fixed dollars, they are constantly rising. Rising dividends help alleviate this constant "squeeze."

(2) Rising capital values help offset shrinkage in other portions of your portfolios, mortgages or bonds.

(3) In an inflationary economy where other institutions are aggressively competing for the consumers' savings, it can ill be afforded by savings banks not to seek the highest potential yields for their customers, commensurate with safety.

Statutory Revision

Are your regulations on eligibility overly restrictive? Perhaps in two respects, the emphasis upon fire lines, that a minimum of 50% of volume must be in this category and the company must be one of the 25 largest fire companies in assets in the country. Since Casualty lines are growing faster than fire, some of our best multiple line companies may soon belong in the casualty category. The restriction has already eliminated such top well-managed companies as Continental Casualty, United States Fidelity & Guaranty and Employers Group Associates, one of your own and too little known Massachusetts institutions. It may serve to eliminate such a bellwether as Hartford Fire within the visible future. A revision of the law correcting the situation seems sensible and warranted.

Finally, if you have followed my reasoning thus far and agree that this is the best chance in a decade to buy insurance stocks, you are probably asking: which of the 12 eligible and why? And I am going to crawl right out on the limb and try to oblige. I shall mention four categories.

Suggests Eligible Categories

(1) For top quality long-term growth, a company entering a new and greatly expanded phase of activities with its entrance in the life business, with an underwriting profit margin almost twice as high as any other of the dozen companies over the past five years, a company you will hear much more about in the future—Federal Insurance. In the past four years its investment income and dividends have in-

creased 50%. It now yields only 2.5%—but watch this yield and market price grow.

(2) For current income and growth, a company also entering a new era of expansion under revitalized management, soon to become the largest fire-casualty combination in the world when its merger with Firemen's of Newark is affected, the strongest company financially in the business, Continental Insurance. It is the only insurance stock, with its running mate Fidelity-Phenix, listed on the New York Stock Exchange. It yields 4.4% today and it also has one of the largest "blue chip" common stock portfolios of any insurance company—so in buying Continental you are also buying into Standard Oil of N. J., I.B.M., General Electric and America's other prime securities at substantial discounts.

(3) For recognized quality of management and growth, two companies whose reputations as superior investments are like Caesar's wife, above suspicion—two companies which need only to be named to be recommended, Hartford Fire and Insurance Co. of North America. The yield on both is small, less than 2.5% on average—but the growth and the quality are sure. Let us appropriate for both the Hartford's famous slogan, the one with the antlers: "Year in and year out, you'll do well with the Hartford" (and also Insurance Co. of North America).

(4) For rapid growth, better than average yield, a company which on its record deserves to become more widely known, fastest growing of the dozen eligibles with a profit margin second only to Federal, a good and hardworking management, Northern Insurance of New York. Its yield is 3.8%, its investment income rose 51% during the past four years and its dividend only 36%—so further substantial increases appear likely. A "sleeper" among the eligibles, Northern Insurance of New York.

Summary

There you have it in summary:

(1) The great performance of the eligibles since I was last before you four years ago, dividends up 32%, capital appreciation of 31%;

(2) The present attractive buying opportunity, best in a decade, because of the disastrous underwriting conditions of the past three years, worst in insurance history;

(3) The corrective measures now being undertaken to return profits to underwriting and confidence to the insurance share market;

(4) A potential increase in the yield of today's eligibles from 3.5% to 4.8% (at today's cost) by 1959 with a possible capital rise of 78%;

(5) The desirability of common stocks generally in a savings bank's investment program and the need for broadening the base for insurance stock eligibility to include more casualty lines;

(6) Four recommended categories of eligibles:

Top quality long-term growth—Federal.

Current income and growth—Continental.

Recognized quality and growth—Hartford and Insurance Co. of North America.

Rapid growth, better yield, a "sleeper"—Northern.

And seasoned with just a dash of this magnificent Poland Springs "who could ask for anything more?"

Pacific Coast Secs. Adds

(SPECIAL TO THE FINANCIAL CHRONICLE)
BEVERLY HILLS, Calif.—W. Paul Calhoun has become associated with Pacific Coast Securities Company, 9201 Wilshire Boulevard, formerly with Lester, Ryons & Co.

Continued from page 10

The Present Rail Outlook

in effect, each time, said that since such benefits are fast running out, it sees no reason at this late stage for revising accounting methods now.

"This new publicity is due to a recommendation of a subcommittee of Congress two weeks ago and since adopted by the full Committee, yet which still has to come up for full Congressional action. I seriously doubt if it will ever get that far and if it did, the effect would not be seen until possibly 1959 earnings, since I believe Congress will be far too busy in the 1958 session to be concerned now with such picayunish details. By 1959 tax benefits on earnings will have been largely washed out.

"However, it is true that the I.C.C. could take note of this Committee's rehashing of the matter and act on its own, but I seriously doubt any such action since this would require I.C.C. to reverse itself on a condition which will automatically expire within another 2-3 years—also on which, if granted, by making reported railroad earnings lower, would make more imperative a really huge hike in freight rates which would add further fuel to the fires of inflation and thus further defeat anti-inflationary aims of present administration.

"For a long time I have held that this point has been too much overstressed; more that the earnings' effect, while gradually running off, will be offset to some degree by the substitution of new accounting methods for railroads which includes among one method "sum-of-the-digits" accounting.

"Moreover, future years' results will show greater effects from the use of the intervening tax advantages from fast amortization. Additionally, Congress may well reduce Federal Income tax rate from 52% to 50% next July.

"I am sorry but I cannot help the overstressing of this tax benefit factor at the present time. It will just have to burn itself out and I am not a bit concerned about the future earnings effects for the special properties in which you and I are interested."

Since writing this wire on Sept. 4, I have had the good fortune to visit with financial men of two widely-separated railroads, each of whom in answer to my question—and without any prodding—freely volunteered the manner in which their railroads would have substantially increased pre-tax Net Income—traffic volume being what it is today—with which to more-than-offset the future increased "bite" of Federal Income taxes when amortization benefits run out!

In summary, I sincerely feel that the present is another of those periods which we in the railroad analytical profession have experienced repeatedly in the past, where many rail stocks are extremely attractive "buys"—for both substantial capital gain and excellent interim yield.

Murphy Director

Paul A. Murphy, security analyst, has been elected a member of the Board of Directors of the Catalin Corporation of America, Harry Krehbiel, President, has announced.

Mr. Murphy, who is associated with the stock brokerage firm of Cyrus J. Lawrence & Sons, has been active in financial circles for more than 20 years. A member of the New York Society of Security Analysts, he was formerly an executive of the Pennroad Corp. From 1938 until 1954 he was associated with Oglebay Norton & Co., Cleveland.

Securities Now in Registration

★ INDICATES ADDITIONS
SINCE PREVIOUS ISSUE
● ITEMS REVISED

Akin Distributors, Inc.
Aug. 2 (letter of notification) 90,000 shares of class A common stock, 90,000 shares of class B common stock and 25,000 shares of preferred stock (all of \$1 par value). **Price**—Of class A and class B common, \$1.50 per share; and of preferred, \$1 per share. **Proceeds**—To retire bank loans and for working capital. **Office**—718 South Boulder, Tulsa, Okla. **Underwriter**—May be Walston & Co., Tulsa, Okla.

Allstate Commercial Corp., New York (11/14)
Sept. 16 filed 256,300 shares of class A common stock (par one cent), of which 233,000 shares are to be sold for account of the company and 23,300 shares for the account of Ben Degaetano, President of the underwriter. **Price**—\$1.50 per share. **Proceeds**—For working capital to be used in realty financing activities. **Underwriter**—Midland Securities, Inc., New York.

American Income Fund, Inc., New York
May 24 filed 500,000 shares of capital stock (par \$1). **Price**—At market. **Proceeds**—For investment. **Underwriter**—None. **Burton H. Jackson** is President. **Investment Adviser**—Securities Cycle Research Corp., New York.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—\$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

★ **Anita Cobre U. S. A., Inc., Phoenix, Ariz.**
Sept. 30 filed 85,000 shares of common stock. **Price**—At par (\$3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

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.

★ **Arkose Mining Corp.**
Sept. 23 (letter of notification) 250,000 shares of non-assessable common stock. **Price**—At par (10 cents per share). **Proceeds**—For mining expenses. **Office**—1673 Canon Road, Santa Fe, N. M. **Underwriter**—None.

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.

★ **Beacon Associates, Wichita, Kansas**
Sept. 30 filed 186 limited partnership interests. **Price**—\$4,000 for each such interest. **Proceeds**—For acquisition of building and for improvements. **Underwriter**—None.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) \$100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par \$1) to be offered in units of one \$50 debenture and 20 shares of capital stock. **Price**—\$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

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.

California Oron 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 up to 9:30 a.m. (PDT) 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.

★ **Canadian Prospect Ltd., Calgary, Canada**
Sept. 27 filed 4,851,810 shares of common stock (par 16½ cents) to be offered in exchange for capital stock of Canadian Export Gas Ltd. on the basis of 2½ Canadian Prospect shares for each Canadian Export share, subject to acceptance by holders of at least 80% of Canadian Export shares outstanding. **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.

★ **Carter-Jones Drilling Co., Inc.**
Sept. 27 filed 300,000 shares of capital stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and other indebtedness; to participate in the acquisition and exploration of oil properties in joint venture arrangements with other companies in which the company does not propose to retain more than a 25% interest or assume more than 25% of the risk; and for general working capital. **Office**—Kilgore, Tex. **Underwriter**—None.

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.**
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. **Offering**—Expected at any time.

★ **Coastal Caribbean Oils, Inc.**
Sept. 16 (letter of notification) voting trust certificates for 150,000 shares of common stock (par 10 cents—U. S.). **Price**—At market (estimated at \$2.12½ per share). **Proceeds**—For exploration. **Office**—33 Central Ave., Panama City, Panama. **Underwriter**—None.

Coastal Ship Corp. (10/15)
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 exercisable at \$1 per share; and 20,000 shares to be 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**—To be received by company up to 11 a.m. (EDT) on Oct. 3.

Commonwealth Edison Co. (10/9)
Sept. 19 filed 250,000 shares of cumulative preferred stock (par \$100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters**—The First Boston Corp. and Glore, Forgan & Co., both of New York.

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.

Consolidated Edison Co. of N. Y., Inc. (10/22)
Sept. 20 filed \$60,000,000 of 30-year first and refunding mortgage bonds, series N, due 1987. **Proceeds**—To repay approximately \$43,000,000 of short-term bank notes and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EDT) on Oct. 22.

Consolidated 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**—Thomson, Kernaghan & Co., Ltd., Toronto, Canada; and R. P. Mills & Co., Ltd., Montreal, Canada.

● **Consumers Power Co. (10/17)**
Sept. 24 filed \$35,156,700 of convertible debentures due 1972 to be offered for subscription by common stockholders of record Oct. 16, 1957 on the basis of \$100 of debentures for each 25 shares of stock held; rights to expire on Nov. 1, 1957. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Morgan Stanley & Co., New York.

Continental Screw Co. (10/14-16)
Sept. 24 filed 300,000 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Proceeds**—Together with funds from sale of \$1,500,000 6% bonds (with stock purchase warrants), to purchase assets of old Massachusetts corporation and of Hy-Pro Tool Co. **Underwriter**—Lee Higginson Corp., Boston and New York.

★ **Cooperative Grange League Federation, Inc.**
Sept. 27 filed \$600,000 of 4% subordinated debentures due Jan. 1, 1966; 10,000 shares of 4% cumulative preferred stock par \$100; and 150,000 shares of common stock (par \$5). **Price**—At principal amount or par value. **Proceeds**—To finance inventory purchases; to make capital loan advances to retail subsidiaries; to reduce bank loans; and for working capital. **Office**—Ithaca, N. Y. **Underwriter**—None.

★ **Cormac Photocopy Corp. (10/10-15)**
Sept. 24 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—\$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—80 Fifth Ave., New York, N. Y. **Underwriter**—Ross, Lyon & Co., Inc., New York.

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.

★ **Delaware Fund, Inc.**
Sept. 26 filed (by amendment) 1,000,000 additional shares of common stock (par \$1). **Price**—At market. **Proceeds**—For investment.

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.

Durox of Minnesota, Inc., Denver, Colo.
Sept. 23 filed 750,000 shares of common stock (par \$1). **Price**—\$2 per share. **Proceeds**—For capital expenditures and working capital. **Business**—Building material. **Underwriter**—American Underwriters, Inc., Englewood, Colo.

● **Empire Sun Valley Mining Corp. (11/4)**
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.

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.
 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.

Foster Grant Co., Inc., Leominster, Mass. (10/15)
 Sept. 20 filed 300,000 shares of common stock (par \$1). Price—To be supplied by amendment. Proceeds—For expansion program and working capital. Underwriter—Wertheim & Co., 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, Morgan & 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 Ridgemoor 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.

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 18th 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 Land & Industries, Inc.
 Sept. 25 filed 316,814 shares of common stock (par 50 cents) and \$2,754,900 6% first mortgage sinking fund bonds due 1972 to be offered in exchange for the outstanding \$4.50 prior preferred stock on the following basis: For each preferred share (a) 11½ shares of common stock, or (b) \$100 of bonds, plus 1½ shares of stock. The offer is conditioned upon its acceptance by holders of at least 85% of the 27,549 outstanding preferred shares. Exchange Agent—Howard, Weil, La-bouisse, Friedrichs & Co., New Orleans, La.

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. 23 (letter of notification) 600,000 shares of common

stock (par \$1-Canadian). Price—50 cents per share. Proceeds—For development of property and for general corporate purposes. Office—Suite 607, 320 Bay St., Toronto, Canada. Underwriter—H. J. Cooney & Co., New York.

Holy Land Import Corp., Houston, Texas
 Feb. 27 (letter of notification) 100,000 shares of common stock. Price—At par (\$3 per share). Proceeds—For inventory, working capital, etc. Underwriter—Benjamin & Co., Houston, Tex.

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.

Continued on page 56

NEW ISSUE CALENDAR

October 3 (Thursday)	Columbia Gas System, Inc. Debentures (Bids 11 a.m. EDT) \$25,000,000
October 4 (Friday)	Strato-Missiles, Inc. Common (Kesselman & Co.) \$300,000
	Universal Winding Co. Debentures (Offering to stockholders—no underwriting) \$300,000
October 7 (Monday)	National Biochemicals, Inc. Common (Scott Taylor & Co., Inc.) \$300,000
	National Cylinder Gas Co. Debentures (Merrill Lynch, Pierce, Fenner & Beane) \$17,500,000
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
	Reading Tube Corp. Common (Emanuel Deetjen & Co.) 100,000 shares
	Rockland Light & Power Co. Preferred (Offering to common stockholders—underwritten by The First Boston Corp.) \$2,809,600
	Wabash RR. Equip. Trust Cfs. (Bids noon EDT) \$2,745,000
October 10 (Thursday)	Cormac Photocopy Corp. Common (Ross, Lyon & Co., Inc.) \$300,000
	Rotor Tool Co. Common (Offering to stockholders—no underwriting) 1,278 shares
	Toledo Terminal RR. Bonds (Bids to be invited) \$6,000,000
October 14 (Monday)	California Oregon Power Co. Bonds (Bids 9:30 a.m. PDT) \$10,000,000
	Continental Screw Co. Common (Lee Higginson Corp.) 300,000 shares
	Nuclear Science & Engineering Corp. Common (Hayden Stone & Co.) 100,000 shares
	Ulrich Manufacturing Co. Debentures & Com. (White & Co.) \$600,000 debentures and 30,000 common shares
October 15 (Tuesday)	Atlanta Gas Light Co. Bonds (Bids 11 a.m. EDT) \$8,000,000
	Coastal Ship Corp. Debentures (Eastman Dillon, Union Securities & Co. and White, Weld & Co.) \$6,000,000
	Foster Grant Co., Inc. Common (Wertheim & Co.) 300,000 shares
	Pittsburgh & Lake Erie RR. Equip. Trust Cfs. (Bids to be invited) \$4,950,000
	Roach (Hal) Productions. Common (S. D. Fuller & Co.) \$1,125,000
	Siegler Corp. Common (William R. Staats & Co.) 300,000 shares
	Southern New England Telephone Co. Common (Offering to stockholders—no underwriters) 1,400,000 shares
	Walworth Co. Debentures (Paine, Webber, Jackson & Curtis; Butcher & Sherrerd; and Townsend, Dabney & Tyson) 400,000 shares
October 16 (Wednesday)	Pennsylvania Power Co. Bonds (Bids 11 a.m. EDT) \$8,000,000
October 17 (Thursday)	Consumers Power Co. Debentures (Offering to common stockholders—to be underwritten by Morgan Stanley & Co.) \$35,156,760
	Tucson Gas, Electric Light & Power Co. Common (Blyth & Co., Inc. and The First Boston Corp.) 200,000 shares
October 18 (Friday)	Federation Bank & Trust Co. Common (Offering to stockholders—no underwriting) \$2,496,900
	Intra State Telephone Co. Common (Offering to stockholders—no underwriting) \$490,000
October 21 (Monday)	Darco Industries, Inc. Common (William R. Staats & Co.) approximately 275,000 shares
October 22 (Tuesday)	Consolidated Edison Co. of New York, Inc. Bonds (Bids 11 a.m. EDT) \$60,000,000

October 23 (Wednesday)	Brockton Edison Co. Preferred (Bids 11 a.m. EDT) \$3,000,000
	Public Service Co. of New Hampshire Bonds (Bids 11 a.m. EDT) \$8,000,000
	Public Service Co. of New Hampshire Common (Klader, Peabody & Co. and Blyth & Co., Inc.) 262,890 shares
	Taylor Instrument Companies. Common (Offering to stockholders—underwritten by The First Boston Corp.) 99,195 shares
	Williams Brothers Co. Common (Reynolds & Co., Inc.) 400,000 shares
October 25 (Friday)	Woodbury Telephone Co. Common (Offering to stockholders—no underwriting) 3,533 shares
October 28 (Monday)	Norfolk & Western Ry. Equip. Trust Cfs. (Bids noon EST) \$4,000,000
October 29 (Tuesday)	American Telephone & Telegraph Co. Debentures (Bids to be invited) \$250,000,000
	Johnson Service Co. Common (Bids 11 a.m. EDT) 3,600 shares
October 30 (Wednesday)	Baltimore & Ohio RR. Equip. Trust Cfs. (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 Cfs. (Bids noon EST) \$8,000,000
November 4 (Monday)	Empire Sun Valley Mining Corp. Common (John Sherry Co.) \$200,000
November 6 (Wednesday)	Dayton Power & Light Co. Bonds (Bids 11 a.m. EST) \$25,000,000
	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 11 (Monday)	Southern Union Gas Co. Debentures (Snow, Sweeney & Co., Inc. and A. C. Allyn & Co., Inc.) \$9,000,000
November 14 (Thursday)	Allstate Commercial Corp. Common (Midland Securities, Inc.) \$384,450
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) \$3,600,000
November 19 (Tuesday)	Middle South Utilities Inc. Common (Bids to be invited) 451,894 shares
	Ohio Power Co. Bonds (Bids 11 a.m. EST) \$25,000,000
November 20 (Wednesday)	Houston Lighting & Power Co. Bonds (Bids to be invited) \$30,000,000 to \$40,000,000
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 Cfs. (Bids to be invited) \$2,600,000
	Suburban Electric Co. Bonds (Bids to be invited) \$4,500,000

Continued from page 55

Hudson's Bay Oil & Gas Co. Ltd.

Aug. 27 filed 1,744,592 shares of capital stock (par \$2.50) being 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 Co. is at the rate of one share for each 15 shares of Continental Oil stock held of record Sept. 16, 1957, while the offering to holders of ordinary shares of Hudson's Bay Co. Ltd. is 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.

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.

★ Intra State Telephone Co. (10/18)

Sept. 27 filed 4,900 shares of common stock to be offered for subscription by common stockholders on the basis of one new share for each two shares held of record Oct. 18, 1957. Price—At par (\$100 per share). Proceeds—To reduce bank loans. Office—Galesburg, Ill. Underwriter—None.

★ Israel-Mediterranean Petroleum, Inc. of Panama

Sept. 27 filed voting trustees covering 1,000,000 shares of common stock (par one cent). Price—At market on the American Stock Exchange. Proceeds—For exploratory drilling and development of presently licensed acreage and for acquisition of additional acreage. Underwriter—None.

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 5 1/2-8% 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.

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 on the basis of one new share for each five shares held. 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. Offering—Postponed due to market conditions.

★ Ketchum & Co., Inc., New York City

Sept. 27 filed 210,000 shares of common stock (par \$1), of which 43,000 shares are to be offered for account of the company and 167,000 shares for selling stockholders. Price—To be supplied by amendment. Proceeds—For general corporate purposes, including carrying of larger inventories. Business—Wholesale drugs. Underwriter—To be named by amendment.

"Koor" Industries & Crafts Co., Ltd.

Aug. 26 filed 30,000 shares of 6 1/2% 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 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. Statement effective Sept. 20.

Maine Insurance Co., Portland, Me.

Aug. 22 filed 53,500 shares of capital stock (par \$3), of which 11,000 shares, at \$5.31 1/4 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 \$5.62 1/2 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 (17 1/2 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.

● Moiybdenum Corp. of America

Aug. 14 filed 196,994 shares of common stock (par \$1) and six-year stock purchase warrants to buy an additional 196,994 shares of common stock being offered for subscription by common stockholders in units of one share and one warrant for each seven shares held as of Sept. 27, 1957; rights to expire on Oct. 18, 1957. Price—\$21.25 per unit. The stock purchase warrants will be exercisable at \$30 per share. Proceeds—For expansion program. Office—Grant Bldg., Pittsburgh, Pa. Underwriter—None.

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.

★ Mortgage Investment Foundation, Inc.

Sept. 23 (letter of notification) an undetermined number of investment contracts and certificates of guarantee of principal and interest on second mortgage at \$3,000 per mortgage. Proceeds—To buy inventory and for working capital. Office—Miami National Bank Bldg., Biscayne Blvd., Miami, Fla. 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 Biochemicals, Inc. (10/7-11)

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. (10/7-10)

Aug. 28 filed \$17,500,000 of subordinated debentures due Sept. 1, 1977 (convertible on or before Sept. 1, 1967). Price—To be supplied by amendment. Proceeds—For expansion and working capital. Underwriter—Merrill Lynch, Pierce, Fenner & Beane, New York.

National Lithium Corp., New York

Feb. 19 filed 3,120,000 shares of common stock (par one cent). Price—\$1.25 per share. Proceeds—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. Underwriter—Gearhart & Otis, Inc., New York. Statement expected to be amended.

National Valve & Manufacturing Co.

Sept. 16 (letter of notification) 142,620 shares of common stock (par \$1) to be offered to stockholders of record Sept. 20, 1957 at the rate of 1 1/2 shares for each share of common stock owned. Price—\$2 per share. Proceeds—To enlarge plant and for working capital. Office—3101 Liberty Ave., Pittsburgh, Pa. Underwriter—None.

● New Haven Water Co., New Haven, Conn.

Aug. 9 filed 69,000 shares of common stock being offered for subscription by common stockholders of record Sept. 16, 1957, on the basis of one new share for each three shares held; rights to expire on Oct. 10. Price—At par (\$50 per share). Proceeds—To reduce bank loans. Underwriter—None.

Nuclear Science & Engineering Corp. (10/14-18)

Sept. 20 filed 100,000 shares of common stock (par 25 cents). Price—To be supplied by amendment. Proceeds

—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. Underwriter—Hayden, Stone & Co., New York.

Oglethorpe Life Insurance Co., Savannah, Ga.

Sept. 13 (letter of notification) 26,932 shares of common stock (par \$2.50), of which 17,932 shares are to be offered to present stockholders and 9,000 shares are to be offered to employees. Price—\$11 per share. Proceeds—To increase capital and surplus. Underwriters—Johnson, Lane, Space Corp. and Varnedoe, Chisholm & Co., both of Savannah, Ga.

★ Ohio Power Co. (11/19)

Sept. 30 filed \$25,000,000 first mortgage bonds due 1987. Proceeds—To repay bank loans and for construction program. Underwriter—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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.

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.

★ Palestine Economic Corp., New York

Sept. 26 filed 130,000 shares of common stock. Price—At par (\$25 per share). Proceeds—For participation in further development of Israel industry; for capital improvements; for extension of cooperative and other banking credit; for financing of export to Israel; for investment in stock of two companies; and for working capital and other corporate purposes. Underwriter—None.

★ Pan-Israel Oil Co., Panama

Sept. 27 filed voting trust certificates covering 1,000,000 shares of common stock (par one cent). Price—At market on the American Stock Exchange. Proceeds—For exploratory drilling and development of presently licensed acreage and for acquisition of additional acreage. Underwriter—None.

Pennsylvania Power Co. (10/16)

Sept. 19 filed \$8,000,000 of first mortgage bonds due 1987. Proceeds—To repay outstanding bank loans of \$4,500,000 and for construction program. 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—Expected to be received 11 a.m. (EDT) on Oct. 16 at office of Commonwealth Services, Inc., 300 Park Ave., New York 22, N. Y.

● Public Service Co. of New Hampshire (10/23)

Sept. 24 filed \$8,000,000 of first mortgage bonds, series J, 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 Coffin & Burr, Inc. (jointly); Equitable Securities Corp.; Lehman Brothers; White, Weld & Co. Bids—To be received up to 11 a.m. (EDT) on Oct. 23 at Boston, Mass.

★ Public Service Co. of New Hampshire (10/23)

Oct. 1 filed 262,890 shares of common stock (par \$5). Price—To be supplied by amendment. Proceeds—Together with other funds, to repay bank loans and for construction program. Underwriters—Kidder, Peabody & Co. and Blyth & Co., Inc., both of New York.

★ Putnam Growth Fund, Boston, Mass.

Oct. 1 filed 500,000 shares of beneficial interest in the Fund. Price—At market. Proceeds—For investment. Underwriter—Putnam Fund Distributors, Inc., Boston, Mass.

● 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—F. L. Aaron & Co., New York. Statement has been withdrawn.

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 pilot mill. Office—295 Madison Ave., New York 17, N. Y. Underwriter—None.

Rapid Electrotube Co., Cincinnati, Ohio

Sept. 20 filed \$656,250 of 5 1/2% two-year debentures due May 1, 1958; and 136,485 shares of common stock, of which 37,840 shares were issued upon conversion of debentures and 40,000 shares on exercise of option, and 58,645 shares are issuable in conversion of the aforementioned \$656,250 debentures. Proceeds—To selling security holders. Underwriter—None. Said securities are to be sold by holders thereof in the open market or otherwise.

● Reading Tube Corp. (10/9)

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.

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.

Roanoke Gas Co.

Sept. 18 (letter of notification) 19,160 shares of common stock (par \$5) to be offered to common stockholders on the basis of one share for each five shares held; rights to expire on Oct. 31, 1957. Price—\$15 per share. Proceeds—For construction program. Office—125 West Church Ave., Roanoke, Va. Underwriter—None.

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 working capital. Office—705 South Husband St., Stillwater, Okla. Underwriter—Richard B. Burns Securities Agency, Stillwater, Okla.

Rotor Tool Co. (10/10)

Sept. 25 (letter of notification) 1,278 shares of common stock (par \$1) to be offered to stockholders of record on Oct. 10, 1957 on the basis of one new share for 30 shares held; rights to expire Nov. 9, 1957. Price—\$38.50 per share. Proceeds—For general corporate purposes. Office—26300 Lakeland Blvd., Cleveland, Ohio. Underwriter—None.

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.

Schering Corp., Bloomfield, N. J.

Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par \$30) and 418,475 shares of common stock (par \$1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. Underwriter—None.

Scudder, Stevens & Clark Common Stock Fund, Inc.

Sept. 25 filed (by amendment) an additional 250,000 shares of capital stock. Price—At market. Proceeds—For investment.

Scudder, Stevens & Clark Fund, Inc.

Sept. 25 filed (by amendment) an additional 150,000 shares of capital stock. Price—At market. Proceeds—For investment.

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. Offering—Withdrawn on Sept. 1, 1957.

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.

Siegler Corp., Anaheim, Calif. (10/15)

Sept. 23 filed 300,000 shares of common stock (par \$1). Price—To be supplied by amendment. Proceeds—Together with other funds, to retire present long-term debt of company and subsidiaries, to retire short-term debt of Unifronics Corp. and The Hufford Corp., and for working capital. Underwriter—William R. Staats & Co., Los Angeles, Calif.

Signet Distilleries Ltd., Regina, Canada

Sept. 27 filed 250,000 shares of 7% deferred cumulative redeemable preferred stock (par \$10) warrants to purchase and 250,000 shares of common stock to be offered in units of one share of each class of stock. Price—\$10 per unit. Warrants are to be initially exercisable at \$1 per common share. Proceeds—For distillation equipment; cost of building and land; and for working capital and other corporate purposes. Underwriter—Regent Securities Ltd., Regina, Canada.

Southern New England Telephone Co. (10/15)

Sept. 25 filed 1,358,300 shares of capital stock to be offered for subscription by stockholders of record Oct. 7, 1957 on the basis of one new share for each four shares held; rights to expire on Nov. 8, 1957. Subscription warrants are to be mailed on Oct. 15. Price—At par (\$25 per share). Proceeds—To repay advances from American Telephone & Telegraph Co., which owns 1,173,696 shares (21.6%) of Southern capital stock. Underwriter—None.

Steadman Investment Fund, Inc.

May 10 filed 100,000 shares of common stock (par \$1) to be offered in connection with merger into this Fund of Fund of Fortune, Inc., Fortune II, Inc., Fortune III, Inc. and Fortune IV, Inc. Underwriter—William Allen Steadman & Co., East Orange, N. J. Statement effective July 24.

Strato-Missiles, Inc. (10/17)

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.

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.

Taylor Instrument Companies (10/23)

Oct. 1 filed 99,195 shares of common stock (par \$10) to be offered for subscription by common stockholders of record Oct. 22, 1957 on the basis of one new share for each four shares held; rights to expire on Nov. 7, 1957. Price—To be supplied by amendment. Proceeds—To retire short term bank loans and for working capital and general corporate purposes. Underwriter—The First Boston Corp., New York.

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.

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.

Tucson Gas, Electric Light & Power Co. (10/17)

Sept. 25 filed 200,000 shares of common stock (par \$5). Price—To be supplied by amendment. Proceeds—To repay bank loans and for construction program. Underwriters—Blyth & Co., Inc., San Francisco and New York; and The First Boston Corp., New York.

Ulrich Manufacturing Co., Roanoke, Ill.

(10/14-18)
Sept. 24 filed \$600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par \$1) to be offered in units of \$500 of debentures and 25 shares of stock. Price—To be supplied by amendment. Proceeds—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. Underwriter—White & Co., St. Louis, Mo., on a best-efforts basis.

Union of South Africa

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. Offering—Postponed temporarily.

United States Coconut Fiber Corp.

Sept. 30 filed 735,000 shares of common stock (par \$1). Price—\$4 per share. Proceeds—For expansion program and other corporate purposes. Office—Washington, D. C. Underwriter—Southeastern Securities Corp., New York.

Universal Winding Co. (10/4)

Sept. 25 (letter of notification) \$300,000 of 5½% subordinate convertible debentures to be offered for subscription by common stockholders of record Oct. 4, 1957, on the basis of \$100 of debentures for each 100 shares of stock held. Price—At par. Proceeds—For working capital. Office—1655 Elmwood Ave., Cranston, R. I. 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.

Walworth Co., New York City (10/15)

Sept. 25 filed \$3,000,000 of 6% convertible subordinated debentures due 1979. Price—To be supplied by amendment. Proceeds—To repay bank loans and for expansion and general corporate purposes. Underwriters—Paine,

Webber, Jackson & Curtis, New York; Butcher & Shererd, Philadelphia, Pa.; and Townsend, Dabney & Tyson, Boston, Mass.

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.

Williams Brothers Co., Tulsa, Okla. (10/23)

Sept. 25 filed 400,000 shares of common stock (par \$1), of which 100,000 shares are to be offered for account of the company and 300,000 shares for selling stockholders. Price—To be supplied by amendment. Proceeds—For working capital. Underwriter—Reynolds & Co., Inc., New York.

Wisconsin Public Service Co.

Aug. 27 filed 253,494 shares of common stock (par \$10) being 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—\$18.50 per share. 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.

Woodbury Telephone Co., Woodbury, Conn.

(10/25)
Sept. 23 (letter of notification) 3,533 shares of common stock to be offered for subscription by common stockholders of record Oct. 25, 1957 on the basis of one new share for each three shares held; rights to expire Nov. 22, 1957. Price—At par (\$25 per share). Proceeds—To repay all short term bank notes and for construction program. 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. Date indefinite.

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.

Byers (A. M.) Co.

May 7 stockholders approved a proposal to authorize a new class of 100,000 shares of cumulative preference stock (par \$100) and to increase the authorized outstanding indebtedness to \$15,000,000, in connection with its proposed recapitalization plan. There are no specific objectives involved. Control—Acquired by General Tire & Rubber Co. in 1956. Underwriter—Dillon, Read & Co., Inc., New York, handled previous preferred stock financing, while Kidder, Peabody & Co. underwrote General Tire & Rubber Co. financing.

California Interstate Telephone Co.

Sept. 20 it was reported company plans to issue and sell some additional common stock in November. Proceeds—To repay about \$750,000 of bank loans and for construction program. Underwriter—William R. Staats & Co., Los Angeles, Calif.

Central Hudson Gas & Electric Corp.

April 22 it was announced company plans to issue and sell this year, probably in the fall, approximately \$7,-

Continued on page 58

Continued from page 57

500,000 of sinking fund debentures. **Proceeds**—To finance construction program. **Underwriter**—Probably Kidder, Peabody & Co., New York.

Central Illinois Public Service Co.

April 9 it was reported company plans to issue and sell \$10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

Central Louisiana Electric Co., Inc.

April 8 it was announced company plans to issue and sell late this year \$6,000,000 of first mortgage bonds. **Proceeds**—Together with \$4,500,000 of 4% 12-year convertible debentures placed privately, to be used to repay bank loans and for construction program. **Underwriters**—Kidder, Peabody & Co. and White, Weld & Co. about the middle of last year arranged the private placement of an issue of \$5,000,000 series G first mortgage bonds.

Chemical Corn Exchange Bank

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 & 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.

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.

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.

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.

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.

Cook Electric Co.

July 15 it was reported that company is planning some equity financing. **Underwriter**—Probably Blunt Ellis & Simmons, Chicago, Ill.

Crucible Steel Co. of America

Sept. 18 it was announced company plans to offer to its common stockholders the right to subscribe for 101,153 shares of cumulative convertible preferred stock on the basis of one share of preferred stock for each 36 shares of common stock held. Stockholders to vote Nov. 7 on approving financing. **Price**—At par (\$100 per share). **Proceeds**—Together with funds from sale of additional mortgage bonds, to be used for expansion program. **Underwriter**—The First Boston Corp., New York.

Darco Industries, Inc. (10/21-25)

Sept. 23 it was reported registration is expected of approximately 275,000 shares of common stock, of which about 225,000 shares are to be sold for account of company and 50,000 shares for selling stockholders. **Business**—Manufactures products for commercial and military aircraft and missiles. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Dayton Power & Light Co. (11/6)

Sept. 26 it was announced company plans to issue and sell \$25,000,000 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.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Blyth & Co., Inc., The

First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Nov. 6.

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. **York.**

Florida Power & Light Co.

Sept. 30 it was reported company plans to issue and sell about \$15,000,000 to \$20,000,000 of new securities sometime in November or December of this year. Class of financing not yet determined. **Underwriter**—(1) For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp. (2) For common stock: Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (3) Preferred stock may be placed privately.

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.

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.

Hewlett-Packard Co., Palo Alto, Calif.

Sept. 23 it was reported this company expects early in November to do some additional financing. **Business**—Electronics. **Underwriter**—May be Blyth & Co., Inc., San Francisco, Calif.

Houston Lighting & Power Co. (11/20)

Sept. 30 it was reported company plans to offer between \$30,000,000 and \$40,000,000 first mortgage bonds. **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. **Bids**—Tentatively scheduled for Nov. 20. Registration—Expected to Oct. 24.

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.

Johnson Service Co., Milwaukee, Wis.

Sept. 23 it was reported a secondary offering of 100,000 shares of common stock is planned for November, with registration about mid-October. **Underwriter**—Robert W. Baird & Co., Milwaukee, Wis.

Johnson Service Co., Milwaukee, Wis. (10/29)

Sept. 30 it was announced bids will be received up to 11 a.m. (EST) on Oct. 29 at the Department of Justice, Office of Alien Property, 101 Indiana Ave., N. W., Washington 25, D. C., for the purchase from the Attorney General of the United States of 3,600 shares of capital stock (par \$5) of this company (representing less than

one-half of 1% of the number of shares outstanding. **Business**—Manufactures automatic temperature and air conditioning control systems.

Laclede Gas Co.

Aug. 5 it was announced company plans to raise up to \$11,700,000 new money this year through sale of new securities. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly).

Lawrence Gas Co. (11/18)

Aug. 21 it was announced the company plans to issue and sell \$2,000,000 first mortgage bonds, series A, due 1977. **Proceeds**—For construction program and to repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be opened on Nov. 18.

Long Island Lighting Co.

April 16 it was announced company plans to sell later this year \$40,000,000 of first mortgage bonds, series J. **Proceeds**—To refund \$12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

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. (11/19)

Sept. 16 it was reported company may sell 451,894 shares of common stock (par \$10). **Proceeds**—To increase investments in four operating subsidiaries. **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). **Bids**—To be received on Nov. 19.

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).

Montreal Metropolitan Commission

Sept. 26 it was reported an issue of bonds may be publicly offered in the United States. The Commission rejected a bid of 92.64% for an issue of \$6,376,000 of 20-year bonds with an interest rate of 5½%. **Underwriter**—May be determined by competitive bidding. Probable bidders: Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co., and Blyth & Co., Inc. (jointly); Shields & Co., Halsey, Stuart & Co. Inc., Savard & Hart and Salomon Bros. & Hutzler (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.

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 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.

★ Ohio Water Service Co.

Sept. 26 it was reported company to issue and sell in November an issue of \$1,500,000 convertible subordinated debentures. **Underwriter**—McDonald & Co., Cleveland, Ohio. **Registration**—Expected in about two or three weeks.

Offin Mathieson Chemical Corp.

Sept. 19 it was announced company plans to issue and sell publicly \$60,000,000 of convertible subordinate debentures prior to end of this year, subject to market conditions. **Proceeds**—For additional capital needed in connection with development of corporation's business during next few years. **Underwriters**—Dillon, Read & Co. Inc. and Eastman Dillon, Union Securities & Co.

★ 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 \$5,200,000 10-year 5½% convertible debentures on the basis of \$100 of debentures for each 14 common shares held. **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 voted September 19 to increase 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.

Permian Basin Pipe Line Co.

May 20 it was announced company, a subsidiary of Northern Natural Gas Co., may issue about \$25,300,000 of new securities, in the following form: \$15,000,000 of mortgage bonds, \$3,700,000 of preferred stock and \$6,600,000 of common stock. **Proceeds**—To repay advances of \$9,300,000 from parent, and the remaining \$16,000,000 for new construction. **Underwriter**—Glore, Forgan & Co., New York.

Pittsburgh & Lake Erie RR. (10/15)

Bids are to be received by the company up to noon (EDT) on Oct. 15 for the purchase from it of \$4,950,000 equipment trust certificates to mature annually from Nov. 1, 1958 to 1972 inclusive. **Probable bidders:** Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Plantations Bank of Rhode Island

Sept. 30 Bank offered to its stockholders of record Sept. 19, 1957 the right to subscribe for 8,000 additional shares of capital stock (par \$20) at the rate of one new share for each five shares held; rights to expire on or about Oct. 15, 1957. **Price**—\$55 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—G. H. Walker & Co. and Miller & George, both of Providence, R. I.

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. **Proceeds**—For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

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.

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.

★ Smith-Corona, Inc.

Sept. 30 stockholders approved a proposal to authorize the directors to issue about \$6,000,000 of convertible debentures through an offering to stockholders later this year. **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 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. (11/11-15)

Sept. 23 it was reported company plans to issue and sell \$9,000,000 of debentures due 1983. **Proceeds**—Together with funds from private sale of \$3,000,000 preferred stock, to be used to repay bank loans and for construction program. **Underwriters**—Snow, Sweeney & Co. Inc. and A. C. Allyn & Co. Inc., both of New York. **Registration**—Expected on or about Oct. 10.

★ Standard Oil Co. (New Jersey)

Sept. 27 it was announced company plans to raise approximately \$250,000,000 to \$300,000,000 later this year through an offering of additional capital stock to stockholders. **Proceeds**—For expansion program. **Underwriter**—Morgan Stanley & Co., New York. **Registration**—Expected late in October.

★ Standard Steel Products Manufacturing Co.

Sept. 23 it was reported company plans to issue and sell \$165,000 of 7% debentures due 1967 and 11,000 shares of common stock in units of \$30 of debentures and two shares of stock. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

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 Scale Co.

Sept. 26 it was reported that, following merger with Houghton Elevator Co., Toledo Scale Co. plans to issue some additional common stock. **Underwriter**—McDonald & Co., Cleveland, Ohio. **Registration**—Expected in November.

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.

★ Wabash RR. (10/9)

Bids will be received by the company at 44 Wall St., New York 5, N. Y. up to noon (EDT) on Oct. 9 for the purchase from it of \$2,745,000 equipment trust certificates, series I, due annually from Oct. 1, 1958 to 1972, inclusive. **Probable bidders:** Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Wisconsin Public Service Co.

Aug. 27 it was announced company plans to issue and sell about \$7,000,000 of first mortgage bonds late in 1957. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—To be determined by competitive bidding. **Probable bidders:** Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co.

Wisconsin Southern Gas Co., Inc.

July 8 it was reported company plans to offer up to \$300,000 of additional common stock to its stockholders. **Underwriter**—The Milwaukee Co., Milwaukee, Wis.

Zale Jewelry Co., Dallas, Texas

Sept. 24 it was announced that a full registration will be made of a new issue of securities, the amount and other details not yet available. **Underwriter**—Eppler, Guerin & Turner, Inc., Dallas, Tex.

Kidder, Peabody Group Offers General Tire & Rubber Debentures

Kidder, Peabody & Co. and associates are offering publicly today (Oct. 3) an issue of \$12,000,000 of General Tire & Rubber Co. 6% subordinated debentures, due Oct. 1, 1982, with common stock purchase warrants attached, at a price of par. The warrants, exercisable on or after Jan. 1, 1958, entitle the holder to purchase 20 shares of common stock, par value 83¼ cents, for each \$1,000 of debentures at \$25 per share to and including Oct. 1, 1962 and \$27.50 per share thereafter to and including Oct. 1, 1967.

Net proceeds from the sale of the debentures with warrants will be used to retire an equivalent amount of outstanding short-term bank loans incurred in connection with working capital requirements. Working capital needs have been increasing since 1953 as a result of increased sales, including those attributable to the expansion of the scope of activities of the company and its subsidiaries, and higher costs of production. Any proceeds received by the company upon the exercise of the warrants will be used for general corporate purposes.

The new debentures are redeemable for refunding at a lower rate of interest at 110% for the first five years and then at successively lower prices for the next five years. They are also redeem-

able for the sinking fund at par plus accrued interest. For other purposes, the new debentures are redeemable at the option of the company at redemption prices ranging from 106% for those redeemed prior to Oct. 1, 1958, to 100% for those redeemed on or after Oct. 1, 1981.

For many years the principal products of the General Tire & Rubber Co. have been automobile, truck and airplane tires and tubes, tire repair materials and industrial rubber products. In recent years, General Tire has expanded into other activities as well, and today, a substantial part of its business is in plastic materials and products as well as in the rocket propulsion field, the latter through a subsidiary, Aerojet - General Corp. It is also in the entertain-

ment field in radio, television and motion pictures through its subsidiary, RKO Teleradio Pictures, Inc.

For the six months ended May 31, 1957, net sales of the company and consolidated subsidiaries amounted to \$205,968,169 and net income after taxes amounted to \$5,814,861.

With Collin, Norton

(Special to THE FINANCIAL CHRONICLE)

TOLEDO, Ohio—Bertha D. Johnson is now affiliated with Collin, Norton & Co., 506 Madison Avenue, members of the New York and Midwest Stock Exchanges. Mrs. Johnson was previously with Waddell & Reed, Inc.

With United Securities

(Special to THE FINANCIAL CHRONICLE)

GREENSBORO, N. C.—Henry D. Jefferson is with United Securities Company, Southeastern Building.

John D. Farnham

John D. Farnham, associated with Bache & Co. in St. Paul, passed away Sept. 30 at the age of 56. In the past he had conducted his own investment business in St. Paul.

With Frank Knowlton

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Frank W. Enos is now with Frank Knowlton & Co., Bank of America Building. He was formerly with Stone & Youngberg.

H. Hentz Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—David Menaker has been added to the staff of H. Hentz & Co., 9680 Santa Monica Boulevard. He was formerly with Daniel D. Weston & Co., Inc.

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27

Mutual Funds

By ROBERT R. RICH

Business Activity to Set New Records

Business activity in the fourth quarter will set new records and carry Gross National Product for 1957 to over \$436 billion, or 5% above last year's all-time record of \$414 billion, according to a forecast just released by National Securities & Research Corp., sponsors and managers of the National Securities Series of mutual investment funds.

Consumer spending is spotlighted as the chief impetus to the fourth quarter rise. The investment company predicts personal consumption expenditures will exceed \$280 billion in 1957 compared with last year's \$267.2 billion. Retail sales are described as "one of the strong features of the current business situation" and are expected to reach \$200 billion for the first time in the nation's economic history.

Efforts of the Administration and Congress to contain the bulge in Federal spending are cited, but the study reports that defense spending, budgeted at \$33 billion for the fiscal year, has been running at an annual rate of over \$40 billion in recent months. In an attempt to control military expenditures, the forecast says "reductions are being effected in personnel, military construction and maintenance, but outlays for aircraft, missiles and other military equipment are expected to remain on a relatively high plateau for the balance of calendar 1957."

In the auto industry, passenger car sales for 1957 are predicted at around 6 million, up from 5.85 million last year. Steel ingot production is expected to rise to 116.5 million tons compared to 115.2 in 1956. The investment company believes it likely that "major integrated steel producers will report record profits and dividend payments in 1957."

While new home starts in 1957 are expected to fall short of 1956 totals, "The dollar value of total construction, including commercial, industrial and public as well as residential, should exceed last year's aggregate by about \$1.4 billion to reach a new all-time peak of about \$47.5 billion," according to the forecast.

"Although there will be considerable variation in the operating results of individual companies and industries," the investment company's Economic Staff states, "we expect total net earnings of all U. S. corporations to approximate \$22 billion, up 4.7% from the revised total of \$21 billion for 1956. Cash dividends are expected to attain a new peak of \$12.5 billion in 1957 compared with \$11.9 billion in 1956."

Fund Holders Now Nearing 1.4 Million

A growing public awareness of the need for individual long-range financial planning was reflected during the first nine months of 1957 in the steady growth of the 136 open-end investment company (mutual fund) members of the National Association of Investment Companies, according to Mr. Joseph E. Welch, President of the Association.

As of Sept. 30, mutual funds were represented in the financial plans of an estimated 1,384,000 investors holding 2,924,000 shareholder accounts, Mr. Welch reported. Value of these accounts at that date was estimated at \$9,102,000,000. On Dec. 31, 1956, shares value at \$9,046,431,000 were held in 2,580,049 accounts of an estimated 1,207,000 investors.

Investors purchased \$1,070,000,000 of mutual fund shares during the first nine months of 1957 compared with \$1,004,132,000 for the like period of 1956, the Association spokesman reported. Repurchases for the nine-month period were estimated at \$320,000,000. The figure for the like period last year was \$342,089,000.

Investors use mutual fund shares as integral parts of their financial plans, Mr. Welch pointed out. The typical regular account shareholder, or "lump-sum" purchaser, has bank savings and government bonds representing 16.8% of his plan while individual corporate stocks held directly account for 60.3% and mutual fund shares for 22.9%.

In the nine-month period an estimated 167,000 new accumulation plans for the regular purchase of mutual fund shares were started by investors, Mr. Welch stated. This is a rise of 32% above the 126,408 plans opened for the like period last year. The number of accumulation plans currently in force is 599,000, with a value estimated to be \$815,000,000, the Association President reported.

A year ago, on Sept. 30, 1956, there were 422,752 accumulation plans in force with a value then of \$670,000,000.

The typical accumulation plan holder, still in the estate-creating phase, purchases his shares at regular monthly or quarterly intervals. He owns assets almost equally divided in thirds among savings accounts and Savings Bonds representing 33.7%, mutual fund holdings of 32.5% and individual corporate stocks held directly of 33.8%.

The National Association of Investment Companies now has a membership of 136 open-end investment companies and 27 closed-end investment companies with combined assets in excess of \$10 billion.

Delaware Fund Cuts Cash From 9% to 3%

Delaware Fund has reduced its "uninvested" position (cash, net receivables and Government agency securities) to less than 3% of total resources at present from a July high of around 9%, chairman D. Moreau Barringer reported in his latest semi-monthly Directors' Letter.

This reduction, Mr. Barringer told his board, resulted from the Fund's policy of purchasing commons on a descending scale which remained in force right up until the market's recent sharp turnaround.

He added that approximately \$900,000 of temporarily held prior securities, plus a net of some \$1.6 million of Delaware Fund shares were sold in the period and the proceeds all invested in common stocks. Thus, more than 11% of Delaware's current equity holdings is comprised of stocks purchased in the later stages of the steep July-September decline.

The mutual fund executive and investment counselor went on to explain what "uninvested" means to Delaware's management. "Not long ago," he recalled, "short-

term bonds, especially Government bonds, yielded so near to a zero return that, for a mutual fund at least, such holdings could be considered almost synonymous with cash. But the 1956-57 bull market in money has changed all that." He noted that Government agency securities in which Delaware has been investing funds temporarily out of the market have been returning as much as 4.7% per annum on maturities of a year or less.

Commenting on the business outlook for late '57 and early '58, Mr. Barringer observed that forecasts have been somewhat dampened by disappointing pickups in new orders, especially for steel and machine tools. "But," he pointed out, "the business news also contains a share of brighter news—housing starts up above an annual rate of a million again, and increased operations in textiles, cement and plywood. It seems probable," he reasoned, "that the pessimism which the stock market's decline has generated in the financial community has caused too many people to look only at the chilly side of the business thermometer, overlooking the many fundamental factors—automation demands, high defense budgets, population growth and imbalance, continuous demand for our exports, etc.—that are actively working on the favorable side."

J. E. Welch Pres. of Nat'l Inv. Cos. Assn.

Joseph E. Welch, Executive Vice-President of Wellington Fund, Inc. has been elected for a one-year term to the newly created position of President of the National Association of Investment Companies. The new position takes the place of that of Chairman of the Executive Committee, a post held since January, 1956 by Robert E. Clark, Executive Vice-President of Calvin Bullock, Ltd.

Mr. Welch attended the University of Pennsylvania and for 13 years was associated with the New York Stock Exchange firms of Newberger, Henderson & Loeb and John J. Henderson Co. He was with the Federal Reserve Bank of Philadelphia for four years and has been associated with Wellington Fund since 1937.

At the same time, the association announced expansion from three members to six, of its Administrative Committee so as to give representation to all major facets of the association program. To serve on the Administrative Committee for the next year are Robert E. Clark, who was elected Chairman of the association's Finance Committee; Dwight P. Robinson, Jr., named Chairman of the Open-End Investment Company Committee and George E. Clark, named Chairman of the Closed-End Investment Company Committee. S. L. Sholley will serve on the committee in his capacity as Chairman of the association's Public Information Committee.

Edward B. Burr, Executive Director of the National Association of Investment Companies, was also elected a member of the association's Administrative Committee. In a reorganization of committee functions, the association's Executive Committee voted that its name be changed to Board of Governors. Elected for three year terms were: Edward C. Johnson, John Schaeffer, Robert Cody, Herbert R. Anderson and Joseph E. Welch.

The National Association of Investment Companies represents 136 open-end investment companies (mutual funds) and 26 closed-end investment companies with assets in excess of \$10 billion.

Canada General Assets, Share Value Gain

Canada General Fund Limited reports an increase in the size of the fund during the fiscal year ended Aug. 31, 1957, with total net assets up from \$77,745,088 to \$83,660,646, and a gain in the number of shareholders from 29,397 to 34,301. Net asset value per share amounted to \$12.80 on 6,535,509 shares at the end of the latest fiscal year, compared with \$13.54 per share for 5,740,828 shares on Aug. 31, 1956.

Pointing out that the latest fiscal year marked a five-year period since the organization of the Fund and its predecessor, Canada General Fund, Inc. Henry T. Vance, president, comments:

"Over the past five years, your management has been carefully surveying, in broad outline as well as in specific detail, the entire Canadian business scene. Happily we note that developments have come completely up to expectations. During the period shareholders have had a substantial increase in their capital assets and the picture continues to look most encouraging over the years ahead.

"It is not our investment policy to concern ourselves with short-term, speculative profits. To the contrary, we have devoted our efforts to keeping an eye on the long-range growth trend in the various areas of Canadian business, and we have been vigilant in our attempts to employ in our investment work, shares in those companies which have established a place for themselves in Canada and whose management and resources are such that we can expect them to grow with the economy as a whole.

"With the substantial flow of new capital into the Fund, it has been possible, carefully and selectively, to invest this money in what are believed to be interesting situations at relatively attractive prices."

The annual report also includes a section, headed "Canada on the Move," which reviews recent developments in the country's economy and in key industries.

Business Outlook Bright, But Dip Ahead

Tight money will cause a temporary slowdown in the near future, investment company officials and mutual fund retailers were told this week in the banquet address by Raymond Rodgers, New York University economist, at the ninth annual Mutual Fund Conference held at the Hotel Statler.

"Sooner or later, tight money, particularly availability of funds, is bound to have a restraining effect on banking and business," he said. "I anticipate a slowing up in business in the months ahead."

Professor Rodgers added, however, that the screws on money and credit may be loosened before too long.

"Note carefully: The brakes of credit restraint are being used because business is too good," he asserted.

"The moment the Federal Reserve authorities fell the danger of galloping inflation has subsided, they will reverse their policy."

"In other words, the main thing that is slowing up business is tight money. But, when the Federal Reserve policy is reversed, as it inevitably will be, money will again be easy and business activity will again be on its way to new highs."

Professor Rodgers, who teaches banking at New York University's graduate school of business ad-

ministration, said the U. S. economy this year—despite tight money — has shown amazing strength and bounce.

"And, looking further ahead," he added, "the outlook could hardly be more rosy. The great ability of our scientists in the field of research; the great ability of the American economy to create capital; the great ability of American management to utilize that capital boldly, imaginatively and soundly; and the great adaptability of American labor to mechanization and automation, all guarantee that the best is yet to come."

Francis F. Randolph, Board Chairman and President of Tri-Continental Corp., told the convention attendants that families with incomes of more than \$5,000 a year should invest some of their money in stocks. But, he pointed out, they should not go into debt to invest.

Ownership of corporate stock, Mr. Randolph stressed, "provides opportunity for growth of the capital of the individual investors, and it furnishes to some degree a hedge against future currency depreciation which seems to be a problem of economies throughout the world."

Continued from page 16

Electronics on the Horizon

tions fed by tape recording. We have oil refineries that can be run at full capacity from a control panel of moving dials and flashing lights. We have atomic processing plants where the entire operation is in the hands of a few women at a push-button console.

While the story of automation in industry has captured the popular fancy and caught the bold headlines, the story of automation in the office is fully as fascinating and provocative in its implications. Clerical work had grown to such staggering proportions that business—and government, too—were in danger of being buried beneath their own paper. Not long ago, the Hoover Commission reported that in the past 40 years the volume of government letters had increased 60-fold. It found that the government now produces 25-billion pieces of paper annually—enough end-to-end, according to the Commission, to reach the moon 13 times. To keep up with the rise of paper work, our clerical force has almost doubled in 15 years to a total of 3,000,000 people—enough to populate a city the size of New York. Yet even this number has not been adequate, with conventional office machines, to handle our clerical chores at a time when the growing complexity of the economy has made office work increasingly difficult and important.

Now electronics has come along to offer business a powerful new ally in the battle with paper work. The electronic revolution in the office is dramatically symbolized by the mammoth computers that promise to make molehills out of mountains of paper. As recently as 1953, computer sales amounted to a mere \$25 million. Last year, these sales reached \$175 million. This year they will approach \$300 million, and indications are that the surface of the market has barely been scratched.

One of the greatest over-all advances in the use of electronic computers is being made in the field of insurance. There, computers are at work handling premium billing, dividend calculation and distribution, and a host of other operations too numerous to mention. Though computers are relatively new to the insurance business, their substantial advantages are already becoming evi-

Personal Progress

C. Graydon Rogers and Frederick E. Blum have been appointed investment officers of Delaware Fund and Delaware Income Fund, according to a recent announcement by W. Linton Nelson, President.

Mr. Rogers joined the Delaware organization as a security analyst in September, 1956. Mr. Blum is a more recent addition to the fund's research staff.

Both men received their Master's Degrees in Business Administration from the University of Pennsylvania's Wharton School.

Closed-End News

Adams Express Company announced that the net asset value of its 3,172,752 shares common stock on Sept. 30, 1957 is estimated at \$26.58 per share compared with \$30.36 per share at Dec. 31, 1956. The asset value at Sept. 30, 1957 is after the payment of 35 cents per share in capital gains dividend in June 1957. At Sept. 30, 1956 the asset value was \$30 per share. Capital gains dividends aggregating \$1.47 per share were paid in the intervening 12 months.

important changes that had taken place.

No physician, of course, could ever remember every symptom of every disease. But an electronic computer might conceivably do just that. It might have stored in its memory the best medical knowledge of the day—knowledge it could apply promptly to a particular patient's symptoms and come up with an accurate diagnosis. Or the computer, instead of being programmed to diagnose, could be programmed to forecast a person's life expectancy for insurance company records.

Personal Radio Communications: A second area that holds great promise for the future is personal radio communications. With a tiny gadget about the size of a pack of cigarettes, you will be able to carry on a conversation with friends or business associates wherever you happen to be—on the golf course, on a fishing trip, or even on a transatlantic flight.

Your receiver will have a decoding unit that will respond to only one of a million or more possible arrangements of pulses sent out from a transmitter. In this way, you will be assured of complete privacy in your conversation, even though you will be on the largest party line in the world.

Voice - Controlled Electronic Systems: A third area of exploration involves voice - controlled electronic systems. Basic studies already have led to the development of a rudimentary phonetic typewriter that can type a few simple words and phrases spoken into a microphone. Through experiments with this system and further development of the novel principles employed in it, we can expect to achieve new and versatile systems capable of "understanding" and carrying out verbal orders.

The business man of the future may well dictate his inter-office memos and personal letters directly to an electronic typewriter that will produce them phonetically in response to his voice. We may also look forward to the day when spoken instructions will be used to control the programming and operation of computers in business. To be really fanciful, we might picture the householder of the future talking into a little pocket transmitter to issue such instructions as "dishwasher on," "thermostat 72 degrees," and so on — activating controls which cause each of these things to happen instantly.

When the developments I have just outlined—and others that are now in our laboratories — arrive on the market, they will effect far-reaching changes in many businesses. In insurance, it is not unreasonable to envisage the day when all branch offices will be tied in with the home office through communications circuits that will be an integral part of the computer system. A single system will perform all the accounting operations within a firm. Or the same kind of facilities—with smaller computers—will be able to handle decentralized accounting where that is preferred. Insurance policy records, which now occupy five or 10 floors of a skyscraper office building, will ultimately be condensed on a few hundred reels of magnetic tape and stored in a single room. An employe who wants some specific information on your policy or mine will simply press a button or dial a code number. The electronic memory will be searched at lightning speed, and the desired information will appear instantly on a television-like screen on the employe's desk.

The Broader Implications of Automation: Boon or Bane?

This fifth phase of electronic development that I have been discussing has been pictured by some calamity criers as a Fifth

Horseman of the Apocalypse. They claim to see it as an ominous agent of doom and gloom that will bring an appalling eruption of trouble. These propagandists of panic, who harp on the science-fiction horrors of automation, are strangely reminiscent of the alarmists of the Nineteenth Century. Those misguided zealots, you will recall, stoned factories because one machine promised to do the work of 100 men. However, it was not long before they learned that the machines actually created many, many more jobs than they eliminated.

Even in our own century we have seen violent reactions to developments that were significantly new and progressive. In my own field, I remember when radio broadcasting came along, the phonograph companies said, "People want music when they want it. They'll never be content with any selections that radio stations put on. Broadcasting will never succeed." Well, not only has broadcasting succeeded but millions more phonograph records are being sold today than were ever sold before broadcasting was established.

When talking pictures arrived, the silent movie industry looked down its multi-million-dollar nose at the upstart. "Once the novelty wears off," they prophesied, "this will flop. People," they said, "go to a movie for peace, quiet and illusion — not for distracting sound." Well, where are the silent movies, today?

When television emerged, it faced the scorn of many people in the movie industry. They referred to it derisively as "that little peep-hole." Well, today motion picture companies are producing their products for television and some of them are making more money from their sales to television than they are from their sales to theatres. Indeed, some movie men have become so enamored with television that they would like to take it over and care for it—"as their very own."

Today the disciples of despair are predicting that automation will bring widespread unemployment. These forecasts, it seems to me, are as fallacious as they are familiar. I do not believe that automation will result in unemployment. On the contrary, I believe it will mean more and better jobs.

We have the word of our most eminent economists that the major problem in the years ahead will not be unemployment, but how to stretch the labor force to keep pace with our growing population and our rising standard of living. During the next two decades, the total population of the United States is expected to increase by two-fifths. Over the same period, the man-hours of labor will rise by only one-fifth. This means that if we are to continue enjoying an ever higher standard of living, our output of goods and services must increase far more than the number of people producing them. The answer to increased productivity will be found through automation.

Where mechanization tended to make the worker a part of the machine, automation reverses the process and frees man's work from routine. It provides broader scope for the exercise of his highest skills. It promises jobs calling for those human attributes, such as imagination and judgment, that automation never can duplicate. The result is bound to be a massive upgrading of skills.

Already we have seen, on a small scale, what happens when automation moves into the factory and the office. Upgraded employes have been liberated from the dreary tasks that used to dominate their day, and assigned to more responsible work at higher pay. Ultimately, automation will free millions from arduous and hazardous toil. It will increase employment, reduce hours

of labor, and increase our leisure time.

Automation as a Weapon in the Cold War

As our national economy adjusts to this new force, there will inevitably be problems—the kinds of problems that have always accompanied technological change. But one of America's greatest sources of strength has been its ability to accommodate, and even to encourage, technological change without changing its own basic emphasis on individual freedom and human dignity.

Today this ability to adjust to economic change is more important than ever because the new Soviet strategy in the Cold War puts a premium on economic weapons. Not that the Soviets are renouncing their military might. On the contrary, they are going all-out to enhance their military posture, as evidenced by their claim of having successfully tested the awesome Intercontinental Ballistic Missile. However, they now seem to be using this military strength primarily to back up a new strategy of "peaceful competition" proclaimed by Communist party boss Nikita Khrushchev. This strategy involves ideological, political—and above all, economic—penetration and subversion.

We have seen this new strategy in Syria where Soviet promises of military and economic aid and Soviet exploitation of Arab resentments have brought the implacable menace of Communism deep into the strategic Mideast. We have seen it in Indonesia where the Communists recently won a critical election triumph. We have seen it in India, in Burma, in Cambodia and in other Asian outposts where Communist activity is ominously on the rise.

If we are to counter this new strategy of "peaceful competition" successfully, our first and indispensable contribution to the Free World's security must be to keep ourselves economically strong. Only if we are strong can we take meaningful steps to promote economic stability among our allies abroad. Over the years, the key to America's economic strength has been its rising productivity. In our efforts to continue—and to accelerate—this rise, automation can be a vital asset.

Until recently it was fashionable to assume the permanent inferiority of Russia in industry and technology. Now we have learned that dictators can and do use their ruthless power to force the last ounce of strength from their people on "crash" programs. By these brutal methods of compulsion, the Soviet Union has sharply increased its industrial output and has achieved a position that endangers the survival of freedom in the world.

It would be foolhardy for us to take it for granted that we can retain our lead in automation unless we are willing to make an all-out effort. Of course, the introduction of automation on a broad scale cannot be accomplished without difficulties. But the prime lesson that the Cold War has etched in the mind and seared in the soul of the Western World is that no difficulties, however imposing, are comparable to the disaster of having free countries swept away by the restless Red tide of conquest.

So it is, then, that automation—a concept born of the latest phase of electronic development—has become critically important to us and to our allies. It offers the stimulating prospect of greater security, wider industrialization, a higher standard of living, and a better and happier life. If we have the wisdom and the will to face up to our opportunities, electronics can broaden our horizons beyond all expectation and contribute immeasurably to the prosperity we seek for ourselves and for all mankind.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

	Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:				
Indicated steel operations (percent of capacity).....	Oct. 6	82.4	81.0	101.8
Equivalent to—				
Steel ingots and castings (net tons).....	Oct. 6	\$2,108,000	*2,105,000	2,073,000
AMERICAN PETROLEUM INSTITUTE:				
Crude oil and condensate output—daily average (bbls. of 42 gallons each).....	Sept. 20	6,839,700	6,821,250	6,788,500
Crude runs to stills—daily average (bbls.).....	Sept. 20	17,830,000	8,056,000	7,970,000
Gasoline output (bbls.).....	Sept. 20	28,212,000	28,546,000	27,959,000
Kerosene output (bbls.).....	Sept. 20	2,173,000	2,340,000	2,359,000
Distillate fuel oil output (bbls.).....	Sept. 20	11,862,000	12,378,000	12,407,000
Residual fuel oil output (bbls.).....	Sept. 20	7,820,000	7,741,000	7,713,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—				
Finished and unfinished gasoline (bbls.) at.....	Sept. 20	174,058,000	173,805,000	171,897,000
Kerosene (bbls.) at.....	Sept. 20	36,335,000	36,001,000	33,519,000
Distillate fuel oil (bbls.) at.....	Sept. 20	165,137,000	162,853,000	149,671,000
Residual fuel oil (bbls.) at.....	Sept. 20	56,003,000	55,183,000	52,237,000
ASSOCIATION OF AMERICAN RAILROADS:				
Revenue freight loaded (number of cars).....	Sept. 21	724,934	741,147	759,140
Revenue freight received from connections (no. of cars).....	Sept. 21	605,295	598,792	618,146
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:				
Total U. S. construction.....	Sept. 26	\$342,274,000	\$328,655,000	\$436,495,000
Private construction.....	Sept. 26	186,388,000	219,063,000	162,766,000
Public construction.....	Sept. 26	155,886,000	109,592,000	273,729,000
State and municipal.....	Sept. 26	131,380,000	92,121,000	132,112,000
Federal.....	Sept. 26	24,506,000	17,465,000	49,273,000
COAL OUTPUT (U. S. BUREAU OF MINES):				
Bituminous coal and lignite (tons).....	Sept. 21	10,065,000	10,100,000	9,950,000
Pennsylvania anthracite (tons).....	Sept. 21	533,000	556,000	527,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100				
.....	Sept. 21	126	*131	121
EDISON ELECTRIC INSTITUTE:				
Electric output (in 000 kwh.).....	Sept. 28	11,697,000	11,991,000	12,147,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.				
.....	Sept. 26	278	287	262
IRON AGE COMPOSITE PRICES:				
Finished steel (per lb.).....	Sept. 24	5.967c	5.967c	5.967c
Pig iron (per gross ton).....	Sept. 24	\$66.42	\$66.42	\$63.04
Scrap steel (per gross ton).....	Sept. 24	\$43.83	\$46.67	\$51.50
METAL PRICES (E. & M. J. QUOTATIONS):				
Electrolytic copper—				
Domestic refinery at.....	Sept. 25	26.550c	26.550c	28.025c
Export refinery at.....	Sept. 25	23.850c	23.900c	25.675c
Lead (New York) at.....	Sept. 25	14.000c	14.000c	14.000c
Lead (St. Louis) at.....	Sept. 25	13.800c	13.800c	15.800c
Zinc (delivered) at.....	Sept. 25	10.500c	10.500c	14.000c
Zinc (East St. Louis) at.....	Sept. 25	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at.....	Sept. 25	26.000c	26.000c	25.000c
Straits tin (New York) at.....	Sept. 25	93.500c	94.125c	93.750c
MOODY'S BOND PRICES DAILY AVERAGES:				
U. S. Government Bonds.....	Oct. 1	86.44	86.59	87.35
Average corporate.....	Oct. 1	89.37	89.51	89.92
Aaa.....	Oct. 1	94.26	94.12	94.12
Aa.....	Oct. 1	91.77	91.77	92.35
A.....	Oct. 1	89.51	89.64	90.20
Baa.....	Oct. 1	82.52	82.90	83.53
Railroad Group.....	Oct. 1	87.59	87.59	88.27
Public Utilities Group.....	Oct. 1	89.23	89.23	90.34
Industrials Group.....	Oct. 1	91.34	91.62	92.55
MOODY'S BOND YIELD DAILY AVERAGES:				
U. S. Government Bonds.....	Oct. 1	3.70	3.69	3.59
Average corporate.....	Oct. 1	4.46	4.45	4.42
Aaa.....	Oct. 1	4.12	4.13	4.13
Aa.....	Oct. 1	4.29	4.29	4.25
A.....	Oct. 1	4.45	4.44	4.40
Baa.....	Oct. 1	4.98	4.95	4.90
Railroad Group.....	Oct. 1	4.59	4.59	4.54
Public Utilities Group.....	Oct. 1	4.47	4.47	4.39
Industrials Group.....	Oct. 1	4.32	4.30	4.27
MOODY'S COMMODITY INDEX				
.....	Oct. 1	392.8	401.6	418.6
NATIONAL PAPERBOARD ASSOCIATION:				
Orders received (tons).....	Sept. 21	259,955	265,697	263,400
Production (tons).....	Sept. 21	296,044	299,482	289,054
Percentage of activity.....	Sept. 21	96	98	95
Unfilled orders (tons) at end of period.....	Sept. 21	465,246	504,557	447,297
OIL, PAINT AND DRUG REPORT PRICE INDEX—1949 AVERAGE = 100				
.....	Sept. 27	110.30	110.20	110.27
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:				
Transactions of specialists in stocks in which registered—				
Total purchases.....	Sept. 7	749,860	1,398,230	1,275,240
Short sales.....	Sept. 7	165,570	250,970	221,750
Other sales.....	Sept. 7	629,220	1,201,040	1,073,470
Total sales.....	Sept. 7	794,790	1,452,010	1,328,130
Other transactions initiated on the floor—				
Total purchases.....	Sept. 7	137,800	252,170	215,170
Short sales.....	Sept. 7	23,910	30,950	30,400
Other sales.....	Sept. 7	128,090	223,440	185,030
Total sales.....	Sept. 7	152,000	254,390	215,430
Other transactions initiated off the floor—				
Total purchases.....	Sept. 7	235,850	473,400	396,140
Short sales.....	Sept. 7	51,560	129,790	80,540
Other sales.....	Sept. 7	249,410	434,193	468,745
Total sales.....	Sept. 7	300,970	563,983	549,285
Total round-lot transactions for account of members—				
Total purchases.....	Sept. 7	1,123,510	2,123,800	1,866,550
Short sales.....	Sept. 7	241,040	357,500	340,840
Other sales.....	Sept. 7	1,066,720	1,858,673	1,771,815
Total sales.....	Sept. 7	1,247,760	2,270,383	2,129,315
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.....	Sept. 7	781,484	1,344,558	1,297,282
Dollar value.....	Sept. 7	\$36,566,145	\$65,107,909	\$51,297,168
Odd-lot purchases by dealers (customers' sales) —†				
Number of orders—Customers' total sales.....	Sept. 7	543,445	892,617	902,197
Customers' short sales.....	Sept. 7	6,420	20,566	3,427
Customers' other sales.....	Sept. 7	537,025	862,051	892,770
Dollar value.....	Sept. 7	\$26,258,784	\$43,387,604	\$45,043,056
Round-lot sales by dealers.....	Sept. 7	107,780	187,340	163,360
Number of shares—Total sales.....	Sept. 7	107,780	187,340	163,360
Short sales.....	Sept. 7	107,780	187,340	163,360
Other sales.....	Sept. 7	107,780	187,340	163,360
Round-lot purchases by dealers.....	Sept. 7	349,370	674,400	585,600
Number of shares.....	Sept. 7	349,370	674,400	585,600
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.....	Sept. 7	322,870	626,120	459,590
Other sales.....	Sept. 7	5,340,790	9,635,430	8,308,560
Total sales.....	Sept. 7	5,663,660	10,311,550	9,768,150
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):				
Commodity Group.....				
All commodities.....	Sept. 24	117.7	*117.9	118.0
Farm products.....	Sept. 24	90.3	*91.0	92.6
Processed foods.....	Sept. 24	105.9	*106.4	106.7
Meats.....	Sept. 24	93.2	*95.3	98.0
All commodities other than farm and foods.....	Sept. 24	125.7	125.8	125.6

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of June.....	138,007	145,174	145,726
Stocks of aluminum (short tons) end of June.....	192,856	195,126	17,393
AMERICAN PETROLEUM INSTITUTE—Month of June:			
Total domestic production (barrels of 42 gallons each).....	236,454,000	255,935,000	235,823,000
Domestic crude oil output (barrels).....	213,202,000	230,696,000	212,997,000
Natural gasoline output (barrels).....	23,228,000	25,214,000	22,777,000
Benzol output (barrels).....	24,000	25,000	53,000
Crude oil imports (barrels).....	34,416,000	32,294,000	29,606,000
Refined product imports (barrels).....	13,764,000	16,010,000	13,159,000
Indicated consumption domestic and export (barrels).....	251,896,000	*264,837,000	*262,235,000
Increase all stocks (barrels).....	32,738,000	*39,402,000	*46,353,000
AMERICAN ZINC INSTITUTE, INC.—Month of August:			
Slab zinc smelter output all grades (tons of 2,000 pounds).....	84,166	*85,779	69,549
Shipments (tons of 2,000 pounds).....	81,049	*73,055	68,017
Stocks at end of period (tons).....	149,296	*146,179	104,307
Unfilled orders at end of period (tons).....	31,663	28,296	55,769
COAL OUTPUT (BUREAU OF MINES)—Month of August:			
Bituminous coal and lignite (net tons).....	43,120,000	34,760,000	*43,907,000
Pennsylvania anthracite (net tons).....	2,306,000	*1,486,000	2,699,000
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—			
Month of June (000's omitted).....	45,613,472	45,353,450	*43,157,287
Revenue from ultimate customers—month of June.....	\$758,054,000	\$746,672,000	\$709,821,000
Number of ultimate customers at June 30.....	54,559,745	54,428,374	53,236,457
GAS APPLIANCE MANUFACTURERS ASSOCIATION—Month of July:			
Gas-fired furnace shipments (units).....	60,000	54,000	72,000
Gas conversion burner shipments (units).....	14,200	10,900	20,200
Gas-fired boiler shipments (units).....	9,800	8,200	6,400
Domestic gas range shipments (units).....	134,200	157,000	159,100
Gas water heater shipments (units).....	206,400	215,000	231,900
METAL PRICES (E. & M. J. QUOTATIONS)—			
August:			
Copper—			
Domestic refinery (per pound).....	28.088c	28.690c	39.625c
Export refinery (per pound).....	25.694c	26.727c	37.667c
††London, prompt (per long ton).....	£208.613	£217.549	Not Avail.
††Three months, London (per long ton).....	£210.631	£219.587	Not Avail.
Lead—			
Common, New York (per pound).....	14.000c	14.000c	16.000c
Common, East St. Louis (per pound).....	13.800c	13.800c	15.800c
††Prompt, London (per long ton).....	£91.726	£90.614	£116.063
††Three months, London (per long ton).....	£92.012	£91.247	£114.489
‡Zinc, Prime Western, delivered (per pound).....	10.000c	10.005c	13.500c
†Zinc, London, prompt (per long ton).....	10.500c	10.505c	14.000c
††Zinc, London, three months (per long ton).....	£73.893	£75.152	£95.597
Silver and Sterling Exchange—			
Silver, New York (per ounce).....	90.909c	90.280c	90.614c
Silver, London (per ounce).....	78.750d	78.125d	78.773d
Sterling Exchange (check).....	\$2,782.74	\$2,787.83	\$2,783.06
Tin, New York Straits.....	94.218c	98.538c	98.944c
Gold (per ounce, U. S. price).....	\$35.000	\$35.000	\$35.000
Quicksilver (per flask of 76 pounds).....	\$251.111	\$254.308	\$255.000
†Antimony, New York boxed.....	36.590c	36.590c	36.470c
Antimony (per pound), bulk Laredo.....	33.000c	33.000c	33.000c
Antimony (per pound), boxed Laredo.....	33.500c	33.500c	33.500c
†Platinum, refined (per ounce).....	\$84.000	\$90.154	\$104.037
†Cadmium, refined (per pound).....	\$1,700.00	\$1,700.00	\$1,700.00
†Cadmium (per pound).....	\$1,700.00	\$1,700.00	\$1,700.00
†Cadmium (per pound).....	\$2,000.00	\$2,000.00	\$2,000.00
†Cobalt, 97% grade.....	\$2,000.00	\$2,000.00	\$2,000.00
Aluminum, 99% grade ingot weighted average (per pound).....	28.086c	27.100c	26.694c
Aluminum, 99% grade primary pig.....	25.986c	25.000c	24.668c
Magnesium ingot (per pound).....	35.250c	35.250c	34.694c
**Nickel.....	74.000c	74.000c	64.500c
Bismuth (per pound).....	\$2.25	\$2.25	\$2.25
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOTIVE MANUFACTURERS' ASSN.—Month of August:			
Total number of vehicles.....	612,690	591,039	503,276
Number of passenger cars.....	525,034	495,918	417,020
Number of motor trucks.....	87,392	94,803	85,827
Number of motor coaches.....	264	318	429
PRICES RECEIVED BY FARMERS—INDEX NUMBER—U. S. DEPT. OF AGRICULTURE—1910-1911 = 100—As of July 15:			
All farm products.....	247	244	243
Crops.....	239	241	255
Commercial vegetables, fresh.....	288	183	263
Cotton.....	273	270	274
Feed grains and hay.....	170	173	194

Railroad Securities

Southern Railway

Earnings of Southern Railway Co. have been running behind those of last year. However, it has been officially estimated that if fourth quarter results should show improvement, earnings for the full year 1957 will not be far behind the \$5.52 a common share reported in 1956. This was a record year for the company and compared with \$5.39 a common share reported in 1955. In any event, it is likely that 1957 results will be at least the third best in the carrier's history.

Earnings for the first eight months of this year amounted to \$3.08 a common share, more than covering the full year's dividend payments of \$2.80 a share. Earnings in the like period of 1956 amounted to \$3.57 a share.

Traffic in the past month has not lived up to expectations, according to company officials. In the month of August, carloadings were off 6% from a year ago. On the other hand tonnage was only down 3.3%. This indicates larger tonnage per car. Carloadings do not reflect the actual traffic moved. The drop in loadings is being partly offset by larger tonnage per car. In this respect officials observe carloadings do not always reflect the actual volume of business.

It might be noted that in the first six months of this year, Southern Railway's pulpwood traffic decreased 10,700 cars from a year ago, but on the other hand the actual volume of pulpwood increased 135,000 tons, due to the larger capacity of the new fleet of pulpwood cars.

Southern did not follow along with most rails in increasing freight rates. The management felt that to meet competition and maintain its traffic that it should hold down some specific rates on competitive tonnage. When the freight rate increase was granted by the Interstate Commerce Commission in August, there were about 45 groups of commodities on which this railroad did not apply the higher rates. This was done, an official of the company stated, because it was feared that it would have priced them out of the market and reduced income. On other commodities the Southern increased rates by about 4% and

this probably will yield an additional \$5 million annually in gross revenues. Southern is in a highly competitive district, not only from other railroads but also truck and waterways.

In order to provide better and faster service, Southern has embarked on a comprehensive program of equipment and maintenance of way rehabilitation. It was one of the first large major carriers to be fully dieselized. It also has completed an extensive program of yard modernization, with the latest electronic devices installed. This has done much to expedite the movement of traffic and to supply better service to shippers.

Southern is serving a territory which is growing in population and industry. Most of the plants in the territory served are new and modern which makes for efficient operation. The road is believed to have long-term expansion possibilities along with the growth of the territory served.

Two With Daniel Weston

(Special to THE FINANCIAL CHRONICLE)
BEVERLY HILLS, Calif.—Raymond E. Bruce and Roscoe W. Holloway have become connected with Daniel D. Weston & Co., Inc., 9235 Wilshire Boulevard.

With Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—Yale Levin has been added to the staff of Fairman & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange.

Joins E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—William C. Bowers has become affiliated with E. F. Hutton & Company, 623 South Spring Street. He was formerly with Shearson, Hammill & Co.

Eastman Dillon Adds

(Special to THE FINANCIAL CHRONICLE)
SAN DIEGO, Calif.—H. Stephen King has been added to the staff of Eastman Dillon, Union Securities & Co., 415 Laurel Street. He was formerly with J. D. Cregar & Co.

Continued from page 8

Dealer-Broker Investment Recommendations & Literature

Molybdenum Corp. of America—Memorandum—Brukenfeld & Co., 40 Wall Street, New York 5, N. Y.

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

Paramount Pictures—Report—David G. Means, 6 State Street, Bangor, Maine.

J. C. Penney Co.—Memorandum—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Ranco, Inc.—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same issue are data on **Manning, Maxwell & Moore.**

Schering Corporation—Report—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Sylvanite Gold—Report—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Universal Products Company Inc.—Analysis—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

Yard-Man Inc.—Memorandum—Wm. C. Roney & Co., Buhl Building, Detroit 26, Mich.

Youngstown Sheet & Tube—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N. Y.

Jonathan Adds

(Special to THE FINANCIAL CHRONICLE)
LOS ANGELES, Calif.—John Halpin is now with Jonathan & Co., 6399 Wilshire Boulevard.

Two With Scherck, Richter

(Special to THE FINANCIAL CHRONICLE)
ST. LOUIS, Mo.—Richard C. Bimson Jr. and James B. Scribner have joined the staff of Scherck, Richter Co., 320 North Fourth St.

Joins Denault Staff

(Special to THE FINANCIAL CHRONICLE)
SAN FRANCISCO, Calif.—Joseph J. Bava is now affiliated with Denault & Co., Russ Building. He was previously with Harris, Upham & Co. and Hooker & Fay.

DIVIDEND NOTICES

A regular quarterly dividend

of 30c per share has been declared by Daystrom, Inc. Checks will be mailed November 15 to shareholders of record October 28th.



DAYSTROM, Inc.
Murray Hill, N. J.
Electrical and electronic products
Modern furniture

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY
New York, N. Y., September 24, 1957.
The Board of Directors has this day declared a dividend of Thirty Cents (30c) per share, being Dividend No. 183, on the Common Capital Stock of this Company, payable December 9, 1957, to holders of said Common Capital Stock registered on the books of the Company at the close of business October 25, 1957.
R. M. SWEARINGEN,
Assistant Treasurer,
120 Broadway, New York 5, N. Y.



CANCO AMERICAN CAN COMPANY
COMMON STOCK

On September 24, 1957 a quarterly dividend of fifty cents per share was declared on the Common Stock of this Company, payable November 15, 1957 to stockholders of record at the close of business October 24, 1957. Transfer books will remain open. Checks will be mailed.
JOHN R. HENRY, Secretary

DIVIDEND NOTICE

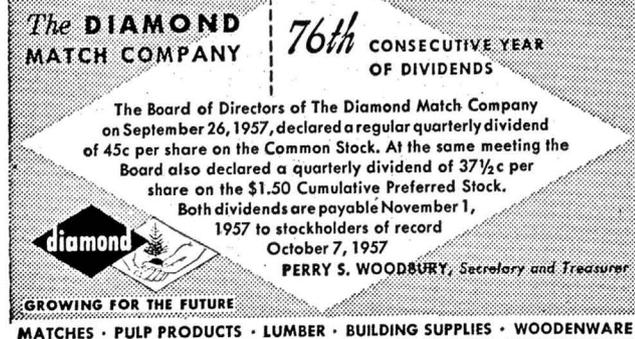
The Chase Manhattan Bank has declared a dividend of 60c per share on the 13,090,000 shares of the capital stock of the Bank, payable November 15, 1957 to holders of record at the close of business October 15, 1957.

The transfer books will not be closed in connection with the payment of this dividend.

MORTIMER J. PALMER
Vice President and Secretary



WORLD-WIDE BANKING
CHASE MANHATTAN
CHARTERED 1799
THE
CHASE MANHATTAN
BANK



The DIAMOND MATCH COMPANY 76th CONSECUTIVE YEAR OF DIVIDENDS

The Board of Directors of The Diamond Match Company on September 26, 1957, declared a regular quarterly dividend of 45c per share on the Common Stock. At the same meeting the Board also declared a quarterly dividend of 37½c per share on the \$1.50 Cumulative Preferred Stock. Both dividends are payable November 1, 1957 to stockholders of record October 7, 1957.
PERRY S. WOODBURY, Secretary and Treasurer

GROWING FOR THE FUTURE
MATCHES · PULP PRODUCTS · LUMBER · BUILDING SUPPLIES · WOODENWARE

Joins Chas. A. Day
(Special to THE FINANCIAL CHRONICLE)
BOSTON, Mass.—Roland J. Cas-tonguay has joined the staff of Chas. A. Day & Co. Inc., Washington at Court Street, members of the Boston Stock Exchange.

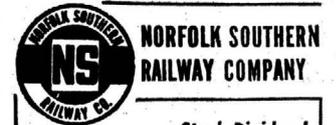
Moseley Adds to Staff
(Special to THE FINANCIAL CHRONICLE)
CHICAGO, Ill.—Kieth F. Kurzka has become connected with F. S. Moseley & Co., 135 South La Salle Street.

With Reynolds & Co.
(Special to THE FINANCIAL CHRONICLE)
CHICAGO, Ill.—Edward N. Murray is now affiliated with Reynolds & Co., 39 South La Salle Street.

DIVIDEND NOTICES

TEXAS TOY DIVIDEND

The Board of Directors has declared a quarterly stock dividend of 2% per share on common stock payable October 31, 1957, to public stockholders of record, October 15, 1957.
TEXAS TOY COMPANY
1711 Preston Ave., Houston, Texas



NORFOLK SOUTHERN RAILWAY COMPANY

Stock Dividend

The Board of Directors of Norfolk Southern Railway Company declared a 5% Stock Dividend, payable on December 20, 1957, to stockholders of record at the close of business on December 2, 1957, contingent on approval of the Interstate Commerce Commission for the issuance of additional shares of Norfolk Southern Railway Company's no par value Common Stock for that purpose.

HENRY OETJEN, President



OTIS ELEVATOR COMPANY

COMMON DIVIDEND No. 204
A quarterly dividend of \$.50 per share on the Common Stock has been declared, payable October 25, 1957, to stockholders of record at the close of business on October 4, 1957.

Checks will be mailed.
H. R. FARDWELL, Treasurer
New York, September 23, 1957.



PF PACIFIC FINANCE CORPORATION
DIVIDEND NOTICE

On Sept. 25, 1957, the Board of Directors declared regular quarterly dividends on Preferred Stock of this corporation, payable to stockholders of record Oct. 15, 1957, as follows:

	Date Payable	Rate Per Share
Preferred Stock, \$100 par value 5% Series	11-1-57	\$1.25
Preferred Stock, \$25 par value 4¾% Sinking Fund Series	11-1-57	\$0.291¼

B. C. Reynolds
B. C. REYNOLDS, Secretary

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Washington . . . And You

Behind-the-Scene Interpretations
from the Nation's Capital

WASHINGTON, D. C. — The natural gas bill, designed to reduce government controls over the thousands of independent natural gas producers, is fading far down the list of measures likely to pass in Congress next year.

The bill, sponsored by Reps. Oren Harris, D., Ark., and Joseph P. O'Hara, R., Minn., was approved by the House Commerce Committee by a slim 15-13 margin in the closing days of the session this summer. It was cleared for a floor vote by the House Rules Committee—by an equally slim margin—but House Speaker Sam Rayburn, D., from gas-wealthy Texas, and Rep. Harris, decided not to try to bring it up at the last minute with the heat of civil rights, foreign aid and other controversies causing tempers to flare.

Several polls were taken before the decision was made, and most showed that it could pass the House by anywhere from 15 to 35 votes. It is considered a pretty safe bet to pass if it reaches the Senate, where Western gas-producing states have the power to force it by the balky Eastern consuming areas.

Opponents, from such areas as Michigan, New York, the New England states, Illinois and other mid-Western areas, have been working overtime during the recess to convince borderline Congressmen who agreed to go along last year that it would be political suicide to back an alleged "consumer gouge" measure in the election year of 1958.

They are showing these wavering Congressmen that the unions, a host of northern liberals of both parties, and a group of 30 mayors of leading northern cities, are going to bitterly oppose the measure this fall. They will claim its passage would cost consumers more than a billion dollars a year in higher gas rates.

These activities, backers of the bill admit, will cost them some votes before Congress reconvenes next January 7.

Enlist Aid of Coal Interests

In order to make up for these lost votes, the backers of the measure are trying to work out a deal with the coal producers and Congressmen from coal producing regions. Previously, the coal interests have fought the bill, demanding that the present provisions of the Natural Gas Act, exempting direct sales of natural gas to industrial consumers by interstate pipelines be removed.

Now, the gas producers and the coal interests are trying to work out a compromise, under which the Harris-O'Hara natural gas bill would be amended to give the Federal Power Commission control over these direct industrial sales by pipelines.

If this compromise is finally agreed to, the gas producers may pick up some votes from the coal interests, but they are certain to lose the support of the powerful pipeline interests.

Victory Forecast

Whatever the outcome of these negotiations, the gas bill is certain to lose strength by next year. Rep. Harris says privately that the bill will come up for a vote early in the 1958 session, before the opposition has had time to consolidate, and he

predicts a victory—by a narrow margin.

Other impartial sources are not so sure.

The bill briefly would bring independent gas producers out from under the present utility-type of rate controls, based on cost plus fair return. If the bill is passed, producers would be allowed instead to charge the "going field price" or a "reasonable" market price, without regard to costs, and subject under certain conditions to FPC review.

Favored by Eisenhower

Congress in 1956 passed a much stronger bill, exempting independent producers from any type of government control. President Eisenhower, although saying he upheld the principles of the measure, vetoed it because of the now-famous lobbying incident involving Sen. Case, R., S. Dak. The President has indicated he would sign the pending Harris-O'Hara bill if it is passed in about the present form.

While the gas producers are busily attempting to get Congress to remove the present tight government controls, they are also working through the courts to win relief. Independent gas producers were not subject to federal controls until 1954, when the U. S. Supreme Court in the Phillips case ruled that the Natural Gas Act did make these wildcatters subject to the same kind of FPC controls that pipelines and pipeline-producers had to operate under.

Now, a group of 10 independent producers are seeking a court interpretation of the 1954 decision.

Destined for Supreme Court

Vehicle for the test case is an attempt by the Saturn Oil and Gas Co., with nine other firms entered as "friends of the court," to get out from under FPC control. They are challenging in the Tenth Circuit Court of Appeals at Denver the FPC's jurisdiction on the grounds that the Supreme Court ruling covered an integrated independent producer, but did not mention firms which have only wells, and do not operate any pipelines, processing, or other facilities.

As the Congressional picture darkens for the producers, there is an increasingly large number who believe the issue will have to be settled finally in the same place it arose—the U. S. Supreme Court. And they aren't overly optimistic about their chances there, either.

Tax Cuts Will Need Some Fancy Fiscal Footwork

With increasingly close race shaping up for control of Congress next year, tax cuts will become a more and more popular theme song for running-scared politicians. But the fiscal experts behind the scenes are going to have to do some fancy footwork before there will be any money with which to finance a cut.

Latest estimates of the Eisenhower Administration show that an expected rise in federal spending, and some dip in revenues, has pared the expected budget surplus for the current fiscal year to a weak \$1.5 bil-

BUSINESS BUZZ



"Identification? — Would a birthmark above my kneecap do?"

lion, \$300 million less than expected in January.

Despite all the whooping and shouting this year, in which Congressional Democrats claimed to have pared anywhere from \$3 billion to \$6.5 billion off the Eisenhower budget, the cold facts are that the real savings were pretty small. Many of the curtailed appropriations will have to be replaced later, and many of them were offset by failure to raise postal rates and otherwise increase government revenues.

And despite deep cuts in military manpower, aircraft programs, and procurement stretch-outs on missiles and other equipment, the Pentagon is having a tough time keeping expenditures to the \$38 billion a year level set by the White House in the face of congressional economy sentiment.

Pressure From Constituents

In addition, the lawmakers, while facing the prospect of having to further slice government spending if a tax cut is to be financed without going in the red, will be under stronger than ever election year pressures to vote plenty of presents for the folks back home.

The pork barrel bills will run to overflowing, full of public works programs, social security increases, and similar measures, which will tend to balloon, rather than shrink, the budget.

Thus the outlook is bleak for any further reduction in government spending. As for the possibility of any substantial in-

crease in revenues, the outlook is anything but cheery for the tax-cut bandwagon. Reductions in defense spending — from an annual rate of about \$40 billion a year until recently to \$38 billion — will mean belt-tightening for a lot of industries, and thus tax revenues will slip a little.

In addition, the switch from manned military aircraft to guided missiles will also actually mean less work to go around. While missiles are at least as expensive for equal striking strength as planes, they do not require anywhere near as much metal or other materials, which will further tend to restrict some industrial production.

Small Business Woes

The Eisenhower Administration, in its recently-issued mid-year review of the 1958 budget, again made it plain that it will use a good-sized chunk of any surplus to reduce the tremendous national debt. This, they believe, will be a good way to help ease inflationary pressures.

Small business firms, the darlings of the politicians for the last few years, have had the hope of a tax cut dangled in front of them for some time. So far, they've just been led around on a treadmill, never able to quite get a bite.

Two weeks ago, they ran into the same frustration. Some 1,000 businessmen, some small operators and some big by anybody's standards, came to Washington for the President's conference on technical and dis-

tribution research for small business. Before the first day was over, most of the small businessmen were grumbling that while it was a fine, interesting and highly-organized affair, they wanted to talk about tax cuts.

They were told that they needed to devote more time and money to research, and to take more advantage of the research being conducted by the government and by the larger firms. "Sure," one conferee agreed, "but where the heck do we get the money?"

An almost standard remark was that if the government would cut taxes, small firms would be in the researching business with the best of them.

[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 Man's Bookshelf

Consumer Finance Facts & Figures — National Consumer Finance Association, Bowen Building, Washington 5, D. C. (paper), 60 cents.

Employment After College: Report on Women Graduates, Class of 1955 — U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., 25 cents.

Handbook of Radiochemical Analysis — L. J. Beaufait, Jr. and H. R. Lukens, Jr.—in two volumes, Vol. 1, Radiochemical Techniques, \$4.00; Vol. 2, Radiochemical Procedures, \$3.25 — U. S. Office of Technical Services, Washington, D. C.

Italy — A Photographic Review — "Italia," 56 Via Vittorio Veneto, Rome, Italy—20 cents per copy; \$1.00 per year.

Job Guide for Young Workers — U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., 40 cents.

Problems in Marketing—2nd Edition — Malcolm P. McNair, Milton P. Brown, David S. R. Leighton, and Wilbur B. England—McGraw-Hill Book Co., Inc., 330 West 42nd Street, New York 36, N. Y. (cloth), \$7.00.

Speeding Israel's Progress — Leon H. Keyserling and Mary Dublin Keyserling — Development Corporation for Israel, 215 Fourth Avenue, New York 3, N. Y. (paper).

Stock Exchange Official Year Book 1957, Volume 2 — Thomas Skinner & Co. (Publishers), Ltd., Gresham House, Old Broad Street, London; New York Office 111 Broadway, New York 6, N. Y.—\$33.00 for the two annual volumes (not sold separately).

TRADING MARKETS

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