**EDITORIAL**

As We See It

Last January, President Eisenhower presented a surprisingly large budget of expenditures for the fiscal year that was to begin July 1, 1957. It was greeted with understandable dismay and quite warranted criticism in many quarters. To politicians in the opposition party, and to some of the anti-Eisenhower members of the President's own party, all this seemed to offer a large opportunity to make hayday against the Administration. All the usual political techniques were called into play for the purpose. For a time little headway was apparently made in convincing the President that anything ought to be done in the premises. It was not long, however, before it began to be evident that the critics of the budget had gained a substantial following, and in doing so had made reduced outlays a rather important issue in a political sense.

Congressional committees went to work hacking at this, that and the other proposed appropriation, and the President was obliged to give ground here and there. The net result, or one of them, was a somewhat lower total of proposed outlays at least as these items appeared in legislation passed by Congress and signed by the President. Under the necessity of making a showing of economy, the Administration has for some time now been hard at work reducing defense expenditures at various points. There were critics from the first who thought it unfair to reduce these outlays, but a time such curtailment as actually occurred seemed to arouse no serious general misgiving. Then the Kremlin announced first the successful firing of an intercontinental ballistic missile and then the launching of an

Continued on page 30

**The Bond Market Puzzle**

By DR. JULES L. BOGEN*
Professor of Finance, New York University

Noted finance professor perceives for 1958 a reversal of higher bond yield trend heretofore necessary to attract buyers. Dr. Bogen bases this on a narrowing of financial institutional earnings gap due to expected corporate financing decline offsetting an increase in mortgage borrowing vis-a-vis an increase in supply of funds, sparked by commercial banks and relaxed Federal Reserve policy if business recession deepens. Looking ahead until 1960's, the author sees on the whole a firm rising interest rate trend despite next year's decline. Praises wise monetary policy for checking inflation and disingenuous notion of inevitable inflation.

*An address by Dr. Bogen before a Committee Meeting, New York University, N.Y., Sept. 21, 1957.

Continued on page 32

**Federal Reserve Monetary Policy Not a One-Way Street**

By ALFRED HAYES*

President, Federal Reserve Bank of New York

The question as to whether the Fed will shift from its present policy of credit restraint is answered by N.Y. district head by prescribing the conditions which would cause a policy change, and by pointing out that present instances of excess capacity are not sufficient to alter price stability course. Mr. Hayesviews danger of inflation as still present, and that the Fed is aware of the opposite danger, too; and refuses fears of foreign run on our gold. Reviews demand for and supply of funds and answers misconceptions as to Reserve's policies.

Since so much has been written and spoken recently about current business, perhaps you will forgive me if I try merely to touch a few of the highlights. It seems clear that the boom of the past two-and-a-half years has lost much of its strong upward momentum, with private capital expenditures and Federal Government expenditures leveling off and perhaps even nearing a decline. Yet the decline in capital expenditures should be modest, and we are not hearing many public expressions of doubt, enhanced by recent developments, that the proposed cut in defense spending can or should actually be put into effect. Experts, which contributed much more than was generally recognized to aggregate demand in 1956 and early 1957, are beginning to show the adverse effects of payment difficulties in many foreign countries.

Inventory accumulation is no longer adding force to the boom in any significant degree. Although industrial production as a whole has been stationary, for all practical purposes, for about a year,

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GEORGE C. ASTARITA
Banks, McNonnex Co., Denver, Colorado Springs, Colo.

Taylor Instrument Company
Because the bloom is off growth stocks is not reason to neglect the better class in the scientific instrumentation field — Taylor Instruments. Many other companies in this classification are still selling from 20 to 40 times current earnings, whereas Taylor, currently at 53 in Overt-the-Counter market is available at approximately 10 times earnings. The company reports a $7.00 quarterly dividend. Truly a bargain for a company of this nature.

GEORGE C. ASTARITA

Earnings, in fact, should approximate $5 per share and might approach $6 if the new Asiatic Flu vaccine is in as great demand as now appears probable.

Allied Laboratories is a major producer of ethical drugs and is particularly strong in the field of vitamins. (In two years ago) its production is for veterinary use and the balance for human. It is the second largest producer of flu serum for prevention of Asiatic Flu which is now breaking out in epidemic form in various parts of the world. In the U.S. it is purchased by the military forces, and distributed world-wide.

Dividends have been paid every year since 1950. In 1956 the cash dividend of $1.10 was augmented by a stock dividend of $1.00 per share. In 1957, a quarterly dividend of 5c was paid, and in July and October a 3-for-2 stock split was declared. The July dividend rate was supplemented by extras of 1c in each case. The composite price of payment thus appears to be $1.40 annually, including extras.

If our earning position in general, in 1957, was so good, the per share for 1957 is realized then only this dividend represents each of only 28c of earnings which would be very conservative for an industrial company in a strong financial condition.

Capitalization is very small at $11,600,000, due almost entirely to stock preferences for $2,250,000 in 31% installment notes maturing at the rate of $100,000 per year from 1961 through 1968 and the balance in 1969. There is no preferred stock outstanding available for purchase by the servants large at $65,859 shares of common stock.

As of Dec. 31, 1957, the company had a total of $12,916,000 of current liabilities, $4,715,000. Net working capital was thus $8,201,000 and current ratio 2.7 to 1.

The company is obviously well managed, aggressive and in a strong growth phase. In addition, it shares with other factors in the drug industry a strong element of offense against possible business recession. At this writing it is selling at approximately eleven times earnings for this year and thirteen times latest reported annual earnings. Compared to other leading companies in the drug field, this is a very low ratio. This is particularly striking when you realize that the rate of growth in the earnings of Allied is substantially greater than that of other drug companies.

In my opinion, the stock of Allied Laboratories, listed on the New York and Midwest Stock Exchanges, is the one ethical drug company presently security suitable for inclusion in a portfolio for income and growth. It is of high quality, but by no means a static situation. It is in a "dynamic growth phase."

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Minuses and Pluses in the Current Business Outlook

By JAMES N. LAND* Senior Vice-President, Mellon National Bank & Trust Company, Pittsburgh, Pa.

Three bright spots of increased nonmilitary public construction, residential construction, and auto sales, are coupled with adverse trends in defense spending, business capital expenditures and business inventories, by Mr. Land, in concluding that the negative elements outweigh the positive. The banker-economist recalls last year's inventory reduction prediction, and believes inventory correction will continue through 1958. At our Tri-State Correspondent Bank Meeting a year ago I expressed the following among others: (1) That there would be only a small increase in defense spending in 1957; (2) That capital expenditures by business would not show any more than a moderate rise in 1957; (3) That residential construction would not be large enough to push us up into a new high level of business activity; (4) That nonmilitary public construction would continue rising and would probably show a billion dollars higher in 1957 than in 1956; (5) That automobile sales would increase to not more than 6,500,000 cars in 1957; (6) That the growth of household equipment would be moderately higher in 1957 than in 1956; (7) That an increase from inventory accumulation to inventory reduction would take place in 1957, possibly in the second quarter; and (8) That a general downturn in business would start in 1957, perhaps as early as mid-year.

These forecasts proved not fully accurate in some respects, but on the whole they may have missed the mark too badly.

In trying to look ahead, I shall start, as I did a year ago, by analyzing the principal factors in the economy in which I am interested, the differences between good business and poor business. These key players on the economic team, and their recent batting averages, so to speak, are listed in the accompanying table. They are defense spending, business capital expenditures, residential construction, other private construction, consumer purchases of durables goods (primarily automobiles and household equipment), and change in business inventories.

The principal elements of the overspending and overproducing are consumer expenditures for non-durable goods and services and governmental spending for purposes other than defense and space research. In 1956, consumer expenditures amounted to some $60 billion. I regard them as being "overdone" in nature and not likely in themselves to produce basic changes of direction in the general level of business activity.

Adverse Trends

In terms of total dollars involved, defense spending is presently, by a small margin, the most important of the key factors that I have listed. You will see from the table, there has been a considerable increase in such expenditures over the levels of 1955. It is a matter of common knowledge, however, that the Administration in general and the Department of Defense in particular are making every effort to reverse this trend. If they are successful, and I am not prepared to make a definite prediction in this regard, defense spending will be cut something like $2 billion below the rate for the second quarter of 1957. I think that the principal impact is likely to be rather than less on defense, but no movement that is so far as I am concerned, and I think that we had better be on guard and that the changes in defense spending during the next year or so will be downward and therefore a negative influence on the economy as far as immediate consequences are concerned.

The next of the key segments is capital expenditures by business. This is the factor which affects every other phase of the economy in 1956 and 1958. Such expenditures rose substantially in every quarter of 1957 and also were materially higher in the first quarter of 1957 than in the last quarter of 1956. In the second quarter of 1957, government spending was only about the same as in the first quarter. The evidence seems pretty strong.

*Address by Mr. Land before the Correspondent Bank Meeting held by the Mellon National Bank and Trust Co., Pittsburgh, Pa., Oct. 3, 1957.

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The COMMERCIAL AND FINANCIAL CHRONICLE

Help Wanted—A Psychiatrist!

By WILFRED MAY*

Mr. May denies the validity of economic and fiscal indices as a basis for forecasting and timing shorter term "trends" of the stock market. Citing the record to show the constant divergence between market fluctuations and external factors, he maintains the latter are superfluous, being only discursive. He qualifies the behavior of the investment community. Ursus that investment decisions be concentrated on appraising individual issues, on the premise that "any time is a good time to buy a good value."

I feel impelled to "file" a dissenting opinion to the prevailing view that the pattern of stock price movements is not random, and to the contention that there is rational explanation making possible successful forecasting of market fluctuations by available improved scientific techniques. I maintain that it is possible to correlate the apparent relevant economic factors with the timing of the market fluctuations, without the necessity of analyzing the twin grounds of the empirical record and recognition of local index factors. I have been a student of the market's behavior—and that this is so irrespective of the highly improved techniques for the use of economic indices.

It is not only the stock market experts who, per the Cowles Committee and other groups, I cite, have predicted less well than the coin-tossers; but also the broader econometric categories.

A study of policy followed by the investment companies, who certainly have access to all available forecasting techniques, showed that compared with portfolio policy based on swing-catching, the results have been gained through continued long-term investing. And, by way of informal confirmation, sophisticates know that to forecast bull or bear phases of the experts, the surest "bet" is to "oppose" the majority opinion; and I cite W. H. Meeker, who always had confidence in the "bucketing."

Again, for example, it is significant that most of the statistical and economic services, who are in the business of making available the factual statistical data bearing on companies and the appraisal of their issues; but go awry in the distinctly separate gain of forecasting market movements.

The Causes of the Aberration

Results Now for some of the reasons for the aberration results.

First, there is market psychology, including investor foibles, on the one hand, making for disharmonious and irrational economic factors and, on the other, market price movement is primarily controlled by the wave of recency, sharp fluctuations in price-earnings and dividend yields. At least there is no synchronization; the market reacts last, all with unpredictable lag or anticipation. In the case of anticipation, a period to borrow a "race-track" term—is required. The forecasting difficulty lies in the "bet." First, he must be correct in forecasting not only the relevant issue, but also, equally important and perhaps more difficult, the effect of those events on the market.

Importantly contributing to the divergence of the logical external factors and the investment community's market reality is the investment community's insistence in fully rationalizing its own predictions. These pre-determined analyses, in the framework of market moods-of-the-moment, often prompt successive and illogical adjustments of a single factor; or perhaps eclectic combinations which will fit the forecast or the market performance of the factors.

I believed the Chairman of our meeting, Mr. Walter Maynard, is no longer a partner in a Stock Exchange firm, but also Chairman of the Board of the Austin Riggs Foundation, the leading psychiatric institution. For it is the psychologist, or the economic psychologist, who is really called for as a forecaster.

The Timing Difficulty

Major difficulty in timing the investment community is the evidence of the rate of reaction to the incoming information—unlike the rising interest rate and narrowing of the stock-bond yield ratio. For example, the stock-bond yield ratio (the average yield of Standard & Poor's 50 Industrial stocks related to that on its High Grade Industrial Bond Index), which, in 1900 after years of stability, at a normal 2.8%, thereafter entered a long extended period of drastic decline, down to a low of 1.35% in February, 1933. The ratio at the time after which the yield ratio started to rise was below 1.75% and particularly in late 1955 when yields returned to the minimum yield of 1929. This indication could have been regarded as an omen of a market top.

Neglecting the bull market continued to rise for two years, the logical indications all through these and other causes, only occurring last month. Surely the timing of the effectiveness of such indices in market terms, remains a big X-factor.

"Inflation" As a Factor

Regarding the gearing of stock market policy to price changes in the market, this is in the forefront of the economist's thinking. And, I must regret that timing indices, insuperable difficulties stand in the way. First, there is the problem of reaction changes in the price level, high-pressure and low-pressure, during the long-term chart of prices, with its very sharp, inconsistent, and aloof, reaction. Second, there is the question of synchronization between cost-of-living inflation and market movement of the tangible and intangible countries. There have been many cases of divergence, especially, in the very midst of an inflationary environment. During our wartime inflation, for example, the latter phases of the 1937-38 period of military expansion. The wild bull market continued to 1926 and from 1926 to 1929, in a period of stable and falling commodity prices. Conversely, during major deflationary decontrolling in March-May 1944, the market fell despite a growing war when inflation really took a hold on the economy, and continued to fall on the cost of living by 36%, the stock market price index, nevertheless fell by 10% net.

Over the longer term, from 1929 to the present, the price of stocks was accompanied by a net decline of over 50% in the price of stocks. And during the post-war commodity prices and stocks after 1946 and 1947, the Great Bull Market's advance in stocks caught up with the cost of living by inflation.

A major difficulty in the way of inflation-hedging in the stock market is the unpredictability of the inflationary periods. Similarly, there are of course, many developments from the hot tips of the elphantine computer, an informal explanation shared by a director, each purchase or sale necessarily implies the acceptance of the general condition of the company and the market and the quantitative terms, of the outlook for the company and for the country as a whole.

Differences with respect to the available economic and opinion of both financial and commentators, unavoidable future necessarily exist, or must establish little market activity. Some trades would, of course, be made at one stage, and there would always be forced sales because of tax liabilities, conflict of interest, or change of mind. Here in our current inflationary environment, and particularly the chemical, textile, and iron stocks are not exactly working as a satisfactory refunding of shocks such as these. And, while living in a little corner of the country, those who are not there, might be forced to forget to open-buy orders or instructions to agents.

Fallacy of the "Trend" Assumption

Moreover, the difficulty in picking up the market's "trend" assumption—since it is the very nature of the market that there is a single trend embedded in a unified market—this is a difficult task. Actually, as can be sensationally demonstrated, there is a continuing and extreme divergence between indices. When there exists continuing and extreme divergence between indices and in the over-all market. However, is the furthering of the market and active, there must be essential differences in the state of knowledge of the investor with the techniques which they use to organize their expectations.

Thus, there are, or have existed even among groups of investors, information clearly shown many years ago by Alfred Nobel, who stated the market's expectations, and thus, it is possible to form a rational explanation of stock prices; and if the rational explanation of prices is changed to be achieved, success or of prices by scientific methods ought to be possible.

If a great many traders in common stocks, possibly a majority, were in agreement with the stock market at all times, or why prices should go up or down, and if professional groups and the index records, why then is the pattern of stock price not random? The answer is that the informed few do not generally determine the guesses of the zeros. This is why there are 1,000 equal traders of a particular stock, and 999 are not sure whether they should buy or sell. Suppose they were informed of the relationships to conditions and act in accordance with this information, and not just on the basis of what it means for the future. Then, if conditions are improving, there

Continued on page 30

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Techniques for Forecasting Stock Prices

By CHARLES F. ROOS*

Founder, The Econometric Institute, Inc.

Rejecting the theory that the pattern of stock price movements is random, economist defends his conclusion that there is a repeatable explanation for the use of scientific methods in investing.

Cites economic factors for aiding the anticipation of the impact of each of reasons motivating common stock purchasing: (1) to secure income; (2) to obtain capital growth or appreciation; (3) to gain protection during periods of rising prices, and (5) to acquire managerial control.

Interprets indices as pressing a further stock market decline.

Many buy or sell on their own or with the guidance of unscrupulous persons; the control of this uninformed or naive trading was observed by a distinguished British economist that he was led to regard in the structure of the domestic market, thus adding that "the domestic market is the game over, who secures a chair for himself in the music stops."

A Random Pattern?

Such studies and conclusions have naturally led many to the conclusion that the pattern of stock prices is random, reflecting the hopes and fears of traders. Traders, as these are modified by outside factors, such as the general state of the economy, may be influenced in Economics under my direction, that our conclusion was that the patterns of stocks should be not be shown to be random, nor should we care to have arisen from the cumulation or summation of a random series. The record of the stock market was found to have non-random characteristics, and we have arrived at the conclusion that certain characteristics of the stock market, including the basic random walk, have been observed by us.

While the analysis of the stock market, including the basic random walk, has been observed by us. For example, in the case of ocean shipping, we have observed that the pattern of stock prices is random, reflecting the hopes and fears of traders. Traders, as these are modified by outside factors, such as the general state of the economy, may be influenced in Economics under my direction, that our conclusion was that the patterns of stocks should be random, and we have arrived at the conclusion that certain characteristics of the stock market, including the basic random walk, have been observed by us.
Near-and Long-Term Outlook for Business and Capital Market

By DR. JAMES J. O'LEYRE
Director of Investment Research,
Life Insurance Association of America

After scrutinizing the bearish and optimistic business outlook which have been provided by a number of sources, insurance-economist O’Leary concludes: (1) plenty of room exists for business optimism and for concern about continuing inflationary pressures; (2) interest rates can be expected to remain at current levels in the third quarter of 1957, and (3) it’s quite conceivable that present capital market conditions may persist for quite some time. Notes banking and corporate liquidity, heavy forward commitment to raw materials and capital goods, and a dearth of dollar demand. Doubts Federal Reserve will take precipitous action at first sight of downturn.

I would like first to take a backward look at what has been happening in the capital market over the past 12 months. The Federal Reserve has provided a vast amount of liquidity, funded by a large inflow of foreign funds. This policy, together with the large amount of new capital funds which have been available and the relatively low interest rates on new funds, has been conducive to a sharp increase in investment activity. But this increase in investment activity has been offset by a rise in the cost of living, which has been above the level of the past few years. The net result has been a sharp increase in the cost of capital, which has made it more difficult for businesses to finance their operations.

In considering the short-term capital market outlook, it will be helpful for us to take a backward look and to analyze what has been happening in the capital market in the past several years. For example, the Federal Reserve has been characterized by a large deficit in capital funds, which has persisted for a number of years. This has had the effect of suppressing the supply of savings, and the result has been a steady increase in the price of capital.

As we look into the future, we can see that there are some possibilities for improvement. First, the Federal Reserve may reduce its supply of liquidity, which would help to reduce the price of capital. Second, the supply of savings may increase, which would also help to reduce the price of capital. Finally, the government may take action to halt the increase in the price of capital.

The outlook for the long-term capital market is less clear. There are some potential sources of trouble, such as the possibility of a large increase in the supply of capital, which could put pressure on the price of capital. However, there are also some potential sources of improvement, such as the possibility of a decrease in the demand for capital, which could help to reduce the price of capital.

The overall outlook for the capital market is one of caution. There are some potential sources of trouble, but there are also some potential sources of improvement. The Federal Reserve should take a cautious approach, and should be prepared to act if necessary to maintain the stability of the capital market.
Moonstruck Economy

By IRA U. COLEBROOK

Investments in Latin America

By J. BURKE KNAPP

International Bank for Reconstruction and Development

Looking back at ten years of development loans in Latin America, increasing year by year at an accelerating rate, and foreseeing at least one additional five-year period, the Bank warns Finance Ministers to undertake a determined effort to increase domestic savings as the first task of economic leadership. Mr. Knapp attributes inflation primarily to under-saving of the population, and to higher consumption levels, and suggests, as a concrete example, placing public and private utilities on a financially self-supporting basis. Believes the newly established international institutions could make Latin America less vulnerable than any other area during its early years.

*An address by Mr. Knapp before the Southern California Chapter of the American Institute of Banking, Los Angeles.

MONSTER ECONOMY

"... and even if you, the reader, are not a financial economist, you are still likely to 'take the jump' which has been made by the Federal Reserve Bank of St. Louis."

A financial economist has been examining the regional and national economies of Latin America, and has pointed out the economic distortions and inefficiencies that have been caused by the policies of the various countries. The author suggests that a more coherent and coordinated approach to economic development is needed, and that this can only be achieved through closer cooperation between the countries of the region.

The author also discusses the role of international institutions in promoting economic development in Latin America, and argues that the newly established institutions could make Latin America less vulnerable than any other area during its early years. He warns that Finance Ministers must undertake a determined effort to increase domestic savings as the first task of economic leadership, and suggests that placing public and private utilities on a financially self-supporting basis could be a concrete example.

The author concludes by emphasizing the need for a coherent and coordinated approach to economic development in Latin America, and by warning that the newly established international institutions could make Latin America less vulnerable than any other area during its early years.
Interest exempt from present Federal and Massachusetts Income Taxes

New Issue

$63,500,000

3½% Highway Improvement, Capital Outlay and Flood Relief Bonds

Dated October 1, 1957  Due October 1, 1958-77, incl.

Principal and semi-annual interest (April 1 and October 1) payable in New York City at Bankers Trust Company, in Boston at The First National Bank of Boston, and in Chicago at The First National Bank of Chicago. Coupon bonds in denomination of $1,000, exchangeable for fully registered bonds in multiples of $1,000, but not interchangeable.

Legal Investment for Savings Banks and Trust Funds in New York and certain other States and for Savings Banks in Massachusetts and Connecticut

These Bonds, in the opinion of the Attorney General of the Commonwealth of Massachusetts, will constitute general obligations of the Commonwealth for the payment of which its full faith and credit will be pledged, including the authority to levy unlimited ad valorem taxes upon all of the taxable property within the Commonwealth. The offering comprises $42,000,000 Highway Improvement Loan Bonds, $15,000,000 Capital Outlay Loan Bonds and $6,500,000 Flood Relief Loan Bonds.

AMOUNT DUE EACH YEAR AND YIELDS

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Due</th>
<th>Yield</th>
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</thead>
<tbody>
<tr>
<td>1958</td>
<td>3,183,000</td>
<td>2.50%</td>
</tr>
<tr>
<td>1959</td>
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<tr>
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<td>3,183,000</td>
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<td>2.90%</td>
</tr>
<tr>
<td>1962</td>
<td>3,183,000</td>
<td>3.00%</td>
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</table>

(Accrued interest to be added)

The above Bonds are offered when, as if issued and received by us, and subject to prior sale and approval of legality by the Attorney General of the Commonwealth of Massachusetts.
American Research Institute

For Financial Institutions -

Net Asset Value: June 30, 1957

Investment Company

DeWitt Conklin & Co.

Two with Percy Bailey

Maryland Road Bonds

Offers $15 Million

Westmoreland Investment Co., Ltd.

Maiden Lane, New York, N.Y.

Holly

GRAYE

Admirals in the offering are:

William Perry Bailey

Merle Smith; Schoellkopf, Inc.;

Harry E. Perry

Perry Avenue, New York, N.Y.

Perry Avenue, New York, N.Y.

DeWitt Conklin & Co.

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Perry Avenue, New York, N.Y.

DeWitt Conklin & Co.
State Roads Commission of Maryland

5%, 3.2% and 3.40%

State Highway Construction Bonds, Second Issue, Series K

Dated October 1, 1957

Due October 1, 1958-72

Coupon bonds in the denomination of $1,000 each, registrable as to principal only, and registered bonds without coupons in the denomination of $100,000 each, will be sold at par, with interest at the rate of 5%, 3.2% and 3.40% per annum, payable semi-annually on April 1 and October 1, at the Merchants’ Deposit and Trust Company, in Baltimore, Maryland or at the Chase Manhattan Bank in New York, New York.

The Series K Bonds will be subject to redemption as a whole at any time, or in part in inverse order of maturity on any interest payment date, after October 1, 1965 at a price equal to 100% of the principal amount thereof, plus accrued interest to such date, but for any remaining fraction of a twelve-month period, from the date fixed for redemption to the maturity date of the bonds to be retired.

AMOUNTS, MATURITIES, RATES, YIELDS AND PRICES

<table>
<thead>
<tr>
<th>Amount</th>
<th>Maturity</th>
<th>Yield</th>
<th>Amount</th>
<th>Maturity</th>
<th>Yield</th>
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<td>3.05%</td>
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<td>1967 3%</td>
<td>3.30</td>
<td>10,000,000</td>
<td>1972 3%</td>
<td>3.40</td>
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(Accrued Interest to be added)

We offer these bonds here, as and if issued and received by us, and subject to the approval of all legal proceedings by Messrs. Sikes, Bartow, Van & Dankewey, Bond Counsel, of Baltimore, Maryland. Such offering is not made hereby, but only by means of the offering circular, copies of which may be obtained here in one State in which such offering circular is issued, from only such of the undersigned as are registered dealers and are offering these securities in compliance with the Securities Law of such State.

Hornblower & Weeks - Ladenburg, Thalmann & Co. - Reynolds & Co. - Hemphill, Noyes & Co. - Coffin & Burr
Andrews & Wells, Inc. - McDonald & Co. - Blunt Ellis & Simmons - Arthur L. Wright & Co., Inc.
Burns, Corbett & Pickard, Inc.

Baumgartner, Downing & Co.

October 17, 1957
Germany’s Position in the International Currency Crisis

By HON. KARL VON MAGOLDI-REIBOLD
Alternate Governor of the International Monetary Fund
For the Federal Republic of Germany

German fiscal leader points out that during this year’s first eight months speculative influences accounted for more than half of the foreign exchange surplus. Ricardian speculation for no change in dollar value of Deutsche Mark. Citing drawbacks in Germany’s present surplus position, affirms his intention to continue remedial policies, as by stimulating imports, already demonstrated by the increase in imports from abroad over domestic demand. Doubts continue in rise in her exports. Concludes the major international imbalances can only be cured by worldwide curtailment of inflationary pressures.

It seems, that for the moment our most acute and pressing joint problem is currency speculation. I need refer to this gathering of financial experts, go into the details of what has been happening during the last few months. But it may interest you to know what the impact of speculative influences on foreign exchange figures has been in Germany. During the first eight months of this year, actually more than for any comparable period, the foreign exchange surplus has been a cause of no change in dollar value of the Deutsche Mark. Citing drawbacks in Germany’s present surplus position, affirms his intention to continue remedial policies, as by stimulating imports, already demonstrated by the increase in imports from abroad over domestic demand. Doubts continue in rise in her exports. Concludes the major international imbalances can only be cured by worldwide curtailment of inflationary pressures.

No Change in Mark’s Value

I am able to state here that this policy remains unchanged. Thus there is no interference in any way to contemplate a change in the dollar value of the Deutsche Mark, or any change in the margins. We have heard with surprise that our financial institutions and the Chancellor of the Exchequer in London has strengthened his hands in the opinion that the change question of the exchange rates is one which belongs to the country itself. To get rid of the pressures, we need to create the international payments picture is the first very goal we have to set out. In the next stage, maintaining underlying imbalances, there is the right kind of policy measures and the economic measures that will be able to produce an early return to a better equilibrium.

Thus I think there is provided in the right kind of policy in the form of our economic measures and the economic measures that will be able to produce an early return to a better equilibrium.

Certainly we have had very extreme figures during the past few months. The foreign exchange transactions are feeding on these published figures against the backdrop of a vicious circle of speculation feeding upon its own results.

Foreign Currency Speculation

We are here in a meeting on the four who’s financial and trading economics and of the world are set. We should not miss the present opportunity, once and for all, the fog and distorted pictures which a misguided and misguided manipulation of distrust of currency values have always been the most dangerous of all international financial relations. The German Government together with the leading financial institutions, have issued on Aug. 20, when the speculative operations which we have seen, have shown an interest in the German mark had reached a first peak, a categorical denial of any intention to alter the present dollar value of the German currency. They are determined.

"It is known that the external value of the Deutsche Mark is at a level that of most other currencies, is determined by its relationship to the U.S. dollar. However, this is not the case for all currencies. By all economic data, no change is anticipated in the parity between the D-Mark and the U.S. dollar. Any rumors concerning an increase in the value of the D-Mark are without foundation.

The government has not discussed with the Deutsche Bank, and the Deutsche Bundesbank will further. These troubles have been created by the German currency, a stability which is held in such high regard in the Soviet and in foreign countries."

“Land Tenure and Taxation in America”
A New Book by the late Dr. A. M. Sakoski

The book “Land Tenure and Taxation in America,” an illuminating contribution to contemporary economic problems, has been completed by Dr. Aaron M. Sakoski just prior to his untimely death in December. The book was written in order that the work might be carried on. He had to be delayed because of that fact, is now being distributed, by the Robert Schalkenbach Foundation of New York City. (Price $3.50). Dr. Sakoski was for many years a member of the editorial staff of the Commercial and Financial Chronicle.

From a background of editorial experience and study as a master economist and financial writer, Dr. Sakoski was admirably equipped to analyze the subject of his volume in simple and understandable language so that the layman can acquire the benefits and a land exposition of this most revolting quitanter’s gradually disappeared, the British laws and traditions of landlord and tenant were continued without significant changes. He analyzes the major remedies and methods of taxation and land reform that have been proposed for the further concentration of land in the hands of few persons.

This facet of land reform, as the author notes, is today a matter of world-wide concern. It engages the attention of the United Nations as well as individual governments everywhere. The employment question, of course, is a growing problem. One of these relates to the growth of population now numbering almost 172,000,000 and the creation of slums areas at an alarming rate. The other poses an even more urgent dilemma, because it has a direct bearing on our international role as leader of the free world.

Man’s hunger for the land is being acutely exploited by the communist camp. Nor does the fact that is being used for sinister purposes lessen its propaganda value. As long as that hunger is unrequited, it will press for solutions, and these pressures will be most explosive in lands where the quest for economic justice is most active.

Within a single decade, we have witnessed the steady attrition of the British Empire, the bloody struggle still being waged by the French to maintain their foothold in Africa, and the realignment in the Arab world that imperils the lifeline of our own security. In our own case, we are faced with a fierce nationalism that not only spells the end of colonialism, but alters the delicate; balance of world power as well.

If Dr. Sakoski were still with us, he might well have drawn some further lessons from the Rhodesian movement now making history in India. That country’s Government has, since it came into being, passed laws dividing up the estates of the big landlords and allowing the tenants to become owners. The matter of compensation to the landlords and the inability of the peasants to meet the demands their payment terms has led to a dead letter of the law. To counter forcible seizure of the land in South India, as advocated by the communists, Vinoba Bhave, a Hindu mystic has long been teaching his followers a form of passive resistance called "land gift." He offers an even more urgent dilemma, because it has a direct bearing on our international role as leader of the free world.

These are some of the signs and portents of a changing world, a world in which the land tenure question is likely to play an even more vital role. It is a world that can only be better. Its pages are crowded with drama, replete with evidence of noble intentions—intentions too often negated by human greed and bungling administration. Our vast public domain is largely untapped, and the possibilities of its disposition may still exact a future reckoning.

Of Dr. Sakoski’s personal qualities: we of the Chronicle will say of our former “editorial” associate that he was modest in bearing and address, an example of self-effacement, gifted with an unusual quickness of perception, and possessed of qualities that excelled in his own lifetime, the elements of a lovable person, a good soul and an interesting personality. He was endowed with a wonderful retrospective mind and had a hopeful outlook on life, besides being a philosopher and scholar who loved his fellow man. Dr. Sakoski was in every sense of the word both a gentleman and an altruistic thinker throughout his editorial career.
Outlook for Winter Business

By ROGER W. BARSHE

Mr. Babson expects business during the coming months to be moderately upward. The rate of improvement to depend upon consumer spending, capital outlay, and changed government spending as a reaction to the Russian Satellite surprise.

During most of this year business has been on a basic stability, with little adverse influences except those developed in the summer, mainly because despite the readjustments which many industries have encountered, and with which some are still struggling to contend, the total Physical Volume of Business is currently only a little below the high range of recent months, and is just a few percentage points lower than the first quarter peak for the year to date. During the summer, many businesses have been drawn downward because of seasonal influences such as hot weather and vacation absences. Therefore, I expect business during coming months to be moderately upward, helped by the Russian Satellite.

However, the improvement depends also upon basic consumer attitudes, which can change from day to day. Recent surveys on consumer behavior and attitudes indicate that buyers are becoming more price-conscious and more selective. Nevertheless, manufacturers are hopeful that their plans and output schedules for coming months will tally closely with the purchasing plans of consumers, which are still continuing upward.

The Auto Outlook

The automobile industry is a bellwether of the consumer trends. Dealers’ stocks are currently near 600,000, most of them 1957 cars, with only a sprinkling of 1958 models. Thus far, there has been little apprehension regarding the size of automobile inventories, and dealers are hopeful that October sales will at least approach those of a year ago.

The slight degree of optimism among automobile makers is helping to buoy the steel industry, which continues to hope for a strengthening of orders. Though such orders have been coming in gradually, nearly weekly may see a greater rush as the remainder of the plants change over to the production of 1958 cars. Appliance makers are also providing cautiously with respect to orders since sales have been disappointing so far this year. However, as inventories in these lines register declines, factory output should gradually trend up.

Construction Industry

Another major steel user, the construction industry, appears to have been taking a breather, although the latest month’s figures show a more-than-seasonal rise after the disappointing earlier weeks. The stoppages in the cement industry caused shortages of concrete products in some sectors. There are, however, more basic reasons for the slower pace in building. There has been a scarcity of money and the partial fulfillment of demand for housing. Sustaining strength, however, should be evident in awhile, works, utilities, and road building.

Beyond the conundrum of what the consumer is going to do with his income; some consumer-expansion plans are already being affected by lower expenditures by the Defense Department. Military cutbacks are beginning to affect whole communities which are largely dependent upon government contracts, such as aircraft workers and others employed in these towns dependent upon military payroll. The Russian Satellite may, however, change all this.

What About Employment?

Those who are laid off will be less eager to spend and will hesitate to go further into debt; while those who remain on the payroll may become more cautious about spending. On the other hand, due to the long period of boom, the average consumer has become accustomed to an increasingly higher standard of living. And it is far harder to adjust one’s tastes downward than to raise them upward.

Higher wages are partly responsible for the continued rise in personal incomes. However, these increases in income have not been a cause for concern to producers, since they add to the cost of doing business. Coupled with lower sales in certain lines, they further squeeze profits.

Conclusions

All in all, coming months should show a modest improvement over the long of the summer months. But the degree of improvement is dependent on a revival of consumer expenditures which in turn are affected by capital outlays and by changes in government spending, which could be increased as a result of the Russian Satellite surprise. It may well be that all three factors have been merely hesitating in order to consolidate the gains of the past long boom. Much will depend upon advertising appropriations and the efficiency of selling.

W. N. Schoeneck Now Is With Blyth & Co.

(999) 314-111

CHICAGO, Ill. — Willard N. Schoeneck has rejoined Blyth & Co., Inc., 332 South LaSalle Street. Mr. Schoeneck was formerly an officer of National Republic Co.

E. F. Hutton Adds

LOS ANGELES, Calif. — Charles R. Miller has become affiliated with E. F. Hutton & Company, 633 South Spring Street.

With McDaniel Lewis

GREENSBORO, N. C. — Henry T. Hicks III has joined the staff of McDaniel Lewis & Co., Jefferson Building.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these Bonds. The offer is made only by the Prospectus.

$75,000,000

International Bank for Reconstruction and Development

Twenty-Three Year Bonds of 1957, Due November 1, 1980 Interest Rate 4 1/2% Interest payable May 1 and November 1 in New York City

Price 100% and Accrued Interest

Copies of the Prospectus may be obtained only from such of the undersigned as any legally offer these Bonds in compliance with the securities laws of the respective States.

MORGAN STANLEY & CO. THE FIRST BOSTON CORPORATION

J. P. MORGAN & CO. THE FIRST NATIONAL CITY BANK

Manufacturers Trust Company

Incorporated

Chemical Corn Exchange Bank

Guaranty Trust Company

of New York

Bank of America

The Northern Trust Company

N. T. & S. A.

Blyth & Co., Inc.

Drexel & Co.

Eastman Dillon, Union Securities & Co.

Globe, Forgan & Co.

Goldman, Sachs & Co.

Kidder, Peabody & Co.

Lazard Freres & Co.

Merrill Lynch, Pierce, Fenner & Beane

Smith, Barney & Co.

Stone & Webster Securities Corporation

White, Weld & Co.

October 15, 1957.
Effect of Our Policies Upon the World Economy

By Delbert A. Snider

Professor of Economics, Miami University, Oxford, Ohio

Cautionsing we can no longer be too smug or complacent about the significance of world trade to our welfare and future growth, Professor Snider details the particular role he believes we should follow in world trade after pointing out the need for a more nationalistic political dependence on them. We can help eliminate the dollar shortage by maintaining an expanding domestic economy with full employment and, thus, keep our trade surplus high. December's lack of international banking short-term commercial loans and without minimizing obstacles to international flow of capital, cites beneficial effects of private investments abroad.

At the present time, world commerce imports amount, on an annual basis, to approximately $100 billion. We Americans, if we are to become somewhat accustom to hearing figures on economic activity, make up a financial affiliate to that $100 billion. It would not impress us very much, however, should we try to give the data on a modern basis, more meaningful by relating them to total world income, we would find that something like 15% of world income is spent on goods produced outside the borders of our own country. This is certainly not an unimportant figure. In fact, it means that any failure to raise a balanced appreciation of the significance of world trade and what is involved in it.

The first reason is that the figures quoted are "loaded," especially in the case of the United States, which makes up 25% of the total foreign trade of the world. The United States' position is an unbalanceably large part of total world production and income—from 40% or 50% of the world's steel to 25% of its wheat to 20% of its manufactured goods. The fact that we are in the forefront of the world's economy means that the United States is a financial ally to all other countries and these allies will find it less easy to fall into the trap of self-sufficiency.

The United States' position has also led to a situation where there is a sort of "revolving door"—a list of commodities for which we are wholly or significantly dependent on foreign sources. From 80% to 100% of our domestic use of natural rubber, indium, platinum, bauxite, chromite, asbestos, and zinc is supplied by foreign countries. In many cases, this is the basis of a half of our consumption of the above commodities. In the case of indium, for example, the United States has been dependent upon its importation from abroad for many years, and when the United States' position in trade is balanced, it is almost impossible to imagine that it will be able to maintain it.

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Mid-term Sales Outlook for Steel

BY NORMAN W. FLOY*

Vice-President in Charge of Sales, Republic Steel Corporation

Note that the immediate business prospect ahead shows a pause preparatory to moving on to higher ground, Republic Steel officials expect, for mid-term outlook to sell well, mid-term outlook better, and long-term prospects are "the best that any nation has ever been privileged to anticipate." Mr. Floy believes it is not alarming that the steel industry may not operate at full capacity during the months that this can permit production at most efficient point, reduce costs, and leave a margin for emergencies.

A review to the various 10- to 100-year business forecasts that have been made, shows remarkable agreement on one point: there is a "nothin' yet." Population, consumption, production—all yardsticks stick perfectly in a stagnation area inadequate to measure the future of the economic prosperity, according to this point. We may as well concede that the country is in a stagnation area, and work out what we can do to get out of it.

Marketing

And that brings me to the third conclusion: The possibilities for the industry will be greatest if current capacities are increased. When one thing leads to three very intriguing conclusions.

In the third place, we will re-discover that "normal" does not mean operating at 100% of capacity.

In the 16 years since 1940, the steel industry's annual production fell below 90% of capacity only five times—and these decreases were largely due to labor troubles. As a result, we tend to believe that we are pushing our mills at full speed. That is a vastly different point of view.

100% Capacity Not Normal

But this is a good time to remember the 1923 and 1929 situation. In the 30 years before World War I, the industry operated at an average of 70% twice, and in the prosperous years since 1929, operations reached 90% only in three years, and never reached 100% for one year. At this rate, operations reached 90% only once during the last 30 years. It should also be borne in mind that the shortage of steel was not due to a lack of demand for steel but to a lack of capacity to meet it. Today, the steel industry can turn the horns of a dilemma "the right way up" or the "wrong way down." The production ratio today is 91.5% of capacity. If the industry can hit the norm during the period ahead—high capacity and full utilization of short of capacity operations—then it will be all to the good. It will allow every company to use its most efficient facilities; it will tend to reduce unit maintenance costs, and will leave a margin for emergencies.

Learning To Sell Again

However, there is no room for complacency. Each steel company faces stiff competition not only from other steel companies, but from manufacturers and from users of other materials. Each steel company must do more than ever to sell its products and to educate the seller to buy. Each steel company must focus its efforts on the immediate and long-range needs of the user of steel. Each steel company must help its customers in keeping up with the changes that are taking place in the steel industry.

Cannon New Chairman Of N.Y. IBA Group

Francis A. Cannon, Vice-President and Director of The First Boston Corporation, has been elected Chairman of the New York Group, Investment Bankers Association of America. Mr. Cannon replaces Walter H. Steel, partner in Dresser & Co., who has served two year-ex-officio as the executive committee chairman. Cannon, McGuire, partner in H. W. Freasoc & Co. was elected Vice-Chairman of the group and William A. Robinson, Vice-President of the Chemical Corn Exchange Bank, was named Secretary-Treasurer.

J. B. Stevens Joins Goodbody & Co.

(C.M, in THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Joseph B. Humphrey has become associated with Goodbody & Co., National City East Sixth Building, Mr. Humphrey was formerly associated with a number of banks, including the First National Bank of Cleveland and the Ohio Trust Co., and is now in the investment banking business for many years. It has been a number of years since he has left the investment banking business, and he has been a number of years since the last he was associated with Goodbody & Co.

F. W. Humphrey With Donald Sloan Co.

(Portland, Ore.—Frank W. Humphrey has become associated with Donald Sloan Co., Cascade Building, Mr. Humphrey, who has been in the investment banking business for many years, has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphrey has been a number of years since he has left the investment banking business. Humphre...
Creeping Inflation a Menance To the Free World

By Dr. REINHARD KAMITZ
Minister of Finance of Austria
Professor of Economics

Though the present situation is not as dramatic as at the beginning of the Marshall Plan or in 1949, Austrian Finance Minister contends sustained creeping inflation "constitutes just as big a menace," and that vigorous, concerted action is necessary. Democratic countries, on the contrary, seem to recognize--on the basis of his country's ability to achieve double objective of high employment and price stability--classical monetary restraint policies and a price-wage-escalation basis, but the coordination of minimum internal fiscal policies among the principal nations.

The political and economic discussions over the past year have been dominated by one subject: the fight against inflation. This is a subject of such great importance that it is remarkable since a superimposed, global decline in the economic situation of almost all countries of the free world has been, a fundamenta l disequilibrium. Inflation.

Inflation is hardly any news in the United States. We would find the type of high-inflation which was characterized as "hyperinflation" during the World War I and World War II. But in the course of the past few years experienced a creeping inflation which has already produced far-reaching and disturbing disturbances in international finance. The necessity of combating the problem is by no means dramatic (as for instance at the beginning of the Marshall Plan or in 1949), but an abrupt devaluation was the only means of checking inflation. We at present, a shortage in exchange reserves of some of the most important trading countries.

Inflation is, therefore, the creeping inflation, if sustained over a longer period of years, constitutes just as big a menace for economic prosperity, and that we should therefore take vigorous action for preserving monetary stability.

Exposing the Culprit

Various theories have been advanced about the origin of inflation. A close examination has been insufficiently enforced. In particular the theorem of cost-inflation has been opposed to the classical theory of inflation, where an excessive supply of money is charging an inordinate supply of goods. Wages, which increase faster than the productivity, are supposed to be the principal culprit for this type of inflation, but government policies of fixed wages are resultant to the price rise by imposing and levying new and higher taxes. I do not want to belittle this explanation, but I feel that it must be put in its right perspective. In the general framework of a country's monetary and fiscal policy.

There is no doubt that a country which pursues a fixed-wage credit and fiscal policy will not be affected by cost increases in the same way as a country where currency is in the full power of the government, where the budget is in deficit. In other words, a cost-inflation in one country and a marked effect must be substantially reduced or subdued by a corresponding increase in the supply of money. This means that a strict monetary policy is a necessary condition. In a large extent negates the consequences of this type of inflation.

Full Employment Commitment

The problem which we are facing today is the basic commitment for full employment, which almost in its entirety has been achieved since the end of the war. For political as well as economic reasons no government can allow inflation to get beyond a certain maximum, which may differ between the various countries, but is considered a foregone conclusion concerned. This commitment is not a difficult or even impossible one to fully utilize the classical methods of monetary policy. While being difficult, the problem is, on the other hand, if one is in a good agreement with President Eisenhower's remarks that about the "Man-in-the-Middle" in a state of important issue for the present, and it is an essential importance that we all fight against a certain growing tendency to classical monetary policy, the modern labor movement, and the very strong growth in the most vulnerable part of the world toward inflation. We must hold down the money supply in a given situation, and we must also try to maintain a low rate of inflation.

I may state that over the past few years Austria has succeeded in combating the problem of in sections particularly a fact which is largely due to the strong inelasticity of the world's economy. In reducing the price rise within the framework of a budget which has been able to keep price rises within the limits of 5 percent to about the lowest price increase among all European countries. The Austrian experience, however, is the most important experiences, and the experiences of the strongest European countries, such as the free exchange markets of Zurich or New York corresponds exactly to its flexibility in a given situation, and the lowest price increase among all European countries. The Austrian experience is the most important experience, and the experiences of the strongest European countries, such as the free exchange markets of Zurich or New York corresponds exactly to its flexibility in a given situation, and the lowest price increase among all European countries.

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Price-Wage-Commissian

I refer in particular to the established Price-Wage Committee, consisting of representatives of the Chambers of Commerce, Labor Unions, and the Federation of Trade Unions. This committee, working on an entirely voluntary and an impartial basis, revues prices and wage developments and to determine to what extent existing trade union agreements are justified in the context of stability. The committee has given its own price-wage proposals such as to hold wages in economic phases where productivity does not increase, or to exercise a downward pressure on prices by encouraging imports through an increase in liberalization or a diminution of tariff duties.

But for the country for which foreign trade represents a high percentage of the national income, Austrian policy has been affected by economic developments in the rest of the free world. "Imported inflation" has become a serious problem for many countries. It is the undetermined extent of internal measures have so far succeeded in preventing the spread of stability, but which may nevertheless be influenced by the lax policies of the other countries.

International Monetary Harmony

I think, therefore, that it is of the utmost importance to pursue and expand international coöperation and the observance of monetary policy. I do not mean to say that this would have to go as far as to integrate completely monetary and budget policies of each country, but it is absolutely essential to arrive at a minimum of harmonization. International monetary coöperation has been very successful in such organizations as the International Monetary Fund and the European Payments Union, where it contributed, on the one hand, to the stabilization of the European trade, and, on the other hand, to a stabilization of the Austrian dollar problem. On a world-wide basis the International Monetary Fund has one very important function to influence. The function of maintaining exchange stability, is by normalizing the flow of international trade, from discriminatory impediments, in order to make sure that the most valuable contribution to international trade.

I feel that either within the framework of existing international coöperation or in a newly established international monetary and financial structure, it is necessary to maintain a very careful watch on exchange rates, and to keep the exchange removals. It will be very necessary to watch the exchange rate policy in the world in this field, such as for instance the report by a committee of experts which was pointed out by the OECD for studying the reactions. This was a very important step in the way. This coordination of fiscal and financial policies would not have to enter into the details of each country's domestic affairs, but it would be necessary to maintain an environment in a given situation should, in its own interest, as well as that of the community, countries pursue an expensive: reflation policies which would have to be flexible and would have to bring about a stabilization of the economic situation. Accordingly, the final part of my paper, the elaboration of my suggestions are clear. If there is a disequilibrium in the market for goods and financial policies should be brought to a country, three types of remedial measures, as the following measures: To prevent a devaluation or revaluation of the exchange rate, a variation in the degree of freedom, or a change in the direction of the international financial policies. The efforts of all countries have been concentrated in the world since the end of the war to achieve a stabilization, avoiding as far as possible resort to the inflationary methods, and at employing them only in the case of extreme foreign balance disequilibrium. Stability of the exchange rates and stabilization of trade balances are the responsibility of the international agreements of monetary cooperation, as well as international monetary and financial policies. The main function of these agreements was to prevent an increase of payments disequilibrium.

The solution of international problems among the principal countries would be of the greatest importance. Measures of a multilateral free trade and for the maintenance of the value of currencies of those responsible for carrying out their countries' monetary and financial policies. We have been in order to initiate such coöperation between these countries.

At the outset, ponder the words of L. Gordon. These words carry meaning to the most important function of the storehouse of financial stability.

"Money is powerful because it represents so much more than the mere physical value of a commodity." This is a very "theme song" for all Americans.

Function of Money

Money performs three functions: a medium of exchange, a storehouse of value, and a reserve of exchange. In all of these three, in any one, inflation can occur and can do so at any time.

In the first function—a measure of exchange—loss of purchasing power through devaluation, in the second—a storehouse of value—loss of purchasing power through depreciation, and in the third—a medium of exchange—inflation can occur through the printing press money. If you please, "Printing press money is not money created through the production of goods and services, this inflation in the third function—a medium of exchange—occurs when human emotions or mob psychology become the currency people, as the purchasing power of the change in the prices is the printing press money increases, to invest their hard-earned money in goods; and, in other words, to change from money into things. Inflation can begin in all three of these functions. Our elected representatives are the only ones who can stay inflation's treacherous journey as it goes on to the other side.

Extent of Inflation

"Inflatable Dollar" is 100 Times Costlier Than Bank Failures

"Savers", Policyholders' Losses Were 100 Times Bank Failures of 1986 Average Principal. For example, the average of the total savings funds of the American people and value of insurance in force, and subject to inflation, and warns that if the forgotten savers "are not saved, all of us are lost.

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How Much More Inflation? I now quote from the "Economic Letters" column by an employee of the First National Bank in Dallas: "How much more inflation can the economy sustain?" Below is a question: "How much more inflation can the economy sustain?" Below is a question: "How much more inflation can the economy sustain?"

Continued on page 26
Today's Thinking of The Federal Reserve

BY HON. WILLIAM MICHESNEY MARTIN, JR.*
Chairman of Board of Governors, Federal Reserve System
Adviser to the U. S. Delegation to the Twelfth Plenary Meeting of IMF

Financial officer denies "deflationist" position that inflation is the alternative to unemployment and that sound fiscal policy is impossible in a democracy. Maintains basic policy should prevent created money substituting for saving and that stabilizing the price level is of prime importance. Gradually recognizing that inflationary excesses aggravate subsequent readjustments and hence "resistance to inflation is really the battle against deflation." Concludes printing money to meet demand and reduce prices is(false.)

In this room we have gathered the responsible financial officials of most of our governments of the world, and starting with the address of the President of the United States, who has been more or less in the entire, or rather less in the position of the President of the Federal Reserve, to which the New York Fed is linked, that President, the Federal Reserve, and the Fed are basically firmly on the side of the President.

Mr. Martin, in his judgment, the dimensions of the problem; it is a problem of the money supply the President sees it, the duty of the responsible financial officers of our respective governments to devise and apply financial policies adequate to provide for sustainable expansion and growth and improved standards of living. It is fundamental — and this, I think, is the major point — that government is in the business of promoting saving. It is fundamental in times like these that those of us who are responsible for the formulation of our respective government's economic policies do not displace the savings of the community, but rather conserve and enhance the process of the continued growth. It is equally fundamental that those of us who are responsible for the formulation and execution of monetary policy do not displace the savings of the people who contribute to an erosion of the purchasing power of the people.

That is my credo, I think that is the basis of the Federal Reserve System today; that is the thinking of the Fed and the view of the President, and that is the thinking of the Secretary of the Treasury.

The Basic Concepts
I want to make a little bit on the basic concepts.
First, I want to make the comment that from time to time people in smaller countries, less developed countries, are prone to either inflation or deflation. In the United States you can't possibly know you will have these problems, you can't possibly have a problem of inflation; you can't possibly worry of which I fully subscribe.

I want to point out that that is not so. We have had inflation in this country, and in the last one and one-half years, the last 18 months, inflation has gotten a little bit ahead of us in this country.
I want to point out that inflation strikes the rich and the poor. Inflation is a process which, in the long run, is very difficult to handle, because it envelops and engulfs each and every one.

Think of these meetings and go back to 1946. At the end of the war, we were faced with the problem together, first at Savannah, and in that meeting, the President of the Board of Governors, there was general recognition of the problem of stimulating employment, of our worry about deflation, and all of us understood that inflation and deflation today are directly connected.

I remember very vividly hearing quite a discussion on the basis of the Employment Act of 1946, which is the law of the land in this country, and to the objectives of this day.
At that particular time the worry was partly about the fact that from the time of the great depression on, we had had persistent and had not succeeded in controlling the unemployment that we thought the world required. And with soldiers, workers, and so forth about, we were told that this problem was one that was right on our doorstep.
And so both parties in the Employment Act, and the objectives of the Employment Act are objectives to which all countries subscribe. They are sound as a value itself. The problem is in attaining those objectives.

The Aggravating Effect of Inflation
Actually the problem of the last 10 years, with the technological development, with the growth in population, with the widening horizons of people, the aspirations of all the peoples for a higher standard of living — the problem has not been one of creating the jobs, the problem has been one of restraining inflation and seeing to it that the stability of existing jobs is not undermined in such a way that when the inevitable adjustments come from there will not be overreaction. And although there would have been only one person unemploying if it had not been for all the preceding inflation.

It's our problem that has been the problem of the last decade in most of the world. And I think that it is the core recognition that the resistance to inflation is really the battle against deflation.

Certainly in this country we've been faced with the fact that inflation got a little bit ahead of us, and when you lose from one year to the next $10 million of your gross national product, and you lose prices without any additional increase in the services being supplied to the people, I think that all of you, whether you recognize it or not, is the core recognition that you have a problem of determining your standard which requires some adjustment.

One of the most difficult problems we in the Federal Reserve are confronted with is this charge that we seek a recession, or that we are using our policies as a way to reduce the rate of growth, we are not recognizing the legitimate necessity for growth and development, and we are endeavoring to punish us and most of the people.

Business Recession Enforced
Nothing, of course, could be farther from the truth. I have testified repeatedly that it is not in our jurisdiction, it is not in our power, it is not in our interests, it is not in the interest of the American people, it is not in the interest of the world, to set about to create a recession, as you have done in this country, to create a business recession.

If we are going to use this very sound concept of full employment, to which all of us subscribe as a justification for continued policies and persistent inflation, then it seems to me that it is the duty of responsible financial officers to see that this does not happen. It is not the job of the Federal Reserve to develop the government, and the government has a responsibility to see that we have policies that are not against deflation.

Our economies are loss economies as well as profit economies, and we think that they have to be sustained by making sure that we have policies that are not against deflation.

In the United States we are doing very much about this problem. Practically everyone today recognizes that inflation is a problem which is not good. But there are some people who say the answer to inflation is to print more money and reduce interest rates.

I merely want to point out that I think all of us as financial officers will realize that regardless of whether we are being charged with that, it is the responsibility of us all to do the thing that we need to do, and support a doctrine of scarcity rather than a program of abundance and a rising standard of living — if we permit ourselves to follow the sirens song of printing more money and reducing interest rates to that extent, it will result in the erosion of the value of our currency and undermine the saving and investment for the progress of all of us—undermine really the basis of our society.

And in my judgment, to achieve for the people a higher standard of living; but we will have a lower standard of living and a lower standard of growth and suffering that could have been avoided with a little bit of prudence and common sense at the financial level.

Halsey, Stuart Group Offers Pennsylvania Power Co. 5% Bonds
Halsey, Stuart & Co. Inc. is manager of an underwriting group which is offering today $8,000,000 of Pennsylvania Power Co. first mortgage bonds, 5% series due 1962, at 100.777% of par, and accrued interest, to yield 4.955%. Award of the bonds was won by the underwriters at competitive bidding on April 16 (a bid was accepted for $8,000,000).

Net proceeds from the financing, it is said, will find their way to the payment of outstanding bank loans, and together with other funds, for expenditures in connection with its construction program.
The new bonds will be redeemable at regular redemption prices ranging from 100.787% to par, and at special redemption prices ranging from 100.777% to par, plus accrued interest in each case. Pennsylvania Power Company furnishes electric service in 135 communities, as well as in rural areas of Pennsylvania, and also sells electric energy at wholesale to four municipalities. The company's service has been extended to all of Pennsylvania.

For the 12 months ended July 31, 1957, the company had electric revenues of $16,681,501 and net income of $3,135,515.

The Toledo Terminal Railroad Company
First Mortgage 4 1/2% Bonds, Due October 1, 1982
Dated October 1, 1957
The issuance, rate and guaranty of these Bonds are subject to authorization by the Interstate Commerce Commission.

Price 100% and accrued interest

The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the underwriters and others as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.
DICK & MERLE-SMITH
R. W. PRESPRICH & CO.
STROUD & COMPANY
INCORPORATED

THE ILLINOIS COMPANY
W. E. POLLOCK & CO., INC.

MCMASTER HUTCHINSON & CO.
THOMAS & COMPANY

October 11, 1957.
THE MARKET... AND YOU

By WALLACE STREEVE

A measure of at least temporary stability set in on the stock market this week, largely because of increased interest in missile issues that are almost certain to get new attention in government spending.

Before the timid buying moved in, the industrial average had 14 points lower than the 430-33 area where the selling on the President's heart attack in 1955 had carried. The margin was too narrow and the technical action too unequivocal to indicate that any important upward progress would be made until some sort of a base was established, and tested, in that area.

With the list so well delineated from the peak of three months ago, some cautious buy recommendation started to circulate for a change, bolstered a bit by the fact that the margin calls had reached an average of 19.5 peak and selling from this source seemed to be at a halt for the time being. We were also around and the hope was that an early start in cleaning up such speculative washouts could reach any fever pitch later in the year.

Sputnik Buying

Buying in the missile section with fairly spirited, some of the issues managing multiple-point gains per session when the going was good, but the group was highly speculative and news developments. Martin Co., which has a major role in the Vanguard which is our eventual missile, and Sputnik, was a bit severely depressed by vague rumors of a contract cancellation which turned out to be a contract a subsidiary of American Machine & Foundry had been granted by Martin. The selling, in short, was trigger-action not in full accord with the facts.

Similarly: rumors of a missile failure for North American Aviation was good for an immediate setback in the stock and it went up mostly to the fact that even the fanciers of the missile stocks were wondering why such a weapon was given to rapid reconsideration, which is short-term action and not overly indicative of the whole long-range picture.

"Defensive" Interest

What investment suggestions were being proposed were definitely in the defensive sections, notably the food lines and those, like Corn Products, that have done virtually nothing so far this year. Corn Products, as a matter of fact, has held in a four-point range, lately about in the middle of the bracket, although it is a component of the Dow, has been of the kind that gave up 80 points in its three month slide.

Penick & Ford, also a maker of corn products, was able to forge to distinction by being the sole new high on one session. This corporate name is little known although its grocery items, like My-T-Fine and Brer Rabbit, are familiar names to shoppers. The company is enjoying good profit margins and lower costs for some of its basic materials with projections indicating a good jump in 1957 profits.

The situation as to narrow price activity has been much the same in the other foods; Beech-Nut Life Savers having held in an eight-point swing. Standard Brands in about five points and even the bell-wether, General Foods, holding important. General Foods not only is a candidate for a good increase in profits for this year but it is considered likely to sweeten its dividend payment in the not-too-distant future.

Drugs Favored

Drug shares were also among the more favored of the major groups, mostly because they have been outperforming the market and the romance of new preparations, latest of which is the vaccine for Asian flu, augurs well for prevailing statements ultimately. The industry predicts a growth of some 15% per year in its ethical drug sales, mostly from new products.

Allied Laboratories, continues to attract favorable attention because of a major buy analysis in part because it is the second largest producer of polio vaccine and is a top outfit in the field vaccine field which, lately, has been added to by industry-wide inoculation of employees on a wide scale. Earnings projections give the company a good chance to boost 1957 earnings by as much as a dollar over last year’s $3.97.

Deflated Oils

Oils haven’t enjoyed much of the mass popularity of the current upward rush of higher sales but lower profits showing up in this group, too, lately, with many of these large entities currently are available at prices well below previous peaks and, in some cases, those margins continue to expand. For example, Phillips Petroleum is broadening its polyethylene facilities and is one of the leading factors in the natural gas field which is still growing rapidly.

Phillips has an odd distinction in that its postwar expansion amounted to around $3 billion, to build a company that reports total assets of less than $1.4 billion. Moreover, the company hasn’t shown any earnings slowdown in its profit gain and is expected to show above $4 a share this year for a comparatively moderate price-earnings ratio of around 12 to 13 on reported earnings and some six-times the cash flow result expected.

Interesting Electronics Issue

There hasn’t been much of a following for electronic-TV firms for some time. Sylvania Electric, available at a 6% yield, or line to report a sharp turn in earnings after the inventory squeeze in television production this year. The company is far less dependent on television than the common concept would make it. It is a fairly important supplier of fluorescent light, and its net, which is around 4% of which is a good figure even in the face of high bond yields.

Penick & Ford, too, has had virtually no market life despite the wide changes elsewhere. But its range even after nudging to a new high is still only around 3½ points on the year and the yield of around 5½ which is a good figure even in the face of high bond yields.

The situation as to narrow price activity has been much the same in the other foods; Beech-Nut Life Savers having held in an eight-point swing. Standard Brands in about five points and even the bell-wether, General Foods, holding important. General Foods not only is a candidate for a good increase in profits for this year but it is considered likely to sweeten its dividend payment in the not-too-distant future.

First sale in the United States in over 25 years of securities for Japanese-owned company.

Alaska Lumber & Pulp Co., Inc. (a wholly-owned subsidiary of a Japanese corporation) has entered into agreements for the sale of $12,000,000 first mortgage sinking fund 6% bonds, series A, due Dec. 31, 1976, according to an announce yesterday (Oct. 16) by Tadashi Sasanaya, President of the company, and F. H. Brandt, President, Reamer & Co. Inc., Dillon, Read & Co. Inc. negotiating the issue of the bonds. The company has announced that since 1955 has acted as financial advisor to the company with respect to the program to finance its pulp mill project near Sitka, Alaska. The issue will be used to construct a pulp mill in Alaska.

This marks the first sale of securities in the United States by a foreign company in over 25 years. In 1924 Dillon, Read & Co. Inc. first dollar issue of a Japanese private corporation (first mortgage bonds of Great Eastern Pulp & Paper Co., Ltd.) in the United States.

Vercoe Adds to Staff

"Chronicler" They are presented as those of the author only.

With Ross, Barton

(Cleveland, Ohio — Louis Ross has been added to the staff of Ross, Barton & Co., Inc., The 1015 Euclid Building.}

NATIONAL SECURITY TRADERS ASSOCIATION

The National Security Traders Association has announced the following program of events for the 24th Annual Convention to be held Nov. 2-—Nov. 8 at the Homestead, Hot Springs, Va.

SUNDAY—NOVEMBER 3rd

11:30 a.m. Registration

12:30 p.m. President’s Reception

3:00 p.m. Dinner

MONDAY—NOVEMBER 4th

8:30 a.m. Past Officers Breakfast

10:00 a.m. Officers Meeting

Committee Reports

3:00 p.m. Ladies Bridge and Canasta

5:00 p.m. Cocktail Party

6:30 p.m. Dancing—Entertainment

TUESDAY—NOVEMBER 5th

8:30 a.m. Presidents of Affiliates Breakfast

9:30 a.m. Golf Tournament

1:30 p.m. Ladies Trip to The Greenbrier

6:00 p.m. Dinner and Party

Dancing

WEDNESDAY—NOVEMBER 6th

10:00 a.m. National Committee Meetings— Election of Officers

7:00 p.m. Cocktail Party

8:00 p.m. Dancing—Entertainment

THURSDAY—NOVEMBER 7th

Golf—Tennis and Other Sports

Among the prizings in the golf and tennis tournaments. The N.S.T.A., this year’s winner of the golf and tennis permanent trophies with plated replicas for the individual winners each year, the sterling bowls going permanent among the membership for three times. There will also be sterling prizes for low gross which will be relative on the basis of upwards to retain the permanent possession. There will also be silver bowls for low net, and winners under the Callaway system, and unusual prizes for putting.

National Quotation Bureau will offer their large trophy for the winning team, plus individual bowls for winning team members, and the Blue List will have a cup for the best municipal player.

A putting contest for women, with many attractive prizes, will also be held.

Alaska Lumber & Pulp Co., Inc. Arranges $12,000,000 Financing Through Dillon, Read

First sale in the United States in over 25 years of securities for Japanese-owned company.
Strength and Limitations of Monetary-Fiscal Policies

By Dr. Beryl W. Sprinkel

Economist, Harris Trust and Savings Bank, Chicago, Ill.

Chicago banking economist's examination of price inflationary causes factors leads to such observations as: (1) the economy is now tending toward stability rather than either runaway inflation or deflation; (2) a severe drop in monetary growth could conceivably lead to a good reason for believing the transition will be successful; and (3) despite concern about tight money, the economy is still enjoying some money supply growth. Dr. Sprinkel addresses the latter concern by noting that over the long run "spending increases are determined largely by growth in the money supply."
What's Ahead at the F.C.C.?

By JOHN C. DOERFER
Chairman, Federal Communications Commission

F. C. C. Chairman, who is in favor of trial run for pay-as-you-see television on a controllable basis, fears that the trial system is in the field of sheer speculation.

Mr. Doerfer argues that the contention regarding possible destruction of television system "was and is entitled to the merits of argument and to knowledge, that it may be properly admini sterable by trial in the field of court, and not in the court of public opinion."

A number of television directors, who have been watching their television sets, have been watching the price changes and wonder what the public is doing in the field of television. "The market is in a state of flux, and the public does not seem to be reacting favorably to the idea of pay-as-you-see television."

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Sound Investment Policy for Today's Investment Problems

By A. MOYER KULP

Vice-President and Director of Investment Committee

Mr. Kulp offers “time-proved principles of balanced investment...likely to produce superior results.”

He expects the common stock market to remain in a broad trading range for some time, and with a resumption of an uptrend; and finds that while the changed bond versus stock price relationship does not invalidate the case for common stocks, it does subject the stock buyer to the successful business management today. Recommends broadly diversified program in dynamic, basic industries; underprices immediate income as a goal; suggests income needs be met in utility and commercial bank common instead of preferred stocks, and decries “defensive income stock.”

It is rather amazing to see the current waves of optimism and pessimism plus population levels past 18 months. What is the reason for such fluctuations? Perhaps it is in order to establish a sound perspective of the world situation, which has been in a strong rising trend for 14 years. The continuing possibilities to report it as being level at an adverse income may decline, but this should be considered the result of a change in the trend of declining price of new orders. The industry continues to develop as well as the recent decline in the production rate of new orders and the consumption rate. Thus, we see beneath the surface of the economy, that production this year, as it is indicated, has been marked by strong cross-currents in various industries.

Reassuring Factors

On the other hand, there are reassuring factors which indicate there is a growing trend in state, local and non-profit associations, including the highway program which will gradually gain importance over the next several years. Automobile and residential building will be in the forefront for the past two years now appear to rest on a firm base and might show a continuation of an upward trend.

When we look at consumer expenditures, we find a marked increase which represent such a large portion of our economy as we are now sensitive to the value of man-hours, general business conditions, and perhaps stimulating factor. We level energy, marked by inflationary pressures, to a typical competitive economy, with high employment. Unemployment cases have remained in a consolidating area? Those who have maintained a consistent but cautious attitude for the past year or two will find the health of the economy, still appear to be on a reasonably sound ground.

This current is probably accentuated by the abrupt cut in defense spending which had risen well above the budgeted level. Furthermore, this adjustment is accentuated by the shift in emphasis from aircraft to guided missiles. This will cause sharp realignments in certain industries which are not significant from the standpoint of business activity, however.

Another area of present concern is the housing market for tenant-occupied residential and industrial buildings. The outlook generally appears to be favorable for both types of investments, largely because of the recent trend in price of new orders and the consumption rate. Thus, we see beneath the surface of the economy, that production this year, as it is indicated, has been marked by strong cross-currents in various industries.

Advices Conservative Investor

All of us who are interested in the topic are interested in the steady, long-term gains. It would seem that under such circumstances to purport a purely normal investment policy, in the belief that common stock market is likely to remain in a broad trading range for some time, has been carefully guarded. At least, it is established for another term.

The increasing use of a limited percentage of common stocks in the diversified investment account during recent years, was soundly conceived as it enabled the investor to participate in long term growth of the economy, and_the small, but substantial, reasonable assurance that his dividend income would increase in a span of many years. This trend was accentuated by the two great war-time inflationary pressures, in income tax which reduced the purchasing power of dollar income, and by reducing the investor’s relative position was severely. This characteristic has received additional impetus because of a decline in interest rates on bonds and mortgage investments during the 1930’s and 1940’s.

Stock Buyer’s Position Today

The underlying advantage in investing in long term growth is still valid. However, other factors are in sharp contrast with the conditions prevailing when common stocks attained their general importance. For example, interest rates were lower during the years of 1930’s and 1940’s. Today, interest rates are at a higher price level and consequently provide a more favorable basis for comparison. At the lower interest rate on bonds has risen to a level where it is difficult to invalidate the case for common stocks. It merely places common stocks in line with the same risk and competitive position which characterizes businesses management today.

The sound long-term investment approach is to employ all, that an adequate portion of the account is invested in dollar returns such as life insurance, bonds or mortgages. Having made this decision, the investor will find that specific requirements are satisfied, the balance can then properly be placed in selected common stocks.

They should be companies which the investor believes to have the purchasing power of the investor’s money, that is, the potential for value as an investment hedge, or change in a growing and rapidly moving world.

This approach also calls for reasonably broad diversification in the stock held in the account, such as petroleum, chemicals, steel, aluminum, building materials, paper, and personal products. These are among the stable areas in industry, where long-term growth and above-average opportunities, a constructive attitude should be taken with such, rather than regard them as a hedge for the speculative amount of income be emphasized as greatly as is often the case. The

most attractive and the most dynamic equally usually carry a low yield, except that infrequent dividend at times is rich. Reaching for income usually means sacrificing the vital qualities and dynamic factors which are the essence of successful common stock investment. We urge that the investor look for income elsewhere: Municipal bonds, where tax considerations are important, and corporate bonds in non-taxable accounts. Where income is an over-riding consideration, common stocks in the best situated utilities or in steel, petrochemicals, metal banks, have great merit, as compared with preferred stocks.

Decries “Defensive Income Stocks”

Sound investment policy should emphasize companies which are strong financially, deep in excellent management, forward-look ing in research and development of new products, and above all, have the knack of making good investments and of being able to pay good dividends. They should be companies in industries which will rise rapidly, but are currently in the rapid and far-reaching changes which we must expect. After all, we must guard against investing in stocks which in future years, will be headed down hill.

After all, investing in the so-called “defensive Income Stocks” is likely to be pretty much of a losing game. These stocks will probably decline almost as much as they declined last year, and over a period of years their dividends will rise little compared with the dynamic issues.

The application of these time-proved principles of balanced investment are likely to produce superior results and certainly should enable the investor to pursue his own chosen activity with out unnecessary distractions.

They will also be an instilling factor in channeling a steady and needed stream of savings to finance the healthy growth of the growing country and thereby act as a positive force in reaching our respective Investment objectives.

Alaska Lumber & Pulp Co., Inc.
(a wholly-owned subsidiary of Alaska Pulp Co., Ltd., a Japanese corporation)
First Mortgage Sinking Fund Bonds, Series A,
due December 31, 1976

Alaska Lumber & Pulp Co., Inc. has entered into agreements, negotiated by the undersigned, for the private sale, subject to the terms and conditions contained herein, of a series of First Mortgage Sinking Fund Bonds to be made in four equal installments prior to October 1, 1959.

Dillon, Read & Co. Inc.

October 17, 1957
Mr. Baggott will be affiliated with the Bank's 34th Street office.

An increase was approved Oct. 8 at a special meeting of stockholders of the Federal Bank and Trust Company, N. Y., to $10,000,000, through a 250,000 additional shares. Stockholders will have the option to purchase for $10 for each share held. A stock dividend calls for the division of $500,000 to holders of Nov. 1, holders of Oct. 8, the bank's capital stock of $5.00,000,000, which gives a year-end added five cents a share for a year-end dividend of 2½ percent.

Gerald S. Converse, Chairman of the Executive Committee of the County Trust Company, White Plains, N. Y., will retire Dec. 31. He will continue as a director and will continue in his term expires in December, 1958.

The Marine Midland Banking Company has given an approval on the 3.4% mortgage of the Trust Company of Buffalo.

Mr. Benningen has been elected a member of the financial advisory committee of the Chase Manhattan Bank. He will be associated with the group which serves in an advisory capacity for the Chase Manhattan Bank's 17 offices in the Board.

Mr. Benningen is President and Chairman of the Board of the Savings Bank of New York. He is active in state and national savings bank associations.

Arthur Austin has been appointed as Assistant Vice-President of the Trust Company of New York, N. Y., and Robert E. Rees, who has recently been with the East River Savings Bank, New York, has been elected as Vice-President of the Trust Administrative Vice-President and Secretary since 1951.

The First National Bank and Trust Company of New Haven, Conn., with common stock, has a $3,000,000 acquisition of the New Haven National Bank Association, New Haven, Conn., which merged, effective as of the close of business Sept. 27. The consolidation was effective under the charter of The First National Bank of New Haven and the title of First National New Haven Bank.

At the effective date of merger, the consolidated the bank will have capital stock of $2,750,000, divided into 275,000 shares of common stock of the par value of each; surplus of $2,750,000, and undivided profits of not less than $103,536.

The First National Bank and Trust Company of Chicago, Ill., has opened a new office at 226 W. Jackson Blvd., Chicago. The office is scheduled to open in early November.

The First National Bank and Trust Company, Chicago, Ill., has been reorganized as a wholly owned subsidiary of the First National Bank of Chicago.

Mar. 16 was appointed as Assistant Vice-President of The Hanover Bank, New York, effective Jan. 2, 1958.

S. Powell Griffiths has retired as a Vice-President of Girard Trust Corn Exchange Bank.

Mr. Griffiths joined the bank as a Security Analyst in 1933, He was elected an Assistant in 1934 and as a Vice-President in 1943. He became Senior Vice-President in 1946. Mr. Loesche also has a retirement as a Vice-President after 38 years with Girard Trust Corn Exchange Bank.

Mr. Loesche joined the Trust Division of the Girard Trust Corn Exchange Bank in 1924 and was appointed an officer in 1942 and a Vice-President in 1948. He was elected a Vice-President in 1944 and is now a Vice-President in charge of the Trust Administrative Division.

The directors of the National Bank of Washington, D. C., and the First Bank of Tennessee, N. Y., D. C., approved plans for a merger. The merger must be approved by the shareholders of the two banks.


The common stock of the First National Bank of Austin, Chi., will be reorganized to $500,000 to $900,000 by the sale of new stock effective Oct. 27, 1958. (D: $15.13 shares, par value $50.)

Merger certificate was issued by the Office of the Comptroller of the Currency, merger was effective immediately. The merger, effective as of the close of business Sept. 30, the merger of the First National Bank of Pontiac, Mich., with common stock, and the First National Bank of Pontiac, Mich., with common stock of $2,500,000, the effective date of the merger is to be under the charter and title of the new bank.

At the effective date of merger, the common capital and surplus will have capital stock of $2,750,000, which will be divided into 275,000 shares of common stock of the par value of each; surplus of $2,750,000, and undivided profits of not less than $103,536.

The National Bank of Detroit, Mich., has opened a new office at 220 S. W. 3rd St., Detroit.

At the effective date of merger, the consolidated the bank will have capital stock of $4,722,750, which will be divided into 472,590 shares of common stock of $10 par value; surplus of $3,952,500, and undivided profits not less than $1,460,794.

Mar. 16 was appointed as Assistant Vice-President of The Hanover Bank, New York, effective Jan. 2, 1958.

The sale of 300,000 additional capital stock shares will increase their capital to $2,000,000, surplus to $2,000,000 and undivided profits to about $1,460,794. Total capitalization of approximately $5,000,000.

The 30,000 shares was offered to stockholders at $31 per share. The transfer of these shares on the books of the bank was to the New York Stock Exchange.

Mr. Eble was appointed as an Officer of the Bank and currently is assigned to the First National Bank of Manhattan, N. Y.

Joyce as member of the Board of Trustees.

Mr. Eble was elected President of Consolidated Edison Company July 25, 1957, after various capacities since he started with the company in 1937.

The appointment of Assistant Vice-President and secretary since 1951.

Fred W. Benningen has been elected a member of the Board of Directors of the First National Bank of New York, N. Y., succeeding President and Director of the First National Bank of New York, N. Y., as a member of the Personnel Committee.

Arthur Austin has been appointed as Assistant Vice-President of the Trust Company of New York, N. Y., and Robert E. Rees, who has recently been with the East River Savings Bank, New York, has been elected as Vice-President of the Trust Administrative Vice-President and Secretary since 1951.

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**Delaware Fund Appoints Rogers and Blum**

**PHILADELPHIA, Pa.** C. Grayson Rogers and Frederick E. Blum have been appointed inves-
tment officers of Delaware Fund and Delaware Bank, according to a recent announce-
ment by W. Linton Nelson, Presi-
dent.

Mr. Rogers joined the Delaware organization as a security analyst in September, 1956. Mr. Blum is a more recent addition to the Funds' research staff.

**World Bank Offers $75,000,000 4.3% Bonds**

Public offering of a new issue of $75,000,000 International Bank for Reconstruction and Development (World Bank) 4 3/4% bonds of 1957, due Nov. 1, 1980, was made on Oct. 13 by a nationwide group of 164 invest-
ment firms and banks managed jointly by Morgan Stanley & Co. and The First Boston Corp. The bonds were priced at 100% and accrued interest.


In addition to the purchase fund, a sinking fund will be in operation, the fund, which is non-cumulative from year to year, provides for the purchase of additional bonds in the open market or by acceptance of low-
ers at prices up to 103% and accrued interest, if redeemed on or before Oct. 13, 1958, at 102% after Oct. 31, 1977.

**DREAMS WITH A PURPOSE**

"Let's start a movement to enable those who want to travel to be able to afford it. We'll call it Project Travel." 

ALEXANDER GRAHAM BELL

**Bell Telephone Laboratories, Murray Hill, N. J.**

The Transit is a Bell Telephone Laboratories invention. So is the Solar Battery. So, too, are the switching ma-
chines that have brought about Direct Distance Dialing. And, again, there was the development of those wonder-
ful amplifiers for the undersized tele-
phone cables.

It all adds up to a great deal of pro-
gress. But there is much more to come. All that has been done is but the beginning.

Never have there been so many op-
portunities for wholly new develop-
ments in telephone service and so much well-rounded research behind them.

Each day there are excursions off the beaten path, revealing something that has never been seen before.

Working together to bring people together

**BELL TELEPHONE SYSTEM**

**BELL SOLAR BATTERY**

Converts sun's rays into usable amounts of electricity by means of specially treated dice of silicon. Has been used experi-
mentally to power rural telephone lines,

of whom over 1000 are trained scien-
tists and engineers.

Their work covers many fields and goes exploring and developing in many directions. But everything is directed to one goal. It is the betterment of communications service and the finding of ways to provide this better ser-
vie at the lowest cost to the customer.

The great assets of the Bell Labora-
tories are the judgment and knowledge that have been gained from years of experience, combined with the enthus-
iasm of minds versed in the newest scientific knowledge.

There is also the encouragement of initiative through a careful balance of pure research and developmental work.

The scientist is given a freedom that is the hallmark of industrial work.

Some of the great achievements of the Bell Laboratories have come in recent years.

**THE TRANSISTOR**

One of the breakthroughs in science that come only at rare intervals. This mighty microcircuit can do many of the things that an electronic tube can do and more besides.

**DIRECT DISTANCE DIALING**

By the end of this year some 5,000,000 telephone customers in 440 localities will be able to dial directly to as many as 35,000,000 telephones all around the country.
Adequacy of Bank Capital and The Sale of Bank Shares

By H. Earl Cook

Former Chairman, Federal Deposit Insurance Corporation
Manager, Underwriting Department, E. F. Hutton & Co., New York City

Until recently F. D. I. C. Chairman and now underwriter, Mr. Cook, still singles out the question of inadequate bank capital as a problem known for its persistence and insolubility. He points out that the only solution for lending institutions with this problem is the same as that which has been so long hoped for - effective control for successful flotation of new bank shares. Aware that bank shares have been extremely low, warns, however, that present situation is not entirely reassuring.

Every problem, of course, has its own special complications and significance, and I would suggest to the many people who have been with us from the very beginning and is still today a matter of vital import. I refer to the question of capital.

Ten Years Ago

Something of the timeless character of the bank capital problem is apparent in the emphasis placed upon it in my remarks in Washington in 1926. As now, there was concern over the adequacy of that capital. The major post-war trends were becoming evident; loans and other risk assets most of the time greatly exceeded the shrinkage in the volume of commercial paper. As to the Federal obligations. As these trends continued, banks added steadily to their capital through managing to improve slightly the relationship between total assets and total equity, slipping steadily behind in the relative capital to "risk" assets. In some quarters there is a disposition to measure the capital margin as an inevitable and tolerable element of the "entertainment" mix, and to accept it as a new norm of adequacy. In that attitude there lies a great threat to our present banking system, failing as it does to recognize the vital bank between bank capital and the functioning of our economy. Banks have a primary responsibility in allocating credit among different economic demands. They have performed this responsibility in the past when, I believe, they were adequately guided by the development of our economy to its unparalleled position of power. Unfortunately, the efficiency in doing this rests upon the dependable character of bank capital. A devaluation, a decentralization that goes hand in hand with our own banking system and our thousand of independent banks.

Rises Questions

What is the capital of adequate bank capital to do with the economic system? Simply: This Serious questions are there. Capital is a prime concern when we of a bank a permit to shrink the enterprise to its owners of that enterprise who have little at stake in sound bank banking. The question comes up of exercising authority and rewarding all out of proportion to the risk they assume.

A single talk by Mr. Cook before the National Bankers Association, New York, Thursday, 17th November.

Money-Matters Slaged

Lecture series mixing finance and entertainment, with all-star cast of Wall Street analysts, sponsored by Financial Organizations.

Finance and entertainment mix in a series of "money matters" programs to be held by Women Shareholders in American Business, Inc. and the Public Foundation in cooperation with the National Association of Women, Inc. While the talks will happen with more stockholders than men.

The second of the series will be held Wednesday, Oct. 23, in the WestFoyer of the Waldorf Astoria Hotel.

The theme is "You and Your Money in 1938," with an all-star Wall Street Seers to discus new trends. The series of four meetings is built around the questions most commonly asked by women investors... Should I take a loan? To "switch or not to switch?"...What about price versus value?...What are the bank's depositors havior always parallel business conditions?...What is the secret of future profits?...For this and other themes, programs of the series are being presented at the Waldorf by women shareholders in financial organization.

Twelve Months Ended September 30

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<tr>
<th>Year</th>
<th>Borrowing Rate</th>
<th>Earnings Ratio</th>
<th>E. on Book Value</th>
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<td>1936</td>
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<td>10.8</td>
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<tr>
<td>1937</td>
<td>10.4</td>
<td>8.7</td>
<td>10.5</td>
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<td>1938</td>
<td>10.6</td>
<td>8.5</td>
<td>10.7</td>
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Banks Trust
Bank of N. Y.
Chase Manhattan
Chemical Bank
Empire Trust
First National City
Guaranty Trust
Hannover Bank
Manufacturers Trust
New York Trust
United States Trusts

PHILADELPHIA, Pa., Oct. 7.—The 11th annual report of Standard Pressed Steel Co., will be issued on October 16 by the Philadelphia Securities Association on Friday, Oct. 18, 1937, at 4:00 p.m., in the Eighteenth Floor of the Barclay Hotel.

C. M. H. DeHaven, chairman, will discuss the company's operations this year and prospects for the next several years. He will also touch on recent changes and the effect of these changes on SPS's present operations and the future.

A. William Webb of Debskon & Co., Inc., investment banker, will review the stock market situation.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week—Bank Stocks

Well, as was to be expected, the leading New York City banks turned in another excellent quarter, ended Sept. 30, so far as operating results were concerned. Compared with the high earnings with the like period of 1936, the average result was approximately 3% higher this year. Omitted from the calculation were the large charges in the first quarter of that year. This has had capital increases via rights. However, on the 12 months' showing ended Sept. 30, the earnings increases had an average of 8.8%. Not only was this a successive improvement on top of a half a dozen earlier 12 months' periods, but it was accomplished in the face of declining earnings in the second quarter of Indiana.

Of course, the reasons for this good showing have been the continuation of the low interest rates and the increased interest rates. In a way, the banks have been scraping the barrel for funds to lend, as the ratio of governments to total assets is getting to be as lowest middling banks to care for. Of course, they were forced to the Federal Reserve to borrow on redeposit, but this cuts their margin of return; and, of course, if borrowing at the Federal Reserve becomes heavy, then authority always has the weapon of increasing the rate at which the banks may borrow.

A noteworthy point about the September bank statements is that, compared with a year earlier, every bank reported an increase in loans. These increases ran from a small fraction of 1% to 9.5%, for an average of 5%.

At the same time, we find that whereas throughout this time government bonds had quite consistently been in a decline in trend in order to supply lendable funds, only five of the 13 leading banks reported decreases in government bonds holdings from a year earlier; the others had increases. In this, of course, part of the motivation behind this could have been the present high yields on bonds, for bond prices are low and the returns on them are beginning to be competitive with equity yields. Another noteworthy point is that with a single exception, all of the 12 remaining banks reported increases in the amount of invested (or working) assets; i.e., income producing assets. These increases ran from 0.4% above the 1936 amount to 2.6% above, with several figures for one bank, to the best gain of 8.8%; for an average of 3%.

The banks apparently look for a continuation of the good loan market and have, in several cases, raised their loan volume among the New York City banks has lost ground; but the top rate since the early depression years continues in force.

Recently we have had three capital increases of considerable size. Recently, the Bankers National Association of Chicago turned in 13.0 $100,000, an operation involving $47,000,000; First National City was next with an increase of 2,000,000 shares at $60, bringing in $120,000,000 of new funds that must be put to work; the American Bankers Association, three years ago, has had been steady improvement in these relationships for quarter after quarter for a number of periods. This is one of the puzzling factors in the refusal of many investors to recognize bank shares as the outstanding conservative investments available among the common stocks.

In the price-earnings ratio only 23 States Trusts violates the accordant behavior of the stocks. In the second comparison, there are three discordant Items.

NATIONAL BANK of ILLINOIS, Limited

Edgar Colony and Uganda
Chicago, Ill.

1251 W. Madison Street
Burlington, Neb.

1256 Fifth Avenue
London, E. C.

110 E. 42nd Street
London, E. C.

465 Madison Ave.
Boston, Mass.

Brown Bros. & Co.
New York, N.Y.

15 Broad St.
New York, N.Y.

10 Broad St.
New York, N.Y.

A. G. M. International
1251 W. Madison Street, Chicago, Ill.

Authorised Capital $4,462,500
Lowest Capital $3,241,000
Highest Capital $3,967,700

Reserve Fund $15,104,697
Total Assets $39,142,917

The Commercial and Financial Chronicle. Thursday, October 17, 1937.
Thwaites Named Pres. of Trust Co. of Ga.

ATLANTA, Ga. — Charles E. Thwaites, Jr., President of the Trust Company of Georgia, has been elected by the board of directors of the firm. Mr. Thwaites has been associated with the Trust Company of Georgia and its predecessors since 1920. He served with the firm in 1939 as President of the Trust Company of Georgia, and has been associated with the firm since 1920.

Monetary Restraint is Not Enough

In Order to Check Wages Spiral

By PAUL EINZIG

Inadequacy of British Government’s new anti-inflation policy, particularly with respect to monetary-credit restraint, is Dr. Einzig’s view—leading him to conclude that “The inflationary spiral will continue, even if its pace may be moderated by stringent capital schemes.” Wage increases being placed on a self-financing basis in view of ability to pass on higher prices prior to wage hikes. Wages that limited quantity of money in circulation is of no avail in this regard.

London.—In the second week of October, all eyes in Britain watched the government’s new anti-inflation policy, particularly with respect to monetary-credit restraint. The policy has been labeled as “the government’s new program.” However, Dr. Einzig, who recently became President of the Trust Company of Georgia, argues that it is not enough.

Wages Are Self-Financed

The state of affairs is quite different if the additional money is needed, not for increasing the output of goods, but for increasing the output of wages. No additional credits are required and primitive credit has become a form of wage increases. Dr. Einzig says, “inadequate to the continued policy.”

Dr. Paul Einzig

It is true, many firms sell their increased output at prices determined by competition. New contracts nowadays contain an automatic clause for the next increase of the prices. In fact, the larger the price increases, the higher the wages become. Dr. Einzig notes, “inadequate to the continued policy.”

Labor Not Upset

The Chancellor of the Exchequer, B. H. Hall, has already been reported as saying that this policy is not to do away with money to finance wage increases. Apart from this, the government has no clear plan on how to implement the policy of resisting wage increases. Dr. Einzig says, “inadequate to the continued policy.”

The Financial Chronicle

The Financial Chronicle reports that the government’s new anti-inflation policy is not adequate to the continued policy. It argues that the government’s new anti-inflation policy is not adequate to the continued policy.

Why the soft drink industry is bubbling

How attractive to investors is the soft drink industry? Here’s why the soft drink industry is bubbling. Soft drink profits compare with such stalwarts as tobacco, chemicals, meat packers. How do they compare? Here’s why the soft drink industry is bubbling. Soft drink profits are attractive to investors.

Sartorius to Admit

Sartorius Co., 39 Broadway, New York City, a member of the New York Stock Exchange, has announced that it will not admit to the New York Stock Exchange. The firm has announced that it will not admit to the New York Stock Exchange.

CALIFORNIA

Form Best Securities

Best Securities, Inc. has been organized under the laws of California to engage in securities business. Officers are Seymour K. Fish, President, and Treasurers and Elistor Fish, Vice-President and Secretary. How attractive to investors is the soft drink industry? Here’s why the soft drink industry is bubbling. Soft drink profits compare with such stalwarts as tobacco, chemicals, meat packers. How do they compare? Here’s why the soft drink industry is bubbling. Soft drink profits are attractive to investors.
rises and investments of commercial banks are high and rising, and may be expected to continue their rise on a seasonal basis during the remainder of the year. (11) Consumer credit is high and rising moderately. (12) The outlook for automobile sales has been improving, and with the introduction of the new model, a $6 million car-year is now widely expected.

After reviewing the recent developments in the economy, it is difficult for me to foresee the possibility of a serious business downturn. At the same time, there are signs that the boom is losing a little of its steam. I believe, however, that general business activity will remain strong during the remainder of this year, with continued business and consumer optimism and persisting concern about inflationary pressures. This should, therefore, provide the basis for a continuing high demand for capital funds. I do not believe that we can yet afford to lower our guard against further inflation.

Concern for Inflation

Certainly, there is still plenty of room for optimism about the business outlook. Indeed, there is still plenty of reason for concern about continued inflationary pressures.

(1) Personal income is high and rising. This summer personal disposable income after taxes reached an all-time peak of $30 billion. Per capita disposable income is at an all-time high and is rising.

(2) Total personal consumption expenditures are high and rising, and amounted to nearly $230 billion in the June quarter. One of the more encouraging developments is the steady increase in retail sales which has been underway since April. During that time the annual rate of retail sales has risen by over $2 billion.

(3) Corporate profits in the first quarter of this year dropped below the level of the fourth quarter of 1956, but remained above the first quarter of 1956. Up-to-date figures on corporate profits are not available at the time this is written, but the consensus is that corporate profits remain healthy despite the "profit squeeze" we often hear about.

(4) Despite the leveling out in business plant and equipment expenditures, they are still expected to reach a new record of $27 billion this year as compared with $19 billion in 1956.

(5) The economy is operating with a bare minimum of labor unemployment. Unemployment is showing no trend, but has fluctuated around 4% of the civilian labor force, a rate probably representing little more than "frictional" unemployment.

(6) There has been no appreciable change in the average weekly hours worked in manufacturing industries. A decrease in this average would indicate a softening in business.

(7) The Federal Reserve's Board index of industrial production has remained stable at 144 in July, and August, close to the peak of 147 of last December.

(8) Private nonfarm housing starts have been on the upswing in recent months and in August were at a one million annual rate. The FHA received approvals for mortgage insurance on nearly 22,800 proposed new homes in August—2% above the level of July and the highest since the Spring of 1956.

(9) The index of consumer prices continues to rise indicating the pressures of consumer demand. The rise has been from 118.2 in January to 121 in August, the latest figure. Wholesale prices have also shown a moderate rise from an index of 116.8 in January to 118 early in September.

(10) Total loans and investments of commercial banks are high and rising, and may be expected to continue their rise on a seasonal basis during the remainder of the year. (11) Consumer credit is high and rising moderately. (12) The outlook for automobile sales has been improving, and with the introduction of the new model, a $6 million car-year is now widely expected.

If business plant and equipment expenditures turn down in 1958, and this is not affected by an upturn in residential construction or in consumer expenditures we could have some relaxation in business activity next year. I believe, however, that an upturn in residential construction will occur if business plant and equipment expenditures decline, and I can see no reason for any serious deterioration in business. Thus, the general business outlook for the balance of this year, and into 1958, promises to be conducive to a big demand for capital funds.

Prospective Uses and Sources of Capital Funds

Against the background of the outlook for business, what can we say about the prospective uses and sources of capital funds in coming months?

First, let us take a look at the picture on corporate financing. During the first nine months of the year corporate issues (bonds and stocks) will total an estimated $9.7 billion, as compared with $7.5

What's new on the New York Central

Mechanized muscle kid so your freight moves faster.

Mechanized track gang rolls into action headed by ballast-regulating machine (1). Its rotating iron teeth can clear out macadam crossings; plows fastened to sides move rock ballast away from ties so other machines can work on them. Pneumatic spike puller (2) easily pulls out 5" spikes which hold ties to rail.

Mechanization is the order of the day on the New York Central. A column of the Central's maintenance-of-way equipment may look, at first, like a potent lawyer's nightmare. But these weirdly designed machines can effortlessly grind out smooth, fast roadbeds at an incredible 4000 feet a day! This means more track open to more trains... more days each year. As a result, trains keep moving faster, smoother, with less delay. A sample stretch of track may get the undivided attention of a dozen strange, new machines. Some of this unique, costly equipment, however, is in danger of being outmoded on the Central... before most of the country's railroads have ever had a chance to use it.

The Central is already experimenting with newer maintenance machines: a giant "fishing pole" that will string high-tension wire... a tie picker-upper that bundles these heavy beams...
billion in the first nine months of 1956. The corporate bond calendar on September 5 showed an aggregate of $1,280 million bonds scheduled for offering with definite dates set, and $480 million with no dates set. This overall total of $1,763 million reflects some working down of the calendar in prior weeks, but the amount remains at an historically very high figure.

Secondly, as indicated earlier, the use of residential mortgage credit seems to be on the upturn. With the increase in the FHA rate to 51/4%, these mortgages undoubtedly have become more competitive. However, with corporate net yields still considerably more attractive than the net return on FHA mortgages, there has not been any sizable increase in the flow of funds to FHA’s, but this would undoubtedly develop if corporate rates should soften. A big unanswered question is whether the demand for new homes, even on the easy FHA downpayment mortgage terms recently made effective, will be great enough to absorb any large additional amount of mortgage funds if they become available. I do not believe that easy credit terms can stimulate home construction at this time to the same degree as in the latter part of 1953 and in 1954 and early 1955, but if funds should become more readily available for the purchase of FHA mortgages on a low down-payment basis, I think housing starts could easily rise to well over the one million rate. Thus, an expanding volume of residential construction and mortgages could provide a point of refuge against a possible declining corporate demand for funds early next year.

**Treasury Needs**

Thirdly, with the $3 billion of Treasury financing just completed, the U. S. Government’s borrowing needs for the year are precisely much less than the $3.6 billion taken care of, except possibly for some minor financing toward the year-end if the debt limit permits. However, the Government securities market can be expected to continue to have an important influence on financial markets the rest of this year and next. The difficulty which the Treasury had in maintaining a satisfactory cash balance in the face of heavy attrition on new offerings and the limited rate of savings bonds is likely to last longer perhaps for some time unless there is some softening in the money and prices markets.

**Fourthly,** in the field of state and local Government financing, securities offerings for new capital amounted to $4.3 billion during the period January-August of this year, compared with $3.7 billion in the same period last year. The 30-day visible supply of state and local securities on August 9 was $304 million, a relatively high figure. There is no doubt that lagging interest rates have caused some postponement of state and local financing, so that a backlog of demand for funds may be expected to come into play if an easing in interest rates takes place.

**Sources of Funds**

Turning to the sources of capital funds, our studies show that the overall volume of funds available for capital uses will be about the same this year as last. However, within the total there have been certain shifts. For example, there has been a noticeable rise in the supply of deposits of commercial banks and a decline in the net increase in the total of bank deposits and shares in savings and loan associations. This is undoubtedly due to a competitive advantage gained by the commercial banks when they raised interest rates on time deposits in late December.

Although the net increase in available funds from all sources is about the same this year, the gross amount of cash available for investment has experienced some decline. In the case of life insurance companies, for example, gross cash flow has declined somewhat because mortgage repayments have fallen off substantially, policy loans have tended to increase, a smaller volume of policy proceeds are being left on deposit by the companies, and for other similar reasons. The decline in mortgage repayments refers to other repayments than regularly scheduled amortization. At interest rates have been there is less refinancing of mortgages. For the capital markets as a whole, this should be a "washout" because the reduced availability of funds is matched by a reduced demand.

**Some Other Factors Affecting the Capital Market**

Before drawing too strong conclusions about the outlook for the capital market, it would be helpful to review several factors which currently are exerting a great deal of influence on the capital market, and which should continue to have an important effect into next year. First, all are forces which seem to rule out any significant rebound in the capital market.

First is the decline in liquidity which has occurred throughout much of our financial system. In the corporate field we see it in a decline which has taken place in corporate ratios of current assets to current liabilities, and in all of the cash ratios. Throughout the

The new mechanized service equipment is New York Central rolling stock that the public rarely sees. But you will surely feel its effects in a better ride... in faster freight, passenger and express service. From any angle, this progressive railroad has a speedy, new look. Ask our freight salesman to tell you about it.

**New York Central Railroad**

---

**Route of the "Early Birds"—Fast Freight Service**

Then nudges track a fraction of an inch right or left into perfect alignment. Ballast regulator (10) with rubber broom occupies clean-up spot; banks rock back alongside the track and sweeps ties clean.
Near-a-3d Long-Term Outlook for Business and Capital Market

postwar period, to an important degree the result of inflation, corre-
sponding to the proportion of real 
position. They are now in much greater relative need to borrow funds than any preceding group of capital needs and permanent 
ewise, in the case of commercial banks, the ratios of capital to 
their ability of total loans at risk to total loans have increased 
that even if many commercial banks had 
their ability to further the decline in bank 
ity was an important 
ual savings institutions such as mutual savings banks, life insurance compa-
ables assets in the form of 
ity and government securities have been reduced to near minimal levels. Moreover, as interest rates have risen and capital values have declined, the difficulties in raising cash to make new investments have increased. This, in turn, 
rise in increasing rates and helps to 
penioners on satisfactory bond re-

developer has explained that one of 
importance in the capital market to 
day is the very difficult problem of committing 
agency is to the private placement of institutions. Outstanding commit-
ment basis for mortgage loans, which are mortgages are large enough to 
such as to influence long-term and were made for many months ahead. In view of this 
great backlog of forward commitments and the fact that it is not 
a sole easing in the capital 
ial markets in the next several months.

Still another important factor which may influence the 
assessing the capital market out-
ning to market demand should be expected to 
come into play if any easing should occur. I am aware that in the past year certain 
proprietary business has been 
arily withdrawn from the market because of lack of 
availability of funds. This has been 
particularly true in the case of 
Government financing and to a lesser extent public utilities and industry. There deferred demand will not 
nominate these, but rather the funds that would 
still a substantial part of it undoubtedly will become 

ture, be a stimulating influence on 

Still another area of influence on 
the capital market is that of 
Government policy. Indeed, I sup-
pose that many observers would 
place this in the category of a 
fluence and I do not mean to assign it a 
mole role. It seems to me, however, 
pointed out the 
 basic forces of demand and supply in 
oney as a whole, have restric-

government policymakers and have 
the only sensible course of 
 acting.

Non-Hasty Fed Policy

First, what can we say about 
the outlook for Federal Reserve 
Policy? I believe that the Federal Reserve authorities will 
several months ago. More 
slightest indication of a business 
downturn to change from a policy 
(3) characterised as aggressive. On the contrary, I rather expect 
that there will be no indication of any 
definite signs of a downturn before 
easing credit. Moreover, I believe that during the latter part of the year 
will not appear to be any basis for anticipating a 
more serious depression in the 
early period.

Looking forward to next year and the year following, it would 
be premature to forecast the capital market outlook. We have, of course, 
been through a period of extraordinarily high growth, heavy demand for 
capital funds, and an upturn in interest rates. The old saying that 
everything that goes up must come down is truer today in the economics field 
than ever before. One hesitates to be classified as a 
"bear" of the economy, but I do not wish to be considered a 
"bull" either. And yet, our national economy in the 
postwar period, has shown 
great capacity for moving successfully 
through rolling adjustments. We have been exceptionally fortunate in 
metal loan exchanges of capital 
expansion in housing, on the one hand, and plant and 
equipment on the other. This has not been entirely a matter of 
great success, but to an important extent 
result of the combined action of 
market forces and government policy. I think that a crucial ques-
tion is, whether the change in 
interest rates that will be occurring in 
the year following if mortgage funds 
become increasing available 
the slow growth of economic 
terms. In the area of Government policy 
having an important effect 
the market impact of housing and 
and mortgage lending, and the extent to which the 
shortage of available funds 
one fortunate to hold in 
reserve. If any relaxation occurs in the 
usual device of Federal mortgage 
insurance under the FHA program, the 
entire population of the United States is likely to be 
offered the 
advantages that are available to the 
veterans under the VA loan program. Moreover, 
another 
that the FHA program is already receiving strong 
impetus from the Government. Whether or not 
given a relaxation of inflationary 
pressures in the 
ial economy as a whole, is more 
individual, I think we can 
expect the mortgage market 
to be 
repeated 
many 
whether the basic 
and 
interest rates is 
still there for the stimulation to 

Conclusions

After looking at the 
market conditions and at the 
various forces that may influence the 
market at any given time, I am 
the conclusions seem to follow 
regarding the capital market outlook 
for the next year and a half.

I would say that for the 
next two or three years we may 
expect the following:

(1) The demand for capital 
for new enterprises remains rather 
excess of the supply of savings.

(2) In view of this situation, as 
pressures generally throughout 
the economy may be expected to 
continue its policy of credit 
restraint.

I do not expect any decline in interest 
levels within the next year and a 
year. On the contrary, I believe 
that rates will remain firm at 
the present levels. Although it 
seems certain that rates will re-
main firm in the next few months, there does not appear to 
be any basis for anticipating a 

Thomas Graham Named To Fourth Term

LOUISVILLE, Ky.— Thomas Graham, The Bankers Bond Co., Inc., has been elected to his fourth 
year term on the Louisville 
Board of 

Thomas Graham

Harding & Co. Formed

Heeding & Co., Inc., has been 
formed with offices at 80 Wall 
Street, New York, with the 
object of operating 
in a securities business. Officers 
are: George H. N. Popper, Chairman; 
H. N. Nesse, Secretary-Treasurer; 
and M. Popper, Vice-President.

Amos Treate Office

CAMBRIDGE, Mass.— Amos 
Treate & Co. has completed 
as new office at 1737 Cambridge 
Street.

R. A. Waddell Opens

ALBUQUERQUE, N. Mex.— Richard A. Waddell has 
opened his bank at 104 Fourth Street, South-
west to engage in a securities business.

Continued from page 14

"Your Dollars and Your Freedom"

with has to weigh; to say 
thing of the merely 
compensate and weighing each 

We know, and have identified 
them. They are not a myth. 
We know that they exist, and 
are an unfortunate fact of life. 
Here are some of the most 
not safe or secure, and the 
any of them. The same is true of the 

They are not noisy or compla-
tant; they do not have the 
getic plans, they do not have the 
ns. They do not have the 

They are the unknown, 
fending in the world, a 
number is legion. They represent 
the collective memory of the 
ship. Truly they are the 

They represent the class of 

turers, the men and women who, 
by self-deal, from the sweat 
of their额, who, by 
ance, who, by the 
"savings of these people that 
represent the seed-corn of 
government that, one day, 
be saved for these people. If 
are not saved, all of us are lost.

Cities an Example

Not so long ago, I was at 
your desk in a savings 
It was in 
but then I 
her passbook at the 
ning window. 
was dressed in 
her friend, a 
her side. After she 
her passbook which contained 
the six months' interest credited 
to her account, with 
the door.

She passed me 
had never been 
her $5,000. She 

Her husband was killed 
the line of his duty as a 
switchman. He had lived 
a life of 
the amount of 
the government, the 
the mother of his three little girls. This 
fatherless family lived in 
a little girl six—she 
the school. The others 
father had 
of the principal, 
as well as the interest, and 
was doing something 
well as much of her savings as 

Her earning ability, plus 
the $5,000, was all she 
her three little girls. Imagine 
her loss. She had been 
into the savings, this 
and make her imagination. 
and soul money should 
lose its purchasing power. The 
this bond and make her imagination 
the preservation of
power of this money. Education, hospitalization, many forms of service, were interwoven in these dollars.

All of us have heard the spellbinders say that there is no relativity between human activities and human rights. Would anyone in these days of our time take it seriously that you that human rights and purchasing power in this particular case are convertible? We have a relativity logical to assume that when purchasing power increases, so do human rights.

Here is another example:

A man who was a bookbinder. He was 68 years old; a bachelor. He had $10,000 saved. His accumulation was the result of saving a little of a higher income. He worked daily, living he sharpened saws, repaired locks, and made keys. I talked with him during his leisure hours.

At 63 his arm became afflicted with some disease, and his earnings and expenses were reduced. The member very well he had difficulty getting his paycheck out of his inside pocket; it was fastened in with a safety pin. He was a slight man, wearing pants and shirt. With the loss of his reliance, having self-reliance, he had accumulated this money so that in later years, this purchasing power would be lost to him, he would not have been able to live. He was an unsung fellow. Nobody knew that he had any money.

Would anyone argue with me that there were no human rights bound up in these dollar bills?

In primal times, labor was barter, a man and a woman, and a third man and a horse. Negotiations were, between the man and another, with no intermediaries and no consent of the parties, and they were simple and tangible. Every transaction was recorded in itself. This was when barter was the method through which exchanges of services and goods were transacted.

Money As "Representative"

Then came what may be termed "representative labor," and not until then did human activities and progress occur in the world. Men began to acquire property as a result of their activities, and they took the form of savings, repre¬senting what was happening in the exchanges between earnings and living expenses. Investment of the margin of earnings was common. Sheep at trading posts, or a cargo of salable articles. The flocks and herds of Abraham represented the result of labor. From them he had obtained and retained himself, and by careful management had been able to increase the measure of this world's goods.

As men worked and struggled to increase in the measures of nature, it was for the purpose, seeking up wealth, and then either having enough to earn for them, or their savings growing against the day when they themselves, or others, no longer toil. The land would increase in the hands of those who till it, and the herds would provide milk, cheese, and butter. The skin of hides for clothing—every product was eagerly desired and to a "representative labor." By this process man was enabled to increase in the measured off of lives of insurance policies—millions who have purchased government bonds—old folks—you who have earned pensions through self¬denial and restraint— to you, the vestiges majority in this land, say.

Choose men to restore solvency, to preserve an earned surplus and your price¬less heritage, and to protect against economic and financial instability, and the nation's interests and the international exchange, could it not have emerged from the depths of the Dark Ages. It is the only protection for the nation's interests. Lais¬siez decaz bating and corrupting the world's financial systems of a free people. I repeat, it is a blessing from an all-wise Providence, and I ask you to do your part in maintaining it.

Steps Toward Dicathopiosis

Surely, we today have all learned the lesson, learned it in the long, hard tasks to de¬stabilize American life. Our task is to de¬stabilize our financial system, to destroy the foundation of our national economy, to destroy the foundation on which we are building our national wealth. The only means is to get the gold standard.

We have the gold standard: it is the ultimate in financial stability. It is the ultimate in financial prosperity. It is the ultimate in financial security. We have the gold standard. I have urged this before. Gold is a gift to the world; it is a blessing to all people. It is the ultimate in financial stability. It is the ultimate in financial prosperity.

We have the gold standard. I have urged this before. Gold is a gift to the world; it is a blessing to all people. It is the ultimate in financial stability. It is the ultimate in financial prosperity. We have the gold standard. I have urged this before. Gold is a gift to the world; it is a blessing to all people. It is the ultimate in financial stability. It is the ultimate in financial prosperity. We have the gold standard. I have urged this before. Gold is a gift to the world; it is a blessing to all people. It is the ultimate in financial stability. It is the ultimate in financial prosperity. We have the gold standard.
Minuses and Pluses in the Current Business Outlook

susasive that business capital expenditures have slowed off, and it is my belief that they will show some decline in that period ahead. Business capital expenditure capacity has been taking place in 1953 at a rate of about 6% a year and that is a rate of expansion too high to be sustained indefinitely. The news about industries and a good many companies has not been optimistic where they have excess capacity in relation to present markets. Also previous expectations for many concerns and this is as important in bringing about reexamination of capital programs. And, if many of the decisions are drawn from such cases of reexamination, Tight money has also been a restrictive factor on capital expenditures, and its delayed effects are working out now. The Cut-backs decided upon months ago because of the difficulty of acquiring credit are in many cases still not fully reflected in the historical data on capital expenditures.

It is my opinion that a declining rate of investment in this country will be a drag on the economy during most if not all of 1954.

Housing Looking Up

Next on my list is residential construction. The news is not too bad. I was not sanguine about it in 1953 but easy money and easy credit have put new life into it and it has caused it to expand rapidly in 1954 and the first half of 1955. If I do not have the enthusiasm in it that I had a few years ago. Some estimates place the rate of net family formation at about 900,000 a year. This compares with 1,239,000 residential units started in 1955, 1,118,000 in 1956, and a probable total of a little under 1,000,000 in 1957. Even though the rate of net family formation has dropped, it is still higher than it was in the 1930's and it is considerably higher than it was in 1929-1933.

Nonmilitary Construction

I now come to nonmilitary construction. This consists primarily of public and private large accomplishments. The former includes such things as public buildings, educational institutions, and so forth. The latter is in public utility buildings, such as churches and hospitals and so forth. It is true that in showing no tendency to an upturn in residential construction, this is not too significant. The construction of public buildings has been relatively flat since the end of 1953 and I expect this trend to continue in 1954. Such increase, however, is not likely to be large enough to be a part of the total key factors in 1954.

Consumer Durable Goods

Next on the list are consumer durable goods. I consider automobility and household equipment and 1. Recipi Trends in Certain Key Segments or Phases of the Economy

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Helped Want—A Psychiatrist!

which he himself finds prettiest but most irritating, is to catch the fancy of the other competitors, all of whom are looking at the same picture from the same point of view. It is not the case of picking those who, in the best of one's judgment are really the prettiest; we have reached the third degree when we devote our intelligence to anticipating what one's opinion expects the average opinion to be. And there are, I believe, a number of quite genuine, fourth, fifth and higher degrees.

All too true—and adding an important element of short-term unpredictability!

Affirming a Constructive Technique

Fortunately, my skepticism about the absolute success and timing of shorter-term market movements is not a reason for despair. For I have an affirmative recommendation for constructive fund management for making your investment decisions. It is that you should consider the value components of individual issues. It recognizes that a share of stock represents an ownership interest in a business—rather than the ownership of a business property—being bought and sold, and is premised on disapproval of the prevailing concentration on market index movements. It recommends a buy and hold policy.

Continued from page 4

Strength and Limitations of Monetary-Fiscal Policies

The long-term record suggests that substantial inflation is not inevitable provided war is avoided. Wars are typically financed by the creation of new money due to the unwillingness of Congress to raise sufficient taxes to cover outlays. Fortunately, action is now focused on the basic cause of inflation rather than upon the symptoms of inflation. Proper monetary-fiscal action is now being taken and evidence indicates that these actions are beginning to take effect. Total wholesale prices have risen since the turn of the year while wholesale prices of industrial products have been quite stable. The cost of living, however, continues up largely larger than food prices. This index tends to be a sluggish indicator rising after wholesale prices start up and continuing up after wholesale prices stabilize. Wholesale prices started their upward march at about mid-year 1955 and the cost of living remained stable for nearly nine months. In recent months several basic raw materials have declined sharply. It now appears that retail prices have about absorbed the pressures previously exerted by rising wholesale prices and that wholesale prices are not getting new pressures from rising raw material prices.

Investment Boom Topping Out

It can take time before some boom appears to be topping out. Increased capacity in many lines, accompanied by lower profit margins, is dampening the incentive to expand and generating more expensive and the reduced availability of money is reflected in higher interest rates. It is not possible to predict the timing of the prospective balance between the demand and the supply of funds. However, it is probable that the depression of 1951, changes in the rate of monetary growth and the rate of inflation, which resulted in stability of prices and in general, in the direction, to the right or the left, of the price level. In making the adjustment, the rate of reduction has been modest and in general, in the proper direction. The rate of reduction has been rather continuously for the past four months, and the restrictive monetary policy, but the rate of reduction has been modest rather than rapid. The desire to have a tight money policy is now stronger and more aggressive than it has been in recent months. The economy is now tending toward stability rather than either runaway inflation or deflation.

Unfortunately, the free enterprise system does not have the compulsive forces which tend toward full employment and stable prices. Rather our economic situation suggests a tendency to oscillate perhaps under a corrective action is taken. Monetary-fiscal policies properly executed will not merely stabilizes the economy, but they can do much to foster business stability and growth.

Some policy makers have in the recent months suggested in dampening any of the policies would be the wholesale of inflation. Unfortunately, the policies do not solve the problem of overexpansion of particular industries relative to the total business. It is hoped that an understanding on the part of the general public and the government that new restraints will be imposed on a wide spread acceptance and support. Periods of tight money, such as the present inevitably creates dissatisfaction on the part of those demanding funds.

There is a need for care to spend carefully and to spend with caution. The problem is neither a matter of supply nor of demand, but rather of the ratio between the two factors. The problem is not one of producing too little money and too much spending, but rather of producing too much money and too little spending. The problem is not one of producing too much money and too little spending, but rather of producing too much money and too little spending.
Continued from first page

As We See It

As the ice satellite — both accompanied or followed by a "tougher line" in its international dealings.

The Budget Forgotten?

At once, almost, budget matters become a secondary considue to the problem of defense, if we fail to, if we fail, to keep abreast of Russia in the development of modern or ultra-modern engines of war moved into the spotlight. Interest has shifted from the lowering up with that making the situations in our mastery of science as applied to armaments. Without knowing the precise facts we are unable to say what quantity there is for such sentiments, and there is no substitute, the general public uneasiness in the circumstances actually now existing, the more so in view of the boas of the Kremlin. It may or may not be that the business is of the first order and development in these fields. We doubt if we have failed to sell all the funds really necessary for the purposes in hand.

It is unfortunate in any event that consideration of such topics as these is so impulsive and haphazard, and so subject to popular clamor and to emotional impulses. The cold fact of the matter is that there is no conflict whatever between our defense and a total of expenditures far below that now planned. Enor- mous expenditures unrelated to defense — some included in the budget and some not — affect the opportunity to put more funds in the treasury. More funds would not be as precise as I have just indicated, since there would be some changes in the long-term and intermediate-term needs. Moreover, we must reduce the short-term needs and the average expectation. More- over, we must consider the effect of the budget on the varying expectations of the economy, and the budget on the average expectation.

Let us by all means expend what is necessary to be safe in this troubled world of today, but let us also in- crease budget funds, and now that the war, but not of the President, northeim, at all was heard about adopting the only source that could by any stretch of the imagination really correct the condition of which complaint was made. No one, that is no one in a position of political influence, suggested that the difference was so great as to call for a great increase in the army, and that the present time was the last foot of this time onward, that people build their own houses without help from a paternalistic government in Washington, that veterans finance themselves as others do. This is the only way to keep the budget situation under control.

The cost of modern armament is high enough in all conscience, but we can bear it without serious consequences if only we practice real prudence in our public expenditures everywhere.

Continued from page 4

Techniques for Forecasting Stock Prices

In the past few years, many investors have found that a study of stock prices can be very rewarding. This study can be made in several ways. One way is to analyze the past performance of the company whose stock is being considered. Another way is to look at the current financial condition of the company. A third way is to study the general market conditions. These techniques can be used to predict the future performance of a stock.

I. Understanding Stock Prices

A. Short-Term Fluctuations

Many stock prices fluctuate within a relatively narrow range. This is known as a "range."

One example of a short-term fluctuation is a "range" in which the stock price moves between two different levels over a short period of time.

B. Long-Term Trends

Stock prices generally follow a long-term trend. This trend can be upward, downward, or flat.

One way to identify a long-term trend is to look at the stock price over a period of years. If the price has been consistently rising, then the trend is upward.

C. Analyzing Past Performance

Investors often use past performance to predict future performance. This is known as "fundamental analysis."

To perform fundamental analysis, investors look at a company's financial statements, such as its balance sheet and income statement. They also look at the company's earnings and dividends per share. If a company has been consistently earning profits and paying dividends, then its stock price is likely to continue to rise.

D. Considering Market Conditions

The overall condition of the stock market can also affect a stock's price. For example, if the market is in a bull market, then most stocks will tend to rise. Conversely, if the market is in a bear market, then most stocks will tend to fall.

II. Identifying Top Stocks

A. Top Stocks

Top stocks are those that are likely to perform well in the future. To identify top stocks, investors can use a variety of techniques.

1. Analysis of past performance

2. Consideration of market conditions

3. Observation of technical indicators

B. Technical Indicators

Technical indicators are a group of tools used to identify trends and patterns in stock prices. Some common technical indicators include moving averages, relative strength index, and price-volume relationship.

Moving averages are a technique used to smooth out price data and identify trends. Relative strength index is a technique used to compare the strength of a stock to the overall market. Price-volume relationship is a technique used to identify when there is a lack of demand for a stock.

C. Investing in Top Stocks

When investing in top stocks, it is important to consider both short-term and long-term factors. Short-term factors include technical indicators and market conditions. Long-term factors include company fundamentals and economic conditions.

By considering both short-term and long-term factors, investors can make informed decisions about where to allocate their investments.

III. Conclusion

In conclusion, understanding stock prices and identifying top stocks is an important part of successful investing. By using a variety of techniques, investors can make informed decisions about where to allocate their investments and achieve their financial goals.
new fields of production and new industries. The control of an enterprise there is always a factor involved in the price of a commodity, and in the normal motive of buying for income, appreciation, owning property, and against inflation. Therefore, in general, any change in prices may deviate considerably from levels indicated by the major normal factors.

**VI A Stock Price Criterion**

A mere listing of factors likely to affect future price formation of the reasons such as I have mentioned, each factor has been nor does enable one to judge their present magnitude. Lateness in the reporting of data needed to keep up-to-date a criterion of stock prices, long ago computed search for other indicators. Some years ago we discovered that there was some relevance of the stock market and the speculative and durable goods market. A little investigation (1) that many of the manufacturers in the West can now to active stock market operators; and (2) that changes in new orders, are often regarded as business seers in their interpretation of the market, of new orders for non-durable goods. Hence, investing public thinks business will be. Whether this appraisal of the market is right or not, is a matter to be determined by market action. The stock market acts today on this outlook, right or wrong it may be. This is an important factor in the stock price movements, for all of us know, the stock market, frequently moves contrary to the true business outlook.

For the last several years, before earnings and dividends, and the price-earnings ratio has become a value for stock prices. The lead time is, however, variable and different. A change in dividends should be used with an indicator like earnings; the change in corporate earnings, corporate dividends, and the market price, the market's reaction to the change, the rate of change of bank deposits and the change in the long-term interest rate, and net customers' balance of payments.

Therefore, one would expect that rate of change of bank deposits would indicate changes in the prices of common stocks. And it does. Prices of common stocks advanced during periods of falling money supply, and decline during periods of falling money supply.

**V Purchases of Common Stocks to Provide for Other Purposes**

Financial institutions find it time to time with each other for managerial control of an important issue. Rational price-fights vary, but usually rest on the argument that a change may deviate from the dollar. An outside group will try to forestall a change substantially the character of the business by merger or even to the same extent the growth of the business.

**With Pacific Coast Secs.**

Pacific Coast Securities Commission C. Bodge, Jr. is now connected with Pacific Coast Securities Company, 660 Wilshire Boulevard.

**Halsey, Stuart Group Offers Railroad Bonds**

Halsey, Stuart & Co., Inc., has established a 4% group of railroad bonds, due Oct. 1, 1982, at 100 and accrued interest. The bonds will be given by the group at competitive sale Oct. 10 on a basis of 90.50, plus accrued interest.

**FIC Banks Place Debts**

The Northern Credit and Trust Co., of Chicago, has a new issue of approximately $2,010,000 of 4% nine-month debentures, dated Nov. 1, 1957 and maturing Aug. 1, 1958. The debentures are being offered through John S. Knox,焦触剂, and a nation-wide selling organization of securities dealers.

**Discoveries in the Northern Credit and Trust Co., of Chicago, has a new issue of approximately $2,010,000 of 4% nine-month debentures, dated Nov. 1, 1957 and maturing Aug. 1, 1958.**
The Bond Market Puzzle

In the same period last year.

Actually, our bond market is facing a few significant declines on record. In July of this year, as the comparison is made, the average of corporate bond yields was up 77 basis points in 1957.

And even the yield on long-term government and state and local government issues has increased by about 50 basis points, according to the new index of long-term Treasury yields. These changes, however, are not so much due to a deteriorating bond market as they are changes in other factors. Some of these factors to which we have referred in recent issues are:

1. The desire for higher yields in a tight bond market, the increase in bond yields would have been much more pronounced.

2. The general interest in securitization, which we usually point out in our weekly issues, but this year the bond market suffered acute weakness.

Lessons of 1957

What lessons can we draw from this?

1. Obviously, what economists call the law of diminishing returns applies to the operation of which we try to study in these studies—as effective what we see when we look at the bond as in other markets. The lesson of 1957 on the study of long-term bonds is that:

First, we must refine our statistics for the market for large and small for money, and for the supply of long-term bonds. These data have been some easily obtained statistics and conclude that we understand the demand for long-term government bonds.

I shall apply these lessons to 1957, and then attempt to explain the increase in financial markets and for supply of long-term funds for 1957.

The Decline in Mortgage Borrowing

Let us now examine all three of these situations. First, the mortgage market this year—mortgage borrowing, corporate borrowing and state and local borrowing.

Mortgage debt had increased spectacularly in the years preceding 1957, and the rise in mortgage borrowing more than any other single factor that has turned the bond market around since 1954. Mortgage debt increased 30 billion dollars in the peak year, it increased by 4.8 billion dollars in 1956 and even if there is a little recovery in home building in the next six months, the amount of mortgage debt will increase by about 3 billion dollars this year, which is the peak of almost $5 billion in the amount of increase. This will be a sharp decline from the record mortgage debt for any since 1953.

What lessons can we draw from this situation? This is interesting in terms of the mortgage borrowing in 1957.

First, we find that a considerable part of the demand for home of recent years was the result of a shift from savings bonds. in the low interest cost of financing for mortgages. F a m i l y  formation, personal income and other economic factors that have given... of about $5000 long-term mortgage debt that starts this year are likely to fall short of one million shows what a change in the demand for the types of mortgages judged to be less attractive is capable of. Savings bonds and low interest rates, One factor in this is that the interest rates are no longer so freely available.

Secondly, with conventional financing dominating the housing market as it once did, the demand for mortgage funds for homes and, therefore, the demand for mortgage money will substantially lower than the level of the last few years.

We can conclude that the restrictive policy of the Federal Reserve System, especially if combined with ineffective rates government-underwritten mortgage insurance and even the Treasury yields. These are factors that would have had with prevailing money rates and easy money, we would have had a level of borrowing, both of which might have made the inflationary situation even more explosive. A major contribution to holding down inflationary pressure is an effective policy of Federal Reserve policy in reducing the demand for mortgage money.

Finally, we have to conclude—based on the events of the last few years—that any sign of life credit policy, if we had had a sign of life, that the small business lending and home building was at, two years ago, if we had 1,500,000 loans outstanding would have had with prevailing money rates and easy money, we would have had a level of borrowing, both of which might have made the inflationary situation even more explosive. A major contribution to reducing the demand for mortgage money.

The Upurge in Corporate Borrowing

When we turn to corporate borrowing, we find an increase in corporate bond debt outstanding has been in time a sharp increase in 1957, and it has "gone through the roof" in 1958. This is similar to the same kind of upsurge in corporate plant and equipment financing that we saw in mortgage borrows in 1953. In the first quarter of 1957, the increase in corporate bond debt outstanding was $0.4 billion, as against a record of $3.7 billion in 1952.

What lessons can we learn from this performance?

First, the corporate business is losing its fear, born of the depression, of incurring heavy short-term obligations. Second, that high interest rates are probably being partially offset by the cost after taxes rather than before before. The result is that borrowers are less likely to be discouraged by the cost of borrowing, as they have a lower risk of bankruptcy, and even if they are thrown out of business, they can afford, after taxes "It is just costing us 2%." or so.

The industrial bond market is becoming more important, as it has been in the past, and that it is more important in the past. State and local financial institutions are rising from the wreckage of the depression. The facts are:

State and Local Financial Institutions

The increase in mortgage and bond holdings of commercial paper have been a significant feature of the market for long-term bonds in 1957.

The flow of savings into thrift institutions other than commercial banks has increased. The life insurance companies, savings and loan associations, and other institutions are all increasing their holdings of mortgage loans and mortgage bonds, and their increase is significant. Long-term savings institutions are reported somewhat smaller gains than last year. On the other hand, the state and local pension funds are increasing their holdings even more strikingly.

Taking the total flow of institutional savings, we find that all segments of the commercial banks.

The commercial banks, however, are enjoying a record gain in time deposits. It looks very much as if there will be an increase in time and savings deposits next year, and an even larger increase in time deposits than some of the smaller scale institutions.

The rise was so spectacular. In the commercial banks, and we find an increase of $1.1 billion in time and savings deposits, and an increase of $0.3 billion in the first half of this year alone which was $2 billion. There is very good reason to be- lieve that the time deposits will increase in time and savings deposits will recur, and may exceed materially, $5 billion.

The reasons for this you know very well, there is a trend to the payment of higher rates of interest. Commercial banks.

We have not seen a trend to the payment of higher rates of interest. Commercial banks in recent years have tended to price their deposits fairly. But with the increase in business and real estate activity, they have latterly priced themselves back into the market for mortgage money.

Secondly, along with the payment of higher rates has come the promotion of savings deposits. Results in many parts of the country have set this a considerable shift of deposits from demand to time accounts. That is necessarily so, since the time deposits and savings deposits have been so successful, and the rise is in time and savings deposits, and that is substantial, in the gains of competing thrift institutions.

We find the same increase in savings deposits, and that the commercial banks would be somewhat shadowy, if not entirely so, to sell their deposit, if they were to earn the same profit on a $100 deposit as they did on a $1000 deposit, but the latterly have latterly priced themselves back into the market for mortgage money.

The Institutional Savings Gap

An invaluable clue to changes

In bond prices is the difference

between the yield on mortgage and bond buying are deter-

mined by the yield on mortgage and bond policy and short-term loan de-

mands, and not by the trend of short-term loan rates. The Federal Reserve policy, through its impact on rate levels and availability of funds for investment, has a direct and very strong influence upon the trend of mortgage rates.

The Institutional Savings Gap

We find this clear by year,

that a commercial bank must break away from the mortgage market, and sell its mortgage loans and mortgage bonds to develop a commercial bank's market. This is a necessary and important feature of the Federal Reserve System policy, and it is important in the market for mortgage money.

The increase in mortgage and bond holdings of commercial banks this year will be less than the increase in time and savings deposits, and we find the supply of funds for the future, we must not over estimate the ability of the students of the subject have to provide the funds; it is a very strong influence upon the trend of mortgage rates.

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and equipment spending—not in all industries, maybe, not in the telephone equipment industry, but in enough industries so that the report of 1957 indicates that we are concerned with here is the total, not parts of that total.

Secondly, there will also be no new housing, in my guess, for whatever it is worth, I think it is likely that inventories in 1958 will show a little decline rather than a rise. Even in 1957, inventories were below the same period in 1956, that means a reduction in the number of stocks for financing inventories of over $7 billion as of March 1957.

Thirdly, it is the prospect that bank loans will be more available and to some extent also lower rates as the reason for the bulge in corporate bond financing this year has been the increase in the bank loans and a higher cost of financing through the banks.

Finally, on the supply side, the volume of funds available could be increased further by the 1958 - 1959 rise in the tax by increased commercial bank bond loans and mortgage lending. That would occur if one or perhaps both of those things happen—higher corporate bond loans and mortgage lending. The concern would occur if one or perhaps both of those things happen—higher corporate bond loans and mortgage lending. What would happen if one or perhaps both of those things happen—higher corporate bond loans and mortgage lending? The concern would occur if one or perhaps both of those things happen—higher corporate bond loans and mortgage lending.

If we look at the very valuable series of estimated annual funds available sources of corporate funds (Table III) it will be seen that the Federal Reserve Bank of St. Louis has an estimate of $7.3 billion in 1956. It will probably rise by about $3 billion in this year, 1957, to $10.3 billion. I think it is likely that inventories in 1958 will show a little decline rather than a rise. Even in 1957, inventories were below the same period in 1956, that means a reduction in the number of stocks for financing inventories of over $7 billion as of March 1957.

TABLE III

<table>
<thead>
<tr>
<th>Uses and Sources of Corporate Funds</th>
<th>(In Billions of Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>10.2</td>
</tr>
<tr>
<td>Stock Issues</td>
<td>1.9</td>
</tr>
<tr>
<td>Bank Loans</td>
<td>11.3</td>
</tr>
<tr>
<td>Cash &amp; Government Advances</td>
<td>0.2</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>2.2</td>
</tr>
<tr>
<td>Total</td>
<td>21.7</td>
</tr>
<tr>
<td>Source:</td>
<td>43.0</td>
</tr>
<tr>
<td>of funds</td>
<td>43.9</td>
</tr>
<tr>
<td>Total</td>
<td>32.8</td>
</tr>
</tbody>
</table>

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Federal Reserve Monetary Policy Not a One Way Street

the total national product continues to be in physical terms. There is no doubt that business conditions are extremely good, as evidenced by such measures as advance bookings, company profits, national incomes, and stock market rallies. Despite any one of the expanding sectors.

But there are enough "soft" spots in the business picture to man to have caused a good deal of uneasiness among businessmen and economists. The three great paces of the economic going out. It would seem that the greatest change in the last two or three months has been in a manner that had been anticipated. The palace of some quarters there have been misconceptions about this policy. It is true that we have not made any attempt to force prices to rise. We have not tried to interfere in the normal flow of savings into industrial enterprises or public projects. We have been trying in recent months to intensifying our policy of restricting the availability of credit. The purpose is to prevent the rise of interest rates in the summer in interest rates and the danger of too much association about the danger of too much the market. We have not intended to increase the rates to continue to increase. Interest rates tend to continue to increase in order to keep only in limiting the increases in the market, which are not intended and do not intend to intensify pressures in the money market, which we no longer control.

August the discount rates of the Fed, which is increasing the rates in market rates rather than leading them, should have demonstrated this pretty clearly.

Incidentally, I should like to stress that no single statistical series can give an adequate measure of the dangers for the economy and capital markets. There are series that show a great deal of uncertainty about the dangers of too much significance into changes in the market. We are dealing with a very complex situation, and it is important for us to be aware of the various market rates of interest themselves, the geographical areas, and the concentration of capital markets. While the Treasury is financing the deficit of the people, the country — including your own the supply-demand factors in the capital market.

Mistake to Relax Credit Now

I hope you agree that it would be a mistake to relax credit just as we see some hope of a return to normalcy, as we have all said we have not been aware of the dangers for the economy and capital markets. There are series that show a great deal of uncertainty about the dangers of too much significance into changes in the market. We are dealing with a very complex situation, and it is important for us to be aware of the various market rates of interest themselves, the geographical areas, and the concentration of capital markets. While the Treasury is financing the deficit of the people, the country — including your own the supply-demand factors in the capital market.


demand for and supply of funds.

Another possible way to think of this is that the demand for and supply of funds. Corporations and investors are free to demand funds at the market rate of interest. Wholesalers and retailers are free to supply funds at the market rate of interest. The market rate of interest is determined by the forces of supply and demand. If the market rate of interest is high, it means that the demand for funds is low and the supply of funds is high. If the market rate of interest is low, it means that the demand for funds is high and the supply of funds is low.

In general, we are trying to keep the market rate of interest low in order to avoid inflationary pressures. We are also trying to keep the market rate of interest high in order to avoid deflationary pressures. In other words, we are trying to keep the market rate of interest at a level that is consistent with the overall economic situation. If the market rate of interest is too low, it may lead to inflationary pressures. If the market rate of interest is too high, it may lead to deflationary pressures.

International Outlook

All of us who are interested in the achievement of stable and adequate economic growth need to have a clear understanding of the current economic situation and the factors that are affecting it. The world economy is a complex system of interconnected parts, and it is important to understand how the various parts interact with each other.

In this section, we will discuss the current economic situation and the factors that are affecting it. We will also discuss the implications of these factors for the future.

In the world economy, there are many different factors that can affect the economic growth of a country. Some of these factors are related to the domestic economy, such as the level of unemployment, the rate of inflation, and the level of government spending. Other factors are related to the international economy, such as the level of trade and investment, the level of foreign aid, and the level of foreign direct investment.

In general, the world economy is characterized by a high degree of interconnectedness. This means that changes in one part of the world can have significant effects on other parts of the world. For example, a decrease in the demand for goods and services in one country can lead to a decrease in the demand for goods and services in other countries, as well as a decrease in the price of goods and services in other countries. Similarly, an increase in the demand for goods and services in one country can lead to an increase in the demand for goods and services in other countries, as well as an increase in the price of goods and services in other countries.

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**Effect of Our Policies Upon World Economy**

were able to go to London for short-term funds. A temporary international liquidity requirement has been created. This analogy would be between the international operation of the London bankers and the need for the movement of the Federal Reserve Banks of New York and Philadelphia to a temporary region in the U.S. buys more from the rest of the country than it sells to it; this falls to it, and then aggregates in a pinched reserve position of the banks. This does not; this is just a temporary--e.g., according to experience, the banks are usually able to obtain an extra credit required by their customers by making advances in position--by borrowing or rediscounting with Federal Reserve Banks. In a similar fashion in the 19th century the countries were able to avoid a temporary financial deficiency in their international payments.

For a variety of historical and institutional reasons which bankers, at any future, they cannot and should not be able to avoid having to pay a relatively high price for any short-run deficiency in international liquidity, if it develops periodically in the coming years.

Having briefly described some of the reasons why the dollar's position in the American economy in the world economy, there remains to be discussed the way in which the world economy will proceed--even if less desirable, however, is the long-term trade and payments used in the latter case. It is possible that the countries of the world today that are the most exposed to dollar shortage. Outside the United States, for example, and a few Central American countries, a large share of foreign currencies is convertible into dollars for use in the countries of the world's largest trade and that trade is strongly oriented in the major countries, to establish a world trade and payments system that is not really in the interest of the chief objectives of U.S. foreign policy. The major countries, since at least the beginning of World War II, and today have the dual function of stabilization and the achievement of this double function the problems of the world shortage. The questions raised by foreign economic policies can...
The State of Trade and Industry

up of steel stocks at the mill level has just about run its course. Some sources say the stockpiling will have been completed by the end of November and will reflect only new orders after that. One good reason behind the mill inventory buildup is the so-called "steel hoarding" which is worse instead of better. "Only increased programs of training in individual companies will show the easing of the inventory shortage in the next 10 years," says the metallurgical publication.

"The Iron Age" says Secretary of Labor James P. Mitchell had made a public appeal that all unions should not use steel men on the job today than there were five years ago." He charges: "The labor-management situation is such that we have to get from them to competitors. Pirating, ... has become a wide-spread practice among some employers."

But there is some evidence that pirating is on the wane and many companies and industries are working hard to solve the skilled worker problem. "In fact," says the above mentioned report, "shows a significant increase in recent years."

Business inventories showed an increase in book value during August as total amounts on hand and trade sales also increased. The report of Commerce noted in a current report.

On a seasonally adjusted basis, the total book value of manufacturing inventories rose to $76.5 billion at the end of July to Aug. 31, the report further stated. It added that the book value for Aug. 31 would be significantly higher, although not nearly so high as the figures for earlier months of the year, but much smaller than that for 1956.

The August rise was primarily in retail and wholesale trade, companies, the report noted. However, it did also include some kind of more positive policies. There is no reason to believe that there will be the power to do either great good or extreme harm, both to the world economy and to ourselves.

Morgan Stanley Group Underwrites Consumers Power Stock Offering

Consumers Power Co. is issuing 500,000 of its common stock rights to underwrite a secondary offering of 4% convertible debentures due 1972 at 100 to the holder of 100% of the $100 of debentures according to the Daily, issued on Nov. 1, 1957. The subscription offer will expire at 5:30 p.m. (EST) on Nov. 1, 1957.

The offering is being underwritten by Morgan Stanley & Co. Inc. and is being sold into convertible common stock from Feb. 1, 1958 through Nov. 1, 1972 at $47 per share. The shares are not redeemable prior to Nov. 1, 1958.

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new orders were down 2.9% from the previous week and 5.5% below the level a year ago.

Business Failures Declined for Third Straight Week

Commercial and industrial failures dipped for the third consecutive week, dropping to 244 in the week ended Oct. 19, Dun & Bradstreet reported yesterday. A year ago, the week’s total was 281, the highest level recorded in a year and a half. In the comparable prewar week, the total was 128.

Liabilities of $3,000 or more were involved in 202 of the week’s failures, down from 217 in the previous week and 281 a year ago. Failures dropped to 22 from 26 a week ago but remained above the 40 level of the prewar week.

In the business failures recorded for all major industries, the declines were particularly of the businesses with liabilities of more than $100,000,000 on file with Dun & Bradstreet.

Wholesale Food Price Index Held Unchanged

Following sharp declines in the past three weeks, the wholesale food price index held steady, according to data released by Dun & Bradstreet, Inc., developed a steadier trend last week. At $6.12 as of Oct. 22, it remained unchanged from the previous week and continued at the lowest level since May 28, when it stood at $6.17. Changes of $0.59 on the corresponding date a year ago, or a 2.5%.

Wholesale Commodity Price Index Registered Fresh 1957 Low the Past Week

Declines in prices of bread, sugar, some livestock, and hard resulted in another noticeable decline in the wholesale commodity price index last week. On Oct. 7 the daily wholesale commodity consumer price index stood at 334, compared with 341.5 on Sept. 30, 342.83 on Sept. 23, and 344.46 on Aug. 26.

Grain futures prices dropped last week as resistance to prices helped recover prices at the end of the week, following increases at the beginning of the week. Wheat was close to that of a week earlier and prices dipped fractionally.

Prices on both corn and soybeans slipped as purchases lagged. Reports received here indicated that many buyers were holding back soybeans hoping for higher prices at the end of the season. Slight increases were noted for prices of cats and oat.

Except for a 1% to 1.5% drop in price for hard winter bakery flour, over-all flour trading was sluggish. Prices, however, increased slightly for some grades of wheat at Philadelphia and St. Louis. Flour receipts at New York railroad terminals on Oct. 5, amounted to 21,000 sacks with 12,838 for export and 8,145 for domestic use.

Returns on the sugar market also indicated some improvement. In the past, prices have been helped up by rising stocks, nevertheless, rice stocks were limited, and the government’s strict sugar-import policy, and future prices dipped, but costs of refined sugar continued at the same level.

A favorable supply outlook for this season and the next resulted in a slight drop in coffee prices the past week and a slackening of the level of prices from the previous period. A moderate rise in trading helped boost cocoa prices. Warehouse stocks of cocoa at Philadelphia were reduced to 279,449 bags on Friday, compared with 328,150 bags a year ago. The 3%, equivalent to the season to date amounted to 2,605,163 bags as against 3,333,376 bags for the same period a year ago.

For the first time in over a month, hops prices advanced the past week as trading improved. Hog receipts in Chicago were below average which is reflected in the current prices. The ChicagO Steer prices declined considerably reaching a three-month low. Total weight of hogs sold this week was up over last week, and close to that of a year ago. Much of the increase in prices was attributed to curtailed slaughter operations resulting from the meat-packing failures. Wholesalers reported a slight decline in hard futures prices.

After declining for the first few days, cotton prices recovered at the end of the week when data for the week ended October 13 resulted from reports of unfavorable weather reports from growing areas. The New York Cotton Exchange reported that cotton production as of Oct. 1 would be about 12,844,000 bales, up substantially from the 12,162,500 bales Government estimate of Sept. 1.

Increased transmission from the Gulf Coast, helped a gradual trading in cotton gray goods slightly over that of the prior week. Wholesalers and brokers reported that prices was close to that of a week earlier, purchases of carpet wool continued to be in demand.

Trade Volume in Latest Week Higher Than Preceding Period and Close to Level of Year Ago

An upsurge in the buying of women’s coats and moderate, in domestic and foreign trade boosted a forecast for retail trade over that of the preceding week, and volume was close to levels of the same period last year. A decline in decreases in purchases of men’s apparel, housewares and furniture, while sales of major appliances and new passenger cars remained at year ago levels.

The total dollar volume of retail trade in the period ended on Wednesday last was from 2% below to 2% higher than a year ago, according to data released by the U.S. Bureau of Economic estimates varied from the comparable 1956 levels by the following percentages: South Central — 8%; New England — 1%; North — 4%; South Atlantic — 2 to -2; East North Central —3 to +1; Midwest Atlantic — -3 to +1; and New England States — 6 to -2%. While modest gains from a year ago prevailed in sales of women’s better dresses, handbags, gloves and sweaters, volume in millinery and lingerie were down somewhat. The call for children’s clothing was close to the comparable 1956 level. Declines from

up to now has been comparatively small. But even on very optimistic assumptions, it seems quite unlikely that even at the highest level of real consumption to which purchase of capital goods can be accommodated in this country, the aggregate value of new capital goods in each of the years from 1958 to 1970 will be more than 10% below the levels expected by the projection.

Germany’s Position in the International Currency Crisis

Maurice H. Kupper, president of the Bank of New York, said in a recent speech that Germany’s position in the international currency crisis is unique in recent years. He pointed out that Germany is the only large country that has not been burdened with the problem of a rapid rise in the cost of living, and that its industrial and commercial activities have been able to grow without any apparent adverse effect on the balance of payments. He said that Germany’s position is due in part to its ability to maintain a low rate of inflation, a stable currency, and a balanced trade deficit.

Germany’s Capital Shortage

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Long-Term Remedial Action

There is, of course, no question of trying to find a way to make Germany’s payments situation less acute. There is, however, a chance that a concerted effort could be made to check the trend of the payments situation in the future. The Fund, by giving a helpful hand in the necessary coordination of the payments situation, will no doubt play a useful role in this context, and will be a full contributor to this effort.
Securities Now in Registration

Akin Distributors, Inc.
Aug. 2 (letter of notification) 50,000 shares of class A stock.
Price—At (par value of $7.50 per share). Proceeds—To finance working capital.

Alabama National Life Insurance Co.
Oct. 2 filed 25,000 shares of class A common stock ($1 par value).
Price—At (par value of $1 per share). Proceeds—To finance working capital.

Allstate Commercial Co., New York (11/14)
Sept. 16 filed 250,000 shares of class A common stock per (par $5).
Price—At (par value of $5 per share). Proceeds—To finance working capital.

May 24 filed 500,000 shares of class stock (par $1).
Price—At market (closing price $2.50 per share). Proceeds—To finance working capital.

American Electric Power Co., Inc. (10/29)
Oct. 8 filed 250,000 shares of common stock (no par).
Price—To be related market price on the New York Stock Exchange at time of public offering.

American Telephone & Telegraph Co. (10/29)
Oct. 3 filed 250,000,000 of 26-year, 5% bonds.
Price—To be received at 99 1/4 a.m. on Oct. 23.

American United Life Insurance Co.
Nov. 1 filed 1,000,000 shares of capital stock (par $5).
Price—At market (closing price $2.50 per share). Proceeds—To finance working capital.

Apache Oil Co., Minneapolis, Minn.
July 22 filed 200 participating units in Apache Oil Program 1958.
Price—$100 per unit. Proceeds—For development and operation of oil and gas leaseholds; and for other corporate purposes.

Sept. 30 filed 3,000 shares of common stock. Price—At (par value of $1 per share).
Proceeds—For investment in subsidiary and bank capital.

Arizona National Life Insurance Co.
Aug. 2 (letter of notification) 50,000 shares of class A stock.
Price—At (par value of $7.50 per share). Proceeds—For working capital.

Underwriter—May be Walsenburg & Co., Tulsa, Okla.

Chatham Oil Producing Corp.
July 29 (letter of notification) 100,000 shares of 19 cent. stock.
Price—At $2.50 per share. Proceeds—For oil development operations.

Chase Manhattan Bank.

Chicago Tribune
America’s most widely circulated market table page

Over $20 Billion!
Stockholders in Mid America own over $20 billion in securities. And more of them read the Chicago Tribune than any other newspaper. When you advertise in the Chicago Tribune, you reach the general public. Find out more about Mid America’s most influential medium. Call your nearest Chicago Tribune representative today.

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Aug. 2 (letter of notification) 50,000 shares of class A stock.
Price—At (par value of $7.50 per share). Proceeds—To finance working capital.

Alabama National Life Insurance Co.
Oct. 2 filed 25,000 shares of class A common stock per (par $5).
Price—At (par value of $1 per share). Proceeds—To finance working capital.

Allstate Commercial Co., New York (11/14)
Sept. 16 filed 250,000 shares of class A common stock per (par $5).
Price—At (par value of $5 per share). Proceeds—To finance working capital.

May 24 filed 500,000 shares of class stock (par $1).
Price—At market (closing price $2.50 per share). Proceeds—To finance working capital.

American Electric Power Co., Inc. (10/29)
Oct. 8 filed 250,000 shares of common stock (no par).
Price—To be related market price on the New York Stock Exchange at time of public offering.

American Telephone & Telegraph Co. (10/29)
Oct. 3 filed 250,000,000 of 26-year, 5% bonds.
Price—To be received at 99 1/4 a.m. on Oct. 23.

Ampal-American Israel Corp., New York
Oct. 18 filed 25,000,000 shares of common stock (par $5).
Price—To be received at 99 1/4 a.m. on Oct. 23.

Sept. 30 filed 3,000 shares of common stock. Price—At (par value of $1 per share).
Proceeds—For investment in subsidiary and bank capital.

Arizona National Life Insurance Co.
Aug. 2 (letter of notification) 50,000 shares of class A stock.
Price—At (par value of $7.50 per share). Proceeds—For working capital.

Underwriter—May be Walsenburg & Co., Tulsa, Okla.

Chatham Oil Producing Corp.
July 29 (letter of notification) 100,000 shares of 19 cent. stock.
Price—At $2.50 per share. Proceeds—For oil development operations.

Chase Manhattan Bank.

Chicago Tribune
America’s most widely circulated market table page

Over $20 Billion!
Stockholders in Mid America own over $20 billion in securities. And more of them read the Chicago Tribune than any other newspaper. When you advertise in the Chicago Tribune, you reach the general public. Find out more about Mid America’s most influential medium. Call your nearest Chicago Tribune representative today.

Akin Distributors, Inc.
Aug. 2 (letter of notification) 50,000 shares of class A stock.
Price—At (par value of $7.50 per share). Proceeds—To finance working capital.

Alabama National Life Insurance Co.
Oct. 2 filed 25,000 shares of class A common stock per (par $5).
Price—At (par value of $1 per share). Proceeds—To finance working capital.

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Price—At (par value of $7.50 per share). Proceeds—For working capital.

Underwriter—May be Walsenburg & Co., Tulsa, Okla.


General Telephone Corp., New York May 24 filed 1,000,000 shares of common stock (par $10) and 170,000 shares of 5 1/8% convertible preferred stock (par $50) which will be sold 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. File of General preferred share for each share of Peninsular $1 preferred stock. Application is being made under SEC.

General Telephone Co. filed offers to purchase 20,000 shares of common stock (par $1). Price—$1.25 per share. Offer to preferred stockholders expired on Aug. 14 and that to common stockholders of Peninsular extended to Oct. 14.

Continued on page 40


Underwriter—Temporarily postponed because of market conditions.

Old American Life Co., Seattle, Wash. Oct. 22 (letter of notification) 3,750,000 of class A convertible debentures due 1987, to be offered for subscription by common stockholders. Proceeds—To be used for capital and other corporate purposes. Underwriter—None.

Otter Tail Power Co. (10/28) Oct. 13 filed 10,000,000 of class A convertible debentures due 1987, to be offered for subscription by common stockholders. Proceeds—To be used for capital and other corporate purposes. Underwriter—None.

Pacific Petroleum, Ltd. Oct. 11 filed 1,603,998 shares of common stock (par $1), of which 600,000 shares offered for sale for outstanding Merrill Petroleum, Ltd., common stock at the rate of $100 for each 100 shares of common stock; the remaining 1,003,998 shares are to be issued upon exercise of previously outstanding options granted by Merrill Petroleum, Ltd. Office—California, Alberta, Canada. Underwriter—None.


Pan-American Oil Co., Panama Sept. 7 filed voting trust certificates covering 1,000,000 shares of common stock of the company, to be offered for sale on the American Stock Exchange. Proceeds—For exploration and development of petroleum properties. Underwriter—None.


Pleasant Valley Oil & Mining Corp. Sept. 30 filed 1,000,000 shares of common stock. Price—At par (five cents per share). Proceeds—For exploration and development. Underwriter—None.

Public Service Co. of New Hampshire (10/23) Sept. 24 filed a prospectus for 500,000 shares of 7% sinking fund debentures. Due 1967, to be offered for subscription by common stockholders. Proceeds—To be used for capital and other corporate purposes. Underwriter—None.


Signature Trusts Ltd., Regina, Canada Sept. 27 filed 250,000 shares of 7% deferred cumulative preferred stock (par $25). Proceeds—For purchase and exchange of 250,000 shares of common stock to be offered in units of one share of each class of stock. Proceeds—For distillation equipment to be used in the manufacture of gas and other corporate purposes. Underwriter—Regent Securities Ltd., Toronto.


Southern Union Co., New York (11/1) Oct. 11 filed $6,050,000 of convertible subordinated debentures due 1967. Proceeds—For further subscription by common stockholders of record Oct. 10, at the rate of $100 principal amount of debentures for each 14 common shares held. Underwriter—Lehman Brothers, New York.

Southern Union Gas Co. (11/1) Oct. 10 filed 40,000,000 shares of common stock (par $1). Proceeds—To be used for cash on hand. Underwriter—to be determined by competitive bidding. Proceeds—To repay bank loans and for property additions and improvements. Underwriter—Snow, Sweeper & Co., Inc, New York; A. C. Akin Co., Chicago; and George F. Reynolds, New York.


Tire Finance & Refunding Co., Inc. Sept. 16 filed 1,000,000 shares of 7% cumulative convertible preferred stock (par $25). Price—To be supplied by amendment, Proceeds—To repay bank loans and for construction program. Underwriter—Blyth & Co., Inc., New York.
Prospetive Offerings

Aircraft, Inc.
July 9 it was reported company plans to issue and sell $12,500,000 common stock, following spin-off by California Int'l Aircraft Corp. Underwriter—Curtiss-Wright—Chicago, Ill.

All States Freight, Incorporated, Akron, O.
July 9 it was announced company plans to offer publicly $2,250,000 of 15-year 6% debentures (with common stock purchase option) at 99 1/2 for private sale of $25,000 shares of common stock at $4 per share to pay part of cost of purchase of an operating carrier or subsidiary. Underwriter—Dodd, Hold, and Co., Cleveland, Ohio.

Central Hudson Gas & Electric Corp.
April 5 it was announced company plans to issue and sell this year, probably in the fall, approximately $3,000,000 of sinking fund debentures. Underwriter—Probably Kidder, Peabody & Co., New York.

Central Illinois Public Service Co.

Central Louisiana Electric Co., Inc.
Oct. 10 it was announced company plans to issue and sell about $25,000,000 first mortgage bonds due 1977. Underwriter—Allen & Co., New York.

Connecticut Light & Power Co.
Sept. 25 it was reported company plans to issue to its stockholders of record on Oct. 25, 1957, 26 shares of cumulative convertible preferred stock on the following basis: Dividends: $2.50 per share. Underwriter—Kidder, Sturt, Jr.; Drexel & Co. Underwriter—To be received at $126 1/2, Dec. 15, 1957.

Crucible Steel Co. of America
Sept. 18 it was announced company plans to offer to its stockholders of record, on Aug. 31, 1957, 101,053 shares of cumulative convertible preferred stock on the following basis: Dividends: $2.50 per share. Underwriter—Kidder, Sturt, Jr.; Drexel & Co. Underwriter—To be received at $126 1/2, Dec. 15, 1957.

Darien Industries, Inc.
Sept. 23 it was reported registration is expected of approximately $1,100,000 6% convertible debentures of which about 225,000 are to be sold for account of company officers and employees, the balance to be sold to underwriters. Proceeds—To finance additional mortgage bonds, to be used for expansion program. Underwriter—The First Boston Corp., New York.

Eastern Gas & Fuel Associates
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $3,700,000 of 6% convertible debentures. Proceeds—For additional working capital. Underwriter—Kidder, Sturt, Jr.; Drexel & Co.; Blyth, Eastman & Co.; & Company, New York. Underwriter—To be received at $102 1/4, Dec. 31, 1957.

Eastern Utilities Associates
April 15 it was announced company proposed to issue a 9% mortgage bond to provide additional working capital. Proceeds—For advances to Blackstone Valley Gas & Electric Co., a subsidiary. Proceeds—To be used for competitive bidding. Probable bidders—Halsey, Sturt, Jr.; Blyth, Eastman & Co.; & Company, New York. Underwriter—To be received at $110, Dec. 31, 1957.

Federation Bank & Trust Co. (N.Y.) (Tr.)

Florida Power & Light Co.
Sept. 25 it was announced 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 securities to be determined by competitive bidding. Probable bidders—Kidder, Peabody & Co.; Blyth, Eastman & Co.; & Company, New York; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.; & Company, New York (jointly); The First Boston Corp. Underwriter—For common stock; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.; & Company, New York (jointly).
and Kidder, Peabody & Co. (3) Preferred stock may be placed prior to the date for the commission for authority to issue $40,000,000 of debentures.
Proceeds—To repay advances from parent. Underwriter—Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehnman Brothers; White, Weld & Co.; Kidder, Peabody & Co.; and Blyth & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; and Kidder, Peabody & Co. (jointly). Western Electric Co., Inc. Sept. 26 it was reported company plans to issue and sell $30,000,000 of first mortgage bonds due 1937. Proceeds—To repay debt. Underwriter—Salomon Brothers & Co. (jointly); Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; and Blyth & Co. (jointly). Several additional banks.

Michigan Bell Telephone Co. (11/18) Sept. 26 it was announced the company will sell $110,000,000 of equipment certificates, Probable bidders: Halsey, Stuart & Co.; Inc.; Morgan, Stanley & Co. (jointly); Egan & Company (jointly). Proceeds—To be received on or about Nov. 18.

Montana Power Co. May 26 it was reported company may issue and sell the common stock at a $20,000,000 rate. Proceeds—For construction program and to reduce bank loan. Probable bidders: Halsey, Stuart & Co.; Inc.; Eastman Dillon, Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; and Blyth & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; and Blyth & Co. (jointly). Several additional banks.

Montreal Metropolitan Electric Co. Sept. 26 it was reported an issue of bonds may be publicly offered for construction. The company expects to receive bids in September. Proceeds—To be used for capital expenditures. Underwriter—Morgan Grenfell & Co. (jointly); Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; and Blyth & Co. (jointly). Several additional banks.

Northern Illinois Gas Co. Aug. 11 it was reported company plans to issue and sell $20,000,000 of capital debt securities. Proceeds—For construction program. Underwriter—First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co.; and Eastman Dillon, Securities & Co. (jointly). Proceeds—To be received on or about Sept. 30.

Ohio Water Service Co. Sept. 26 it was reported company plans to issue and sell $20,000,000 of convertible subordinated debentures due May 15, 1959. Proceeds—For construction program. Underwriter—McDonald & Co., Cleveland. Proceeds—To be sold to underwriters.

Pernian Basin Pipe Line Co. May 29 it was reported the company plans to issue and sell $20,000,000 of first mortgage bonds due 1937. Proceeds—For construction program. Underwriter—White, Weld & Co. and Stone & Webster Securities Corp. Proceeds—To be sold to underwriters.

Public Service Electric & Gas Co. Aug. 1 it was announced company plans to issue and sell $20,000,000 of additional bonds. Proceeds—For construction. Underwriter—Merrill Lynch, Pierce, Fenner & Beane, New York.

Quebec Hydro-Electric Commission Oct. 7 it was reported the company may be considering a proposal to raise between $30,000,000 and $50,000,000 additional funds this year. Underwriters—The Toronto Dominion Bank, Montreal.

Royal Dutch Petroleum Co. Oct. 3 it was announced company plans early in 1958 to raise between $54,900 and $1,000 million from sale of bonds, preferred stock and other securities. Proceeds—To repay advances from bank in foreign countries. Underwriter—Globe, Forgan & Co., New York.

Salomon & Bros. & Co. Sept. 26 it was announced company plans to issue and sell $4,110,000 of equipment certificates. Proceeds—For construction. Underwriter—Morgan Grenfell & Co. (jointly); Kidder, Peabody & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; and Blyth & Co. (jointly). Several additional banks.


Transcontinental Gas Pipe Line Corp. Feb. 16 it was reported company plans to issue and sell $30,000,000 of preferred stock and about 750,000 shares of common stock. Proceeds—To be used to construct construction of new main line of the Transcontinental Gas Pipe Line System, and for working capital and general corporate purposes. Underwriters—Van Alstyne, Noel & Co., New York.

Valley Gas Co. April 15 it was announced company plans to issue and sell $20,000,000 of first mortgage bonds due 1941. Proceeds—To repay advances from bank in foreign countries. Underwriter—Salomon Bros. & Co. Proceeds—To be sold to underwriters.

Wisconsin Public Service Co. Aug. 15 it was announced the company plans to sell $20,000,000 of first mortgage bonds due 1937. Proceeds—To repay advances from bank in foreign countries. Underwriter—Salomon Bros. & Co. Proceeds—To be sold to underwriters.

Zale Jewelry Co., Dallas, Texas Sept. 24 it was announced that a full registration will be made of the common stock, which will be underwritten by the Underwriter—Ekker, Guerin & Turner, Inc., Dallas, Tex.
Mutual Assets

M.T.I. Growth Assets

New Record

M. T. I. investors Growth

The Fund purchased 6,000 shares in National Security

Income Trust for $120,000, a new record for the company.

The company also acquired 5,000 shares in Mutual

Income Trust for $120,000, bringing its total holdings to

11,000 shares.

The Fund's total assets increased to $1,000,000,

reflecting the strong performance of the market.

Broad Street

Assets Gain

In Year

Net assets of Broad Street Inv.

vesting Services were equivalent

to $20.34 per share at Sept.

30, 1957, as compared with

$18.25 per share at Sept.

30, 1956. The increase, reported

by the Board of Directors of the

Fund, is a result of its long-term

investment strategy.

The Fund's total assets at the end of the year amounted to

$200,000,000, compared with

$180,000,000 at the end of the

previous year.

The Fund's net income for the year was

$2,000,000, compared with

$1,500,000 in the previous year.

The net income per share was

$1.00, compared with

$0.80 in the previous year.

The Fund's distribution rate

was 40 cents per share, compared with

35 cents per share in the previous year.

The Fund's stock price at the end of the year was

$25.00, compared with

$22.50 in the previous year.

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In investments in Latin America.

national income. Yet even some of these countries are suffering from inflation, even though they believe that their savings are still inadequate for future needs. This results in high rates of investment which they are trying to maintain.

One thing to remember is that there is no close relationship between the levels of interest rates and the rates of investment. Figures show that some poor countries, in Latin America, have achieved very high savings. This is achieved by saving proportionately more than rich countries, in some cases, four times as much. The rate of savings is not necessarily a reflection of national income statistics, but a question of the determination with which these countries pursued their policies.

Here is the first task of economic policies seeking economic development:

**Pas As You Go Utilities**

The Bank hopes that it will be able to find opportunities for advising these countries in the methods by which they may be able to facilitate the capitalization of savings in the area of productive investment. To take one example, the countries of Latin America today are highly dependent on electricity and the capitalization of savings in this area is very closely related to the savings in many financial basis that would enable them to expand as needed and markets grow.

There are many of these utilities, both public and private: electric power supply, gasworks, rail services, and the like. It is a common characteristic of these utilities that they are very essential and indeed indispensable services, that they are usually closely regulated and almost always far below their real value as measured by the rate of return that would pay if he had to. Many of these utilities are well established at all, but are operated at a loss. Others are permitted limited returns, but often returns calculated on a rate base that has shrunk or is calculated using an outmoded depreciation.

This situation sometimes made that it is in the interest of the public, and an aid to economic development, that market services at artificially low prices; it is economically difficult to charge a proper rate. But this is an illusion. The cost of utility service is not necessarily the cost to the consumer. Some utilities.

For that matter, what good is it for the public if a public service is totally inadequate? In practice, it is like having a railroad service which will not arrive on time. It is absolutely essential to the result. To take railroads as an example: almost all of them in Latin America are not adequately supported by their operation, and hence capital is not available for their modernization and expansion. Hence, transportation service they provide is antiquated, inefficient, and dangerous. Because it is so inadequate, it is likely to be obsolete. Therefore, it may be, it is likely to cost the user more than efficient transportation would.

The case can be repeated through the whole range of public utilities. Whenever we have encountered serious shortages of electric power in Latin America, we have found inadequate power rates and insufficient power facilities, and it is our contention that poor power failures take a terrible toll. In a recent case, for example, a group of productive enterprises in which poor power failures are never launched because they cannot operate fighting the element. But production is the source of investment. Again cheap but inadequate service works for inflation, not growth.

A minimum objective of sound economic policy must therefore be to provide adequate rates of return to private public or private, on a financially sound basis, so that they will allow them to charge rates which will provide for their costs. This would at least eliminate the need for these services which drain away from the public treasury sums which might otherwise be available for productive investment.

More than this, I believe that public utilities, particularly the field of electric power, should be turned into activities which are essentially different from the present situation. This means that they must be permitted to fix rates which will provide a margin for capitalizing the accumulated earnings, thus creating not only a basis for growth but also a direct investment in the improvement and expansion of their facilities. It is essential that the basis for raising their rates be based on a fair and reasonable rate of return, which normally is sufficient to finance not only the expansion of the existing unit, or the expansion of the highway network.

**Unavoidable Necessity**

I do not argue these issues as matters of doctrine or dictum. I believe that they are of such basic importance that they cannot be avoided necessity. The growth of savings will be impeded on the continuing expansion of public services. Over the next several years, it will be required for these services will run into the hundreds of millions of dollars. In the field of electric power, for example, it is estimated that the need in Latin American countries is expected to increase from 3.5 billion dollars last year by 25 percent. This means that installed capacity must be doubled in the next few years in order to keep up with the demand. I simply do not see how this can be financed from the rate of the capital that will be necessary for this purpose unless a substantial basis is provided by the utilities themselves.

They have no desire to embarrass Dr. Campey by giving him too prolonged an "abracjo," but I should like to quote once more from his remark at the recent meeting on the subject. In speaking of what he called "the utilities," the utilities, in his view, that is due to prices and tariffs fixed by public authorities, but have not been able to take into account the effects of the inflationary process. . . . It is fair to say, and I believe it can be shown, that the system capable of covering the investment in electric power in economic overhead, an even allowing surplus resources for expansion of only a relatively small economy, will be able to affect the level of savings and production. If we can prevent the elimination of the burden of these services and are able to ensure the rendering of real services, there will be an increase of the saving capacity of the utilities. If there is another fact that the result of the savings be an increase in the rate of saving of the utilities. I believe that the new government securities, will eventually be the ultimate purchase of the savings. This eventuality is likely to be an increase in the opinion of not a few money market specialists.

Loans are only a part of the record. They have, in addition, been carried out in the form of an extensive technical assistance program. This program was set for the preparation of comprehensive economic assistance surveys, including development programs, the establishment of resident missions to be available for consultation on matters of economic and financial policy, and the provision of technical advice and assistance on a wide range of particular development problems. In every way, we have tried to help our members in Latin America. We have been able to help them in their economic progress, and on many occasions, we have been told that our technical assistance had just as valuable as our loan funds in achieving this objective.

**Increasing Investment Trend**

The Bank's investment in the Latin American countries, as measured by the net disbursements which we make on loans in that area, has continued to increase year by year at an accelerating rate. In the year ending June 30, 1957, gross disbursements reached nearly $100 million and since repayments were still quite small, net disbursements amounted to about $80 million. While it is always hazardous to forecast future loan operations, I have no hesitation in saying that the number and variety of Latin American projects which are currently under consideration in the Bank lead to the expectation that this trend will continue. It also seems likely that during the current fiscal year the amount of new loans will exceed the amount of previous years.

The International Finance Corporation, which is closely affiliated with the Bank, has been in operation for a little over a year. The Corporation was established to further economic development by investing—without government guarantee—in productive private projects. In association with private investors who can provide competent management. In its early years the Corporation will be especially useful in expanding the more industrial and business domains. While in

In conclusion on page 46

**Our Reporter on Governments**

**BY JOHN T. CHIPPENDALE, JR.**

The Government bond market, at least the longer end of it, is operating on a completely competitive basis, and investment with competitive corporate or tax-exempt bonds and, until this process is complete, there is little likely to be much of a pick-up in the investment in these bonds. The Government is not given as an answer to the question of competitive Government bonds to the public. The proposal for the repayment of Government bonds as quotations are being moved up, along with a not too large increase in investment demand should be regarded as suggestive of a favorable effect on the trend of prices of these securities.

The reduction of the Government surplus has a very heavy demand and important let-up in the purchase of Treasury bills seems to be in immediate prospect. This is in spite of reports of a profit motive in the shift from Treasury bills into slightly longer maturities.

**Fixed Interest Issues Well Digested**

The demand on the market for fixed income bearing obligations continues to expand, which means that the prices of corporate and tax-exempt bonds are becoming expensive relative to Treasury obligations. The Government bond market is expected to continue to be a market for the security of corporate bonds and, as this point of view is now prevailing, it is possible to get the prices that meet the approval of the buyers and they will be now be held, particularly in the long term Government securities.

**Decline in Corporate and Municipal Issues Expected**

New offering of corporate, state and local municipal bonds is still sizable, but there are indications that the fluctuations of corporate and municipal issues are now occurring. The trend to a lessening in the demand for bonds from the commercial banks should probably be continued. This will strengthen the demand in the Government market, and the supply is expected to be reduced. It should eventually be possible to increase the interest in Government bonds, which are still selective and adequate call features must also be one of the important features in the bond market. The Institutional bond market is still selective and adequate call features must also be one of the important features in the bond market. The Institutional bond market is still selective and adequate call features must also be one of the important features in the bond market.

**Poor Equity Market Helps Governments**

The defensive nature of the equity market is not without an unfavorable effect upon the demand for fixed income issues and the market for the purchase of the recently offered 4 1/2% notes has been accelerated by the fact that they have been bought in by institutional investors. It is evident that money is being put to work in the 4x5 market of these bonds by the institutional investors. It is by those who are not inclined to make purchases of common stocks but who have been used to work in the Small note pasted in the Wall Street Journal. The Government bonds are not very likely to be an interest sent to the intermediate term Government securities of not long maturity.

As a matter of record, there are indications that some institutions are now starting to carry out programs which are based on the effect of an interest bearing obligations.

**U.S. GOVERNMENT AND FEDERAL AGENCY SECURITIES**

**Independent Outlook for 12-16% Issues**

The 12-16% bond market is up, and the market for a combination of not too heavy investment buying and some quotation on the commercial banks. The rise was not of long duration because there was still a fair amount of buying held by the so-called "fast moving groups," who were just waiting for the bond market to get out of step with the market. In addition, there was some selling by these banks that were getting ready for expected calls from the Treasury for cash. Although this bond market may still be subject to some further "free rider" and tax and loan account selling, it is being very well digested, which means that investors are making larger purchases of this security. Eventually a better price market will evolve, because this bond is going into strong hands.
## Indications of Current Business Activity

### American Iron and Steel Institute
- Increased steel operations (percent of capacity): **...**
- July: **...**
- No change: **...**
- Declined: **...**
- Result of ingots and castings (net tons): **...**

### CIVIL ENGINEERING CONSTRUCTION—ENGINEERING ACTIVITY

**...**

### Coal Output (U. S. Bureau of Mines)
- Coal and coke (long tons): **...**
- Pennsylvania anthracite (tons): **...**

### DEPARTMENT CIVIL PRICES

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<th>Description</th>
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<td>Crude...</td>
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<td>Western...</td>
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<td>Coal...</td>
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<td>Pennsylvania...</td>
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<td>Distillate...</td>
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<td>Freight...</td>
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<td>Stocks...</td>
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<td>Average...</td>
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### Steelmaking Rates
- Rates received from coalowners (cents per lb.):
  - Pennsylvania:
    - Anthracite: **...**
    - Bituminous: **...**

### Salt
- Salt in brine, both transport, in transit, in pipe lines: **...**
- Salt in brine, stored, in transit: **...**
- Salt in brine, at terminals: **...**
- Salt in brine, at terminals: **...**
- Salt in brine, at terminals: **...**

### Association of American Railroads
- Revenue freight moving (number of cars): **...**
- Revenue received from commodities (ex-cl fuel oil):
  - Liquor freight: **...**
  - Freight:
    - Stevedore: **...**
    - Freight:
      - Other: **...**

### CIVIL ENGINEERING CONSTRUCTION—ENGINEERING ACTIVITY
- Engineering activities:
  - Civil engineering:
    - Buildings
    - Highways
    - Bridges
    - Waterworks
    - Sanitary works
    - Miscellaneous works
  - Civil engineering:
    - Buildings
    - Highways
    - Bridges
    - Waterworks
    - Sanitary works
    - Miscellaneous works

### RAILROADS
- Revenue freight moving (number of cars): **...**
- Revenue received from commodities (ex-cl fuel oil):
  - Liquor freight: **...**
  - Freight:
    - Stevedore: **...**
    - Freight:
      - Other: **...**

### COMMODITY INDEX—OIL
- Total U. S. consumption: **...**
- Total U. S. consumption: **...**
- Total U. S. consumption: **...**

### PRICES OF NEW-MARKET COMMODITIES
- Prices of new-market commodities: **...**
- Prices of new-market commodities: **...**
- Prices of new-market commodities: **...**

### NEW-YORK STOCK EXCHANGE
- Officers:
  - President: **...**
  - Vice-President: **...**
  - Secretary: **...**
  - Treasurer: **...**
  - Assistant Treasurer: **...**
- Members:
  - Total
  - Total
  - Total
- Shares:
  - Total
  - Total
  - Total

### NEW-YORK EXCHANGE—AS OF AUG. 31 (2000):
- Members:
  - Total
  - Total
  - Total
- Shares:
  - Total
  - Total
  - Total

### NEW-YORK STOCK EXCHANGE
- Officers:
  - President: **...**
  - Vice-President: **...**
  - Secretary: **...**
  - Treasurer: **...**
  - Assistant Treasurer: **...**
- Members:
  - Total
  - Total
  - Total
- Shares:
  - Total
  - Total
  - Total

### LENDERS' DOLLAR ACCEPTANCES OUTSTANDING, FIRST NATIONAL BANK OF NEW YORK
- As of Aug. 31: **...**
- As of Aug. 31: **...**
- As of Aug. 31: **...**

### BUSINESS ACTIVITY—ST. LOUIS, IND.
- Business activity:
  - Production:
    - General:
      - Total:
        - Production:
          - Total:
            - Total:
  - Construction:
    - Total:
      - Construction:
        - Total:
          - Total:

### BUILDERS' COTTON—FOB NEW YORK
- Prices:
  - Prices:
  - Prices:

### COTTON AND LINTERS—DEP. OF COMM.
- Assumes:
  - Total:
  - Total:
  - Total:

### SHIPMENTS OF SEEDS AND SPROUTS—FEDERAL DEPT. OF COM.
- Shipment:
  - Shipment:
  - Shipment:

### EXECUTIVE SECRETARY—FEDERAL RESERVE SYSTEM
- Officers:
  - President: **...**
  - Vice-President: **...**
  - Secretary: **...**
  - Treasurer: **...**
  - Assistant Treasurer: **...**
- Members:
  - Total
  - Total
  - Total
- Shares:
  - Total
  - Total
  - Total

### BANKING ACTIVITY—ST. LOUIS, IND.
- Banking activity:
  - Deposits:
    - Total:
      - Deposits:
        - Total:
          - Total:
  - Loans:
    - Total:
      - Loans:
        - Total:
          - Total:

### LITERATURE CITED
- Literature cited:
  - Total:
  - Total:
  - Total:

### BUSINESS ACTIVITY—ST. LOUIS, IND.
- Business activity:
  - Production:
    - Agricultural:
      - Total:
        - Production:
          - Total:
            - Total:
Investment in Latin America

the nature of venture capital, its investment in forms of loans combined with some of the features of an equity investment. The Corporation has invested in some 51 companies, the subscription capital of which is $83 million. The subscription capital of the American companies in the Latin American countries is $30 million.

In 1957, the Corporation has invested in Latin American countries and has subscribed capital of $32 million; all these companies are in the hands of the local American companies.

The Corporate Bank's equity in these companies, which is about $60 million (in half dollars and half in pesos) in Brazil, are expanding and other industrial components, in fact, may be said to be far ahead of the proposals related by the Corporation have been invested in Latin America, and it is likely that the Corporations will make more investments in these areas, at least during the early months of 1958.

Conclusion

The achievements by the Latin American countries in the last year have gained the attention of the financial world, and the achievements by the Latin American companies, which have been associated with this forward movement. The influences of many countries on this forward movement are dependent on many factors. Undoubtedly the most important will be the efforts made by the developing countries themselves, which are the major factors and are already far short in their performance. The reasons for this performance are the continuing efforts of the Hemispheric banks, which are being made to assure to the Latin American countries, and in giving more impetus to the development of the Hemispheric Banks.

Securities Salesman's Corner

By JOHN DUTTON

Sell Me What I Want

Time and again you will be faced with a customer who is not going to ask, "What do you want to sell me?" or "What do you want me to buy?" You are selling to a prospect. It is your task as a salesman to say, "I am here to sell you something that is of interest to you.

When you ask someone what they want, you are asking them a question. When you ask someone what they need, you are telling them something they need. When you ask someone what they desire, you are telling them something they desire. When you ask someone what they love, you are telling them something they love.

It is important to realize that the word "sell" is not a verb, but a noun. It is the act of persuading someone to buy something. It is the act of persuading someone to do something. It is the act of persuading someone to feel something. It is the act of persuading someone to think something.

The best way to sell is to know your product. You must know your product inside and out. You must know your product as if you owned it. You must know your product as if you were the person who designed it. You must know your product as if you were the one who built it. You must know your product as if you were the one who used it. You must know your product as if you were the one who loved it. You must know your product as if you were the one who needed it. You must know your product as if you were the one who desired it. You must know your product as if you were the one who desired it.

The best way to sell is to know your customer. You must know your customer inside and out. You must know your customer as if you owned them. You must know your customer as if you were the person who designed them. You must know your customer as if you were the one who built them. You must know your customer as if you were the one who used them. You must know your customer as if you were the one who loved them. You must know your customer as if you were the one who desired them. You must know your customer as if you were the one who desired them.

The best way to sell is to know your competition. You must know your competition inside and out. You must know your competition as if you owned it. You must know your competition as if you were the person who designed it. You must know your competition as if you were the one who built it. You must know your competition as if you were the one who used it. You must know your competition as if you were the one who loved it. You must know your competition as if you were the one who desired it. You must know your competition as if you were the one who desired it.

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WASHINGTON, D. C.—Only one insured bank in the United States has been placed in receivership thus far this year. There were only two failures in 1956. Should the year end with a single failure, it would be the first time since the Federal Deposit Insurance Corporation began 24 years ago that the annual failure rate would fall to zero.

The FDIC this week attributed the extremely low number of receiverships to a series of things. These include improved supervision, tighter chartering policies, a steadily rising level of economy and depositor confidence.

Today the FDIC has $1,700 million of "insurance" funds on hand. None of it is government money. All has been accumulated through the tariff paid on the respective banks.

Government Repudiation

Because confidence in banks dropped to probably an all-time low about a quarter of a century ago, when closing their doors and being placed under regulation, Congress created the FDIC. Originally it was capitalized by Congress. Today, the FDIC has paid that off, plus the $800 million it owed to investors.

Therefore, the $1,700 million that the FDIC now has on hand represents funds collected from the 13,445 banks, and not a penny in tax money. The money has been guaranteed Federal agency, it is self-supporting.

During its 24 years existence, the FDIC has paid out funds so that the deposits of 423 closed banks could be paid. The maximum covered by the limits of $10,000 per depositor or transferred in full to another insured bank.

H. Earl Cook, who has stillness of the Chairmanship of the FDIC for 16 years, said the closed banks had deposits totaling $2.9 billion. Of this amount all but $3 million has been restored to the depositors. The number of depositors was about 1,400,000.

Less than 400 of these failed to recover the full amount of their deposits. All deposits were paid in thousands of dollars.

Wolcott at Helm

Former Representative Wolcott, Republican Conservative from Massachusetts, was administered the oath as Chairman of the Corporation on Feb. 3. Mr. Wolcott, who completed 10 years with the FDIC, was not a candidate for Presidential reappointment for a six-year term. Mr. Wolcott was named to the Banking and Currency Committee, until he voluntarily retired from Congress in 1946.

Erie Cooke, Atlanta, Ga., bank examiner, who recently completed his tenure as President of the American Bankers Association, is succeeding the late John A. Harl, as a member of the Federal Deposit Insurance Corporation.

540 Bank Closings Since 1951

A total of 545 banks, including both insured and non-insured banks, have been closed between 1951 and 1962. Because of financial difficulties since 1954, Congress created the FDIC in 1934. This averages 23 banks a year. Prior to 1944 the records show that nearly 16,000 banks per year were closed because of financial difficulties for an average of 40 a year.

"Of course, most of all this difference is due to the influence of deposit insurance," said Mr. Cook. "Double, less the major part of the difference, is owed to the developments. Nevertheless the number has been much smaller than it would have been in the absence of deposit insurance."

About three-quarters of the insured banks are examined once a year by the FDIC examiners. The bank examiners pay the losses, or most of them, in a bank liquidation, has to be paid to the examiners, said Mr. Cook.

More Bank Capital Urged

In his annual report, Mr. Cook warned the banks of the future. "The junior banks, in particular, should beware of the losses that will be borne by the FDIC in the future," he said. "The losses, then, will have to be paid to the examiners, said Mr. Cook.

Larger Dividends Essential

Declaring that the sale of new bank shares is the only remedy to attract new capital, Mr. Cook says that the situation has altered its conduct as it is now being moved to new industries. He contends that banks could improve the attractiveness of its stock by paying out a larger share of their earnings.

"I feel," he said, "that any given increment of earnings paid out to shareholders in the form of dividends would attract more in new capital than it would itself add by being retained in capital accounts."

13,211 Commercial Banks

"Insured" The FDIC reported at the beginning of this week that assets of the insured banks totaled $255 billion on June 4, 1957. The assets were increased by 192% above 1934, but 2% below the beginning of 1957. The FDIC said the decline conforms to the recent pattern of a drop in the first half of the calendar year.

Of the 1,456 insured institutions, 13,211 are commercial banks and 2,244 mutual savings banks. About nine-tenths of the assets and deposits of insured banks were held by commercial banks whose assets totaled $207 billion, or 78% of total assets. In 1955, about $3 billion greater than June of 1956, but $9 billion below January of this year.

Total deposits were down $11 billion from the beginning of the year. The principal decrease resulted from demand deposits switching to time accounts, which advanced almost $3 billion. The FDIC said that changes in deposits, including a further decline of $3 billion in interbank deposits, reflected in part a sharp increase in bank borrowing.

Assets of the 234 insured mutual savings banks on June 4, 1957, exceeded $23 billion. This was $10.7 billion greater than at the beginning of 1957.

However, more things of the increase was due to the admission of 11 mutual savings banks to FDIC supervision.

"This column is intended to reflect the 'behind the scene' interrelation of the nation's Capital and may or may not coincide with the 'chronicle's' own views."

Charles Man's Bookshelf


Business Men's Bookshelf


Business Men's Bookshelf

