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EDITORIAL

As We See It

The President has felt moved to "go to the people" with an explanation of our defense position and the attitude of himself and his party thereto. It was inevitable in the circumstances, party politics being what they are, that the Democratic leaders should devise a means by which they hope to offset the effect of the President's appeal so far as it bears upon the position of the Republican Party with the people. This is in a sense what may be termed "playing politics" with the defense issue, but it is to be deplored only if real issues are shunned, the worse made to appear the better reason, or the facts of the situation twisted to make a trap for the unwary voter. The truth is that the public will be well served if the issues are clearly stated and the differences between the parties — where there really are any—set forth without equivocation.

We can only hope that as the President continues with his reports to the people, and as the opposition again speaks, if they feel it wise and well to do so, there will develop clear and unambiguous sets of proposals or programs. No such consummation has yet been achieved, but there is yet time. Final judgments can and must await further delineation of the positions taken by the two major parties. Certain straws have, however, appeared in the wind, and they tend to give a certain uneasiness, particularly perhaps about what the attitude of Democratic forces will presently turn out to be.

The President on Nov. 13 said:

"In the Federal Government's civilian activities, we shall have to make some tough choices.

"Some programs, while desirable, are not absolutely essential. In this I have reached a clear

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Flexible Bank Reserves And Sustained Prosperity

By NEIL H. JACOBY*
Dean, Graduate School of Business Administration, University of California, Los Angeles
Former Member, Council of Economic Advisors

Dr. Jacoby suggests banking reforms currently necessary and long-run proposals for a better legal reserve and monetary control system. Contends that when wage-costs exceeds productivity it becomes necessary, in order to keep full employment with stable prices without price-wage controls, to fortify monetary control with inflation restraint policies. Advocates demand deposit velocity or bank's office size as a basis for computing legal reserves and controlling credit volume; and forecasts a highly flexible, sharpened monetary policy, including reserve ratio changes.

In going into the relationship between legal reserve requirements in the American banking system and sustained prosperity in our country, I shall try to paint this relationship in broad strokes. Both the aggregate amount of reserves that commercial banks collectively are required to hold, and the system of apportioning this total among individual banking offices, have an important bearing upon the steady growth of the economy. We are here concerned primarily with the system adopted by our banking laws for allocating legal responsibility for holding reserves among banks, rather than with the proper amount of reserves in the aggregate.

Neil H. Jacoby

I wish to approach this subject by showing how monetary policies are the key regulator of a free economy in achieving its economic goal. I shall then point out the importance of sharpening the tools of monetary policy available to the Federal Reserve authorities. Among

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*An address by Dr. Jacoby before the California Bankers Association, Los Angeles, Nov. 12, 1957.

Convertible Bonds for Savings Banks and Others

By ALFRED J. CASAZZA*
Executive Vice-President, Savings Banks Trust Co.
New York, N. Y.

Relative attractiveness in today's market of investment quality convertible bonds to savings banks, possessing sound quality, reasonable yields and desirable conversion terms, prompts Mr. Casazza to review advantages of and considerations that should be applied in selecting such issues. The bank officer points out that high grade—convertible—bonds can be expected to appreciate whenever the demand for funds, and credit policy, or both, bring about a decline in the interest rate level. Appends a list of convertible bonds with significant data.

Mutual savings banks seek, first and foremost, a high degree of safety in the bonds in which they invest. Secondly, they seek yields high enough to help them cover expenses, pay the competitive rate of dividend to depositors and make adequate additions to surplus. Provided an investment satisfies these two basic objectives, the prospect of price appreciation and capital gains is a third desirable objective. Capital gains which are attainable without substantial sacrifice of quality and yield are desirable for two reasons. First, they provide an offset to capital losses such as are incurred from sales of bonds during periods of high interest rates. Secondly, where not required as an offset for losses, capital gains permit additions to be made to surplus. This helps a savings bank to maintain its surplus ratio in a period of deposit growth. Convertible bonds, as a class, offer greater opportunities for capital gains than any other type of bonds. This results from the fact that the holder

Alfred J. Casazza

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*An address by Mr. Casazza before the Investment Officers Association of the Savings Banks of the State of New York, New York City, Nov. 13, 1957.

NSTA CONVENTION ISSUE TODAY: Section Two of today's issue covers editorially and pictorially the recently concluded 24th Annual Convention of the National Security Traders Association at Hot Springs, Virginia.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

Deere & Company — J. Walter Leason, Manager, Institutional Department, Montgomery, Scott & Co., New York City. (Page 2)

Norwich Pharmacal Company—Winthrop Wadleigh, Partner, Wyman, Starr, Booth, Wadleigh & Langdell, Attorneys, Manchester, N. H. (Page 2)

J. WALTER LEASON
Manager, Institutional Dept.
Montgomery, Scott & Company
New York City, N. Y.

Deere & Company


J. Walter Leason

Many industries are beginning to face a profit margin squeeze as a result of plants operating at a lower rate of capacity. Among other reasons, Deere & Co. is unusual in being able to produce extremely good earnings with operations at only about 50% of plant capacity. Despite almost congenital pessimism concerning everything related to the farm, Deere & Company's results for the Oct. 31, 1957 fiscal year will show earnings of $3.90-$4.00 a share with approximately 7% of the $380 million volume carried down to the common stock after taxes. Deere, at 29 on the New York Stock Exchange, sells at a little over seven times this current earning power, yields 5.2% on the regular $1.50 dividend and 6% including the extra $0.25 recently declared; it is surprisingly several points lower than the estimated $32 of net working capital less all senior obligations.

In many ways, the fortunes of Deere & Company almost represent the Biblical seven fat years and seven lean years. After the conclusion of World War II, the deferred demand for agricultural equipment produced some exceptionally good earning power, reaching a peak of $6.76 a share in the 1950 fiscal year. In the next few years, competition caused a gradual decline in earning power to a level of $2.76 a share in 1954. A recovery occurred to $3.91 in 1955 but a lengthy strike in 1956 again reduced earnings to $2.67 a share. It is believed that the 1957 fiscal year is the beginning of another very favorable cycle in which farm equipment will be purchased in heavier volume.

Allowing a 10-12 year life span for farm equipment, a boom can be foreseen from 1958 to 1963. This arises from replacement of heavy post-war purchases made in the 1946-1951 period during which sales reached a peak of $396 million. However, the future replacement volume could be close to double this amount of business. Tractors and other farm equipment produced would now carry a much higher price tag because of the general inflation in equipment prices plus the fact that larger, more elaborate models with luxury features such as power steering, hydraulic controls, power adjustments and larger capacity (for example, four row cultivators replace two row cultivators) have added considerable value and are much more expensive.

In all of the attention paid to industrial automation, little recognition has been given to automation on the farm. Nonetheless, there is very definitely an agricultural revolution in the process of transforming the cultivation of crops. Small farms are being gradually displaced by larger units. Farm hands have increasingly been taking industrial jobs. The fewer, but larger, farms are able to employ more equipment efficiently. In addition, these larger farms generally conduct their operations on a more business-like basis. They recognize depreciation on equipment which they own and purchase equipment whenever justified to lower their costs. This trend will gradually help the farm equipment industry to achieve less cyclical operations in the future.

Recently, Deere has displayed much greater interest in foreign markets. It now has control of Heinrich Lanz, one of West Germany's largest tractor producers. Lanz now does a volume of $40 million annually but before World War II is believed to have done as much as $80 million of sales. A tractor plant has been placed in operation in Monterey, Mexico, and Deere is closely watching the Argentine market for permission to establish a plant in that country (now a monopoly situation). These programs are indicative of Deere's increasing interest in foreign sales and will be particularly helpful in increasing business with areas not able to pay in dollars.

Farm equipment equities in the 1946-1951 period when earnings were good sold at low ratios; most common stocks at the time were also appraised conservatively. When price-earnings ratios rose during the middle 1950's farm equipment earnings were depressed. It may well be that farm equipment stocks and notably Deere have not had an opportunity to reflect the excellent intrinsic earning power which can be expected. Future sales should be considerably higher and a return to an earning power of $6.76 a share or more can be anticipated. Considering that the stock has earned more than the $1.75 recently paid in each of the last ten years, yields 6%, and sells well below net working capital, the prospect of much higher earning power enables both the investor and the speculator to approach the stock with confidence.

WINTHROP WADLEIGH
Partner, Wyman, Starr, Booth, Wadleigh & Langdell
Attorneys at Law
Manchester, N. H.

Norwich Pharmacal Company

My favorite security is Norwich Pharmacal Company which is listed on the New York Stock Exchange and is selling around 30. The sole capitalization consists of 1,899,016 shares of common stock with long-term debt of less than two million dollars.


Winthrop Wadleigh

Because its potentialities for future growth are tremendous, because it has an able, high grade management and because of its inherent stability and depression-proof characteristics I believe it deserves consideration for inclusion in the portfolio of every trust fund as well as of individuals.

The sales, earnings and dividends for the last few years are set forth in the accompanying tabulation.

The estimate of 1957 earnings is based on the belief that the full year will show a 27% increase over 1956 as the first nine months do.

	Sales in Mills.	Earns. Per Sh.	Dividends
1957	*35.0	*2.29	1.125
1956	29.5	1.80	.90
1955	24.8	1.51	.70
1954	20.8	1.14	.55
1953	18.9	.81	.50
1952	18.0	.77	.50
1951	15.2	.65	.50

* Estimated

It is readily seen from the above figures that Norwich Pharmacal has had considerable growth in the last few years. But today the company has an enormous opportunity for exploration and discovery in the field of the nitrofurans in which it is the only company engaged. Nitrofurans are synthetic chemicals with amazing antimicrobial powers and relatively small side effects. No fatal or truly major adverse reaction to clinical use of any nitrofuran has ever been reported in the extensive literature. Furthermore, they are notable for their negligible development of resistant strains of bacteria, unlike the sulfonamides and the antibiotics.

From its organization in 1886 until fairly recently, Norwich has been engaged almost exclusively in the manufacture and sale of proprietary drugs. It sells more than forty, of which the best known are Pepto-Bismol, Unguentine, Norforms, NP-27, and aspirin. A relatively new proprietary product is Nebs, a non-prescription pain reliever that contains no aspirin. A million dollar national advertising program is now being launched which is expected to make Nebs the number two proprietary drug of Norwich in 1958. Now it is believed that the proprietary items account for around 60% of sales and about 50% of profits.

In 1938 the company embarked on a long-range antibacterial research program. Since most all such research then centered upon the benzene ring, Norwich researchers decided to work on the relatively unknown furan ring. The basic material used was furfural, a chemical produced from corncobs, oat hulls and other agricultural products. Years later came the discovery that adding a nitro group (one nitrogen and two oxygen atoms) to a key point in the molecule produced the nitrofurans with their truly remarkable antimicrobial properties. As a result the Eaton Laboratories was established in 1945 and now, as a division of Norwich Pharmacal, develops and markets these life-saving nitrofurans, on which the Company is well protected by patents.

Eaton Laboratories has synthesized more than five hundred of these new chemical compounds which never existed in nature. At least five (Furacin, Furadantin, Furoxone, Furaspor and Micofur) of these nitrofurans are now in commercial production and new ones will be coming along from time to time.

Furacin (trade name of nitrofurazone) was the earliest nitrofuran discovered. First used in 1944 on war casualties, it cleared up infected wounds and burns on which sulfa drugs and penicillin had been used without success. As a soluble powder and dressing it is now used in the control of in-

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Is the Fool's Paradise Coming to the End?

By MELCHIOR PALYI

Noted Chicago economist questions assumption made by some economists that the Government can avert a serious economic turn by deficit financing and money inflation. Dr. Palyi avers there is a big difference in selling government bonds in large volume during the depressions of the 1930's as against doing so to underpin the economy at present; asks whether dollar devaluation or inflation will be helpful once economic pessimism sets in; and notes dilemma of wanting to use technique of inflation to prevent a depression when inflation already exists. Perceives repetition of erroneous policies which, in preventing natural adjustment, causes a more serious disequilibrium.

I

"The days when this country can experience anything worse than moderate or possibly mild depressions are gone forever." The words are Professor Sumner Slichter's, and the date December, 1955. They are almost exactly the words of Professor Irving Fisher, spoken in 1928. Presently, two years later, Dr. Slichter stands where Irving Fisher stood two years after the crisis broke: chastizing the Federal Reserve for not providing enough money. Yet, a comparison between Professors Slichter and Fisher should not do injustice to the latter who naively believed in the possibility of maintaining perpetual prosperity on a high plateau of **stable prices.** A more appropriate adjective than "naive" is needed to characterize the Slichterian assumption of perpetual prosperity at **perpetually rising prices.**

Dr. Melchior Palyi

The fact is that the second longest boom in the history of modern capitalism is rapidly nearing the end of its rope. (The longest one, induced by the discovery of the New World, the "tremendous" flow of precious metals therefrom, and other circumstances, lasted longer.) In this country, it has been under way and growing for 17 years; for 24 years in Britain and Sweden. It has been supported by devaluations and inflations. That the end had to come sooner or later, should be obvious. The remarkable thing is that it was possible to postpone it, notwithstanding repeated slowdowns. **The current recession still may not be "it"**—merely a foretaste of things ahead in the **near** future. What is at stake, is something far more serious than was the case in the setbacks of 1948 and 1953.

II

The boom was predicated on one basic assumption: that the government will not let it down. If anything goes wrong, is the conviction, deficit financing will take care of the trouble. The national budget will be unbalanced, the bonds sold to the banks, with the Federal Reserve obligingly providing the cash. All that was taken for granted—perhaps still is—on the gratuitous theory that we would rather let the dollar go to pot than permit a major volume of unemployment to develop. That was the way it was done under the Democrats; the Republicans could not do otherwise if they wish to be re-elected.

Will Money Inflation Help?

Indeed, that is the most likely prospect—if a crisis of the 1931 magnitude should occur. In desperation, the country may turn to almost any quack medicine; the dollar may be devalued again and wholesale money printing launched. But then, we would be closing the barn door after the horse was stolen. The resort to inflation to save the prosperity presupposes that prosperity has vanished and that we are in the grips of a viciously snowballing depression. So far, there is no reason to anticipate such an emergency. **Short of such an emergency, or of war or warlike developments, a major inflation is out of the question and a minor one would not help.**

This is as important to realize as it is little understood: that once pessimism has gotten the upper hand, a few billion dollars will not cure it. A community in fear of depression uses additional funds to liquidate debts rather than to spend and to invest. Especially so, when a $470 billion non-Federal debt (against some $150 billion at the end of 1929!) is burdening the economy.

Overindebtedness does **not** always necessitate a net reduction of the outstanding volume of debt. Much depends on the "quality" of the debt structure, that does not seem to be too bad—but is not too good either. Unavoidable, however, is a severe slowdown of the credit expansion, a disinflation of bank loan portfolios, in particular. That means inventory liquidation, by whatever name it goes; yet **not** a depression of the panicky kind. Given the heavy indebtedness of corporations, consumers, and even farmers, a moderate money outpour—after a real decline got under way—is about as effective as a rain of a few inches in a desert.

III

Suppose, however, we should decide to underpin the boom by

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Articles and News Page

MORE ARTICLES IN SECTION TWO

SECTION TWO of today's issue is devoted to the recently-concluded Convention of the National Security Traders Association at Hot Springs, Va. The material therein includes the following articles on the pages indicated:

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The Need for Savings Banks To Defend Their Proper Function

By GEORGE A. MOONEY*
Superintendent of Banks, State of New York

State banking supervisor asserts New York Savings banks are "confronted with the most serious threat in all its commendable history"; advises they stop retreating from the onslaughts of their critics; and calls on them to unite and "fight" to reaffirm to the public the important service they perform. Mr. Mooney abjures the merger of savings banks by commercial banks, in claiming that the latter could not adequately do the former's job and that "there would be an overabundance of long-term credit in hands which should not hold it." Opines merger legislation would mean the end of savings banks; injects moderate controversial complaints; and criticizes commercial bankers by asking whether anyone "can . . . imagine an industrialist going to Albany demanding that his competitors' franchise be taken away merely because he was too competitive and had been in business longer."

New York savings banking, after 138 years of public service, is confronted with the most serious threat in all its commendable history. For that reason, therefore, the decisions you make at this time will exert a profound influence, for better or worse, how you will live in the years to come—and for how long.

George A. Mooney

But you are not alone in these hours of trial. Bankers everywhere are being forced by circumstances to make basic decisions. Some bankers, of course, are still engaged in a kind of rear-guard action, struggling on the barricades, as it were, in resistance to changes that are inevitable in an evolving economy.

Could there be anyone in banking who can ignore any or all of the pressing issues which confront us? Let me recall for a moment that your problems include: taxes, mergers, branches, holding companies, dual banking, tight money, dividend rates, the Financial Institutions Act, the Joint Legislative Committee, and the threat to the continuance of New York savings banking itself.

Since my appointment in 1955, I have made many comments about savings banking and I stand by the record. A year ago, in my speech to the 1956 Convention, I made certain suggestions about ways and means whereby you might seek to expand your services to the public in a manner more broad than through mere operation of additional branches. I leave it to you to determine how much progress you have attempted along these lines. Meanwhile, virtually to the exclusion of all else, the campaign for more branches drags on and on.

On that Convention occasion, a year ago, you may remember I warned that savings banking was at a crossroads. I said, too, that I was not on a crusade—that I was not a partisan, except insofar as all our State-chartered institutions were concerned. I reminded you then that I am a supervisor and, as such, I am charged with the responsibility of carrying out the banking statutes—maintaining the law and the orderly conduct of banking in all its phases.

Because of the fact that I do not operate a bank, that a I do stand apart, I can look at your problems dispassionately and realistically. I am not charged with the responsibility of management. It is for this reason, therefore, that I feel able to speak freely and strongly. Now then, here's how you look to me:

Stop Retreating

It seems that in the past 12 months the savings bank industry has been in continuous retreat from the onslaughts of your critics. And what have you done? Very little. Usually attacks on a group evoke strong leadership which becomes a rallying point for unflinching, vigorous defense and certain attacks on you have been quite severe.

For your industry in the last year, not only has there been a loss of face in the banking community but even the development of doubts among the less strong-minded among you. Anything to get peace and quiet!

I say it is unfortunate that an industry with your history should have allowed itself to fall into such an abject position. Remember, complacency, indifference, inaction, can lead only to the gradual and then the sudden eclipse of an industry especially in these competitive times.

Early announcements for your Convention referred to this remarkable hotel as "fabulous," but the word suddenly disappeared from advance notices. Some of you, I daresay, have hesitated to hold a Convention at all. Now, to those few who may need assurance, I say savings banking is a business like any other form of American business enterprise. This industry, like others, holds its annual conventions in pleasant surroundings, hoping thereby to attract a large attendance of its members, and hence, a broader interchange of ideas. I submit there's nothing wrong with that.

But what's happened to some of you? Do you believe in what you are doing, in the worth of your industry, and in the public service you perform through your individual institutions? I submit that if you do believe in what you are doing, none of you will hesitate to protect what you have. You will fight *because* you fervently believe in your worth to the public. A good soldier, guarding a post entrusted to him, doesn't meet threats by dodging and giving ground. He stands firm and, if necessary, fights. It's amazing how frequently an enemy is routed when he is confronted with an unmistakable show of determination by his intended victim.

Defines the Word "Fight"

I have used the word "fight" because it is a good Anglo-Saxon word, and as apt as I can find for this situation, since it presupposes strength, conviction and determination. Lest I be misunderstood, however, let it be clearly stated that I am *not* urging upon you any course of action which would involve an attack by your industry upon any other members of our financial community, individually or collectively. There has already been too much of that.

As you know, banking is a perishable commodity. It depends almost exclusively upon credit, and, as was recalled to me recently, "credit" is a word derived from the Latin "credo" which means "I believe" or "I trust." Let one banking institution attack another—let one segment of the industry challenge the foundation upon which another segment is constructed — let the motives of the leaders of any part of the banking community be doubted in the public mind—and the decay begins. Belief and faith then give way to doubt and mistrust. And when that happens, all the hard-won gains which banking has made since the '30s, will be lost.

As one whose responsibility, as set forth by statute, is "to eliminate unsound and destructive competition among . . . banking organizations and thus to maintain public confidence in such business," I, of course, must deplore any attack by one type of banking institution upon another. When I say you must fight for your convictions, therefore, what I mean

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*An address by Mr. Mooney before the 64th Annual Convention of the Savings Banks Association of the State of New York, Miami Beach, Fla., Nov. 13, 1957.

Achieving Policies for Neither Inflation Nor Recession

By HON. ARTHUR LEVITT*
Comptroller, State of New York

New York State Comptroller wants the Federal Reserve to do now that which he says it promptly did as soon as economic soft spots appeared in 1953. Holding no quarrel with tight money policy of the past — except in so far as qualitative controls were not used to allow financing at lower terms socially desired objectives which would separate local government financing from general monetary policy, Mr. Levitt expresses concern about the future in calling for relaxation of present Federal Reserve restrictive credit policies. The Comptroller rejects sole reliance upon price index as a symptom of our health and suggests we consider rising unemployment, business failures, excess capacity, and municipal hardship in building facilities. Moves that we have a long range banking-financial study by a Presidential commission.

The savings bank movement which started in New York State in 1819 has contributed greatly to making our State the leading financial center of the world.

Hon. Arthur Levitt

As the most important of thrift institutions mutual savings banks have played a major role in channeling the savings of the people of our State into the building of new homes and the expansion of our vital industries. It has been a tremendous contribution toward solving the major postwar problem of housing. You have done much to make New York a better place in which to live and to work.

Today we are in the center of a great debate on the general health of our economy. Opinions of our business leaders, economists and public officials range from general optimism—"only a temporary halt to our upward trend"—to severe pessimism—"we are at the start of a depression." In every instance, however, important emphasis is placed on the role played by the Federal Reserve System in regulating the volume of credit.

The Federal Administration in Washington has for several years been following the policy of trying to hold prices within reasonable bonds by restraining the expansion of credit and thus limiting additions to the stream of total expenditures. The theory has been to create a money squeeze, which would then result in higher interest rates, less borrowing and a general reduction in the demand for money.

As a consequence, interest rates have been forced generally to the highest level in more than two decades. New Federal Government bond issues have come out at 4% —the highest rate paid by the Treasury since depression days. Interest rates on home mortgages, on commercial bank loans, on school district bonds and on town and village bonds have reached their top point since the early thirties.

In his recent testimony before the Byrd Committee, former Secretary of the Treasury, Humphrey, admitted that the United States Treasury is paying the highest rate on government bonds since the depression and that this increased interest cost had already added one billion dollars to the Federal budget for the coming year.

Concerned Over Future

No honest person questions the responsibility of the Federal Reserve System to assure monetary and credit conditions that will promote stability in our economy. When credit restraint was instituted, our national prosperity was being damaged by inflation. While I have no desire to criticize the System for the use they have made of their stabilization powers, I question whether under today's economic conditions it is not wise to re-examine their policy and to consider a change of course. I have no quarrel with the past, it is the future that concerns me.

In the early part of 1953 the Reserve Authorities imposed a credit restraint program. It lasted for a short duration. The moment economic soft spots began to appear they promptly reversed their policy and thus, in my opinion, averted a sharp decline.

Today, we face a similar situation in that several weaknesses have become apparent. The index of industrial production has levelled off. Factory production has dropped, and inventories of unsold merchandise have increased. Residential building is down nationally from last year and mortgage money has become more expensive. New orders for durable goods have been dropping each month and are now running at the rate of a billion dollars a month below a year ago. Failures of small business enterprises according to Dun & Bradstreet, for the first nine months of 1957, increased measurably over 1956 and small business failures in the month of September were the

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*An address by Mr. Levitt before the 64th Fall Convention of the Savings Banks Association of New York State, Miami Beach, Fla., Nov. 14, 1957.

Observations . . .

By A. WILFRED MAY

THE INVESTOR'S EMOTIONAL LIFE —AND THE NEWS*

Let us go into some of the psychological elements of investing. Remember, if you want your stocks to behave, see that you behave yourselves as investors. In other words, it isn't so much the state of the market as the state of your *mind!*

A. Wilfred May

Here, let me ask you a few questions:

(1) Do short term paper losses worry you and give you undue anguish?

(2) Do you suffer unbearably from the recurrent reports from Aunt Tillie or the manicurist about their get-rich-quick exploits in fast-moving issues?

(3) Would you become particularly anxious over a drop in a non-blue chip selection?

(4) Can you withstand that very greatest cause of market suffering, namely seeing a stock advance further after you have sold it?

How very important is the individual's emotional make-up, along with the financial factors in achieving a sound investment program! Remember that it is only after you have estimated the risk that you are psychologically as well as economically prepared to take, that you should arrive at your investing rules. Remember also, please, that achievement of self-knowledge and realistic recognition of our individual foibles can further the avoidance of pocketbook misfortune.

Economics Versus the Market

The economist's ability to anticipate such quantitative statistical data as national income, savings, corporate profits, and the like, implies no concurrent ability to form judgments on the more specialized subject of how the public will react to them, or on the extent and kind of its interest in the stock market. Thus, for analyzing market fluctuations it is not the economist but rather the psychologist and psychiatrist who are better qualified to do the necessary job of reading the market-mind. This is how it happens that, as I have demonstrated to you, there is so little correlation between the stock market on the one hand, and the various business and other economic factors on the other. With the stock ticker's quotations in large measure reflecting illusions which could be either bullish or bearish in their effect, the task of timing market fluctuations is concerned not so much with general economics and its overtones, as with psychological influences which bear especially on security trading.

The comment on the present interacting economic-market atmosphere, in the "Economic Letter" of the First National Bank in Dallas, seems very apt: "Once more psychology appears to be the joker in the economy's deck of cards. Its chief manifestation has been in a declining stock market. In turn a declining stock market has added adversely to the bad psychology."

*Transcript from one of a current series of lectures at the New School for Social Research, New York City.

Specific Foibles in the Investor's Behavior

Let me give you a few specific examples of the impact of psychological foibles as exhibited in investor behavior:

(1) *Manic-Depressive-ism.* Manifested in successive swings between peaks of euphoria and all-inclusive enthusiasm, and troughs of dire interpretation and prophecy of doom.

(2) The popular proclivity for leaning on mechanized formula plans of various kinds to relieve the investor from interference with judgment by either his emotional instability or his psychological environment. Formula popularity, which is so high now, really stems from the investor's neurotically based compulsion to reduce anxiety by relieving him from the responsibility of making decisions.

(3) Such *escapism* in the form of the investor's evasion of responsibility likewise applies widely to other investor policies. For example, too many people religiously follow the line of buying "good," or so-called good stocks, merely as a rationalization of their inertia, their mental laziness or defeatism, with a supporting theory too often used as a cloak for inability to make a decision. On the other hand, undue concentration on the out-of-the-way non-blue chip special situation operation, likewise may reflect psychological foibles governed by the need aggressively to outsmart, outmanipulate and even exploit fellow investors.

(4) Then that great major ill of personal rationalization by the commentators certainly also takes place on the investment market. There is the habit, so prevalent, of making the interpretation of the market and the news fit the preceding price action toward one direction or the other. This happens in two ways: In the first place, if the market has gone up, a news item is then called *bullish.* If the market goes down, the same news item is called *bearish.* For example, take the case of Peace and War scares. When there is an easing of the Cold War tension, or some other indication of a move toward peace while the market is going *up,* well then the comment is "Why, of course peace is bullish." On the other hand, if the market goes *down,* then the comment holds that peace is "obviously" bearish because it limits defense spending. And so we remember back in September the excuse for a brisk market rally was because the Russians fired off a missile. On the other hand, midst a market break a month later, the birth of the Sputnik was cited as a so-called *bearish* explanation. In the second place, there is another form of this kind of rationalization via the commentator *selecting* that particular group of items which fit the market action of the moment.

(5) Then, there is the combined style appeal with the herd instinct along with the yearning to "move with the crowd." People want to lose their money only in good company. This gregarious trait supports the Blue Chip craze; concentration on the so-called name stocks, that is, the stylish issues.

Be Your Own Doctor!

Far from being merely academic and possibly enjoyable, the ability to be your own psychologist has very practical uses. Realization of these foibles and others can be turned to highly constructive use in explaining disparities between ruling market prices and value. Recognition of a fallacy in the public's controlling reasoning is a highly useful tool for validating your own conclusions as to a specific security's under- or over-valuation, which are based on the facts and sound value of criteria.

For example, if you feel that a stock is over-valued than you go around taking a Gallup Poll-like inquiry and if you find that people are buying it for the wrong reason—the psychologically wrong reasons—then that should additionally support your own reasons for selling the stock. On the other hand, suppose you decide that a stock is undervalued and you find there are unreasonable prejudices against that stock or that kind of stock they will support you in your decision in feeling the stock is undervalued.

* * *

The Investor and the News

Now for you, the investor and the news—you and the financial pages. I usually call this topic How and How Not to Read the Financial Pages because the warnings on what to avoid in your reaction to financial journalism are crucially bound up with your basic investment policies and practices. Remember that in every section of the newspaper or other periodical which is concerned with world politics, whether it be editorial opinion, sports, and even obituaries and society news on occasion, there will be items having some indirect bearing on the world of finance. But there the financial effect will be secondary. Only in the financial and business section itself, will a newspaper or mazagine reader get the specific, concentrated, and complete coverage of the happenings he as an investor human being must not miss.

In that financial section of the newspaper, you gain access to the day's news in the worlds of business and finance. On the finance side, there are items about specific companies, including their dividend action and earnings, about the course of thousands of prices of items ranging from stocks, bonds and international currencies, to such things as basic commodities and future prices of farm products, and that most popular phenomenon, the stock table. Accompanying the tabulation, either in whole or in part, of the stock market transactions, there are relevant — sometimes quite spicy — news and editorial comments. I'll have more to say on this a little later on.

On the business side, you the reader, are offered a wealth of specific indexes, as weekly figures of automobile production, business construction, railroad car loading, oil production, department store sales, electric power and iron and steel production.

The Do's

And now for a few do's and don'ts concerning your attitude toward the news. First for the "do's":

Do maintain a stable and phlegmatic attitude toward the content of the financial section both in "bull" and "bear" markets.

Do treat it with unchanging attention throughout succeeding periods of rising and falling speculative activity and excitement. While the public's interest customarily rises along with market prices and volume, if anything, the opposite is the most logical course for the potential buyer with a genuine investment approach.

Do take a "morning" or a "once-a-week" attitude toward the stock exchange price changes.

Do distinguish sharply between factual data and, on the other hand, interpretation.

Do realize that facts are fundamentally and constructively useful, while the editorializing, including the forecasting, is only of secondary importance.

Do in your reading activities, as elsewhere, maintain a long-term appraisal attitude instead of indulging yourself in the more enjoyable diversion of forecasting discussions.

Do try to use, to your own advantage, the psychological clues in the market place. With intelligent

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Creating a National Mutual Savings Banking System

By HON. ABRAHAM J. MULTER*
U. S. Congressman from New York

Congressman Multer urges savings bankers to act now in support of his bill to create a national mutual savings banking system. Avers commercial bankers would be short-sighted if they were to oppose such a bill; explains why they should be allies; and suggests savings bankers withdraw business from any commercial bank opponents. The Congressman recommends FHA be made a private mortgage insurance institution and that there should be one insurance agency to insure all thrift institutions. Outlines advantages of his bill and expresses his willingness for honest compromise.

No doubt, much can be written about the determined efforts to tax mutual savings banks and how to meet those efforts. If so, may I suggest that Congressman Keogh be asked to discuss this. Not only is he a savings bank Trustee, but more important, he is a very able member of the powerful House Ways and Means Committee which has jurisdiction over the subject. He is waging a valiant fight on savings banks' behalf. He needs and deserves cooperative support.

Abraham J. Multer

The issue of Government regulation of interest rates on FHA and VA mortgages as against letting the market fix the rate can be argued for days. My own reaction to that has been many times expressed in the suggestion that until the banks and insurance companies and mortgage investors take over and own FHA as a private institution, savings banks will be compelled to submit to Government control. Insurance, whether of credit or of anything else, should be private enterprise.

The Government does not belong in that business or any other, except as an emergency measure or when private enterprise fails to do the required job. Insurance of mortgages has proved itself as a good paying operation. It is time that the business community took over that field of endeavor. Savings banks have a long and creditable history, particularly in New York State. They have rendered a fine and an important service to American economic history. They can have a broader and greater influence for good in the future, if only they do not rest on their laurels.

As in most things, there is no standing still. They either move forward or stagnate. Remember the past to improve its virtues and eliminate its mistakes.

There are many fields that remain to be explored that are definitely related to your functions.

Lend Money to Students

To mention but one — recent events have highlighted the need for college and post-college education. The drawback to more American boys and girls continuing their education after high school, particularly in the scientific fields, is lack of money.

Isn't that your business? I readily concede that by promoting thrift you try to fill that need.

But that isn't enough! Why can't you develop a program to lend money to students, repayable when they begin to earn their way in life.

You have ample precedent, with proof of success. We had such a national Government program and the losses were less than one-half of 1% of the interest earned. If the Federal Government was able to operate such a venture at a profit, you can do an even better job.

Permit me now to turn to my own present pet project. The only novelty that I can claim for it is that I was the first member of Congress to introduce a bill on the subject.

National Mutual Savings Bank System

I refer, of course, to H. R. 4296, to establish a national mutual savings bank system.

After its introduction I learned that many persons had been thinking and talking about the matter for a long time. I want you to know that I have no pride of authorship and am not wedded to any detail of the bill. In that connection it is well to remember that I am only one member of the Congress, and the bill as it is finally reported will have to meet with the approval of a majority of the members of both Houses of Congress. It is strange that although you have a national association of savings banks, there is no national system of mutual savings banks. One might ask, "Why a national association when you have mutual savings banks in only 17 States, none in 31 States, and none in any of the territories." The sponsorship of the principle of this bill will amply justify the purpose of that association. Let me give you a friendly warning — time is usually on the side of the opponents of proposed legislation. You can study this bill to death.

Time to Act Is Now

The climate will never be better for such legislation. Next May may be too late. Those who are interested in the enactment of this legislation should lose no time in unifying their forces and making known to their representatives of both Houses of Congress their desire to see this principle enacted. That should be coupled with requests to the Banking and Currency Committees of both Houses for early hearings so that all concerned may present their views and the groundwork may be laid for working out details satisfactory to all affected.

The dual banking system is now so firmly embedded in our banking legislation that it is taken for granted. I have never heard of any bill having been introduced to challenge.

Congressman Brent Spence, the very distinguished Chairman of the House Banking and Currency Committee, only a few weeks ago, in addressing a Bankers' group, referred to the dual system of banking as "within the American Constitution of checks and balances."

It was Jesse Wolcott who, as Chairman of the House Banking and Currency Committee in the 80th Congress, welcomed me to that Committee, made me feel at home and initiated me into a difficult and most interesting field of Congressional activity. Our friendship has grown stronger through the years. I welcome the opportunity to publicly pay my respects to him, and despite our political differences, if I had the appointing power, I would have readily named him to the high post he now holds as Chairman of the Board of the Federal Deposit Insurance Corporation. He brings to that office not only character and integrity but a vast knowledge and experience, coupled with a strong desire to improve the operations of that corporation in the best interests of our country.

No one can speak more vigorously than he did in September, 1957, when he said that he "would make special efforts to reconcile conflicting problems" in banking operations and practices, and "protect at all times the dual banking system."

Wants Genuine Dual Banking System

Implicit in all these statements of policy is the fact that we do have a dual banking system. Few have stopped to consider, however, that we have one, only in part.

I hope we can enlist the aid of those distinguished proponents of the system in making it a genuine dual banking system.

We have State and Federal chartering and supervision of credit unions. We have State and Federal chartering and supervision of savings and loan associations. We have State and Federal chartering and supervision of commercial banks.

Why do we not have it as to savings banks?

My bill attempts to supply the omissions.

As to those who object to the enlargement of Federal regulation, let me say this: There have been complaints, some well-founded, some not so well-founded, directed against the activities of the banking authorities on the national level. The same type of complaints have been levelled against one or more of the banking autohrities on the State level.

The fear of Federal control and regulation or banking has been minimized, if not entirely eliminated, by the manner of operation of the Federal Reserve System and of the Federal Deposit Insurance Corporation. No one pretends that either is perfect. Both can be improved.

Does anyone know of anything better to take their place? That the answer is "no" is found in the fact that so many of the State institutions have voluntarily become members, and continue to be a part, of those organizations.

Savings Competition

All National banks and all State banks are authorized to carry savings accounts. There are one or more savings and loan associations operating under Federal Charter in every State in the Union. There are only two States out of the 48 which do not have State savings and loan associations.

All of these organizations compete for the savings dollar. I think no one can be properly labelled unfair. Mind you, I use the word "unfair," not the word "illegal." At least a part of the blame for the unfairness of that competition can be charged to the difference between Federal and State statutory provisions and regulations.

In my opinion, a National Mutual Savings Bank Act would go far towards eliminating unfair competition, and would tend to bring into line the legal requirements that should apply with equal force to all savings accounts. When I introduced my Bill, HR 4296, I made no pretense, nor do I know, that it is perfect either in form or substance. I know that after study and after hearing from all of those interested in the principle of the bill, the details thereof can be improved. What the minimum or maximum number of directors should be is of no real importance in talking about the principle of the matter. Similarly, the percentage of reserves that should be required, the kind of investments that should be permitted with the funds, while important, are obviously subsidiary to the main question. The enactment of a bill such as mine, will accomplish many things, all of them in my opinion good, none of them bad. For instance, it will give to the people in 41 States an opportunity to create savings banks whose sole purpose in life will be to encourage thrift.

Strengthen the Economy

This will come at a time when the one thing that all economists agree upon is that one means of beating inflation is to decrease spending by increasing savings. An expanding economy demands the necessary tools. One important tool is money. Your institutions have been, and must continue as one source of supply. This bill will strengthen our economy by improving your operations.

Another good thing that will be accomplished will be to put strong pressure on State Legislatures, to

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*An address by Mr. Multer before the 64th Fall Convention of the Savings Banks Association of the State of New York, Miami Beach, Fla., Nov. 14, 1957.

The Business Outlook Today And the Role of Government

By HON. SINCLAIR WEEKS*
Secretary of Commerce

Commerce Secretary asserts "there's nothing to be afraid of in the current business situation." Mr. Weeks admits "1958 may be a breather" but that changes from 1957 will merely be fractional. He cites as plus factors the: easing-off of price inflation, firming up of new residential housing, good start in 1958 automobile production, and continued high rate of consumer spending and expectation of bumper Christmas buying season. Discusses program to decrease governmental intervention in economic and state-municipal public activities.

First of all, I would like to comment a little on the business situation and the business outlook. Before I do, I should like to point out that we start with a healthy economic foundation. We have an Administration that endeavors to encourage a climate favorable to private enterprise. The amazing growth in American population, education, research and transportation, and dynamic economy, it seems to me, spells tremendous business activity and high employment in the years ahead.

Sinclair Weeks

Awareness of this coming growth is reflected in the expansion plans of utilities of other industries, and in the development programs by the Administration in the field of highways, ship construction, aviation facilities, and other public assets, to meet future needs.

The rise in the Gross National Product is generally believed to be the most accurate measure of the development of our economy. The rise in GNP demonstrates that each of the last two years has broken previous over-all records and I, personally, expect 1957 will top the GNP, over the past two years.

In recent months business has been experiencing a mild rolling readjustment. Investment expenditures have moderated. The rate of factory production is not as dramatic as earlier. Some industries show decline. Others are standing still. Some continue to forge ahead. The cost price squeeze is troublesome.

Offers Forecast

What does this all forecast? Well, the other day I met with my Business Advisory Council at Hot Springs, Va. There were gathered a considerable group, who operate business establishments some of them very substantial in size and importance to the economy.

There was evidence—certainly, of no worry about the future—a recognition that our economy is leveling off at a very high level; and that '58 may be a breather, with changes from '57 fractional only.

An important fact to note is that, although over-all business has been leveling off, this sideways movement is, in fact, on a record high level. The facts clearly reveal that there are many plus factors in the economy. Among these are factors of considerable strength.

One—the inflationary pressures seemed to have eased somewhat. Needed civic construction—such as highways, schools, hospitals — is strong. Residential housing is firming up. Auto production of new models is getting well underway. Income and consumer expenditures continue very high.

Bumper Christmas Buying

With consumer income running along at a peak, I myself would expect Christmas buying to be good. A substantial volume of holiday sales will clear out stocks for further factory orders.

I would like to point out one or two other factors that appeal to me. The stock market has had what I would term a readjustment. It is off about 16% from the peak.

Personally, I think the market had discounted the future a little more than it might have; and the profit squeeze is on, so that you were running behind in good bond yields for a time. And it has been a fact in history that, when the market is selling at about 15 times earnings, a sell-off becomes a prospect and an actuality.

But I would say to you—there are nine million people who make the market, and I think that they will continue and should continue to want to own a share in American industry.

There's another point: that our economy functions on confidence. About half of what a man spends, he spends for things that he has to have, and about half for things that he'd like to have but can postpone. And so—confidence is a priceless ingredient in our economy.

We have been climbing pretty steadily for the last several years and now we have slowed up a little and leveled off, and I would say, as I said in '53 and '54, that if you want to scare people to death, why, perhaps you **can bring about** bad business, but there's nothing to be scared about in the business situation today. In fact, for the long pull, we are bound to grow and our economy is bound to grow.

The other day in New York I was asked some questions and one of them was, "Do you term the present situation a depression, a recession, or a sideways movement?"

No Recession

I said I thought to call what is going on today a depression or a recession was silly. I now term it **ridiculous**, and I think—while I don't pose as a prophet—I think that I am right.

The Russian satellite is a scientific achievement of great significance and importance. I think it will bring home to business, government, and the public our responsibilitiy to speed the progress of our own technology and to strengthen our economy, for our strong economy is the base, not only of our livelihood, but also of our defense and our national security. It is in the field of our economic system and our defense production, stemming from that system, that businessmen can contribute greatly to our nation's security.

Today a subject of paramount importance to business is the problem of the great fundamental trends which color modern thinking. Now, these ideas can affect private industry for good or evil infinitely more than minor fluctuations in a dynamic economy. One of these world-wide trends, I propose to discuss briefly—the clash of two basic ideas, the supremacy of the state versus the supremacy of the individual.

Those who hold one idea believe that the power of government is the most effective means available for solving most of mankind's problems, even at the cost of government dictation. Those who differ rely on individual initiative and resourcefulness as the most productive force of the human race.

The former apparently have scant faith in a free economy. So they demand that the Federal Government monopolize the power field, socialize medicine and agriculture, compete with private industry, control wages and prices, and otherwise dominate the economy. Of course, this means nothing but bigger and bigger government.

Obviously, I have no intention of injecting narrow partisanship into this discussion; but I warn conservative-minded people of both great parties that all sorts of trouble can pile up on business, if those who mistrust our private initiative can win support from the public and in Congress, as they are trying hard to do right now.

Let me give you chapter and verse.

Role of Government

There is a philosophy in the country that the Federal Government should monopolize all activities in the public power field. Those of us who have been here for four years have espoused the so-called partnership principle—the principle that says, if private capital or local or state funds are available to do the job, they should do it; that the Federal Government should only come in when absolutely necessary.

We have had a continual fight, for example, in the Hell's Canyon area where we adopted the partnership principle philosophy. Here, in fact, the Federal Power Commission gave to the Idaho Power permission to build three low dams—and there is a continual effort, even today, in Congress to push the Federal Government in the high dam area, which would obviously be very detrimental to an undertaking that has already been started.

In the field of the TVA, let me point out some figures that I think are very interesting. In the four year period ending in January, '53, the taxpayer had to dig into his pocket to support TVA and increase its plant and equipment and pay deficits to the extent of $909 million. In the four years since January, 1953, the taxpayer has had to put up only $21 million. In one four-year period here, you and I put up $900 million; and in another four-year period, $21 million.

Let me point out a word about competition with industry. We have sold the RFC, liquidated the RFC. We have sold the tin plants, 27 of the rubber plants—taken in a billion dollars. There have been 728 business activities of the Defense Department liquidated, washed out.

I, personally, have been gratified (and I think it is a good sample of what can be done) with the disposition we made of the Federal barge lines in 1953. Over the period of its operation as a government enterprise prior to its sale, the taxpayer put up about $14 million to run the business.

Since then, we have sold it for $9 million. The new private-enterprise owners paid down a $1.6 million on the note. They paid $1

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*A stenographic transcript of remarks made by Mr. Weeks before the 70th Annual Meeting, National Paint, Varnish & Lacquer Association, Washington, D. C., Nov. 5, 1957.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 32)—Discusses Atomic Development Fund's participation in missiles and rockets—contains text of U. S.-British joint statement on fusion and comments on Nuclear Chicago and Harshaw Chemical Company—Atomic Development Securirties Co. Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Banking and Finance in Canada — Bulletin — E. M. Saunders Limited, Victory Building, Toronto 1, Ont., Canada.

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

Cement Industry—Bulletin—Purcell & Co., 50 Broadway, New York 4, N. Y.

College Endowment Funds 1957—Comparison of distribution of funds—Vance, Sanders & Company, 111 Devonshire Street, Boston 9, Mass.

Foreign Exchange Quotations—Folder listing current quotations of currencies of 141 countries throughout the world—International Banking Department, Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

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

Japan's International Accounts—Discussion in current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are discussions of the **Shipbuilding** and **Gasochemical Industries.**

Life Insurance Companies—Comparative figures on stock dividends—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

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

Missile Stocks—Report on **General Dynamics Corporation** and **A. V. Roe Canada Ltd.**—R. A. Daly & Company, Limited, 44 King Street, West, Toronto, Ont., Canada.

New York City Bank Stocks—Quarterly analysis of 13 issues —Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Petroleum Situation — Review — Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Real Estate Bond & Stock Averages—Bulletin—Amott, Baker & Co. Incorporated, 150 Broadway, New York 38, N. Y.

Stock Transfer Taxes—Booklet giving current Federal and State stock original issue and transfer tax rates—Register and Transfer Company, 50 Church Street, New York 7, N. Y.

Tax Tips with suggested switches—In current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is an article on guided missiles, high yield discount railroad bonds, and low labor cost companies—In the current issue of "Gleanings" is an analysis of **Columbus & Southern Ohio Electric Co.** and a selected list of **Preferred Stocks.**

Treasury Financing—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

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Alpha Portland Cement Co. — Memorandum — Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **Canada Dry Ginger Ale Inc.**

American Can Company—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

American Cement Corporation—Analysis of proposed merger of **Riverside Cement Company, Peerless Cement Corporation** and **Hercules Cement Corporation**—Blyth & Co. Inc., 14 Wall Street, New York 5, N. Y.

American Tobacco Co.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **Colgate Palmolive Co.**

Babcock & Wilcox—Analysis—Du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

Bank of America, N. T. & S. A.—Analysis—Walston & Co., Inc., 285 Montgomery Street, San Francisco, Calif.

Coca Cola Bottling Company of New York—Analysis—Elder & Company, James Building, Chattanooga, Tenn.

Diebold Incorporated—Report—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Gamewell Company—Bulletin—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Georesearch, Inc.—Analysis—Metropolitan Dallas Corporation, Vaughn Building, Dallas 2, Tex.

Gulf Coast Leaseholds, Inc.—Memorandum—Leason & Co., 39 South La Salle Street, Chicago 3, Ill. Also available is a memorandum on **Manabi Exploration Co.**

Harris Intertype Corporation — Bulletin — Mellott, Thomsen, Pitney, Rowan & Co., 29 Broadway, New York 6, N. Y.

Marine Midland Corp.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Rockwell Spring & Axle, Union Oil of California, Wallace & Tiernan Inc.** and **Weyerhaeuser Timber Co.**

Metallurgical Resources, Inc.—Report—G. K. Shields & Co., 15 William Street, New York 5, N. Y.

Northwest Production—Report—Western Securities Corp., 1 Exchange Place, Jersey City 2, N. J. Also available are reports on Three States Natural Gas, Delhi Taylor Oil, and Big Piney Oil & Gas.

Pacific Power & Light Company—Bulletin—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **Lake Superior District Power Company** and a bulletin on **Municipal Bonds.**

Charles Pfizer—Report—J. R. Williston & Co., 115 Broadway, New York 5, N. Y.

Portland General Electric Company—Analysis—Loewi & Co. Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also available is a report on **Consolidated Water Power & Paper Company.**

Standard Oil Company of Indiana—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **W. T. Grant Company.**

Standard Packaging Corporation—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y. Also available is a list of **Equities for Investment.**

Stauffer Chemical Company—Report—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Universal Match Corporation—Card memorandum—Scherck, Richter Company, 320 North Fourth Street, St. Louis 2, Mo.

Robertshaw Fulton Controls Co.—Data—Bache & Co., 36 Wall Street, New York 5, N. Y. In the same bulletin are data on **Pacific Finance Corp.** Also available is a review of the business outlook.

Our Reporter's Report

Investment bankers and institutional investors are rounding out a week of fireworks, the like of which they have not experienced in many a moon. Things have been moving swiftly on the new issue front.

Until a week or so ago bankers were having new difficulty in pricing corporate offerings to assure their ready sale to investors. There had been some accumulation of recent emissions beginning with American Tel & Tel's huge offering. Underwriting capital was being tied up in a rather substantial way as bankers waited for the market to come to their rescue.

Then came the rains. The Treasury had been expected to make known the terms of its big refunding and new money operation last week and then, on Thursday, it decided to postpone such announcement. Late that day four Federal Reserve Banks posted reductions of ½ of 1% in their rediscount rates.

Their condition statements as of the close on the preceding day had not indicated any real shift in Federal Reserve attitude toward the money market. Changes were minor, particularly in the case of open market operations, that is in holding of Government securities.

But the cut in the bank rate, presumably occasioned by the increasing slack in many lines of business, naturally was accepted as signalling a shift from the policy of restraint that had been in force for some months.

This in turn brought investors into the market quickly. Government bonds, which had been rising in seeming anticipation of just such a move, bounded further ahead and corporate new offerings were mopped up hurriedly, clearing shelves.

Buying Inventory

Things quieted down for a spell once the news of the bank rate cut was out, and for a spell it looked as though banking houses, or at least those with large retailing organizations were willing to take on some inventory against a quiet spell.

Several issues brought out early this week tended to lag at the start and, with sizable spreads between bids of the winners and the runners-up, seemed maybe priced a little too sweet.

But when Alfred Hayes, President of the Federal Reserve Bank of New York, told the House Small Business Committee that there would be other credit-easing moves, the new issue market took on new life. Offerings that had been dragging their heels suddenly took fire and disappeared quickly among investors.

Wiser Heads Hesitate

Now that the flush of excitement generated by the Monetary moves has passed, the rank and file will be settling back to see how the effort to bolster economic psychology catches on.

The mere marking down of bank rates means little unless, along with other steps, it tends to encourage business to borrow for its needs.

It will be interesting to see what the next step will be in that direction. The quickest way to make credit available, of course, would be to reduce member banks' reserve requirements, thus freeing up a larger portion of deposits for lending purposes.

In Driver's Seat

The New York State Thruway Authority put its bonds up for bids on Tuesday, but after receiving a solitary tender from bankers, decided to reject it. The State Controller turned down the bid which was made jointly by groups that had intended earlier to make separate tenders.

This was not the first time that the State had turned down bids for a Thruway issue. But on at least one previous occasion it might have done better to have accepted the bid at the time.

On this occasion, however, with the monetary weathervanes pointing toward easier conditions, the Controller probably figures that by waiting a spell he can obtain a better deal than the 3.449% interest cost represented by this week's bid for the $50 million bonds.

Harold E. Johnson Now With Gordon Graves Co.

Harold E. Johnson is now associated with Gordon Graves & Co., Inc., 30 Broad Street, New York City as Manager of the Municipal Bond Department. Mr. Johnson was formerly with F. P. Lang & Co.

COMING EVENTS

In Investment Field

Nov. 23, 1957 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia fifth annual dinner dance at Germantown Cricket Club.

Dec. 1-6, 1957 (Hollywood Beach, Fla.)
Investment Bankers Association Annual Convention at Hollywood Beach Hotel.

Jan. 17, 1958 (Baltimore, Md.)
Baltimore Security Traders Association 23rd annual midwinter dinner at the Southern Hotel.

April 23-25, 1958 (Houston, Tex.)
Texas Group Investment Bankers Association annual meeting at the Shamrock Hotel.

June 9-12, 1958 (Canada)
Investment Dealers' Association of Canada annual convention at Manoir Richelieu, Murray Bay, Quebec.

The Outlook for State Taxes

By V. J. WYCKOFF
Professor of Economics, DePauw University

To slow down governmental growth, Professor Wyckoff suggests individuals should substitute "Let me do it—through more tax payments" whenever they are about to say "Let the Government do it." Present data showing states increased their tax revenue collections from \$3.3 billion in 1940 to \$14.4 billion in 1957, about 3½ times the 1940 per capita figure, which amounts to 70% rise in terms of a stable dollar. Finds, however, that the burden is the same for the respective years, but predicts an upward spending trend and that more states will resort to corporate or individual taxes, or both.

State tax collections continued a long-established upward climb and ended their 1957 fiscal year at an all-time high of \$14.4 billion. This figure and other details have been released recently by the Governments Division of the Bureau of the Census.

V. J. Wyckoff

Put in terms of working days during the 1957 fiscal period (which ended at the mid-year point) the sum was \$47,200,000 per diem. This meant that for each minute of an eight-hour day the 48 States as a group took in \$98,333.

This was a lot of money. It was made up from large checks by giant corporations for their net income taxes as well as from pennies of a general sales tax on cups of coffee. Adding state tax collections to those levied by the Federal and the 102,300 units of local governments the result for 1957 will come to around \$98 billion when final figures are in. Of this Federal tax revenues accounted for some \$70 billion.

Again in terms of working days the \$98 billion is about \$321,000,000 per day. Whether in billions of dollars for the total tax bill or in millions on a daily basis the sums are very large and give each of us an idea of the costs of our numerous governments.

It may be noted that the states' tax bills for the fiscal year just completed came to an even billion dollars more than last year and \$4.5 billion ahead of the 1952 figure. If one goes back to the pre-World War II year 1940, the total tax collection by the states was only \$3.3 billion. The phrase ". . . only \$3.3 billion" emphasizes the change in state expenditures and tax collections which has taken place during the past 17 years.

Interyear comparisons of tax revenues on the same governmental level, however, make necessary several important qualifications, if such comparisons are to make sense. This point is brought out by stopping to ask just why states are in fact taking in more tax money each year? (State tax revenues have gone up in total dollar figures each year since the trough of the 1930 depression). There are a number of answers to this question.

Breaks Down Tax Increase

First is the fact that the population of this country continues to increase, a force which means almost necessarily more state governmental services. The influence of this population change upon tax revenue may be taken care of by putting dollar totals on a per capita basis. For the states as a group this turns out to be about \$85 per person or close to \$300 for each family during fiscal 1957, up somewhat from 1956 and about 3½ times the 1940 per capita figure.

Probably a tighter calculation would rest on just the number of apparent taxpayers. But this refinement does not need to be insisted upon because the prices of just about all goods and services used by each man, woman, and child in this country include state taxes of some kind.

Price changes also must be considered. Consumer prices went up by 3.2 percentage points between July, 1956 and June 31, 1957, an increase point-wise greater than during the remarkably stable period of 1952-1955, but much less than the sharp rise in the half-dozen years immediately after World War II.

In such a period of rising prices state government costs or outlays for salaries, maintenance, and new construction cannot help but also move up. And if such costs are to be covered with taxes, more taxes must be collected, of course. But this impact of price change can be squeezed out of tax revenue figures as was done for population.

To give the results and not the details of the calculations per capita state tax collections in a stable dollar were only 3.3% greater in 1957 than in 1956 compared with the unadjusted dollar increase of 8% originally mentioned. Such adjusted collections in 1957 were, however, some 70% ahead of similar figures in 1940.

Whether one takes the 3.3 or the 70% figure such growths must be interpreted as predominantly the result of expanding operations of state governments. To be sure there has been some shifting of functions from local to state levels, and from state to Federal. But lumping all governments together the totality of services over a period of years shows a glacier like intrusion into areas heretofore private.

Are Increased Taxes Heavier Burden?

The current state tax bill is larger in terms both of the original and of the adjusted figures. But is it heavier? Is it harder to bear? Size and burden are not the same thing. Burden is relative to the strength to bear it, and in public finance this means the income of the community or the nation relative to the tax bills.

A good measurement of the public's capacity to pay taxes is the gross national product—GNP for short. This shows the total value of all goods and services produced in this country (without double counting) in terms of dollars of the period, i.e. current dollars. There is some guesswork in such huge figures, of course. However, the division of the United States Department of Commerce which compiles (and estimates where necessary) and publishes GNP data with details at frequent intervals does about the best job of any similar agency in the world.

Thus, the ratio of state tax collections to the GNP offers a meaningful answer to the important question of tax burden. For state taxes the answer is somewhat comforting. In 1957 this ratio was 3.32% compared with 3.25% for 1956. For 1952 it was somewhat lower at 2.86%, but for the last peacetime year 1940 the per-

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The Idea of Creeping Inflation

By MALCOLM BRYAN*

President, Federal Reserve Bank of Atlanta

Atlanta Federal Reserve banker examines the arguments for creeping inflation, said to be preached today with evangelical zeal, and concludes it is "a policy of cheating that simply does not represent a principle of conduct that can be assimilated to a free and economically efficient society." Mr. Bryan points out inflationary policies create a mass of beneficiaries who scream for continued benefits *ad infinitum*. Finds that instead of preventing unemployment, they bring about the even more harmful condition of running or galloping inflation. Overshadowing all other questions, the Central Banker points out is, the immorality of our conduct.

The idea that creeping inflation is first inevitable, then necessary to the successful management of our economic affairs, and finally desirable—for economic growth, among other things—is nowadays preached with evangelical zeal. A myriad of beneficent results are supposed to follow if we will but be persuaded to accept the saving grace.

Malcolm Bryan

It has been revealed to us that a slow-burning inflation will ever assist us in containing communism and, in any event, is requisite to the maintenance of a conservative democracy. Maybe it is not unforgivably sardonic to anticipate presently the solemn assurance that a little chronic inflation will assist us in warding off the Asiatic flu, since a little inflation will keep everybody employed and well-nourished; and since resources will be fully utilized and everyone will be happy; and since it is well known that psychological factors and nourishment are importantly related to the incidence of illness; *ergo*, no flu!

It may be supposed that this delightful vision of creeping inflation somehow fails to appeal to a good many of the insurance field. They sell contracts repayable in money, and millions of their clients effect much of their savings by means of their services. They could hardly be expected to cherish the role of intermediary to the destruction of their patrons. Indeed, it is probable that many, even as I do, find the prescription of creeping inflation economically obtuse and insensitive in its ethical implications.

It is well for us to remember, however, that the prescription involves issues of great significance to the American people. We are dealing with something a good deal more important than a clever effort to sell us a wooden nutmeg. The principal advocates of creeping inflation exhibit indefatigable energy, possess national—even international—platforms, have great skill in economic debate, and are duly accredited purveyors of economic wisdom to the public mind. Their opinions thus begin to carry conviction in quarters where a natural and healthy intellectual skepticism would normally demand more rigorous proofs. And so it is necessary for us all to take a careful look at what is being proposed.

Victimizes Savers

Able economists have recently reminded us that inflation victimizes all those who place their savings in money and money-repayable contracts. The loss begins with the very coins and currency in the pockets and tills of our people. A large group of the victims is thus to be found among the poorest and least prescient members of our society. The loss is borne also by those whose savings, by necessity, compulsion, or maximum convenience, are to be found in bank deposits, pensions, and other money contracts.

To this truism we have a spate of eager replies. We are strenuously assured that an inflationary picking of pockets is not as bad as it looks. A good many of the victims are also beneficiaries. They have titles to houses and furniture, and possess other claims on real property. They pay for their insurance policies in annual or other instalments in current dollars, so that they do not lose the whole amount, and the loss is by easy stages. At any rate, their pensions can be and have been adjusted upward.

The distinction between gross and net in our economic affairs is always interesting and frequently useful, and I suppose that a distinction between the gross and net loss to the victims of inflation has some merit. But we should all be clear on one point: a connived-at or complaisant depreciation of money cannot be covered with the cloak of respectability simply by demonstrating that the loss to the victims is not quite so much as might at first be supposed. Respectability for the doctrine cannot be attained by such easy, statistical means.

After all, there is such a thing as principle. We are not amused by the occasional newspaper stories that tell us of the footpad who sets upon the citizen, strips him of his clothes, his watch, his wallet, and then, in a gallant gesture in leaving, turns and tosses him a fiver, saying, "Here, Buddy, get yourself a cab home!" We are not impressed, when, later on, the defense enters the plea that the theft was not X but X—5 and, besides, the poor devil did not lose everything: he still had his shoes and his underwear. We all know that the requirements of moral respectability are a great deal more exacting.

Cannot Slice Losses Thin

Actually, of course, the loss to the victims of a contrived or tolerated inflation, whether of two, three, or four percent per year—the exact dosage has not yet been proclaimed—is and must be enormous. You may start your calculations in this country with about $800 billion of gross public and private creditor and debtor relationships — not, incidentally, the whole of money-payable contracts. You can apply the percentage you choose, make offsets and other corrections to your heart's content, and, though you may slice the victims thin, you cannot slice their losses thin.

In fact, the way an inflation must work is through the transfer of purchasing power from savers in money forms to other classes of society. That is the operative and necessary first cause from which collateral and later effects, whether beneficent or evil, can be assumed to flow.

The chief point in a creeping rather than a running inflation is the cynical supposition that considerable numbers of money sav-

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*An address by Mr. Bryan before the American Life Convention, Chicago, Ill., Oct. 11, 1957.

The State of Trade and Industry

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

Some encouragement was given to trade and industry on Thursday of last week with the action taken by the Federal Reserve System in lowering the discount rate from 3½% to 3% on loans by Federal Reserve Banks to commercial banks that are members of the Reserve System. This step was undertaken by the Federal Reserve as a result of growing signs of a falling off in business generally with the Board approving cuts in the rate by the New York, Atlanta, Richmond and St. Louis Federal Reserve Banks. Similar action was expected by the remaining eight banks within the near future.

A board spokesman pointed out that the four banks' action had been approved (effective on Friday last) because inflation, at least for the time being, had ceased to be the dominant factor in the economy.

In the steel industry this week, steel men are worried about the volume of incoming orders. New business is running well below output. As a result, order backlogs are dropping fast, reports "The Iron Age," national metalworking weekly.

The trend is just the reverse of what steel men had predicted earlier in the year. Sharp competition for the customer's dollar is in the cards over the balance of the year and into 1958.

One bright spot in the outlook is that industry generally is chewing up more steel than it is buying. Inventories in the hands of users have been dropping steadily. Many customers are living hand-to-mouth, gauging their requirements close to their own production schedules. This means that any pickup in the overall economy would be reflected quickly in the volume of steel orders, declares this trade weekly.

But even the prospect of stepped-up automotive output in the first half of 1958 is not giving the mills much to cheer about, it continues. It also points out that auto companies are expected to stock up on new cars as a hedge against a possible strike of auto workers next summer. But steel men doubt that this would be enough to inject new life into their market.

Foreign competition also is eating into the domestic steel market. The latest assault has hit the market for oil country goods, pipe used in the drilling and casing of oil wells. Italian casing and tubing has been offered in Houston at $10 a ton less than the Pittsburgh-plus-barge United States price. Canadian mills have brought in some material at $2 less than what United States mills are asking. The Japanese also are nibbling at the oil country goods market, "The Iron Age" notes.

In spite of this, demand for oil country goods is still firm. The market is not so hectic as it once was, but domestic mills can look ahead to a continuing strong market. Oil well drillings next year are expected to be approximately 58,000, about the same as this year.

Foreign competition in wire and nails is another sore spot with United States mills, says "The Iron Age." This has plagued domestic producers for months, and there is no relief in sight. Lower labor costs enable foreign mills to undersell domestic producers even with the addition of ocean shipping costs.

Industrial production and personal income declined further during October, indicating a lower trend of business in recent months. Industrial production eased to 142% of the 1947-49 average—down two points from September and four points below October, 1956. Personal income dropped to a seasonally adjusted annual rate of $345,500,000,000 or $1,000,000,000 lower than in September. Government officials declared that the easier trend in general business reflected in these figures was a factor in the decision of Federal Reserve banks to reduce the rate charged on loans to member banks.

In the automotive trade, new car sales during Nov. 1-10 reached the highest level for that time of year since 1955, "Ward's Automotive Reports," stated on Friday last.

"Ward's" added that new car buying averaged 18,000 units daily for the period, topping the 16,330 in Nov. 1-10 last year by 10% and nearly equaling the 18,755 averaged in the same period of 1955.

The statistical service emphasized, however, that the 1958 cars are receiving stiff sales competition from 1957 models remaining in the dealer new car inventory and still have to be tested in the market place.

"Ward's" declared the 1957 models figured into 40% of Nov. 1-10 new car buying and are commanding the high dollar at many dealerships. Thus it is quite evident, the reporting service continued, that the new car buyer is shopping carefully and is conscious of "price" as well as price-class.

Expectations are that 450,000 new cars will be retailed in entire November, comparable to the 1956 level. The new car inventory, at the same time, will mount sharply above a year-ago.

"Ward's," in noting a 6.2% gain in passenger car production last week, said close to 595,000 units will leave the assembly lines this month. Scheduled for completion are 622,000, but output deficits, mainly strike inspired, at Ford and Chrysler already have cut into this program.

Car assemblies last week, estimated at 145,281 units as against 136,742 in the preceding week, found General Motors Corp. operating at 50% of industry volume for the first time in nearly a year. Truck production, at 22,644 compared with 22,643 in the previous week, disclosed no significant interruptions.

An unusually large volume of public housing in October pushed the annual rate of housing starts back up to the million mark, the United States Department of Labor reported.

The seasonally-adjusted annual rate in October went up from

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Republic National Life

By DR. IRA U. COBLEIGH
Enterprise Economist

Containing some statistical notes, and relevant data documenting the growth of one of the liveliest of the life insurance companies—Republic National Life Insurance Company of Dallas, Texas

Four or five years ago, seekers of shares in "growth" companies pounced upon life insurance stocks with a vigor and zeal that sent life share prices soaring. As a result, quite a few "Johnny come latelys" paid a high price for admission to this unique market, and have been rather chiding themselves for their impetuosity, what with their shares slipping back 30% or 40% below cost. Over a period of time, however, their early exuberance may not prove to have been too costly. For life insurance shares have not, as a group, receded, price-wise, more drastically than representative industrials; and their earnings and assets have continued to move ahead unabated. Life insurance shares comprise one group of "growth" stocks that has not stopped growing. So, impelled by steadily rising earnings, we would expect good "life" stocks to advance from present levels over the next year, even though general market and business conditions are somewhat less than ebullient.


Ira U. Cobleigh

With over 106 million policy holders in the United States, around $440 billion of life insurance in force, and over $100 billion in assets, the life insurance industry can't help but command attention. It would not have languished for so long in the wings of our equity market except for the fact that over two-thirds of all American life insurance is written by the "mutuals," in which you cannot buy stock.

There are, however, some great institutions in which you can become a shareholder—Aetna Life, Connecticut General, Travelers, Franklin Life and Lincoln National to cite a few. The long-term rise in market value in stocks of all of these companies has been spectacular, and makes many of us kick ourselves for not coming upon this vehicle for capital gain much earlier. For instance, a modest $1,000 invested in Lincoln National in January 1943 would have grown (without any addition of capital) to a fantastic $56,500 by January of 1957.

Well, we can't turn back the wheels of time, and purchase Lincoln National retroactive to 1943, but we can look about for a company that can move ahead dramatically in the next 14 years. And our current nominee in this category is Republic National Life of Dallas.

This is a unique company. Twenty-nine years ago it started business as a legal reserve mutual company. On Aug. 30, 1930 it became a stock company, called Republic Life Insurance Company; and in 1937 changed its name to Republic National Life at the time Mr. Theodore P. Beasley and associates became controlling stockholders, and merged the company with Public National Life of Little Rock (a most successful **integration,** we might add!).

Under the sagacious, and enthusiastic shepherding of this enterprise by Mr. Beasley as President, Republic National has racked up one of the most remarkable growth records in the business with over $1 billion in life insurance in force after 28 years. In the five year period 1950-5, its life insurance in force gained by 195%, against a 144% gain, in the same period, for its nearest stock-company competitor (Continental Assurance). Insurance in force increased by 32% in the year 1955 alone. The company target is $2 billion by 1959—apparently an entirely attainable objective.

Republic National is a complete and well rounded company doing business through 40 branch offices in 32 states and Hawaii, plus an extensive business through brokers in the states in which it is licensed. Republic National writes all the standard life contracts including ordinary, group, lump sum and deferred annuities; plus personal and group hospital, accident and health insurance. Only about 2% of insurance in force is on a participating basis; with 75% of insurance being ordinary life and 25% in group. In 1947 Republic National entered the field of reinsurance and has since grown to be one of the leading companies in the country in that type of business, handling reinsurance contracts for more than 425 other companies. It is this large and expanding reinsurance business which has prompted some analysts to call this company a "little Lincoln National."

The statistics of life insurance underwriting can become a little dreary so let's switch to the stockholder's viewpoint. What's in this situation today to encourage any would-be buyer to lay down $37 a share for Republic National? The history has been great but what about the future? Well, for the first six months of this year Republic scored another all-time record, placing $307 million of new business on the books, against $189 million for the same period in 1956. Its capital and surplus funds (the stockholder's equity) have this year crossed the $5 million mark. With over $80 billion in total assets, there is quite a stock leverage indicated here—better than 15 to one.

Earnings of a life insurance company are a little complicated in their calculation since they derive from underwriting profits (smaller payout of death benefits, than anticipated in the rate structure), investment income, plus some appraisal or estimate of the value (in expected future earnings) of the net gain of insurance in force. (This is frequently calculated at $15 per $1,000 for ordinary and $5 per $1,000 for group, on the net gain in any year.) On such an adjusted basis of earnings as described briefly above, Republic National earned $5.54 per share in 1956 against only $1.10 for the year 1951. Advance in earnings at such a pace is extraordinary and argues for the attractiveness of Republic National stock selling at roughly seven times earnings, when most life shares sell at 12 to 14 times earnings.

Buyers for income have seldom gone in for life insurance stocks since current yields seldom reach 2% and, on most issues, average nearer 1%. But gains in market price propelled by retained earnings, and many splendored splits, have dramatically enhanced the net worth of life shareholders over the years. In our current instance, Republic, selling at 37, pays out a meager 20 cent dividend. Yet the 700,095 shares now outstanding are the result of a 15-for-1 split in 1956. No other industry you can cite has been so consistently bountiful to its owners with respect to stock dividends and splits, as life insurance.

For those of a skeptical turn of mind who may think this growth curve in life insurance will flatten out, more than 25% of all life insurance companies started business within the past three years. The need and the market for life insurance has revealed no visible upward limit, as funerals cost more; larger policies must be carried to offset inflation; group insurance is leaping ahead; partner, business and "key man" insurance is widely sought; credit life insurance is zooming; and policies to cover the entire family from crib to slab have recently been introduced and well received. For those programming their security buying with the main accent on capital gain, an analytical look at life shares is suggested, and a second look at Republic National.

R. F. Villa Opens

BALDWIN, N. Y.—Raymond F. Villa has opened offices at 2316 Grand Avenue to engage in a securities business.

Stock Market Prospects

By AUGUST HUBER
Spencer Trask & Co., New York City

Mr. Huber analyzes the factors prompting, and effects of, recent lowering of the rediscount rate, and concludes that: (1) the stock market is still in the interim recovery phase which began last October 22; (2) this recovery represents merely an interruption in the underlying downward trend; (3) overall economic readjustment phase apparently has yet to run its course, and (4) a more lastingly and healthier recovery, therefore, requires "more fertile roots than those which appear to exist just now."

Federal Reserve Board action last week provided a stimulant to the market recovery movement which had its inception at the lows of last month. The reduction in the Federal Reserve discount rate from 3½% to 3% represented the first downward change in such money rates since 1954. Stocks rallied briskly following the announcement, on the quickly arrived at assumption that such a move may herald (a) the first step of further credit stimulants to come and/or (b) possibly the harbinger of a renewed period of so-called inflation. My views may be outlined as follows:

August Huber

(1) The move in lowering the discount rate is largely a psychological device at this time — a broad hint that the Federal Reserve Board policy had been shifted from "restraint" to at least "moderation."

(2) Member banks, however, are already rather heavily obligated so far as borrowing from the reserve banks are concerned. The reduction in the rate the member banks pay to the Federal Reserve is not likely in itself to stimulate additional substantial borrowings.

(3) Thus, this move as such doesn't furnish additional credit to the banking system. It does improve the atmosphere and remove the fear that interest rates could have advanced further. The removal of this apprehension is immediately reflected in the prices of outstanding bonds and promotes the sale of new issues.

(4) Briefly, the general interest rate structure is strengthened by the knowledge, or notice now given, that the Federal Reserve Board won't apply further upward pressure on money rates.

(5) Other moves by the Federal Reserve to really loosen credit would be (a) buy government securities in open market operations and thus increase bank reserves, and (b) reduce reserve requirements which would increase the credit available to member banks for loans and investments.

Reserve Board Sees Decline

(6) It must be borne in mind that any such future Federal Reserve Board actions, and including the recent reduction in the discount rate, reflect a recognition that the general economic trend is less favorable and the Board sees such an interim trend, at least, continuing.

(7) Along with the easing tendencies noted in the business trend has been the lessened demand for loans. Member banks in 94 leading cities show that since July 1 business and industrial loans have **decreased** by $796 million. In the same period last year such loans **increased** $1,247 million, an over-all difference of more than $2 billion in only four months.

(8) The easing of the money rates structure thus comes at a time when the business demand for bank loans has been declining.

(9) Once basic economic forces have changed from a long upward cycle such as we have experienced during recent years, the economic dislocations and excesses built up in the process usually require a period of correction.

(10) The economic dislocations arise in a boom period from such forces as (a) excessive buying of durable goods by individuals; (b) general credit abuses in the later stages of the boom cycle; (c) excessive debt creation relative to incomes and liquid assets; (d); heavy plant and equipment expansion resulting in over-capacity; (e) increased competition due to over-supply prevents passing on higher operating costs with consequent pressure on profits; (f) inventory policy change in industry from one of accumulation to one of liquidation, etc.

(11) Basic economic forces set in motion by the necessary correction of existing maladjustments may be alleviated by monetary and credit policies. However, the ability of credit devices to reverse underlying economic trends quickly can be seriously questioned. As a matter of fact, to maneuver toward renewing "inflation" or "boom" at this stage would defeat the very aims the Federal Reserve Board had been struggling so hard to achieve for many months.

(12) To illustrate how long it sometimes takes for credit policy to become really effective, it may be observed that the Federal Reserve Board policy of credit restraint began about two years ago. Since that time, the over-all economy continued to expand rather vigorously, while effectively grinding the underlying uptrend to a halt only recently. A change in credit policy now is not likely to bring about a quick reversal the other way around.

(13) This was all summed up best by Mr. Martin, Chairman of the Federal Reserve Board, when he said less than two weeks ago (Nov. 6): "I want to assure you that the Federal Reserve recognizes both inflation and deflation —they are connected—and that we are going to do all within our power to be helpful in resisting both. But I also want to make it clear that, if you think there is any magic in the Federal Reserve —that when business reaches a certain level and it starts to decline a little bit—we can just step in and stop it there—I think you misunderstand the workings of our entire operation."

The interim recovery in stock prices since last month's low point probably represents merely an interuption in the underlying downward trend. The basic factors to be considered, briefly, are:

(1) The general economy is in a readjustment phase.

(2) Further corrections may still be required in basic credit conditions in the past two years. too great a proportion of the country's economic growth had been based on heavy debt creation.

(3) The declining rate of new orders for durable goods and reduced order backlogs point toward somewhat lower industrial activity. Inventory reductions are also a factor as factory output is being cut back to be more in line with consumption.

(4) These trends along with the prospect of lower corporate earnings (over-capacity, high costs, competition, and squeeze on profit margins) are also bringing about an estimated 10% or so decline in private capital expenditures for new plant and equipment.

(5) A possible source of potential trouble—and one which the Federal Reserve Board probably took into consideration—is that the extent of the stock market decline already witnessed could in itself produce an adverse psychological reaction on both business and consumer sentiment. Such a development could aggravate the economic readjustment already in progress.

(6) Consumer expenditures have been well maintained — a strong economic force. However, consumer debt is already historically high, in relation to both incomes and liquid assets, while also the consumer today is well supplied with the so-called "deferable" durable consumers goods.

(7) Major stock market trends invariably over-extend themselves—in both directions. Thus, in the course of events, primary movements usually tend to move from overvaluation to normal valuation and then to under-valuation. There are issues which already may have completed this cycle, but viewing the market as a whole, I believe this stage has not yet been reached.

More Favorable Considerations

Contrasting with the less favorable trends now in progress are such considerations as:

(1) State and local municipal spending should again increase substantially next year.

(2) Dramatic developments in missiles, rockets, satellites, etc., are expected to spur Federal expenditures in that direction—although President Eisenhower has stated that so far as spending is concerned, the government is not going to mount a white charger and dash off in all directions. The President has made it clear that some part of the increase in such defense outlays would come out of other programs.

(3) Possible declines next year are expected to be moderate in such major economic areas as residential building, steel, and automobiles. Some sources even expect some improvement over 1957. Yet it seems premature, from the evidence currently available, to reach categorical conclusions on such individual industry prospects when the present over-all economic readjustment phase apparently has yet to run its course.

If the recent Federal Reserve action is the beginning of a new round of monetary expediencies designed to maintain a high level economy despite the need for further basic economic corrections—wage-price spiral, excessive debt creation, etc.—stock prices may extend the recovery movement somewhat further.

Mindful of Mr. Martin's observations, quoted earlier herein, relative to the Federal Reserve Board's basic objectives and the time lag for desired results, the period ahead, as it can be envisioned, should continue to be a much needed area of consolidation and a correction of the dislocations which had been created by the excesses of the past. From this pattern should later emerge a sounder healthier base for the eventual resumption of the economy's longer range growth.

Considering the broad ramifications of all the factors and forces involved, it may be said that for the flower of a new bull market to bloom more lastingly, would require healthier, and more fertile roots than those which appear to exist just now.

Prospects in the Stock Market

By GERALD M. LOEB*
Partner, E. F. Hutton & Company
Author, "The Battle for Investment Survival"

Well known broker believes a renewed bull market is some distance off, despite expected rallies, for "a real new lasting bull market must await an improvement in fundamentals not yet visible." Mr. Loeb offers capsuled investment advice; discusses size of commissions; and sees salesmanship problems solved if 5 or 6 million shares were sold daily.

It is not difficult to know what is happening in the stock market today. It has been going down. A great many people who are not in Wall Street think that its decline is fairly recent. In other words, they count it from when the news hit the front pages of of the newspapers. Those who have been following the financial pages closely probably know that many individual groups and issues have been going down a long while starting as far back as 1955. The thing has been a little obscured by the habit of people focusing on averages. The decline in the averages has been about 20% — the decline in individual issues in many cases has been double this amount, or more.

G. M. Loeb

Explains Market Decline

The reasons for this weakness are clear enough. First and foremost stocks have adjusted to declining earnings. They have adjusted to the problems of the world situation. They have adjusted to money rates and other general economic influences.

Such adjustments always seem sharper to all but the professional. The reasons for this, however, are easy to understand if you recall that stocks are, among other things, valued in relation to earnings. If a stock sells for ten times earnings and the earnings decline $1 a share the stock is apt to at least decline $10 a share. In a situation such as you have seen recently, it would tend to decline more than $10 a share because investor psychology was overoptimistic and the realities of the world, business and market situation are bringing them somewhat down to earth.

Bull Markets Still Off

I know you are more interested in what is apt to happen in the future to the stock market than in what has happened since Summer. My feeling is that the probabilities are that a renewed bull market is some distance off. It may be that we might get enough selling some time this month to lay the base for a rally into January but rallies are only of interest to the trader, not the investor. A real new lasting bull market must await an improvement in fundamentals that is not yet visible. As a matter of capsuled investment policy, have a little cash on hand to use when the time comes. And don't let the cash burn a hole in your pocket. If a little later you can buy more shares or better selected shares than you can right now, whatever dividends you have missed will be repaid to you many times over.

As to how to meet inflation—there is no way to combat it individually. It is true that owning stocks is more likely to prove a partial hedge than owning bonds. Inflation as far as I know has never been checked because politically it is impossible. There are those that say that you can check inflation through a money policy or by price fixing or by various other means but the truth is only education can check inflation. If the majority of voters could be taught that inflation is bitter poison, then and only then we would be in a position to do something about it. It has never happened and I fear it never will.

Explains Broker's Job

In order to understand sales methods and psychology in the securities field, it is first necessary to understand the special problems involved. The field is divided into several categories. My particular category has been acting as a broker for the purchase or sale of securities chiefly listed on the New York Stock Exchange. Thus, for the most part, I have nothing to sell but service. The commission tends to average around 1%. An investor who decided to invest $10,000 in American Telephone, for example, would only pay a commission amounting to $47.00. In reality, the system of handling listed securities intended them to be bought rather than sold. Thus, the commission is a service commission, not a merchandising commission.

Everyone knows that insurance commissions on life insurance run far above this. So do commissions on real estate. So do commissions and compensation in other branches of the security business such as underwriting, secondary distributions, special offerings, and mutual funds.

The fastest growing section of the security business has in fact been mutual funds. One reason is that they pay a merchandising commission, which allows salesmanship to be used.

I think that if the problems involving salesmanship in the stock brokerage business could be solved, we could see five or six million shares a day, every day, under present conditions as a normal volume.

The Stock Exchange problem is a difficult one, however. The fear is that if the commission is raised to the merchandising level the liquidity of the market might be destroyed because the commission would then act as a deterrent to traders. On the other hand, left where it is, there is no margin for merchandising and creating new stockholders except out of surplus earnings that come when the volume of trading is high.

It is all very frustrating to anyone with true sales instincts because making the sale very often simply means lining up a customer and being forced to tell him there is no particular purchase, sale or switch to make at that particular time.

I use the world "brokers" here in the dictionary sense. Today the big commission house is no longer a big commission house. We no longer act purely in a fiduciary capacity, giving advice and trusted to get the best possible prices. By popular demand and in order to survive, a security house which does a stock brokerage business also does commodity business, mutual fund business, underwriting, etc. Thus, its advertising and merchandising budget is not solely supported by the Stock Exchange portion of its gross volume.

*From a talk by Mr. Loeb before the New York Sales Executive Club, Nov. 14, 1957.

From Washington Ahead of the News

By CARLISLE BARGERON

The propaganda that has been sweeping through this country in the wake of the Russian Sputniks is undoubtedly something that students of human nature and historians will want to study. It could come under the heading of "how a nation declines."


Carlisle Bargeron

The propaganda that has perhaps impressed me most has not been perpetrated by the Russians. It is our own doing. There seems to be a holy glee on the part of some editors and commentators in the fact that the Russians "bested" us. These editors and commentators are not Communists or pro-Russian in the slightest. But they are bored with our having thought all these years that we are the mightiest nation in the world, that we are the most competent people, that our private enterprise system is the best of all systems, that our form of government is the best.
cocky and these pundits delight in

We have been, in short, too cocky and these pundits delight in what they describe as our having been put in our place. They are happy that we have been humiliated which is a large assumption on their part because this writer is one person who feels not the slightest humiliation and, although Washington is a poor place to get the country's opinion on a subject, I have reason to believe that humiliation is something that is not widely felt around the country at all.

But assuming there is humiliation as these fellows contend, it is amazing to me that any of my fellow countrymen would be getting a kick out of it. It is their point that perhaps now we will settle down to a realization of how low we people really stand in the world. Perhaps, we will come to show more humility—towards the people of India, of Indonesia, the black people of Africa. Certainly we will come to show more respect for the Russians.

Just what is the purpose of this sort of propaganda is difficult to understand. Maybe we have overrated ourselves. Maybe we haven't been as good as we thought we were. But I'd venture to say there isn't a government in the world that is trying to make its people feel inferior to other peoples. And I don't know of any propaganda going on in any other country to make the people feel small, inadequate.

Why there should be any ambition on the part of any of our citizenry to deflate us, to make us doubtful of our accomplishments, is something I will leave to other minds to fathom.

Yet I must confess that it is a trait which we have long had. It is just now that it seems so highly vocal and effective. I can remember as a young political writer when we Washington correspondents would be invited to a beer party at the German Embassy, to the parties of the other Embassies, big and small and we would regale our hosts with stories on Coolidge and Hoover. Being young we were a cynical lot and you can imagine what the foreign representatives thought of the heads of our Government when purportedly influential Washington correspondents talked about them the way we did. They very likely reported to their governments that our governmental heads were about to be overthrown. I can remember, too, on trips abroad when I have been utterly disgusted at the swagger of American tourists. But there was never a time in these foreign countries when I did not thrill at the sight of the American flag.

Our Secretary of Agriculture, Ezra Benson, has just completed a tour of Asiatic and other foreign countries, trying to promote American trade. But his authority is being undermined by a steady stream of stories and radio broadcasts that his dismissal is in the cards. What possible good can he accomplish under the circumstances? He is a good man, an honest man and the last people in the world who should have anything against him are the farmers. He would not admit it, and perhaps politically this is what is wrong, but under his administration the farmers have received more bounty from the Government than ever before. I wouldn't be surprised if he isn't on the way out. The pressure against him, particularly during his absence, was overwhelming. But Mr. Eisenhower has not given the slightest indication that Benson is really on the way out. It just seems to be a perverseness on our part to harass and belittle our government officials. And frankly, to revel in their difficulties.

Continued from page 2

The Security I Like Best

fections of burns, wounds, surgical operations, skin grafts and injuries from trauma and actually tends to promote healing. It is also useful for infections of the eyes, ears, and upper respiratory tract. As an additive to poultry feed it prevents coccidiosis in chickens.

Furadantin has the largest sale of any of the nitrofurans in medicine. From 1953 until 1957 it was available only in pill form. Because it tends to concentrate in the urinary tract it has been primarily used for prostate, kidney and bladder infections, where its success has been phenomenal. It is now a widely used remedy for these infections throughout the United States. In 1957 Furadantin Intravenous Solution was developed. It has proved a truly life-saving drug in combating general systemic infections when the sulfonamides and antibiotics have failed. The use of this solution should continue to increase in the future.

Furoxone is used both in human medicine and as a veterinary product. After more than two years of clinical testing it is about ready to be put on the market for use as an intestinal antibacterial drug. This nitrofuran is also effective against the trichomonal parasite and is marketed for vaginitis under the name of Tricofuran. It has been used in veterinary medicine for some time, especially in poultry diseases such as fowl typhoid, pullorum and paratyphoids and in turkey blackhead.

Furaspor is a fungicide with a wide spectrum. It is also sporicidal and bactericidal so that it prevents fungal reinfection and secondary bacterial invasion. It is marketed in a white vanishing cream base for human use. Micofur is also a fungicide and is highly effective against certain diseases.

The potentialities for the nitrofurans in human medicine and for the treatment of animals are enormous. Only the surface has been scratched as yet. In addition, the possibilities of using some of the nitrofurans for plant diseases and in industry are being explored.

It is only reasonable to believe that Norwich scientists will continue to develop new nitrofurans which will take their place in medicine and elsewhere. The aim now of the researchers is to tinker with the nitrofurans which have already been synthesized and tailor them to become specific remedies for specific diseases.

One of the serious problems with respect to the antibiotics is that resistant strains of germs are becoming more and more frequent. These resistant strains are not controlled by the antibiotics. It is predicted that this problem will increase in seriousness from year to year. Consequently it will become more and more essential to produce antimicrobial chemicals which operate with minimum toxic effect and to which germs do not develop resistance. Not only have many nitrofurans been developed at Norwich as a result of their synthetic organic research there but in addition, compounds that are only distantly, if at all, related to the nitrofurans. These non-nitrofurans offer an ever expanding field for more research.

Norwich may be a relatively small drug company now, but it is big in research. Its period of sharpest and greatest growth apparently lies ahead. Someday I believe it will be one of the largest drug companies.

Anyone who desires more complete information on this fine company should, if possible, go to Norwich, New York to see for himself. He will receive a most cordial reception from the management and will find his visit extremely worthwhile.

Allison-Williams Co. In New Location

MINNEAPOLIS, Minn. — Allison-Williams Company, established in 1880, announce the removal of their offices to new and enlarged quarters on the seventh floor of the Northwestern Bank Building.

Form First Republic

First Republic Corporation has been formed with offices at 49 West 32nd Street, New York City to engage in a securities business. Officers are Ira Sands, Vice-President and Treasurer and Jerome Wishner, Vice-President and Secretary.

Boston Investment Club To Hear Hunsacker

BOSTON, Mass. — Jerome C. Hunsacker, Jr., will be the principal speaker at a luncheon meeting of the Sales Promotion & Education Committee of the Boston Investment Club on Wednesday, Nov. 27, 1957 at the Union Oyster House at 12:15 p.m.

As general partner of Colonial Management Association and a Vice-President of Gas Industries Fund and Colonial Fund, Mr. Hunsacker is also a director of a number of well known corporations, including Springfield Gas Light, Bird & Son, Cascade Natural Gas, and Canadian Prospect Ltd.

Mr. Hunsacker will speak on *The Appeal of Mutual Funds to the Retail Market* with emphasis on how to translate this appeal into action and results. Mr. J. Maxwell Colburn, Vice-President of Colonial Distributors, and Mr. J. Wells Coggeshall, Southeastern Representative of Colonial Distributors, will accompany Mr. Hunsacker.

Charles D. Brown Opens

NEW HYDE PARK, N. Y. — Charles D. Brown is conducting a securities business from offices at 135 Lakeville Road. He was previously with First Investors Corporation.

The Strengths of America

By HON. HERBERT HOOVER*
Former President of the United States

Elder statesman Hoover redresses our domestic and international perspective by reviewing, for the benefit of those who take a "worm's eye" view of our problems, our fundamental sources of strength. Asks that we "exert all the strengths which God has given us" and is confident that by doing this we will surmount all our problems as we have done in the past.

The minds of Americans are today greatly troubled. We have many domestic shortcomings. Many troubles beset us from abroad. They are indeed most serious, and it is urgent that we exert all our National strength to meet them.


Herbert Hoover

But on this occasion it would be happier for me and possibly more comfort to some troubled minds if I were to review some of the great fundamental sources of strength of our country. If we have the will to use them, we can meet our dangers. And I would be glad if I could add reassurance to troubled minds which President Eisenhower has so greatly inspired by his recent statements.

I have lived a long life and I have seen our country exert its strengths to overcome as great dangers as those which beset us today.

Despite the troubles of our past and despite the fact that we are only 7% of the peoples on earth, we have developed one of the most powerful nations in all history.

The signs of strength on the spiritual side may be found in the increasing attendance upon the worship of God. And in my lifetime I have seen our voluntary organizations and institutions engaged in charity and public welfare increase by tens of thousands in numbers and billions of dollars in service.

I have witnessed our people deny themselves to save the world, including our enemies, from the inevitable and gigantic famines which followed two of these wars. And among them we saved the lives of 15,000,000 Russians, then under the Communistic Government, from their terrible famine in 1922-1923. And there is no less humanity in the American heart today.

Within my years I have seen our institutions of higher learning expand until today they turn out more trained men and women each year than all the world combined.

In my adult lifetime I have passed through several economic recessions and two great economic depressions which swept over our country. Each time we came out economically stronger than ever before.

With some training and understanding of science and technology, I have witnessed a vast growth of scientific discovery and its application to invention. They have given us the highest standard of living in the world. And with the advances of medical science our youth are taller than their fathers, and the span of life has been greatly extended.

I have watched our countrymen rise and fight two world wars to victory in defense of our country. The skill of our military leaders, the courage of our men and the willingness of our people to make sacrifices are no less today than then.

We can well respect the accomplishments of Russian technicians. But we need not forget that they got the telegraph, the telephone, the electric lamp, the speaking sound track, the radio broadcast tube, the airplane, the atom and nuclear bombs from us. They secured the guided missile from the defeated Germans. They got their method of metal treatment and their radar from us and the British. They got their plastics, their antibiotics, their anti-viruses, their pain killers either from us or from the Germans, the British and the French.

But with our own discoveries in science, our inventive genius, and our productive capacity, our country has risen to a position of effective retaliation to any irresponsible nation which might contemplate attacking us.

We possess many eminent scientists and engineers of great ability and ingenuity. We have more research laboratories in action than all the rest of the world put together. Our country has had a great warning. It is on the alert. I have no doubt of our ability to invent any other horrible weapon necessary to deter our enemy.

If you take a worm's eye view of the ills in American life and our foreign relations, you may worry that we are entering the decline and fall of the greatest nation in history.

If you take a bird's eye view you will see the increasing skills, growing productivity, and the expansion of education and understanding, with improving health and growing strength of our nation.

And from whence comes this strength? It lies in freedom of men's initiative and the rewards of their efforts. It comes from our devotion to liberty and religious faith. We will have no decline and fall of this nation, provided we stand guard against the evils which weaken these forces.

But we have need to exert all the strengths which God has given us.

*An address by Mr. Hoover before the 49th Annual Meeting of the Grocery Manufacturers of America, New York City, Nov. 11, 1957.

Common Stocks as Investments For Mutual Savings Banks

By DONALD B. WOODWARD*
Trustee, Lincoln Savings Bank
Chairman of the Finance Committee, Vick Chemical Co.

Reasons why mutual savings banks should include common stocks in their investment portfolio are advanced by Mr. Woodward who also suggests several guide lines for such an investment policy. The author compares the one-way street record of bonds and mortgages to the two-way street performance of equities, over the long-run, and concludes the latter's superiority should no longer defer to the traditional and legal savings banks' position—particularly, in view of pressing need for income, capital, and stimulation of savings.

The stimulation of savings is one of the great needs of the United States and the whole world. It is highly important to maintain saving at least at the traditional level. This need exists for two reasons. First, personal financial needs of individuals are increasing as the cost of paying for rainy day and happy day expenses grows. Almost every object for which saving is done has been and continues to increase in expense so that from the standpoint of the individual, a larger savings total is needed. Secondly, the health of the American economy calls for greater savings, suitably invested, to support continued economic growth. It is only through the use of ever larger amounts of capital formed through saving, that men and women are able to become more productive and thus to increase their standards of living.


Donald B. Woodward

Failure of the public to do an adequate amount of saving is causing economic ill health. Inflation is being produced by a shortage of saving as compared with attempted investment by the public, businesses, and government. And shortages of saving are limiting investment and thus the increases in the standard of living which everyone in the world so strongly desires.

And so I repeat that the stimulation of savings is one of the most important economic activities in this world. It is at this moment a pressing problem in the United States and everywhere else in the world.

Stimulating Savings

But people will save only if they understand the need for savings, and feel that the reward for saving is sufficiently great to compensate them for the pleasure of current consumption which could otherwise be enjoyed. May I say that I believe all of the institutions concerned with saving could do a better, more effective, a more persuasive job in stimulating savings. The evidence so far as I know it suggests that people are much more responsive to the idea of saving if a fairly specific objective which they deem desirable is established. And the rate of reward for saving is important: It is demonstrably influential in determining where, and in what form people save, and at least for many it influences the amount.

The mutual savings banks with which we all have the privilege and honor of being associated have an important role to play in the stimulation of savings. In order to perform this role the savings banks need to help people realize their needs and how savings can serve them to meet these needs.

And the mutual savings banks need income in order both to compete with other savings institutions and in order to make available to depositors a suitable reward for savings. To perform their function the savings banks also need capital, in this business called surplus, in order to provide a margin of protection to depositors. And finally the savings banks need to show assets which not only serve these purposes but also demonstrate a rounded contribution to the cause of economic growth.

In the face of these needs for income and capital it is surprising that savings bank assets are all but exclusively devoted to investments which by their nature can **not** provide a growth in income nor enhancement of capital. The assets held almost exclusively can, and we know they have, provided losses; and they can and we know they have provided diminution or cessation of interest. But except to an extremely minor degree they cannot provide a rise in the rate of return nor an appreciation in principal.

Prefers Two-Way Street Investments

Common stocks which are my subject, are different. While common stocks can experience **declines** in principal value and reduction in income just as can bonds and mortgages, they also can show **increases** in income and in total value. And on the record they have done so.

Let us look at the past three decades. The Dow Jones Industrial average stocks paid a dividend in 1929 of $12.75 per share while the payment this year probably will be about $23.00 or nearly double. Furthermore in the whole 28 years from 1929, dividend payments were lower in only eight of the years than had been the case in the preceding years; or conversely in 20 out of the 28 years dividend payments actually rose. Furthermore four of the eight years of dividend decline were the four years following 1929 so that the record since then has been even better. Furthermore purchase of the Dow Jones Industrial average during most of these 28 years showed a price improvement over succeeding years.

Cites Cowles Commission Study

For a still longer period of time the result as shown by the Cowles Commission is favorable to common stocks both in income and in principal amount. Over the measurable history of more than seven decades the return on stocks plus the appreciation greatly exceeds that of bonds and this measurement includes good times and bad times together. Specifically, the yield on good bonds to the investor for the long period 1880-1954 was less than 4½%, and that for stocks above 8%—and the stock showing would be even better if the great bull market since 1954 were included.

Now why is this differential in favor of stocks so persistent? The

*An address by Mr. Woodward before the Group Five Savings Banks Trustees' Day, Oct. 17, 1957.

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Balanced Budget Prospects in A Period of Earth Satellites

By HON. DWIGHT D. EISENHOWER*
President of the United States of America

A balanced budget takes second place to our security, President states in his second address to the nation on our "future security." After reviewing and exploring possibility of offsets to new security costs, which is said to constitute a very considerable figure and increase our current annual security expenditures, the President avers savings do not lie in cutting overseas mutual defense funds or economic aid abroad, but in "cutting out or deferring entire categories of [other] activities." Cautions that over the long run it is essential to maintain a balanced budget.

To provide . . . defense requires tax money—lots of it. During the last five fiscal years we have spent $211,000,000,000 on our security—an average of over $42,000,000,000 a year—including our own armed services, mutual military aid, and the Atomic Energy Commission.

Pres. Eisenhower

In my judgment, the armed forces and their scientific associates have, on the whole, used this money wisely and well.

Much of it has gone and is going into better and more powerful weapons.

A single B-52 bomber costs $8,000,000. The B-52 wing costs four times as much as the B-36 wing it replaces.

The Nike missile, which has largely replaced anti-aircraft artillery, costs three times as much per battalion.

A new submarine costs $47,500,000—10 times the cost of a World War II submarine.

And so on, for our entire arsenal of weapons.

For some years increasing attention has been focused on the invention, development and testing of even more advanced weapons for future use. The Defense Department has been spending over $5,000,000,000 a year on this kind of research and development.

* * *

To continue, over the years just ahead, to maintain the Strategic Air Command in a state of maximum safety, strength and alert, as new kinds of threats develop, will entail additional costs.

Additional Costs

This means accelerating the dispersal of Strategic Air Command to additional bases. This work, which has been going forward for some years, ought now to be speeded up.

Also, with missiles and faster bombers, warning times will grow shorter. Therefore we have been providing facilities for quicker response to emergency alarm. This, too, should be speeded up—through standby combat crews, more runways, more fueling stations, and more housing.

To achieve maximum possible warnings of a future attack we must carry on additional improvements throughout our warning line that are now scientifically feasible.

Another need is to develop an active missile defense against missiles. This item is undergoing intensive research and development.

To maintain and increase retaliatory power, we shall be adding long-range missiles, both land and ship-based, to our security forces. The technicians tell me that development of the long-range ballistic missile cannot be markedly accelerated by expenditure of more money. We are now spending more than $1,000,000,000 a year on their research and testing. But, of course, where needed, additional sums will be provided. Moreover, it is clear that production, deployment and installation of missiles over the period ahead will be costly.

Military Services Are Underpaid

The military services are underpaid. We must be fair with them. Justice demands this, but also compelling is the factor of efficiency in our defense forces. We cannot obtain and retain the necessary level of technical proficiency unless officers and men, in sufficient numbers, will make the armed services their careers.

* * *

Must Seek Other Areas to Cut Expenses

Now, all these new costs, which in the aggregate will reach a very considerable figure, must be added to our current annual expenditures for security. There is no immediate prospect for any marked reduction in these recurring costs. Consequently, the first thing is to search for other places to cut expenditures.

We must once more go over all other military expenditures with redoubled determination to save every dime that can possibly be saved. We must make sure that we have no needless duplication or obsolete programs of facilities.

The answer does not lie in any misguided attempt to eliminate conventional forces and rely solely on retaliation. This course would be completely self-defeating.

And, most emphatically, the answer does not lie in cutting mutual defense funds overseas—another important part of our nation's security. We are linked with 42 countries by military assistance agreements. We could not possibly station our troops all over the world to prevent the overflow of communism. It is much more economical and vastly more effective to follow and strengthen our system of collective security.

The same applies to economic aid. This kind of assistance helps others keep free of dependence upon Soviet help, which too often is the prelude to Soviet domination. It shows the free world's ability to develop its resources and increase its living standards. It helps allied economies support needed military units and remain sturdy partners in this world-wide struggle.

Cuts in Federal Civilian Activities

In the Federal Government's civilian activities, we shall have to make some tough choices.

Some programs, while desirable, are not absolutely essential. In this I have reached a clear conclusion. While some savings may still be squeezed out through the wringer method, savings of the kind we need can come about only through cutting out or deferring entire categories of activity. This will be one of the hardest and most distasteful tasks that the coming session of Congress must face.

By whatever amount savings fail to equal the additional costs of security, our total expenditures will go up. Our people will rightly demand it. They will not sacrifice security to worship a balanced budget. But we do not forget, either, that over the long term a balanced budget is one indispensable aid in keeping our economy and therefore our total security strong.

*From an address by Mr. Eisenhower on our "Future Security," second in a series of addresses, Oklahoma City, Nov. 13, 1957.

W. C. Kegley Joins Dempsey-Tegeler Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William C. Kegley has become associated with Dempsey-Tegeler & Co., 209 South La Salle Street. He was formerly with Scott & Kegley, Inc. and prior thereto was an officer of Rogers & Tracy, Inc.

William C. Kegley

With Alm, Kane, Rogers

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Willis J. Tack has become affiliated with Alm, Kane, Rogers & Co., 39 South La Salle Street.

Joins Walston Staff

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Lewis O. Campbell has become connected with Walston & Co., Inc., 201 South La Salle Street.

THE MARKET . . . AND YOU

By WALLACE STREETE

Monetary moves continue to dominate the stock market, hints of further credit relief this week sparking a rally just as the drop in the discount rate late last week had produced the second best one-day uphill spurt this year.

* * *

Between the various moves, however, the list sagged in key spots and especially in the carrier section so that the possibility of a retesting of the late October lows was by no means ruled out.

Dividend Action Hits Rails

Chilling to the rails generally was the halving of the dividend rate for 1958 payments by Baltimore & Ohio where earnings are projected to a high enough plane so the road was generally regarded as a candidate for dividend largesse, not for any trims.

* * *

Baltimore & Ohio, which has been paying 50 cents quarterly plus a 50 cent extra at the year-end, was something of a puzzle. Directors voted the 50 cents extra, as they did last year, but set four 25 cent payments for 1958. It wasn't explained why, if dividends had to be pared, the extra payment wasn't applied to next year's quarterlies which would have permitted a 37½ cent rate on the same total outlay and, on a yield basis, would have justified a better market standing for the stock.

* * *

The dividend action not only trimmed the stock half a score of points rapidly, but also dropped it to its lowest standing since 1954 when it also was on a dollar basis. And the easiness was communicated rather easily to the entire rail section.

* * *

In the process the rail average was carried below par for the first time since early 1954. This marked its passage through the dividing line into the lower half of its historic swings from 189 in 1929 to the 1932 low of 13 and the early-1956 peak of 181 again. With only a few more points sheared from it, the carrier index would violate the low of around 90 posted in the 1953 "recession."

Industrials Discouraged

The action was hardly calculated to spark much by the industrial average. The senior average had been trying to build up a sturdy basis for its year-end rally and had shown the unique ability to hold in the 434 bracket two weeks running and show the same figure for three Mondays in a row. Considering all the skepticism around, that is reasonable stability for a change.

* * *

Nevertheless, Street sentiment was none too confident and the momentary bidding spurred by the money market actions was secondary to the scrutiny being given the various business indices for more concrete indication that the economy generally had made a bottom and could in time grind out a new upthrust.

Some Split Gyrations

The groping in the market for an issue where good news was due was playing tricks with even some of the staid items, notably the violent gyrations in Eastman Kodak when a stock split was anticipated. In a single session this normally narrow mover ranged over nearly eight points as the split hopes dissolved into a modest increase in the regular rate and an unchanged extra. National Lead, another split candidate, was also able to move around in wide swings but it is more natural behavior for this one.

* * *

With sentiment so solidly behind the thesis that the ultimate low has not yet been seen, when it comes to individual items favored in different quarters the pattern was pretty much one of buying "under the market" on any future selling waves, most such "buy" spots being set a hair under the low for the year of the specific issue. In a few cases, as in International Paper where a decline in 1957 earnings is fairly certain, the buy levels are as much as 10 points under the present market but this is a bit more extreme than the general run.

Interest in Drugs and Consumer Goods

Drugs continue in favor and their earnings are all expected to be comforting to the holders, particularly with the support of the wide use of some of the newer vaccines. American Cyanamid already is on the record as reflecting this both with a dividend increase and a year-end extra. Unlike the prime drug outfits, Cyanamid's work in the drug field is well larded with outside interests from agricultural chemicals—on which the company was founded—to synthetic fibers and plastics. In all, no less than 6,000 items are in Cyanamid's product line. It is also a pet with those who prefer heavy research activities since its research budget is one of the fattest, proportionately, in the chemical business.

Also in general favor were the consumer goods lines—food, variety and department stores and tobaccos. Also in this category, and something of a candidate for a company that has made an important turn for the better, is Colgate-Palmolive which suffered from the inroads of competitors until recently when nine month earnings spurted more than 40%. It also is in the above-average 6½% yield bracket.

* * *

Cream of Wheat illustrates how the market gyrations have largely skipped specific items. Its range in the last few years has been confined to as little as two points. So far this year it has wandered over only about a three-point area and since 1953 has only carved out a range of around five points for all that time. It is about as neglected as any other item around. Even the fact that it currently appears on lists where year-end dividend largesse is entirely possible has yet to jolt it out of its complacency.

* * *

The company's earnings record has been excellent, with modest and persistent improvement the rule. If, as it is hoped in some circles, the year-end extra boosts the $1.85 payment of previous years to an even $2, the yield would nudge to the attractive 7% level.

Buying on Weakness

Some of the issues that have been well deflated are also listed as attractive because of their above-average yields that are sheltered. Kennecott, which suffered as much as any other copper producer when the world price of the metal plunged, is regarded as dubious when it comes to its year-end extra. But the $6 regular rate is considered safe despite a substantial trim in earnings. And on this it offers an above 7% return. Like so many others, the buy recommendations on Kennecott counsel buying on weakness which is expected to reach its peak when the bad news on earnings comes out.

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

Harris, Upham Hosts

William A. Winslow, manager of Harris, Upham & Co., 445 Park Avenue, and Mrs. Simone Bosc, registered representative with the firm, will discuss investments and market mechanics Thursday, Nov. 21 at 7 p.m. in that office before members of La Federation des Societes Francaises aux Etats-Unis headed by Monsieur Jean Hesse, a member of the United Nations and President of the Federation, according to an announcement by Harris, Upham & Co.

NSTA Notes

SECURITY TRADERS ASSOCIATION OF SAN FRANCISCO

The Security Traders Association of San Francisco nominated the following officers and directors for 1958:

William Belknap of William R. Staats & Co., President; Albert A. Hewitt of First California Company, Vice-President;

William F. Belknap

Albert Hewitt

Patrick Kearins of Crocker-Anglo National Bank, Secretary-Treasurer.

Directors nominated were: Richard J. Payne of Walter C. Gorey & Co.; Ernest Frlan of Sutro & Co.; George Gumble of J. Barth & Co. and Richard W. Abrahamson of Weeden & Co.

WINNERS AND RUNNERS UP IN THE SPORTING EVENTS HELD AT THE ANNUAL CONVENTION OF THE NATIONAL SECURITY TRADERS ASSOCIATION AT THE HOMESTEAD.

Ladies Putting: Low Gross — Mrs. Thompson N. Wakeley, Chicago 36).

Ladies Putting: Low Gross (Runner Up)—Mrs. William J. Candee, III, New York (40).

Ladies Putting: Low Net—Mrs. Lex Jolley, Atlanta (31).

Ladies Putting: Low Net (Runner Up)—Mrs. Mort Cayne, Cleveland (34).

Men's Golf: Low Gross—R. M. Ergood, Stroud & Company Incorporated, Philadelphia (80).

Men's Golf: Low Gross (Runner Up)—W. G. Simpson, Simpson, Emery & Co., Inc., Pittsburgh (82).

Men's Golf: Low Net—John M. Fitzgerald, W. C. Pitfield & Co., Inc., New York (67).

Men's Golf: Low Net (Runner Up) — Peter Molloy, White, Weld & Co., New York (70).

National Quotation Cup: Team Won By—New York, Total (363): John French, A. C. Allyn & Company Incorporated; Reginald Knapp, Ira Haupt & Co.; Theodore E. Plumridge, Eastern Securities, Inc.; Stanley Roggenburg (Capt.), Roggenburg & Co.

Blue List Chip: Municipal Won By—R. M. Ergood (80).

Longest Drive: Won By—H. E. Beattie, H. A. Reicke & Co., Inc., Philadelphia.

Nearest Pin: Won By—W. G. Simpson.

Kickers — Tied: Won By 5 (74) — Jack Dillard, Beecroft, Cole & Co., Kansas City, Mo.; Joseph Dorsey, Bache & Co., New York; James B. Maguire, J. B. Maguire & Co., Boston, and N. Henry Larson, First Boston Corporation, Boston; Arthur Sacco, Webster, Marsh & Co., Chicago.

Tennis Won By: William H. Gregory, III, Gregory & Sons, New York.

James B. McFarland of Stroud and Company, Philadelphia, was acting as Chairman of the Golf Tournament, Winton Jackson being unable to attend.

Houston Ltg. & Pow. Co. 4¾% Bonds Offered

Public offering of $40,000,000 Houston Lighting & Power Co. first mortgage bonds, 4¾% series due Nov. 1, 1987, at 101.608% and accrued interest, to yield 4.65%, is being made today (Nov. 21) by an underwriting syndicate managed by Halsey, Stuart & Co. Inc. The group won award of the issue at competitive sale yesterday (Nov. 20) on a bid of 100.9099%.

Net proceeds from the sale of the bonds will be used to finance in part the company's construction program, to reimburse the company's treasury for construction expenditures, and to repay short-term bank loans incurred to provide funds for the construction program. Estimated construction expenditures for the last four months of 1957 and the year 1958 have been set by the company at $93,831,000.

The 1987 series bonds will be redeemable at general redemption prices ranging from 107.61% to par, and at special redemption prices receding from 101.61% to par, plus accrued interest in each case.

Houston Lighting & Power Co. is engaged principally in the generation, transmission, distribution and sale of electric energy, serving an area in the Texas Gulf Coast Region, estimated at approximately 5,600 square miles, in which are located Houston, Galveston, and 145 smaller cities, villages and communities.

In an unaudited statement of operations for the 12 months ended Aug. 31, 1957 the company showed total operating revenues of $85,196,000 and net income of $18,347,000. For the year ended Dec. 31, 1956, operating revenues aggregated $77,504,000 and net income was $17,544,000.

Don W. Steele

Don W. Steele, Senior partner of Steele & Co. has passed away. He was a member of New York Society of Security Analysts, and in 1945 served with the United States Strategic Bombing Survey. He had formerly been with Standard & Poor's Corporation.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The reduction in the discount rate by the Federal Reserve Banks means the end of the restrictive credit policies of the Federal Reserve Board. The shock from this unexpected change in the discount rate blew the lid off the markets for all fixed income bearing obligations. Government securities registered gains of one to one and a half points the day after the surprise decrease in the Central Bank rate. This signal of an easier money policy is bullish on the bond market, but the amount of credit and funds that will be created by the Federal Reserve Banks to help keep the economy from getting too far out of balance will determine the extent of uptrend in bond prices.

Treasury Beneficiary of Lower Central Rate

The Treasury financing operation, held up that week because of the lowering of the discount rate, was finally announced. And the issues used indicates the refunding and new money raising venture of the Treasury was not hurt by the change in the credit policies of the monetary authorities.

The Treasury will raise $1,500,000,000 of new money through the sale of $500,000,000 of 3⅞% bonds due Nov. 15, 1974, and $1,000,000,000 of 3¾% notes due Nov. 15, 1964. The refunding of nearly $10 billion of the 3⅝% securities will be taken care of by a like amount of one-year 3¾% certificates. The coupon rates used in this operation were lower than would have been the case if the discount rate had not been reduced. Also, the 17-year maturity for the 3⅞% bond was longer than had been looked for prior to the changes in the money market. In any event, the undertaking will be a highly successful one.

Major Change in Monetary Policy?

The decrease in the discount rate from 3½% to 3% by the Federal Reserve Banks of New York, Atlanta, St. Louis, Richmond and Boston, signalled a major change in the monetary policy of the powers that be. It is evident that the unexpected and rather abrupt lowering of the discount rate by the Central Banks was brought about by the decline in the nation's business. There seems to be pretty much of an agreement now that the economy has definitely gone on the defensive. And the big point of concern is how long and how deep will the decline in the economy go. The latest index of industrial production of the Federal Reserve Board, that of October, showed the figure to be 142, compared with 144, which has been pretty much the number since last March. This downtrend in the industrial production index seems to indicate that the much talked about recession in the nation's economy has already been under way.

New Monetary Policy in the Making

The reduction in the Central Bank rate from 3½% to 3% by the Federal Reserve banks (so far mainly psychological), does mean, however, that the restrictive credit limiting policies of the Federal Reserve Board have come to an end. There is another monetary policy in the making and whether it will be one of neutrality, ease or extreme ease will depend upon the future course of business. It is evident that the cutting of the discount rate from 3½% to 3% means that the inflationary pressures which have long plagued the economy have, for the time being, gone the way of all flesh.

Surprise to Financial District

The abrupt change in the Central Bank rate from 3½% to 3% caught the financial district by surprise because it was only last August when this rate went to 3½%. The Federal Reserve Bank of New York raised its rate to 3½% at a later date. It was one of the last Central Banks to go up to the uniform discount rate of 3½%, thus indicating that the New York Central Reserve Bank did not see eye-to-eye with the monetary authorities on the need for confirming a restrictive credit limiting policy.

The change in monetary policy of the Federal Reserve Board, could have been done in various ways: (1) through open market operations, in such a case, the purchase of Treasury bills; (2) a decrease in reserve requirements of member banks of the system, and (3) a reduction in the discount rate of the Federal Reserve banks. It was the latter course that was taken to bring to an end the restrictive credit policies of the monetary authorities.

Treasury Bill Buying Foreshadowed

With the reduction in the Central Bank rate, no new credit is made available immediately to the member banks as would be the case with a decrease in reserve requirements. Only in the amount of the borrowings by the member institutions from the Federal Reserve banks will new credit be put into the system.

However, the Central Reserve banks, in order to make more credit available to the member banks of the system, will most likely supplement the lowering of the discount rate with the purchase of Treasury bills. These open market operations will give the Central Reserve Banks great control over the credit to be created than would be the case if reserve requirements had been reduced.

In this recent instance the Federal Reserve Banks took the initiative in bringing down rates and was not a follower, as was the case earlier this year, when the discount rate was raised to 3½% to bring it in line with the increases that had been made in commercial bank loaning rates. No immediate changes are looked for in the prime bank rate, although an easy money policy will bring it down eventually.

Join Jensen Stromer

(Special to THE FINANCIAL CHRONICLE)

MARYSVILLE, Calif. — E. Theodore Hedlund and Arthur W. Roth have become connected with Jensen & Stromer, 426 East Fifth Street.

Two With Jonathan Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Dale B. Fleischman and Martin Teller have been added to the staff of Jonathan & Co., 6399 Wilshire Boulevard.

Taxes and Incentives

By ROGER W. BABSON

Well known financial writer takes a concerned look at the incentive-stifling pace of Federal and state taxes. Mr. Babson warns of the consequences of demands for extended state services and suggests "we . . . exhibit more interest in our state governments . . . [and the] many factors . . . [contributing] to high . . . taxes today." Doubts Federal taxes will be cut next year.

Many ask how high prices can be reduced, or at least be kept from going higher. My answer is that the best way to reduce prices is by producing more goods at lower cost. Then I am asked: "But how can costs be lowered in the face of current high wage rates?" To this I reply: "By increasing the investment in labor-saving machinery. This will raise real wages for all who work, not just for those who belong to strongly organized unions."

Roger W. Babson

Lower Taxes the Key

Labor-saving machinery is expensive to buy. Today's tight money situation—and the high cost of borrowing that money if you can get it—make it difficult for many firms to help themselves. Before World War II we outproduced the world, with steadily falling prices, by continually increasing the amount of money per worker invested in labor-saving machinery. We have made further progress along this line since the end of World War II, though not so much as we should have made.

In order to assure the economic future of America, we must have incentive to save and incentive to invest those savings profitably. Unfortunately, our present sharply progressive tax system is destroying capital that has already been accumulated. It is also making it difficult to amass new capital. This destruction of our capital bodes ill for the nation as a whole. It can eventually result in a declining standard of living for all.

England a Warning

The wiping out of capital by high income taxes and by death taxes is harmful enough in itself. But it has a side effect which is even more dangerous. Since profits are cut sharply by ill-advised and poorly conceived tax rates and methods, the flow of new capital into industry is slowed. Investors hesitate to take some risks because they know that, even if they win, taxes will siphon off most of the reward.

Today we are still prosperous. Our economy appears well cushioned against drastic declines. Even though sources of capital are drying up, our people as a whole have not yet felt any pinch. Reassured by high wages and moderately good profits, we are not so disturbed as we should be by high taxes. But I predict that high and runaway taxes can lead to our downfall if we don't watch out. We see in England a classic example of the fate that can befall a tax-ridden nation. Once the proud mistress of the seas and center of world commerce, England has been brought to her knees, not by the breakup of the empire but by burdensome taxation.

The State Tax Bite

As I write this, I have before me some startling figures on the state tax burden and the tremendous rate at which it is increasing. For the year ended last June 30, the average state tax burden on every man, woman, and child in the U. S. reached the record high of $86.75. This is an increase of $5.15, or 5.1%, over the record set in the previous year.

This heavy state tax bite reflects the good business we have enjoyed. It also reflects the high and increasing costs of materials and labor. It reflects, too, the foolishness of the people generally who expect the states to extend their services. Often selfish motives impel people to advocate entirely unwarranted increases in state services (and costs).

Trimming State Waistlines

This year, Congress has made good progress toward cutting Federal expenditures. Barring Sputniks, we might even have expected some Federal tax relief next year. At the state level, the outlook is gloomy. We need to trim state waistlines before we can reduce States taxes.

We must exhibit more interest in our state governments or we will find ourselves in very serious trouble. Many factors contribute to high state taxes today. One such factor which should be investigated thoroughly and promptly is the pension system for state employees. In many states, the pension system is a hodgepodge and often favors unworthy employees at unnecessary expense. State costs have increased tremendously because of ill-advised and poorly framed pension plans. Such plans have permitted many state politicians to play fast and loose with your money and mine, while at the same time entrenching themselves in power.

The Outlook for Commodity Prices And the General Price Level

By EDITH J. HIRSCH*
Consulting Economist

Exploring the question whether the raw materials deflation presages curtailment of worldwide inflation, Mrs. Hirsch cites following four major factors: (a) from the demand side—rapid population increase, worldwide upgrading of living standards, Cold War demands; and (b) from the supply side—the increase in agricultural productivity and industrial output. Concludes no materially lower level of prices is in prospect, even in the event of a leveling-off of the worldwide boom.

The recent International Monetary Conference opened in Washington with a fervent plea by President Eisenhower to fight world-wide inflation, followed by speeches of the Presidents of the International Monetary Fund and the Bank in the same vein. But there were many delegates in the audience who were more worried about deflation than about inflation, serious though the latter may be in their own country. These were the delegates of most under-developed countries. Their plight is the economic squeeze brought about by falling prices for the raw materials they sell and the high and still rising prices for the industrial goods they have to buy. Per Jacobsson, managing director of the Monetary Fund, summed up the contradictory situation very well, I believe, by saying: "There are some signs that inflation may no longer be dominating the entire economic trend."

Mrs. Edith J. Hirsch

The Raw Materials Situation

What has happened with respect to the raw materials situation? Farm prices, after having risen disproportionally right after the war, have been in a more or less steady down-trend since 1951. During the past year, the decline on the world markets—not here—was speeded by the American Government's two-way pricing system. But prices of industrial raw materials, especially metals, had risen again after temporary declines following the Korean war, as even increasing production could not keep up with the huge civilian demand, the requirements of the cold war and stockpiling, plus inventory accumulations in anticipation of still higher prices. In the summer of 1956, however, mining capacity had risen so much that supply outpaced demand even in the face of the investment boom. Prices started a so far uninterrupted decline. By now, still other raw material sectors have been affected. Thus even the price of such a highly-controlled commodity as sulphur has begun to slide.

Since April, 1956, when our own consumer price index began to rise after three years of apparent stability, Reuter's United Kingdom Index, which represents world market prices best, has declined by 1% and now stands at an eight-year low. The BLS spot commodity price index, a broadly representative index of foodstuffs and raw materials, has fallen by about 6%, and at 85.3% of its 1947-9 average at the end of September, was at the lowest figure in four years—way below the high of 135% reached in 1951.

Actually, the inflationary trend resumed before April 1956. Wholesale prices of industrial goods—especially of capital goods and supplies — began their uptrend in the fall of 1955. Because prices of farm products and foods were then declining, the consumers—or rather the consumer price index—did not feel the impact of inflation yet. In April, 1956, when food prices turned up, the consumer price index broke out of its range and has since risen steadily—by 5½% in all On the other hand, the BLS wholesale index of all commodities, which includes finished goods, lost its steam earlier this year; it has levelled off and was, at the end of September, less than 1% above its January level.

What does this divergent price trend mean? In the past, the general price level used to follow basic commodity prices with a lag of about half a year. If the weakness of raw materials on the world markets is the belated usual postwar deflation, can inflation persist?

This much is certain: some 12 years after the end of the war, it seems that not only did the supply of basic commodities come up to demand, but also the capacity to produce manufactured raw materials — from steel to aluminum—and of many finished goods as well, both here and abroad. Tight credit policies have helped to create this situation. These policies became necessary because of the two areas of shortages which still exist: capital and labor. Because, even with layoffs here and there, and some regional unemployment, the September figures of 2.6 million unemployed here and of 390,000 in West Germany, seem to indicate over-employment, at least of skilled labor, white collar workers and professional people.

Four Major Factors

Before trying to argue the question whether the deflationary trend of raw material prices presages an end to, or at least a slow-down of world-wide inflation, I would like to point out four major factors which have put their mark on the development of recent years and which promises to become even more important in the coming years.

From the demand side it is—the rapid population increase; the world-wide upgrading of the standards of living, and the demands of the cold war.

From the supply side, it is the increase in agricultural productivity and in industrial output.

The outcome of the race between these forces will be decisive for the long-term commodity price trend.

(1) There can be no doubt that the population increase will remain a source of steadily rising demand, both here and abroad. In actual figures and in the rate of increase, there has never been anything like it before. The world's population grew by 7% every 10 years between 1900 and 1930; by 10% between 1930 and 1950; but at a rate of 17% on a decade basis in the seven years since then. If this rate of increase were to persist — and the rate may still increase — the world's population would double in a mere 50 years. The birthrate has slowed down to about its prewar rate in Western and Central Europe, but a virtual population explosion had taken place in the under-developed countries. Western health measures and techniques have brought about a spectacular decline of the mortality rate, while birthrates have remained relatively high, with few exceptions. Just one example: Ceylon. There the death rate fell by 34% in one single year after spraying of the island with DDT.

In the United States, for reasons which are not yet fully understood, the population increase has risen from an annual rate of 0.8% before World War II to one of 1.6%—equal to that of India. With immigration, our annual rate of increase totals 1.8%. If the present high birth rate continues, we will be a nation of 190 million by 1965.

(2) There is a tremendous drive toward obtaining higher standards of living everywhere—in the United States, in the industrialized countries, an deven in the under-developed countries, though in the latter the rapid population increase is not likely to allow for much improvement except for a few privileged groups. As in the U. S. we are heading toward the two-car and the two-home family, the West European worker — whose ultimate goal before the war was a motorcycle—is acquiring TV, a small car, and a refrigerator. Plant capacity to provide them has rapidly been built up, but very much remains to be done from roads and housing to more plants.

(3) The cold war is likely to continue. Vast amounts of raw materials, equipment and labor, are being employed for rearmament. Stockpiling of strategic raw materials, especially metals, is still going on. The ups-and-downs of defense and stockpiling will add or—as materials are being released from the stockpiles—will detract from the current demand, and will have their influence on prices.

(4) Agricultural production and productivity has increased tremendously in the last decade, as output per acre and per animal unit has risen with the help — namely—of fertilizer, and of irrigation, new machinery and improved strains of plant and animal breeds. In the crop year 1956-57, the world population increased by 1.6%, but agricultural production rose faster, namely by 3%, contrary to Malthus' famous prediction. But even so, there is still a great deal of near-starvation in the non-industrialized countries. Progress there is very uneven. Lacking our farm techniques and using practically no fertilizer, they will go on to need food from other countries, especially North America, whenever the weather is against them. So our surpluses may one day prove a blessing.

The rapid population increase and the urge to improve living standards give every assurance that the demand for food and industrial raw materials will increase at least as much as production. There may be years when production will be hard-pressed to come up to demand. Rising demand will thus support prices in the long run.

Looking now at the short term, that is, over the next two or three years, I see no fundamental change in the present situation, which is one of over-supply for some commodities, adequate supplies for most, and few—if any—shortages. World farm prices have already come down severely on the world markets and government control of production and price support are the rule the world over, not just here rather than the exception. International commodity agreements have proved effective. Therefore, while the down-trend may persist, prices should not go down much farther.

However, the picture is far from uniform. The coffee price is finally declining, as new plantings in Brazil, Central America and Africa are entering production, and a real possibility of over-supply is on its way. Somewhere at a lower level, the United States — the main consumer — might look favorably at stabilization efforts to bolster the economies of the coffee states. Sugar will probably remain above the old three cent level, as the price-depressing stocks in Cuba have been disposed of and both demand and production are rising. The present high cocoa price, brought about by the concerted action of Brazil and Ghana, may be difficult to maintain. The price of natural rubber will probably have to come down closer to that of synthetic rubber over the course of the next years, even though natural rubber production is not likely to increase and demand for rubber will rise. The demand for cotton will not increase to any extent, because synthetic fibres an dother materials are taking its place more and more. This may also be true for wool in the long run, but not in the near future—up to now it is being replaced by synthetic fibres mainly in the United States.

Domestically, the trend will be toward lower prices for grain and cotton, some time in 1958 or 1959, as there is less and less confidence in the effect of either acreage restrictions or the Soil Bank. Hog prices are likely to be lower next year than they were this year, while beef prices will hold up better, as output will lag behind the population increase. Other livestock products can be expanded easily in line with the population growth.

The consumption of copper, lead and zinc has remained static, relative to that of steel. Nevertheless, since the war prices of the non-ferrous metals rose much more than those of steel. With ample supplies of the former now available, the old price-relationships between the metals have been nearly reestablished. It is difficult to predict whether the lowest point for copper has been reached. Production is being curtailed here but only slowly, if at all, abroad. Further declines of purchases for the Strategic Stockpiles here and releases from the British and Canadian stockpiles could disclose more weakness. The domestic prices of lead and zinc would rise by three cents and one-half cent respectively, if the hoped-for tariff increase is being granted by the Tariff Commission and the President, and prices abroad do not decline correspondingly. Tin, after having fallen 10% since last winter, is on safer ground than the other metals; it is now at the point where the International Tin Agreement msut make support purchases and that organization seems to be in a strong enough position.

Important as the price level of basic commodities still is, it must be pointed out that they have lost some of the strategic position which they held in the '20s and still earlier, when they were basic for the wage level. Firstly, the requirements of raw materials and, incidentally, of fuel, per unit of manufactured output has fallen drastically. Secondly, there is an intensified use of manufactured raw materials. Synthetic fibres, plastics, synthetic rubber and aluminum and others have added to our total supply of commodities, partly to the detriment of the non-industrialized countries. To what extent that has happened in the field of fibres was brought out in a recent study by the U. S. Department of Agriculture which shows that, in 1956, the cotton equivalent of man-made fibres was 5.4 million bales—this compares with a total cotton consumption of about 8.7 million bales. Even if the man-made fibres replace other fibres as well as cotton, this is an impressive figure—the more so, because the use of synthetic fibres is gaining, while that of cotton is barely holding its own. The picture is about the same for the free world outside of the United States; the respective figures are 11.8 million and 21 million bales.

The price behavior of these raw materials, which we may call manufactured raw materials, is in line with those of other manufactured goods. As output can be much better adjusted to demand than in the case of primary raw materials, prices are more likely to follow costs. This does not mean that prices can be "administered" at will; the recent price war in aluminum wire and of certain varieties of steel shows how difficult it is to maintain prices if productive capacity outpaces demand, even in industries which are controlled by a small number of producers.

Labor costs are those which have risen the most in recent years (with the possible exception of building materials and some kinds of machinery). Some industries have been able to absorb these higher costs by higher productivity. But there are large sectors of our economy where that has been impossible. It is from them that further pressure on the price level must be expected. The relative scarcity of labor has increased the bargaining power of unionized and non-unionized labor. Further wage increases are in the offing, even if the levelling-off of the investment boom and the reduction in size of the Armed Forces will influence the labor situation to some extent.

Price Increases in Service Industries

Prices have increased most significantly lately in the service industries, where the ratio of labor to total costs is the highest. However, in spite of the popular notion, until two years ago, prices for goods of all kinds had risen faster than those for services, and it was the share of goods not services in total consumer expenditures which had increased. But since then the prices of services have forged ahead. By now, according to another government study, the prewar relationship between expenditures for goods and services has been reestablished, but not more than reestablished. With wages still rising and the ever-increasing demand for services, the latter are bound to become a larger part of consumer expenditures than in prewar times.

This is also true for the so-called "invisible" services. Thus, in 1956, prices of food items on the farm level rose only slightly over those of the previous year. Marketing charges, however — 48% of which are labor—rose by 6%, bringing about an increase of retail food prices of 3% in one year. While the farmers' share of the price for the so-called "food-basket" is practically the same as in the 'thirties, namely 40%, it is considerably lower than in most postwar years. Because of recent increases in wages, freight rates, and the prices of fuel, trucks and containers among others—food prices may still go up further after the present seasonal decline, in spite of lower prices for hogs, coffee, etc. So far, with the consumers' disposable income at a record, there has not been any noticeable resistance to higher food prices.

This brings us back to our main question: Will the general price level follow the recent downward trend of commodity prices? It seems to me that, at this time, the monetary and credit policies and the levelling-off of the investment boom, which is partly their re-

*A speech by Mrs. Hirsch at the Boston Conference on Distribution, Boston, Mass., Oct. 22, 1957.

sult, are of much greater importance than the decline in basic commodity prices—especially in the United States, where this decline has been spotty and cannot go much further because of government price support and protective tariffs.

While commodity prices have fallen and the Federal Reserve System is carrying out its deflationary policy, the economy continues to operate at a very high level. Wages of unionized labor, at least, are bound to rise because of existing contracts, and capital costs have increased because of the now prevailing higher interest rates. On the other hand, competition has become stronger. The outcome of the tug-of-war between these inflationary and deflationary forces may well be a slowing-down of the inflationary pressure—a more hesitant rise of the price level than we have experienced. As new orders for capital goods decrease, the pressure is off those goods which, in the fall of 1955, led the parade of higher prices. The BLS comprehensive wholesale index may already have reached its peak for the time being, that is, until our economy steps from the present plateau—possibly after some decline—to a new higher level. The consumer price index, however, will probably continue to rise as long as we have labor shortages, but the rise will be more modest and not as persistent. Retail prices do not yet reflect the higher costs of steel, aluminum, and the higher freight rates; food prices may go up slightly early next year; some services, such as education and medical care, even housing, will cost more. Note that the consumer price index did not decline in the 1953-54 recession. Very much will depend on the monetary policies. If the Federal Reserve System were to change its tight-money policy and if, in addition, taxes were cut, new fuel would be given to the inflationary pressure.

To sum all this up: There are no price declines of basic commodities in the offing of the kind we had in the late 'twenties, which were followed by the Depression. Compared with prewar 1957, prices of farm products and raw materials are still high, relative to those of industrial goods, to the benefit of the purchasing power of the non-industrialized countries. The fast population increase and the universal urge to up-grade the standards of living make it unlikely that a serious decline and a generally lower price level is in the offing, even in case the worldwide boom is going to level off.

L. Adler II Joins Varnedoe Chisholm

SAVANNAH, Ga. — Leopold Adler II has become associated with Varnedoe, Chisholm & Co., Inc., Savannah Bank & Trust Building, in the sales department. After a period of intensive training he will be actively engaged in the buying and selling of investment securities. Mr. Adler was formerly Vice-President of Adler's Department Store.

Officers of Varnedoe, Chisholm & Co., which has been in the investment business for more than 25 years, are Sam L. Varnedoe, President and Treasurer, Frank A. Chisholm, Executive Vice-President; Jack H. Saunders, Vice-President; Harry H. Lattimore, Secretary.

Planned Inv. Corp.

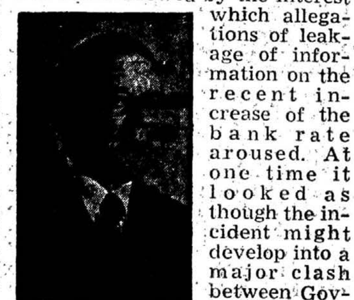
Planned Investing Corporation is engaging in a securities business from offices at 65 Broadway, New York City. Officers are Thomas J. Flaherty, Jr., President; Paul C. Fitzgerald, Vice-President; and Charles R. Bohn, Secretary and Treasurer.

"Leakage" in Great Britain Of Financial Information

By PAUL EINZIG

Dr. Einzig surveys the general situation in Britain with regard to leakage of official secrets affecting financial matters. Critiques the practice of confining Bank of England announcements to Thursdays now that government owns Central Bank.

LONDON, Eng. — Towards the middle of November even the excitement caused by Sputnik II was overshadowed by the interest which allegations of leakage of information on the recent increase of the bank rate aroused. At one time it looked as though the incident might develop into a major clash between Government and Opposition. Wisely, though belatedly, the Government decided upon the appointment of a Tribunal of Enquiry, so that the controversy has been diverted from the political into the judicial sphere. Which is as it should be. Since the matter is now *sub judice* it would not be fair to comment on it even in a publication which is outside the jurisdiction of United Kingdom Law Courts. It may not be without interest, however, to take this opportunity for surveying the general situation in Britain with regard to official secrets affecting financial matters.



Dr. Paul Einzig

Generally speaking, the British authorities can safeguard remarkably well their secrets that are liable to affect the Stock Exchange or foreign exchanges. The secrecy of the British Budget in particular is proverbial. Apart from the Chancellor of the Exchequer only the Prime Minister and possibly one or two members of the "Inner Cabinet" know what the Budget is going to contain. The remaining Cabinet Ministers are informed on the eve of Budget Day. The number of senior Treasury officials who know about it is very small.

Advice and Secrecy

It is, of course, inevitable that the Chancellor, before making changes in taxation, should consult the departmental Ministers concerned, some senior Government officials, and even representatives of outside organizations which would be affected by the change. On the occasion of the interviews with such people the Chancellor is there, however, to receive information and not to give any. The fact that he asked the opinion of trading organizations about the possible effect of an increase of the Purchase Tax, for instance, does not mean that he has decided to make such an increase, and those who act on the opposite assumption are liable to regret it. During the months before the Budget a wide variety of suggestions is considered, and only a few of them are likely to be incorporated in the Budget. Having received advice from all quarters the Chancellor makes up his mind at the latest moment practicable, and keeps his secret to himself.

Fortunately, instances of Budget leakages are very few and far between. There was one during the 'thirties which led to the resignation of a Cabinet Minister. The premature disclosure of some items of his Budget to the Political Correspondent of an evening paper led to the resignation of Dr. Dalton in 1947, even though the information only reached the public a few minutes before the changes were announced in the House of Commons, and there was no evidence of any speculative operations resulting from the disclosure. That in spite of this Mr. Attlee accepted Dr. Dalton's resignation shows the importance attached to the sanctity of Budget secrets.

As a result of the nationalization of the Bank of England in 1946 changes in the Bank rate became a matter for Treasury decision. Technically, it is still the Court of Directors who decide on the Bank Rate at their weekly meetings on Thursdays just before noon. They faithfully go through the gestures of deciding on the Bank Rate even though their decision must invariably be based on the instruction received by the Governor from the Chancellor of the Exchequer. So long as the decision rested with the Bank of England there was hardly ever any suggestion of leakage, because the Bank has a well-established tradition for secrecy. The windowless wall that surrounds the building symbolizes the Bank's attitude towards the outside world.

Practice of Thursday Announcements

Nor is there any reason to believe that, now that the decision is a matter for the Government, the Chancellor is any less secretive about the Bank Rate than he is about his Budgets. In this respect too, he may listen to the advice of his officials and others but does not communicate to them his decision. There is, however, one chink in the armor of Bank Rate secrecy. It is the practice of announcing Bank Rate changes on Thursdays. On one occasion the Chancellor made a "revolutionary" change by making the announcement on Tuesday following on an emergency meeting of the Court of Directors. The summoning of such a meeting is liable to become known, however, and for this reason the authorities reverted to the old practice of announcing Bank Rate changes on Thursdays only. Now this has a grave disadvantage. Usually the Chancellor announces various other Government decisions at the same time as he announces Bank Rate changes. Such changes, which in olden days was almost the only instrument of monetary policy, are now usually part of the batch of fiscal or other measures pursuing the same disinflationary or other ends.

Frequently it is known in advance when the Chancellor is about to make an important announcement, even if the nature and details of the announcement remain a closely guarded secret. And if it becomes known that some such announcement will be made on a Thursday, it is widely assumed—usually correctly—that it will be linked with a Bank Rate change. For this reason, even in the absence of inside information, it has come to be considered reasonably safe to speculate on a Bank Rate change whenever it becomes known that the Chancellor intends to announce some new measures on a Thursday.

This state of affairs could be remedied in two ways. The existing practice under which the Court of Directors of the Bank of England goes through the gestures of deciding about the Bank Rate could be discontinued. Such a solution would conflict, however, with the British habit of continuing the outward forms of traditional practices long after they had ceased to have any inner meaning. The alternative would be for the Chancellor to avoid as far as possible to announce any major policy measures on Thursdays. After the experience with the recent Bank Rate announcement, this is probably what will be done, not in order to prevent nonexistent leaks but in order to prevent speculation from being based on a high degree of probability.

Elected Director

Election of Dean P. Guerin to the board of directors of Zale Jewelry Company, Inc., has been announced in Dallas by Benjamin A. Lipshy, President.

Dean P. Guerin

Mr. Guerin is Vice-President and director of Eppler, Guerin & Turner, Dallas-based investment banking firm of which he was a founder.

E. C. Norman Joins Landrum Allen Co.

ARLINGTON, Va. — Ernest C. Norman has become associated with Landrum Allen & Co., Inc., Arlington Towers, as resident manager. Mr. Norman was formerly with the Washington, D. C. office of Burton, Dana & Co.

Shuman, Agnew Co. to Admit New Partners

SAN FRANCISCO, Calif.—Shuman, Agnew & Co., 155 Sansome Street, members of the New York and Pacific Coast Stock Exchanges on Dec. 1 will admit Iver Lyche and Clinton Eldon Paine to partnership. Mr. Paine will make his headquarters in Oakland.

NASD District No. 1 Elects to Committee

Announcement has been made of the election of Edward K. Easter, Dean Witter & Co., Seattle, and of Harold L. Temple, Campbell & Robbins, Inc., Portland, as members of District Committee No. 1 of the NASD. Mr. Easter succeeds Hugh R. Schlicting of Wm. P. Harper & Son & Co., Seattle, and Mr. Temple succeeds James F. Miller of Blyth & Co., Portland. District No. 1 consists of the states of Idaho, Oregon and Washington.

With Ill. Mid Continent

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Austin B. Close and James C. Rathslag have been added to the staff of Illinois Mid Continent Investment Co., 676 St. Clair Street.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn.—William J. Eustice is now with State Bond and Mortgage Company, 28 North Minnesota Street.

LETTER TO THE EDITOR:

Behind the Looking Glass With Interest Rates

Correctness of assertions made by Dr. Melchior Palyi (*Chronicle*, Sept. 19) and others that corporate income tax rate lowers debt cost, and thus, present level of interest rates is not high enough to deter corporate borrowing, is questioned by Canadian economist. Professor Allely's letter distinguishes concept of "cost to the owners" from "cost of the product" or "cost to the customer" and explains when the former is appropriately used.

Editor, Commercial and Financial Chronicle:

Dr. Melchior Palyi's able article "How Tight Is Tight Money?" in "The Commercial and Financial Chronicle" of Sept. 19, 1957, repeats an observation which has appeared in several other articles lately concerning the real cost of borrowed money. I believe this observation to be generally misleading.

It appears as part of the contention that the present level of interest rates is not high enough to restrain corporate borrowing, which may indeed be so. The statement is that "corporate bonds yielding 6% actually cost 2.88% to the issuing corporation (given a 52% income tax) and still less to the shareholders. With rising prices and good profits anticipated no corporate management is likely to be restrained from borrowing by a charge of less than a paltry 3%." It seems to me that one might as well say "A wage of $2.50 an hour for unskilled labor actually costs a paltry $1.20 an hour to the hiring corporation." In fact, could not one also say "A sale of products for a million dollars brings only $480,000 to the selling corporation"? This kind of reasoning gives me the feeling of somehow having got behind the looking glass, instead of in front of it.

Whose Cost?

Surely this is a concept of the cost of borrowed money or of labor which is only rarely significant in corporate management's decisions whether to borrow money or hire men. It is the concept of "cost to the owners" (that is, the amount by which after-tax profits are less than they would be if the money or the labor could be got for nothing) in distinction to the more usually valuable concept of "cost of the product" or "cost to the customer." Its use seems to imply that the only place from which interest or wages can be met is from the profits of the owners. Surely, in most cases, the first place from which these costs must be met is the price of the product: and the cost that is meant is the full amount paid out.

The significant test which most proposed borrowings must pass is whether the asset to be acquired with them will earn, before interest or income taxes, at least enough to pay the full interest charges. Only after profit or loss is established by this means can the effect of income tax on equity earnings be taken into account.

Where Applicable

One can think of circumstances under which the "cost to owners" concept implied in Dr. Palyi's example is appropriate. For instance, if a firm borrows money not to increase revenues but merely to ease its liquidity position, then the cost of such liquidity might well be measured by the amount by which the interest charge reduces after-tax profit. The same thing could be true of the cost of political or charitable contributions or of advertising the benefits of our democratic way of life or of any other expenditure not designed to increase revenues. The corporate income tax cuts the after-tax cost of these expenditures only if it cuts before-tax profits. This is not ordinarily the object of business expenditures.

We may make the foregoing argument more clear by comparing the considerations that enter the picture when borrowing at 5% is contemplated with those when borrowing costs 6%. A firm planning a capital expenditure of $30,000,000 would ordinarily be able to borrow $20,000,000 and would have to provide $10,000,000 from equity funds, either retained profits or new stock sales. If borrowed money costs 5% and equity money must earn say 2% more, or 7%, the project must yield about $2,400,000 to be marginally desirable. That is,

the yield of 8% or	$2,400,000
less 5% on $20,000,000 borrowed money, or	1,000,000
leaves pre-tax profit of 14%, or	1,400,000
which, less taxes of approximately	700,000
leaves post-tax return of 7% on $10,000,000 equity, or	$700,000

Surely the key fact is that the return must be $2,400,000. Nothing useful is contributed by thinking of the borrowed money as, in some way, costing only $500,000.

Admittedly, if borrowed money costs 6%, (that is $200,000 more), and there is no chance of increasing the yield on the project, income taxes will be cut by $100,000 and the post-tax return on the equity capital will be reduced by only $100,000. It is also true, however, that the return on risk capital has been reduced from a premium of 2% over the going rate for loan capital to bare equality and the project has been rendered sub-marginal.

If instead of the marginal project considered above, we take a highly intra-marginal one in which the expected yield on a $30,000,000 investment is not 8% or $2,400,000 but 16% or $4,800,000, the increase in interest cost by $200,000 would merely reduce the post-tax return on equity capital by $100,000, or from 19% to 18%. Such a project might well be still worth proceeding with. This is, however, not particularly relevant. The theory of sensitivity of corporate borrowing to changes in interest rates has never extended to highly intra-marginal investments. It is also doubtful that, even in such a case, the management could properly consider the cost of their borrowing as 2.88%, even though the comparison of a 6% cost, (rather than a 5% one), with a 24% yield would probably cause them little more increased concern than would comparison of a 2.88% cost rather than a 2.4% one, with such a yield.

The explanation for the insensitivity of corporate borrowing to increasing interest costs which Dr. Palyi notes, (if such insensitivity really exists and its apparent existence is not merely a manifestation of the power of momentum) may lie in the abundance of highly intra-marginal projects. The more probable key is found in Dr. Palyi's phrase "with rising prices . . . anticipated." If directors can foresee the likelihood of passing the increase in borrowing costs on to the consumer, they can bear it with equanimity. In the example of a marginal project given above, the directors faced with a $200,000 increase in their borrowing costs would require to see a chance of raising the price of their product by at least $400,000. Of this, $200,000 would be to cover increased interest, $100,000 to the government and $100,000 to bring the return on equity money up to the going rate on borrowed money plus the 2% risk premium. Dearer money is undoubtedly much more likely to find sensitive spots in an atmosphere of general resistance to higher prices.

There are occasions when behind-the-looking-glass reasoning, such as thinking of the effect of the corporate income tax as halving the cost of borrowed money to the owner rather than doubling the cost of equity money to the customer, is appropriate in entrepreneurial cost calculations. The quotation seems to me to err in treating such occasions as the rule rather than the exception.

J. S. M. ALLELY

Assoc. Professor in Economics
University of Saskatchewan
Saskatoon, Saskatchewan

October 9, 1957.

Halsey, Stuart Group Offers Michigan Bell Telephone Debentures

Halsey, Stuart & Co. Inc. on Nov. 19 headed an underwriting syndicate which offered $40,000,000 Michigan Bell Telephone Co. 35-year 4¾% debentures, due Nov. 1, 1992, at 101.72% and accrued interest, to yield 4.65%. Award of the issue was won by the underwriters at competitive sale on Nov. 18 on a bid of 101.0399%.

Net proceeds from the sale of the debentures will be applied by the company toward the repayment of advances from its parent organization, American Telephone & Telegraph Co. These advances, expected to aprpoximate $45,400,000 at the time the proceeds are received, are obtained in conformity with an established practice of the company, of borrowing from A. T. & T., as the need arises, for general corporate purposes, including extensions, additions and improvements to its telephone plant.

The debentures are to be redeemable at optional redemption prices ranging from 110% to par, plus accrued interest.

Michigan Bell Telephone Co. is engaged in the business of furnishing communication services, mainly local and toll telephone service, in the State of Michigan. On June 30, 1957, the company had 2,619,741 telephones in service of which about 54% were in Detroit and vicinity and about 24% were in other cities having a population of 50,000 or more. Services of the company also include teletypewriter exchange service and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

At June 30, 1957, shareowners' equity in the company amounted to $384,937,328: its funded debt totaled $105,000,000 and advances from A. T. & T. were $35,800,000. At Dec. 31, 1951, shareowners' equity was $244,652,670; funded debt, $75,000,000 and advances from A. T. & T., $10,500,000.

M. W. Lambert Opens

ALBUQUERQUE, N. Mex. — Milford W. Lambert is engaging in an investment business from offices at 1228 Lafayette, N. E. under the firm name of M. W. Lambert Co. He was formerly with Mountain States Securities Corporation.

Continued from page 3

Is the Fool's Paradise Coming to the End

monetary and fiscal tricks—just how would we go about it? Where would the money come from? Surely **not** from higher levies; raising tax rates in a downturn is about the last thing politically and economically feasible. Actually, public revenues are bound to decline, and the outcry for lowering taxes to mount. (Tax rates are rising on the state and municipal level.) That leaves borrowing as the only recourse.

Could Governments Be Sold?

Deficit financing by way of selling low-yield bonds was possible in the great depression (the repetition of which we are supposed to avoid) because, for one thing, it was a truly great depression: there were few "attractive" outlets for funds other than the certificates of indebtedness of the Federal Government. For another thing, the credit of the government was unimpaired (excepting a short panic). During the preceding boom, the national debt had been reduced to a paltry $20-odd billion. It is doubtful, to say the least, whether the situation in the late 1950's would be anywhere near that of the 1930's, so far as the Treasury's credit is concerned. The drawback of an astronomical national debt—with some $70 billion of it of the "floating" category — is that it blocks the road for incurring new debt needed in an emergency.

Recalls F. D. R.'s 1932 Campaign

Unbalance the budget, inflate the currency, devalue the dollar—remarkable how short memories are. Those were the very threats against which F. D. R. campaigned in 1932. He won by promising—in the midst of the deepest depression! — to cut expenditures by 25%, to balance the budget, to save the dollar. The American people are today as fearful of those threats as they were then, if not more so, having had a mouthful of them. Just lately, the Democrats have decided to campaign against Eisenhower on the same plank on which F. D. R. was floated into office: that he, Eisenhower, is guilty of inflationary sins (and of deflationary ones, too).

They are preparing to play the same game, in part at least, that was so successful 25 years ago; at any rate, they will do all they can to sabotage any effort of the Republican Administration to overcome a depression. And it will not be difficult to fish in the troubled financial waters; all they have to do is to support their own Senator Byrd in keeping the national debt within its present limitations, approximately. In the process, they are likely to have the support of the conservatives among the Republicans. The Administration may try to go around the debt ceiling by such legerdemains as issuing soldiers' scrips, Federal Housing Administration and Commodity Credit Corporation bonds which do not fall under the ceiling regulation. If so, higher interest costs will have to be shouldered; in any case the devious devices cannot go far without creating most unpleasant reactions.

The trouble is that the inflation threat is no mere bugaboo. Actually, the Administration and the Federal Reserve are caught on the proverbial horns of more than one dilemma. The worst dilemma is due to the fact that any "reflating" they may do is condemned to be, if effective at all, inflationary. Given the high level of employment, new wage demands would be sparked and prices boosted. "Energetic" measures may start a run out of, or on, the dollar. Without such energetic measures to stop a serious deterioration of the cycle —well, even Sputnik will not save the prosperity, notwithstanding the rapturous praise, by certain economists, of Sputnik, the Savior, that would force us to live up to their theory of perpetual inflation.

A chief reason for the impossibility of using inflation to avoid a depression is the fact that we **are** in an inflation. The "compensatory" rule of Keynes — deflate in the boom, inflate in the depression — is inapplicable because it has been violated. We have done too much inflating while the boom was on. The economy is "saturated" with money, debts, mal-investments, and cost-price mal-adjustments. More of the same would cause so much overproduction as to call for a far more severe crisis than is in store at present. However, this is a chapter in itself.

Caught on Its Own Verbiage

As this article goes to press, the Federal Reserve Bank of New York has lowered its discount rate from 3½% to 3%. It was last among the Reserve Banks to raise its discount rate. It is among the first to lower it. In moving upward, the Bank was merely following the market. Downward, it runs ahead of the market.

The Reserve System was caught in its own verbiage. For a year or so, it insisted that "tight money was its own accomplishment. Having assumed the role of the Great White Father of the national economy, it has become responsible for the decline of business. Notwithstanding all its disclaimers of being under political influence, it had to do something —at the first signs of a downturn.

Of course, lowering the discount rate is of little help if the depression is on. Bankers will give no loans, and corporations will not rush into investments, just because the interest had been lowered. (Remember the 1½% rate in the last depression?) But even if the boom spirits have not died away, cheap money is of little help unless funds are being poured out in order to make the lowered rates effective (unless a fresh gold in-flow should provide the base for credit expansion).

Money-Printing Machine

So, we are inflating again, which goes to show that the Federal Reserve System is essentially a money-printing machine for the purpose of maintaining the government's credit and underpinning a faltering boom. If the policy is effective at all, beyond giving a temporary boost to the security markets, it will be "successful" in boosting further wages and prices. Then what? Will the Money Manipulators turn around with the same agility and again tighten credits—say, by March? And how far will they get with such rock-and-roll methods?

A central bank in a dominating position has a great deal of **power** over the supply and price of money **in the short run.** But "little inflations" are **futile against a long-run price trend,** and a global one at that. That is where the triumvirate of central bank Presidents went wrong in the 1920's—Montagu Norman, Benjamin Strong and Hjalmar Schacht. They believed that by putting their shoulders together, an impending world-wide break could be held up. The result was that the break became far worse than it would have been had the speculative spirits been dampened a year or two earlier. Presently, the Federal Reserve follows the same adventurous pattern. By playing Providence for political benefits—and to preserve their own jobs—the monetary authorities are incurring full responsibility for a potentially much more serious crisis than the one that was in the making. Instead of letting business make its natural adjustments, which in due course would permit a fresh upturn on a sound basis, they prolong the disequilibrium and magnify it.

Olin Mathieson 5½% Debentures Offered

Dillon, Read & Co. Inc. and Eastman Dillon, Union Securities & Co. headed an investment banking group which yesterday (Nov. 20) offered $60,000,00 of Olin Mathieson Chemical Corp. 5½% convertible subordinate debentures due Nov. 15, 1982 at 100% and accrued interest. The debentures are convertible into common stock at $50 per share on or before Nov. 15, 1972 and at $55 thereafter.

The offering represents the first public financing by Olin Mathieson Chemical Corp. since the merger in 1954 of Olin Industries, Inc. and Mathieson Chemical Corp. The net proceeds from the sale of the debentures will be added to the general funds of the corporation and will be available for additional working capital and for programmed capital expenditures.

A sinking fund beginning in 1968 is designed to retire 70% of the debentures before maturity. The debentures will be redeemed for the sinking fund at 100% and are redeemable at the option of the corporation at any time at prices ranging from 105½% through Nov. 15, 1960, downward to 100% after Nov. 15, 1981.

Olin Mathieson Chemical Corp. is a large producer of chemicals, arms and ammunition, explosives, plant foods, drugs and pharmaceuticals, cellophane, paper, lumber products and metals. Upon the completion of its present aluminum expansion program the corporation will become a major integrated producer and fabricator of aluminum and aluminum products. The corporation is also actively engaged in the development of high energy and nuclear fuels.

Factoring Firm Sells $2,000,000 of Notes

James Talcott, President of James Talcott, Inc., 104-year-old factoring and commercial financing organization, and one of the largest in the country, on Nov. 19 announced the placement with institutional investors of $2,000,000 of subordinated notes, due 1970.

The transaction was negotiated by F. Eberstadt & Co. and White, Weld & Co.

Talcott will use the net proceeds as additional working capital.

NASD District 13 Elects to Office

The following are declared to have been duly elected by District No. 13, Committee of the National Security Traders Association to take office on Jan. 16, 1958.

Board of Governors:

Ralph C. Sheets, Blyth & Co., Inc.

District No. 13 Committee:

Thomas H. Choate, White, Weld & Co.; John J. Gurian, Merrill Lynch, Pierce, Fenner & Beane; Hudson B. Lemkau, Morgan Stanley & Co.; Gustave L. Levy, Goldman, Sachs & Co.; David J. Lewis, Paine, Webber, Jackson & Curtis; J. William Roos, W. A. Gardner & Co.

Public Utility Securities

By OWEN ELY

Alabama Gas Corporation

Alabama Gas serves natural gas to 49 municipalities in central Alabama. The total area served is about 10,000 square miles and the population one million, about half of which is in the Birmingham area. Other important cities served include Montgomery, Gadsden, Tuscaloosa, Selma and Anniston. Conversion of the entire system to natural gas was completed about two years ago when the Birmingham area was changed from coke-oven to natural gas. The company's requirements are supplied by Southern Natural Gas under a 20-year contract, and propane-air gas plants are maintained for peak shaving purposes.

Natural gas purchase costs in the 1956 fiscal year averaged 2.52c per therm (roughly 27c per mcf.). During the same period, the average selling price per therm for various classifications was as follows: residential 9.4c; commercial 5.7c; industrial 2.5c.

The area in which the company operates has shown rapid postwar growth. The South's proportion of all U. S. manufacturing facilities has increased from 9% in 1900 to 22% today. Industrial output has increased from $11 billion in 1939 to over $62 billion recently. The State of Alabama has more than kept pace with the growth of the South as a whole the value of total output in the state last year was 6.5 times 1939, while the ratio for the South was 4.3 times and for the nation 3.8 times the earlier figures. Over one-half billion dollars has been spent in the state to build some 400 new plants since 1940, resulting in an increase of about 72% in manufacturing employees. Some of the new plants have been constructed by Republic Steel, Westinghouse, General Electric, Monsanto, Hayes Aircraft, etc. The Birmingham area was formerly largely a steel and iron economy, but has now been substantially diversified.

Chairman Joseph N. Greene of Alabama Gas expects this growth to continue. Industry today requires large amounts of fresh water. The annual precipitation in Alabama is one of the heaviest in the country, and Alabama Power Company plans to build large dams on the Black Warrier River. A pipeline will be constructed to deliver water to Birmingham, increasing the supply 50%—or more if needed.

Alabama Gas' growth is indicated by the increase in revenues from less than $11 million in 1948 to over $27 million for 1957. Share earnings, while somewhat irregular in earlier years, have increased steadily from 97c in 1951 to $2.40 in 1956. Warm weather during the last heating season (the number of degree days was 21% below normal) resulted in a decline in earnings for the fiscal year ending Sept. 30, 1957 to $2.18, but earnings would have approached the 1956 figure if the heating season had been a normal one.

A five-year forecast was prepared for the company by Stone & Webster Service Corp. in 1956, in connection with the proxy contest which the management won. The engineering firm forecast the gain in revenues in 1961 over 1955 at 51%, in gross plant at 70%, in sales of gas 42%, in share earnings 48%, and in dividend rate 56%. The detailed projections were as follows:

Fiscal Year Ending Sept. 30	Earnings per Share	Dividend Payments	Dividend Rate at End of Fiscal Year	Per Cent Dividend Payout
1956	$2.44*	$1.39	$1.50	57.1%
1957	2.37	1.60	1.60	67.6
1958	2.51	1.70	1.70	67.8
1959	2.57	1.75	1.80	68.2
1960	2.74	1.85	1.90	67.5
1961	2.97	2.00	2.00	67.2

*Actual earnings were 4c lower, the difference being attributed to the steel strikes in the area.

The firm estimated that 25c of the gain in share earnings in 1956 was due to abnormally cold weather—in other words, normal earnings would have been $2.15. Thus despite the very warm winter of 1956-57, share earnings for fiscal 1957 exceeded the "normal" 1956 figure by 3c. While the company will probably continue to experience rather wide swings in share earnings due to weather conditions, the outlook for continued earnings gains was considered favorable by Stone & Webster.

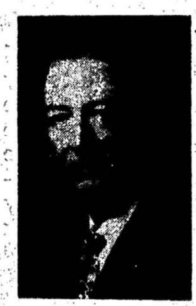
The management's estimates for the 1958 fiscal year are not very much at variance with the Stone & Webster forecast of $2.51. The company feels that this can be realized despite a moderate decline in residential construction and some rate uncertainties. Southern Natural Gas has asked the FPC to approve an $18 million over-all increase in revenues effective under bond after Feb. 14, 1958. About $4 million of this will apply to Alabama Gas. The latter has requested the Alabama Commission to permit it to pass this increase along to its own customers (with a refund in case Southern's request is eventually rejected). This procedure would be similar to that followed in a previous instance by the company as well as by another gas utility in the state. If it is not allowed in this case, however, and if "full dress" rate hearings are required, there might be a lag of two or three months before Southern's higher rates could be passed on to Alabama's customers.

The company is anxious to improve its annual load factor by increasing summer sales on a profitable basis. Space heating by gas would help to offset winter heating. The electric power industry is beginning to sell heat pumps in addition to the usual resistance heating appliances. Alabama Gas in former years promoted the sale of Servel all-year air-conditioning units but later Servel decided to work only through dealers, with unfavorable results. Arkansas Louisiana Gas Company has now taken over the manufacture of Servel units and Alabama Gas is going back into the active promotion of these units, which they hope to develop into a valuable load-building program. The company estimates that the revenue obtained from a typical six-room residence using a Servel unit would increase its annual gas bill from $133 to $221—a gain of about two-thirds—and the load factor would jump from 32% to 63%. The management is, therefore, optimistic about the possibilities of these units.

Alabama Gas' construction costs are estimated for next year at about $5 million, considerably lower than estimated by Stone & Webster, and slightly less for fiscal 1959. Some $5.3 million will be required from outside sources, which the company now plans to obtain through bank loans, with no permanent financing until some time in 1959. No sale of common stock is anticipated during this period.

Bergmann to Head NASD in 1958

WASHINGTON, D. C.—Charles L. Bergmann, who began his Wall Street career as a stock exchange page boy, has been named to head the National Association of Securities Dealers in 1958, it has been announced. Mr. Bergman, a partner of R. W. Pressprich



Charles L. Bergmann

E. E. Hammond

Richard W. Simmons

Dale F. Linch

Wallace H. Fulton

& Co., New York, will take over as Chairman of the Board of Governors of the Association next January, succeeding Frank L. Reissner, President of Indianapolis Bond and Share Corporation.

National Association of Securities Dealers is the self-regulating organization for over-the-counter securities dealers. Mr. Bergmann who is serving as Chairman of the National Business Conduct Committee this year will complete a three-year term on the Association Board in January, 1959.

Other officers for 1958 follow: Vice-Chairman, Edmond E. Hammond, partner, Paine, Webber, Jackson & Curtis, Boston, and Richard W. Simmons, partner, Blunt Ellis & Simmons, Chicago; Treasurer, Dale F. Linch, Vice-President, Berwyn T. Moore & Co., Louisville; Executive Director, Wallace H. Fulton, Washington.

Continued from first page

As We See It

conclusion. While some savings may still be squeezed out through the wringer method, savings of the kind we need can come about only through cutting out or deferring entire categories of activity. This will be one of the hardest and most distasteful tasks that the coming session of Congress must face.

"By whatever amount savings fail to equal the additional costs of security, our total expenditures will go up. Our people will rightly demand it. They will not sacrifice security worshipping a balanced budget. But we do not forget, either, that over the long term a balanced budget is one indispensable aid in keeping our economy and therefore our total security, strong."

Precisely what these excellent observations will mean in actual practice, we are, of course, unable to say with confidence. We had hoped, and we still cherish the hope, that they are not merely idle words or that the President will not prove unable to carry his party and the Congress along with him in giving them realistic implementation. Certain forebodings are, however, induced by passages in the statement issued at the end of last week by Democratic Advisory Council.

Take this passage, for example:

"The President tells us that the American people will not sacrifice security worshipping a balanced budget, but will he? When he admits the need for increasing costs for our defense program, he talks of possibilities of reducing other defense programs as yet unspecified, and he speaks of the hard and distasteful task 'the Congress' will have in cutting out or deferring 'entire categories' of civilian programs.

"We are for economy, too, if it is sensible. But other vital defense and civilian programs must not be vitiated or destroyed. We must maintain the strength of our conventional armed forces and our mutual defense and foreign aid programs. We must not reduce our armed forces in Europe, which are the guarantee of our belief in the NATO alliance. Neither can we afford to undermine our national strength by reducing or eliminating domestic programs upon which that national strength depends. We must develop our natural resources and our industrial plant, we must encourage economic expansion and a growing national product, in order to have the economic base to sustain our defense efforts. It is neither necessary nor wise to wreck these vital programs in order to increase our defense effort in other fields."

What are these "domestic programs upon which that national strength depends?" What national expenditure is required to enable or to persuade us to "develop our natural resources and our industrial plant?" Must we somehow spend the people's hard earned money, or go further into debt, to "encourage economic expansion?" Or "a growing national product?" What sort of artificial feeding must industry and trade have in order to supply an "economic base to sustain our defense efforts?" And can we reasonably expect any sort of arbitrarily stimulated growth or development to provide any such base?

We should much like to brush such statements as these aside as mere words without very specific meaning, or if possessed of real meaning, referring only to those essential functions of government which really promote economic growth and solid economic progress. But experience raises a warning hand. We need but recall how almost all of the New Deal and the Fair Deal programs have at various times in the past been defended with statements to the effect that they kept private enterprise alive, and promoted economic health and growth. Are these observations of the Democratic Advisory Council tantamount to a statement that the New Deal and Fair Deal programs must not be touched regardless of the burden better defense measures require?

A Source of Strength?

Who does not remember how often it has been argued that enormous sums spent to keep unneeded men at work in agriculture served to add to the economic strength of the nation? How can anyone forget that again and again we have been told by leaders of the Democratic Party that it was essential to our economic growth to pay out billions upon billions in largesse to veterans, now with their dependents and near-dependents more numerous than anyone even a few years ago would have believed possible? We are still subsidizing home building, and there are plenty who are ready to tell us with the greatest earnestness that this spending is essential to further growth and development of a healthy nation. Other types of subsidy and "insurance" add more billions to our current outlays—and have often been defended as essential to our progress.

If this is the type of domestic program which, according to the political leaders of the opposition party, must be preserved to supply an economic base for our defense efforts, the country certainly has good cause to feel uneasy. It, of course, must be said in all candor that the present Administration has often talked in much this same vein at various times during its years in office. We are hardly entitled to feel great confidence that any fundamental change has come over its thinking—not at least until better evidence is at hand than that supplied by vague generalities. We can hope — but await further evidence.

Continued from page 14

Common Stocks as Investments For Mutual Savings Banks

basic reason is that the American economy has been growing and that the profits and therefore the dividends of good quality American corporations has been expanding with the expanding economy. And during important parts of the time inflation has added a further increase to the dollars of earnings, dividends and prices. But the basic fundamental is economic growth — constructive, healthy, economic growth.

Relies on Employment Policy Act

Looking at the years to come I think it entirely likely that the historic growth trend of our country will continue and perhaps accelerate. Of course there are risks as there always have been. But I believe that these risks will be overcome at least as well as in the past — and probably better. I take seriously the resolution of society to avoid the extremes of unemployment. I believe that the Employment Act of 1946 is a very important document, that the efforts of private business and government to do a better job of administration and planning are fruitful, and the vastly increased research expenditures are and will continue to produce important results. I do **not** expect that we are in a new era where there will no longer be economic ills, but neither do I think we are necessarily subject to all the same ills in the same intensity as the past—any more than we continue at the mercy of small pox, tuberculosis or polio.

Probably in addition to the economic progress which I expect to continue, there will be a persistent inflationary condition which will add something in dollars to the underlying contribution of real growth.

Therefore it seems to me likely that the good record of good common stocks will at least be continued and probably will be improved.

In view of this record which is demonstrable and this outlook to which virtually all businessmen and economists agree, why is it that the mutual savings banks by practices, by preference, and by law almost completely ignore the one kind of investment that can show rising income and capital gain? Putting it the other way, why do the mutual savings banks so completely ignore their very great needs for income growth and capital growth? Why are they content to see other forms of savings institutions take a continually growing share of the savings of the American public? Why are the mutual savings banks content to ignore opportunities while others grasp those opportunities and grow on them?

Attacks "Old-Wives" Tale

I submit that common stocks should have a larger role in mutual savings banks. But I wish to make myself unmistakably clear. I am fully aware that the liabilities of savings banks are in dollars and that those liabilities are on demand. Any savings or other creditor institution must be prepared to meet its obligations. But the implicit assumption that bonds and mortgages never fluctuate while common stocks are impossibly volatile is simply an old wives tale that will not stand up under any careful inquiry. All investments are volatile, and many bonds and mortgages have been as much so as many common stocks.

What seems to me needed is some reasonable compromise between the present and historical position of the savings banks and the law on the one hand and the realities of their needs and the economy's on the other. This compromise would be built after a cold blooded examination of the records of the various forms of investments, the best judgment of the future, and adequate consideration of the needs of the institutions.

Suggests Investment Guide-Lines

What are the constituents of such an investment policy. I would suggest several:

(1) **Valuation requirements need to be made realistic.** Valuation of bonds is on an amortized basis which assumes the likelihood of repayment. But valuation of common stocks categorically denies any future possibility and states that the market at any given time is the only test. No evaluation of market values of mortgages is made at all. If the same standard were applied to bonds and mortgages as to common stocks there would be some remarkable changes in investment policy. It is just as likely that good common stocks will be higher over the years as it is that long-term bonds and long-term mortgages will pay over the years. Common stocks therefore should be valued on some kind of moving average or cost. The life insurance companies have gone considerable distance in this direction.

(2) **Sizable reserves should be established against common stock holdings as rapidly as possible.** At least until large reserves are established, most of the income in excess of bond yields, and all of the realized capital gain should be dedicated to building up the reserve. The long-term objective of the reserve might well be 10 to 25% of the common stock held.

(3) **Banks should be required to acquire their common stock portfolios on the average over several years so as to avoid excessive purchases at abnormal prices.** This policy might provide that no more than 20% of a common stock portfolio held at any time could have been acquired in one year—but using cost for this determination. I say this because an appropriate investment policy in common stocks does not seem to me to consist of trying to determine whether the market is low or high. I doubt the chance for success by that method. Common stock policy should be to try to buy shares in companies which over the years ahead will show higher earnings. If these are bought at the average of prices over several years, the result over time will be successful. Although I think the market at present at about 13 times earnings and yielding about 4½% more suitable for consideration of purchase than sale, these are not the primary considerations a bank should use. What is important is that there are stocks of good companies available now at prices and dividends very likely to be exceeded in the wave of prosperity of the 1960's. And a program of buying now and over the next several years should maintain or improve present income and provide higher income and larger principal during that decade that seems so likely to be so prosperous.

(4) **The total of common stocks allowable should be related to surplus and total reserves.** Something less than the total of surplus and all kinds of reserves might be the limit in common stocks—but I should not think it need be very much less than the total and it might well be more. In making the determination there should be some consideration of the quality of the common stocks and of the quality of the other assets of the institution.

Recommends Investors Mutual Fund

(5) **The Institutional Investors Mutual Fund should be extensively utilized.** The mutual savings banks have traditionally sought a senior position for both principal and income in the investments they make. Investment for income and principal growth is a different task calling for different skills. The individual bank may employ competent personnel to do the job. But the I. I. M. F. has made a good record during its life, showing results fully as satisfactory as the average of other mutual funds; so a greater reliance on it seems entirely prudent. I would also suggest that consideration be given to the establishment of another fund, which would concentrate even more on the investment for growth in income and principal, and not quite so much on current income. The banks could then invest in varying amounts of each fund, depending on their conditions and needs.

(6) **Perhaps a competent open-minded study would identify other conditions and requirements. The needs of the banks urgently call for such a study.**

The mutual savings banks have a long, honorable and distinguished record of serving the savers in the United States. The opportunity to do so was never greater than it is now nor than it will be in the years to come. Certainly no actions should be taken which would jeopardize in any way that record of which we are all so proud. But likewise opportunities for improvement should not be missed. I submit to you that the record, the situation and the future suggest more consideration to common stocks than has been given. The savers, the economy, and the banks alike would benefit from suitable reconsideration and action upon it.

Parr & Post Now With Eastman Dillon Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—George L. Parr and Alfred B. Post have become associated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. Mr. Parr was formerly with Lester, Ryons & Co. in the research department. Mr. Post was with Shearson Hammill & Co. in the statistical department.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Chemical Corn Exchange Bank, New York has appointed Robert R. Lassiter to its Queens Advisory Board, it was announced on Nov. 18 by Harold H. Helm, Chairman.

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The appointment of Robert D. Calder as Assistant Vice-President and Carl L. Miltz as Assistant Secretary of the **United States Trust Company of New York** was announced by Benjamin Strong, President.

Mr. Calder, who has been associated with the Company since 1928, was appointed Assistant Secretary in 1951. He is an officer in the Investment Department of the Company.

Mr. Miltz joined the Company in 1934 and is presently associated with the Banking Division. He will continue with his duties in that division.

* * *

Carl Cordes, Assistant Vice-President in charge of the Union Square Branch of the **Central Savings Bank, N. Y.**, was honored Nov. 13 for having completed 50 years of service. He will retire Dec. 9.

* * *

William L. Kleitz, President and a Director of **Guaranty Trust Company of New York**, died on Nov. 19 at United Hospital, Port Chester, where he had been confined since suffering a fall from a ladder on Saturday at his home on Boxwood Lane, Rye, N. Y. Death was due to a head injury.

Mr. Klietz had been continuously associated with the Guaranty Trust Company since 1919, and had been President of the Company since 1947. He started with the Bank in a clerical capacity with the bond Department, and through successive promotions became a Vice-President in 1928. In 1945 he became associated with the general management of the Bank and in 1946 was elected to the Board of Directors.

Besides his association with the Guaranty Trust Company, Mr. Kleitz was a director of a number of other companies, including American Smelting & Refining Company, W. T. Grant Company, and Wilson & Company, Inc. He was also a Director and member of the finance committee of the Royal Globe Insurance Group, President and a Director of The Economic Club of New York, Inc., and a member of the New York State Banking Board. He held membership or directorships in many other civic, philanthropic, and social organizations.

* * *

Marking the 40th anniversary of his service with the institution, George C. Johnson, President of **The Dime Savings Bank of Brooklyn, N. Y.** was tendered a luncheon on Nov. 20 by the Bank's officers.

Mr. Johnson joined the Bank's staff in November, 1917, as a real estate appraiser.

In his 40 years with "The Dime," Mr. Johnson has seen its assets grow from $56,295,000 to nearly $1,000,000,000, which figure is expected to be reached within the next several weeks.

From one office with 109,469 depositors, Mr. Johnson has seen the 98-year-old bank expand to its present four offices with more than 400,000 depositors.

Mr. Johnson was named Secretary of "The Dime" in July, 1929, and served in that capacity until January, 1932, when he was elected Treasurer. In June, 1946, he was made Executive Vice-President, and on Oct. 25, 1946, he was elected President to succeed the late Philip A Benson.

In the 11 years of his presidency, the Bank's assets have more than doubled, rising from $461,000,000 to today's figure of just under $1,000,000,000.

* * *

The 107th-year-old **South Brooklyn Savings Bank, Brooklyn, New York** has awarded a contract to build its second branch office, it was announced Nov. 15 by Rodney C. Ward, President. It will be located on Foster Avenue from Newkirk Plaza to 16th Street Flatbush. The first branch, located at 18th Avenue and 65th Street, Bensonhurst, was built in 1930.

Mr. Ward said the bank, which was organized in 1850 and is the second oldest in the borough, has 85,000 depositors, deposits of $166,000,000 and resources of $190,000,000.

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Plans have been approved for a completely new building for the **Highland National Bank, Newburgh, New York**, it has been announced by Thomas J. Jamison, President.

The building program began on Oct. 28, and completion is scheduled for Sept. 1, 1958, Mr. Jamison said.

* * *

The National Bank and Trust Company of Norwich, Norwich, N. Y. with common stock of $1,000,000; and **The First National Bank of Grand Gorge, Grand Gorge, N. Y.** with common stock of $100,000 merged, effective as of Nov. 1. The consolidation was effected under the charter and title of "The National Bank and Trust Company of Norwich."

At the effective date of consolidation the consolidated Bank will have capital stock of $1,100,000, divided into 55,000 shares of common stock of the par value of $20 each; surplus of $1,100,000; and undivided profits of not less than $271,506.59.

* * *

Stockholders will be asked to vote on the proposal for the merger of the **Windham National Bank, Bellows Falls, Vt.,** into **Vermont Bank & Trust Co.** Directors have already approved the plan. Combined resources of the surviving bank would be over $21,000,000.

* * *

The Third National Bank and Trust Company of Springfield, Mass. increased its common capital stock from $1,600,000 to $2,000,000 by a stock dividend effective Nov. 8. (Number of shares outstanding — 200,000 shares, par value $10).

* * *

Stockholders of the **Montclair Trust Co., Montclair, N. J.** and the **First National Bank of Montclair, N. J.** will be asked at a special mettling, Dec. 13, to approve plans for a merger. The surviving institution would be known as the **Montclair National Bank & Trust Co.** Total banking assets of the combined institutions will be about $80,000,000, and trust department assets will be over $120,000,000.

* * *

Action to permit the payment of a 2% stock dividend was recommended to the shareholders of **Mellon National Bank and Trust Company, Pittsburg, Pa.** by the Bank's board of directors at their regular monthly meeting held on Nov. 12.

W. K. Whiteford, and I. W. Wilson, were elected to the Board at the same meeting.

The directors also declared a quarterly dividend of one dollar a share payable on Dec. 9 to shareholders of record on Nov. 18.

To make the stock dividend possible, the shareholders must authorize an increase in the bank's capital from $60,100,000 to $61,302,000 and an increase in the number of shares outstanding from 2,404,000 to 2,452,080. The par value of the shares would remain at $25. The directors recommended that such action be taken at the shareholders annual meeting on Jan. 28, 1958. Payment of the stock dividend also is dependent on approval by the Comptroller of the Currency.

* * *

Girard Trust Corn Exchange Bank, Philadelphia, Pa., opened its 24th office on Nov. 6. The new branch is located at Stenton Avenue and Washington Lane.

Mr. Schwitters, Assistant Treasurer of the bank, heads a staff which includes S. Eugene DeMari, Assistant Manager.

Girard Trust Corn Exchange Bank also plans to open an office on 22nd Street near Indiana Avenue early in December.

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Robert R. Williams, Jr. has been elected President, Chief Executive Officer and Director of **Bradford National Bank, Bradford, Pa.,** effective Jan. 1. H. W. Loveland, former President of the bank, who has been serving in the dual capacity of Chairman of the Board of Directors and Chief Executive Officer, continues as Chairman.

For the past seven years Mr. Williams has been Vice-President of Girard Trust Corn Exchange Bank, Philadelphia. He is in charge of the **Girard Corn Exchange Bank, Philadelphia, Pa.** Out-of-Town Division, administering commercial loan and correspondent banking relationships.

Mr. Williams entered banking with the **First National Bank of Aberdeen, S. Dak.**

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The Comptroller of the Currency approved plans for the merger of **National Bank of Commerce of Norfolk, Norfolk, Va.,** with common stock of $2,500,000; and **Merchants and Planters Bank, Norfolk, Va.,** with common stock of $500,000 effective as Nov. 4. The consolidation was effected under the charter and title of "National Bank of Commerce of Norfolk."

At the effective date of consolidation the consolidated bank will have capital stock of $3,000,000, divided into 300,000 shares of common stock of the par value of $10 each; surplus of $8,000,000; and undivided profits of not less than $1,808,234.

* * *

By the sale of new stock, the common capital stock of **The Elgin National Bank, Elgin, Ill.,** was increased from $175,000 to $200,000 effective Nov. 4, (number of shares outstanding—8,000 shares, par value $25).

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La Salle National Bank, Chicago, Illinois has elected Lester G. Porter to the Board of Directors.

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The National Bank of Detroit,

Detroit, Mich., elected Charles E. Wilson, former Secretary of Defense, to the Board. He will replace the late Ben. E. Young. Mr. Wilson was a Director of the bank from 1941 to 1953.

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Daniel W. Hogan, Jr., President of the **City National Bank & Trust Company, Oklahoma City, Okla.,** and immediate past President of the Savings and Mortgage Division of the American Bankers Association, died on Nov. 12. He was 54 years old.

Mr. Hogan had been associated with the City National Bank & Trust Company since 1926. He became Assistant Cashier in 1928, Cashier in 1932, Vice-President in 1945, Executive Vice-President in 1951, and President in 1955.

* * *

Virgil F. Sassman has been elected Vice-President of **First National Bank, in St. Louis, Mo.,** in charge of the bank's instalment lending activities, it was announced on Nov. 14 by William A. McDonnell, Chairman of the Board.

Mr. Sassman will be in charge of personal, home improvement, automobile, and other instalment loan operations of the bank, effective Dec. 9.

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By a stock dividend **First National Bank in Dallas, Texas** increased its common capital stock effective Nov. 8 (number of shares outstanding—2,310,000 shares, par value $10).

* * *

Proposals for increasing total capitalization of the Republic National Bank, including contingency reserves, to a total of approximately $102,000,000 will be submitted to shareholders for approval Nov. 25, according to an announcement made jointly on Nov. 12 by Karl Hoblitzelle, Chairman of the Board; Fred F. Florence, Chairman, Executive Committee, and James W. Aston, President.

The bank's Board of Directors at its regular meeting Tuesday adopted resolutions setting forth proposals for the increase, and calling a special meeting of shareholders at 10 a.m., (CST), Monday, Nov. 25, for shareholder action on the proposals to accomplish the following:

(1) A $12,000,000 increase in capital and surplus of the bank, bringing the bank's capital and surplus to $87,000,000;

(2) Issuance of a stock dividend of 80,325 shares, to be distributed to shareholders without cost to them;

(3) An offering of 223,125 new shares of the bank's $12 par value stock, with preemptive rights to to the shareholders of record as of Nov. 25, 1957, at $45 per share.

Simultaneously with completion of the aforesaid proposals, The Howard Corporation et al, wholly owned in trust for the shareholders of the bank, will make payment of a cash dividend to the bank of $2,000,000.

Directors also authorized an increase in the monthly cash dividend rate from $0.14 to $0.15 per share, payable at the close of business on Nov. 29, 1957, on the presently outstanding 2,677,500 shares of stock. This increase in the monthly dividend rate on an annual basis from $1.68 to $1.80 per share, will be applicable to the new stock proposed to be issued.

The stock dividend and value of rights to subscribe to additional shares will represent a total current market value in excess of $5,800,000 accruing to shareholders. Including the $4,597,267 in cash dividends paid and to be paid for the current year, total benefits accruing to shareholders for the year will aggregate approximately $10,300,000.

Proposals recommended to shareholders will provide for an increase in capital and surplus from $75,000,000 to $87,000,000, by an increase in capital stock from $32,130,000 to $35,771,400, and increase in surplus from $42,870,000 to $51,228,600. This will be accomplished by the stock dividend and the sale of additional shares of stock along the following general terms:

(a) A stock dividend amounting to 80,235 shares, being 3% of the 2,677,500 shares presently outstanding, and amounting to an increase in the capital stock of $963,900, will be issued to shareholders of record as of Nov. 25, ratably, at no cost to them.

(b) An additional 223,125 shares of stock will be offered ratably with pre-emptive rights to the shareholders of record as of Nov. 25, 1957, at $45 per share, thereby providing $10,040,625, of which amount $2,677,500 will be allocated to new capital stock, and $7,363,125 to surplus. This will entitle each shareholder to subscribe for one additional share for each 12 shares presently owned.

Giving effect to the dividend to the bank of $2,000,000, and the $10,040,625 realized from the sale of stock, a total of $12,040,625 of new capital funds will be paid into the bank. Of this amount, $2,677,500 will be allocated to new capital stock, $8,358,600 to surplus and the remaining $1,004,525 will be added to the undivided profits account.

When concluded, the proposals will bring Republic's capital, surplus and undivided profits to approximately $90,800,000. Together with the bank's contingency reserves in excess of $11,300,000, total capital funds will be more than $102,000,000.

* * *

Elliott McAllister, Chairman of the Board of **The Bank of California, N. A., San Francisco, Calif.** on Nov. 13 announced the appointments of seven new officers.

At the new San Jose office, scheduled to open Dec. 16, Richard D. Hulse was appointed Assistant Manager and James C. Foster, Assistant Cashier. William S. Pfeifle's appointment as Manager was announced previously.

Mr. Hulse joins The Bank of California after an extensive career with the **Valley Bank and Trust Company in Des Moines, Ia.,** where he was an Assistant Vice-President. Mr. Foster, was an Operations Supervisor in the Cashier's Department at the time of his appointment. Officers for the new Palo Alto office, opening in January, were also announced. They are Joseph A. Henske, Jr., Manager, and Cyril J. Clark and Sam W. Jones, Assistant Cashiers.

Mr. Henske has been with The Bank of California since 1947, and was appointed Assistant Cashier in 1952.

Assistant Cashier Clark has been associated with The Bank of California for almost 30 years. He served in various departments of the Bank including extended periods in the Note and Trust Sections. At the time of his appointment Clark was serving as an Operations Supervisor in the Cashier's Department.

Mr. Jones, joined the staff in 1948. Much of his experience with The Bank of California has been in its various loan departments, and prior to his present appointment he was serving as Supervisor of Operations at the Bank's Mills office.

At the Mills office in Burlingame, William S. Creighton, Assistant Cashier, advanced to Assistant Manager and Charles W. Laraway was appointed Assistant Cashier.

Mr. Creighton became Assistant Cashier in 1953 and served as manager of the Credit Department and later as New Accounts Officer at the San Francisco Head Office prior to his transfer to Mills Office earlier this year.

Mr. Laraway has been assigned to the Mills office since March of this year and was serving as Manager of the Note Department at the time of his appointment. He joined the staff of The Bank of California in 1949 and was Assistant to the Manager of the Real Estate Loan Department at the San Francisco Head Office before his present assignment.

Ohio Power Co. 4 7/8s Offered at 100.867%

Halsey, Stuart & Co. Inc., as manager of an underwriting syndicate yesterday (Nov. 20) offered $25,000,000 of Ohio Power Co. first mortgage bonds, 4 7/8% series due Nov. 1, 1987, at 100.867% and accrued interest, to yield 4.82%. Award of the bonds was won by the underwriters at competitive sale on Nov. 19 on a bid of 100.0699%.

Net proceeds from the sale of the bonds, together with other funds, will be applied by the company toward the prepayment of outstanding notes payable to banks, issued for construction purposes, and the balance will be used to pay for the cost of extensions, additions and improvements to the company's properties.

The new bonds will be redeemable at regular redemption prices ranging from 105.75% to par, and at special redemption prices receeding from 100.87% to par, plus accrued interest in each case.

Ohio Power Co. is engaged in the generation, purchase, transmission and sale of electricity at retail in extensive territory in Ohio, and at wholesale to other electric utility companies and municipalities. The company serves 605 communities in an area having an estimated population of 1,428,000. As a subsidiary of American Gas & Electric Co., the company is a part of the American Gas and Electric integrated electric utility system.

For the 12 months ended July 31, 1957, Ohio Power Co. had total operating revenues of $102,877,703 and net income of $18,684,440.

Los Angeles Bond Club Holds Sports Luncheon

LOS ANGELES, Calif. — The Bond Club of Los Angeles on Nov. 19 held its sixth annual sports luncheon.

Officers of the Club are William D. Witherspoon, Witherspoon & Company, President; Francis D. Frost, Jr., Hemphill, Noyes & Co., Vice-President; A. Norman Bennett, Stern, Frank, Meyer & Fox, Secretary; Robert L. Lindstrom, American Funds Distributors, Inc., Treasurer. In addition to the officers Lewis J. Whitney, Jr., Dempsey-Tegeler & Co., Warren H. Crowell, Crowell, Weedon & Co., D. E. Peter, Blyth & Co., Inc., George M. Forrest, Paine, Webber, Jackson & Curtis, and Gordon B. Crary, Jr., E. F. Hutton & Company are directors.

J. G. Roberge Opens

LEWISTON, Maine—Joseph G. Roberge is conducting a securities business from offices at 317 East Avenue. He was formerly with Coburn & Middlebrook, Incorporated.

Continued from page 4

The Need for Savings Banks To Defend Their Proper Function

to say is that you must unite, you must rally in an effort to protect the good name of your industry; to advance the truth; and to make so plain what you are, who you are, and what you do, that your very actions will provide the best answer to critics. Long ago your competitors in the savings and loan field recognized the necessity for such action.

In my opinion, they have done a first rate job of educating the public regarding their operations. For instance, some years ago they established a nationwide organization of insured savings and loan, homestead and building and loan associations, under the name of the Savings and Loan Foundation, Inc. This organization now has approximately 1,500 members, representing 40% of the total number of insured associations in the country. The organization presently is advertising the benefits of the associations country-wide in a variety of magazines. This year it will spend over $1 million in national advertising media to supplement the local advertising of the individual associations.

Now, ask yourselves, how did *your* industry get where it is today? You got there by doing a good job, as your $20 billion of assets bear witness. But, apparently, you made the error of taking it for granted that your excellent performance would be readily recognizable by all. Not necessarily. Recall, if you will, the old refrain:

"He who whispers down a well
About the goods he has to sell,
Will never reap the golden dollars
Like him who shows them round and hollers."

You haven't done this, generally taking it for granted that your customers, and everybody concerned, knew what a good job you were doing. On that assumption you attempted to expand your services in various ways and to obtain more favorable branch powers through amendments to the banking law. Then the trouble started. Your competitors protested; you were shocked, but you persisted. Your customers didn't know what it was all about, and your competitors, encouraged, became outright critics. The more vocal among them then undertook an extensive propaganda campaign. None now can deny its effectiveness.

At first, you were so convinced of the security and merit of your position that you didn't consider it necessary to respond; and today you are paying the price for the timidity of those earlier years. Already some of the charges and allegations of your critics have received wide currency and acceptance. The critical question for you now is whether — with so much damage done—your efforts can make the truth catch up.

Today, let us ask ourselves, what is this savings bank industry, and what does it do? Why is it something the Legislature saw fit to enfranchise 138 years ago and to maintain since then?

Evolution of Savings Banking

We all know the industry was established originally by philanthropists as a means to encourage saving by the nation's earliest immigrants, artisans and mechanics. We know, too, that times have changed, so let's recognize frankly, once and for all, that savings banking's original character has necessarily been altered.

It is clear, however, that in the process, savings banking has achieved important stature among financial institutions. Savings banks in the United States today are more important to the national economy than ever before. They hold over $34 billion in assets, have passed the $31 billion mark in deposits. In New York, savings banks today have 8½ million regular accounts averaging $2,135 per account. Furthermore, it is still true that New York savings banks supply more residential mortgage money within the state than any other single type of mortgage lender. We hear from all sides that our economy needs these savings and the mortgages they represent. Savings banks, too, have always rendered great service in helping to finance our Federal Government, our states and municipalities. In addition, they have stood ready to assist the nation's commerce by investing in the bonds and other securities issued to meet the requirements of our industries. What more need be said on the economic justification of savings banks?

These are the measures of your service, and they should make you proud. But, let us now, for a moment, imagine that you did not exist.

Suppose that by some means, proposals by your competitors to take over your business should be enacted. Is this what the people of our state really want? Have you asked consideration of this blunt question? Have you considered it yourself?

I doubt that the Legislature woud act deliberately to eliminate savings banks, but if it did, what would the situation be then? Let us suppose the proposals of the more violent of your critics did achieve success beyond their wildest hopes, and savings banks were eliminated.

Who Would Get the Savings?

In that event, despite the "we can do it better" argument of some of your critics, with the demise of savings banks your resources would go somewhere, but not in any important volume to commercial banks. Most of your $12.5 billion of mortgages would probably end up in the hands of savings and loan associations. Consider for a moment that, in New York, Federally chartered savings and loan associations already have twice the assets of state-chartered associations. The probability, therefore, is that these Federally chartered institutions would seek to take over the bulk of your mortgage business. I doubt that the people of New York State would want to see such an enhancement of the Federal banking system with the consequent impairment of our dual banking system.

The alternative, of course, would be that your assets would move into commercial banks. But, commercial banks by their very nature could not do your job adequately. If they should attempt to do it, there would be an over-abundance of long-term credit in hands which should not hold it. A sound commercial bank must keep a balance between short-term and long-term credit, because of its distinctive role in creating demand deposits. The specialty of a savings institution, however, is long-term credit—you are geared for it—experienced in it—and you exist to provide it.

Nevertheless, your critics have succeeded in spreading the thought that there should be legislation permitting merger of savings banks by commercial banks. With this proposal goes the idea that your surplus, the cornerstone of your financial health, is somehow improper. As my predecessor, former Superintendent William A. Lyon, recently said, ". . . we are promised a revival of the discredited practice of knocking banks on the head so that their graves can be robbed. The plan is to plunder the $1¾ billion of surplus . . . with half of the loot going to the depositors at the time of the merger . . . and the other half — and this would be the crowning immorality—going to the State Treasury."

I believe passage of such merger legislation could mean the end of savings banks. Even if such laws were enacted, and never abused, I can't see the point — unless the Legislature had decided that savings banking should be terminated. And, by the way, I don't think it is likely that the Legislature would ever undertake such a decision merely at the suggestion of your critics. Certainly, not unless and until there was a thorough airing of the matter.

Criticizes Commercial Bankers' Request

Meanwhile, it seems to me that so long as a man has a franchise from the Legislature to do business in the State of New York, he has a right to expect to do business under that franchise without interference — certainly without continuous carping from his competitors. Can you imagine an industrialist going to Albany demanding that his competitors' franchise be taken away merely because he was too competitive and had been in business longer! I daresay the protest would be laughed out of the capitol.

Nevertheless, the question of your absorption has been raised seriously, and you must face it. After all, the Legislature of the State of New York gave you your franchises, and if it has any questions regarding your merit to hold them, it has the right to ask, and the power to act.

And remember, the task of explaining your functions and your worth to your depositors, to the general public, and perhaps to its elected representatives in the Legislature, is basic to savings bankings' current struggle for survival. It is your most pressing job and, as I have said, it can be done effectively only by demonstrating your conviction that what you are doing is truly worthwhile, from both the social and economic points of view.

It must be clear to you at last, that your industry's operations can be seriously impaired through lack of understanding of your functions, of your place in the economy, and through confusion in the public mind, especially when deliberately engendered by unreasonable critics. There have been so many misstatements made, so much loose talk bandied about, that perhaps some of you wonder where to begin the rebuttal. But you must begin!

Looks at Surplus

As a starter, let's just take a look at your surplus, the most pressing item that should be explained right away. It's not hard to explain what a savings bank surplus is and why it exists.

This is what you might be saying: In New York, savings banks maintain a surplus fund, undivided profits, and reserves. For the sake of brevity, we'll refer to these three items as surplus.

Let's say that surplus is simply the amount by which the assets of a bank exceed the liabilities, principally the claims of depositors. Surplus, therefore, indicates the amount assets could go down in value without jeopardizing the savings of a depositor. And that, stripped of accounting jargon and embellishments, is precisely why a surplus exists — it provides a margin of safety for the funds of depositors. Until such time as someone can figure out a way to guarantee that investment will not depreciate and that bonds and mortgages will never lose some of their value, I say surplus must be maintained.

How much surplus? We in the Banking Department don't know *exactly* how much is needed to protect depositors. The amount to be maintained is in part a matter of judgment which we, and you, must exercise on the basis of knowledge and experience. The mere fact that the ratio of surplus to deposits in New York savings banks now *averages* about 10.5%, and varies from time to time indicates that there is leeway. That is as it should be, because no two banks have the same degree of risk in their loans and investments, and because conditions change.

Since savings banks are mutuals, they have no stockholders, and hence cannot obtain more capital by selling stock as commercial banks do. Thus, they can maintain and build up surplus only through earnings. You, who have primary responsibilty for operating savings banks, must make the decision to determine initially what part of earnings may safely go to depositors as dividends, and what part must be retained to increase surplus.

If you believe your judgment on this has been good—if you believe in what you are doing, you will tolerate no false or misleading talk by your competitors about what your surplus is and why it exists.

Denies It Is Sterile

We even hear at times that the $1¾ billion surplus of the New York savings banks represents a sterile fund lying idle and doing no one any good. The curious idea seems to be that over 138 years the savings banks have accumulated a pile of money by taking it out of the economy and locking it up in an accounting vault called "surplus."

This foolishness should never go unchallenged. It isn't difficult to show that the only idle money you have is enough to meet current requirements, plus those funds you are in the process of lending or investing. Why should you let anyone picture you as hoarders with money stacked in your vaults merely for safekeeping when you are meeting so many legitimate demands for credit? Here again, you must speak up!

You must stress the fact that your surplus earns income for your depositors; that it represents *values* in your assets in excess of the claims of depositors; and that it represents protection for the millions of people for whom you are trustees—the people you serve. And these are values in earnings assets which represent savings at work in productive economic activity.

I should like to turn away now from the criticism and attacks by extremists and speak briefly about some of your more moderate opposition.

Turns to Moderate Opponents

Moderates among the commercial bankers recognize that the public has a right to savings bank services, but some propose that savings banks be subjected to new requirements which would eliminate their peculiar "advantages" over commercial banks. I say most of these proposals, however well-intended, fail to recognize the difference in function as well as in operation between commercial and savings banks.

One current proposal is that savings banks be required to maintain legal reserves against their deposits, much as commercial banks must do. This idea has little merit, if its sole purpose is diverting savings from their traditional employment and sterilizing them in non-earning assets. The proposition is lacking in quality because it overlooks the fact that commercial bank reserve requirements have become largely a credit control tool designed to contain inflationary or deflationary pressures. Similar objectives are patently not germane to savings banking. But, have you done all you can to make the public understand this; to realize the difference between the two types of institutions?

In this further connection it is well to note that sound practice dictates that savings banks maintain adequate primary and secondary reserves in the form of cash and due from banks, and investments, while giving due consideration to the return flow of mortgage money and interest on mortgage loans. If you believe that adequate provision is being made for savings bank liquidity, proposals to impose new restrictions on you could be countered effectively and quickly. But why wait?

Since savings banks are not required to maintain statutory reserves against time deposits, it is argued that commercial banks should not have to keep them. Think what you will on that. If some bankers believe time deposit reserve requirements are unreasonable for commercial banks, I don't think it follows that there are many who would seriously argue that, unless and until "relief", is provided, savings banks should have reserve requirements too.

Income Tax Complaints

Finally, some ask that savings banks be required to pay income taxes on the same basis as commercial banks. It is true, of course, a savings bank does not pay regular corporate income taxes so long as it maintains a surplus under 12%. But as you know, a major difference between these types of institutions lies in the fact that commercial banks are organized and operated for profit to the stockholder owners, while a savings bank is a form of cooperative, serving its members. The difference in concept is well established in our law and social fabric. Further, the stockholders of commercial banks reap the benefit of the funds arising out of the deposit-creating power of such banks. Depositors in savings banks earn only on their own funds. This is no secret, but it's up to you to tell the public that historically this difference has been the basis for your tax treatment.

These are but a few controversial questions which confront you. Those that I have mentioned do not exhaust the points at issue, nor the arguments pro and con by any means.

Impinging Activities

They do, however, indicate that the problems of savings banking are also the problems of banking as an industry. The fact that some commercial bankers have been critical of you is a clear indication of the way the activities of our various financial institutions impinge on one another. None of our banks can operate in private compartments in the nation's economic and social structure. So-called banking problems are common to all financial institutions, in the sense that all bankers have a stake in their solution for the public interest.

These days, banking everywhere is bursting at the seams, seeking the means for expansion in a growing economy. In our own state, large and foremost as it is, the problems are particularly acute.

This situation, of course, has resulted in the re-examination of banking district lines which has become so familiar to all of us. The solution of this basic problem is admittedly difficult. Much thought and study have been devoted to the matter, and even now, my department, bankers, legislative committees, and individual legislators, are working hard to develop a workable policy for the State.

This joint effort has been under way for some two years and I am hopeful that as a result of our labors, the next legislative session will be able to consider a comprehensive banking program. But, as I probably do not need to remind you, this year, while we in New York were attempting to deal with the many facets of the bank expansion problem, a new force was interjected.

After Congress passed the now famous Bank Holding Company Act of 1956, the First National City Bank moved quickly to link its extensive banking facilities to County Trust's many offices in Westchester County, through a new holding company.

Regardless of the mechanics involved, such a union would, in effect, make a shambles of existing banking district lines. We have firmly held to the position that no such "side-door" expedients should be permitted while the legislature of the State of New York was weighing the economic and social factors involved; working to establish an over-all policy for the people of New York State. Following Governor Harriman's request, therefore, the state Legislature enacted a "freeze" on holding company expansion which is scheduled to remain in force until May 1, 1958.

Holding Company Application

Meanwhile, as you all know, the holding company application, of which I spoke previously, is still pending before the Board of Governors of the Federal Reserve System.

One of the critical questions to be resolved in New York concerns the applicability of state law to bank holding companies. The pending application merely highlights the fact that holding companies, bank district lines, and bank branches are still problems facing the State Legislature. They are urgent problems, and we cannot afford delay in arriving at sensible solutions.

These problems which confront us have been further complicated by the rapid expansion of banks on Long Island. In that area, national banks embarked on such a rapid-fire expansion that the national bank supervisor, the Comptroller of the Currency, found it necessary to step in twice with moratoria on further mergers. The Comptroller's action conformed to our Banking Department policy of orderly development. It also recognized that mergers across the Nassau-Suffolk county line were unprecedented.

Recently, however, while the State of New York was in the midst of its work to resolve the bank area problems, one of these national banks announced its plan to acquire offices in the adjoining county of Suffolk by merging another bank. The Comptroller of the Currency said he had no choice but to approve because the proposal was entirely legal.

Now, I say to you, that regardless of the legal jurisdictions under which we operate, it seems to me that it behooves us all in serving the people of New York, to contribute what we can to an orderly solution of our problems. No service is rendered by those who manage to complicate the issues.

In view of the obvious population growth in the suburbs of our large cities, I agree, of course, with the argument of commercial bankers that they should be allowed to follow their customers. It is a good argument, and it is equally valid when savings banks seek new branches.

In my opinion there is no less logic in the savings bank argument for expansion than in the commercial bank argument. Unless the people of New York are prepared to see the spread of holding company operations throughout the state, it is imperative that the realities regarding bank district lines be recognized. Some redrawing of lines must be done. And, unless the state is willing to assert that savings banks do not perform a vital function, it seems to me that fairness requires that they must not be stultified.

In any event, it is clear that all these problems, yours and your competitors', are tied together. In a sense, since they are so inseparable, they are one problem, and therefore must be dealt with as such.

Well, I started with a long list of problems and issues. They are matters of great concern, and I believe I have left no doubt about the extent to which I think they concern you. There will be some changes, make no mistake about that, and these will require our most careful thought and effort in the coming months.

Meanwhile, be assured that we, in the Banking Department, continue to hold with Professor Alfred North Whitehead's apt observation: "The art of progress is to preserve order amid change, and to preserve change amid order."

Tucson Gas, El. Lt. & Power Stock Sold

Blyth & Co., Inc. and The First Boston Corp. on Nov. 15 headed a group which offered publicly 100,000 shares of common stock (par $5) of Tucson Gas, Electric Light & Power Co. at $28.50 per share.

This offering has been oversubscribed and the books closed.

Net proceeds from the stock sale will be used in connection with expansion of the firm's distribution facilities for electricity and natural gas. Some $2,600,000 will be used for payment of promissory notes used to finance construction earlier this year. The remainder will be used for additional construction.

The utility company's expansion program in a three-year period ending in 1959 will involve expenditure of $31,200,000 for electric facilities and $21,150,000 for gas facilities. The company intends to obtain additional funds for this expansion from operations and from the sale of additional securities.

The Tucson Gas, Electric Light & Power Co. is a public utility operating in Tucson, Ariz. and the surrounding area. It is engaged in the generation, purchase, distribution and sale of electricity and natural gas.

For the 12 months ended Aug. 31, 1957, operating revenues of the company amounted to $14,845,632 and earnings applicable to common stock totaled $2,153,077, equal to $2.15 per common share, compared with $14,071,442 and $2,015,504, equal to $2.02 per common share, for the calendar year 1956.

NASD District No. 4 Elects to Office

MINNEAPOLIS, Minn. — Announcement has been made of the election of three Twin-Cities investment men to membership on District Committee No. 4 of the National Association of Securities Dealers. The district consists of the states of Minnesota, Montana, South Dakota and North Dakota.

R. J. Steichen of R. J. Steichen & Co., Minneapolis, was named to succeed James P. Arms, James P. Arms, Inc., Minneapolis.

C. D. Mahoney of C. D. Mahoney & Co., Minneapolis, was elected to succeed John S. Curtin, Kalman & Co., St. Paul.

Richard Egan, Partner, Mannheimer-Egan, Inc., St. Paul, was selected to succeed James S. Graham of Allison-Williams Co., St. Paul.

With Bennett Gladstone

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Sylvan R. Victor is now connected with Bennett-Gladstone-Manning Company, 8417 Beverly Boulevard. He was recently with M. J. Ross & Co.

Dillon, Read Group Sells Texas Eastern Transmission Pfd. Stk.

Dillon, Read & Co. Inc. headed an investment banking group which on Nov. 15 offered 100,000 shares of preferred stock, 6.70% series, of Texas Eastern Transmission Corp. at par ($100 per share). This offering has been oversubscribed and the books closed.

Net proceeds from the sale of the new preferred stock are to be used by the company in connection with presently authorized gas expansion construction.

The new preferred stock is entitled to a sinking fund which provides for the retirement, either by redemption or by purchase, during each 12-month period commencing with the 12-month period ending May 31, 1963, of 2½% of the new preferred stock outstanding on May 31, 1962, and after May 31, 1972, 5% of the new preferred stock outstanding on May 31, 1962. The sinking fund redemption price is $100 per share. The new preferred stock is not refundable for a period of 10 years by the sale of debt or prior or equally ranking preferred stock at a cost to the company of less than 6.70% per annum, but is otherwise redeemable at the option of the company at any time at prices scaling from 107½% to par.

Texas Eastern Transmission Corp. has substantially completed facilities to increase its system capacity by approximately 126 million cubic feet per day to a total of approximately 1,760 million cubic feet per day, including deliveries from its gas storage facilities.

Continued from page 10

The Idea of Creeping Inflation

ers, when confronted with a creeper, will be too stupid to realize what is happening to them, or can be anesthetized, possibly by exhorting them on the virtues of thrift, while the operation is performed. So, the proposal is, on the one hand, that we take from the naive or the trusting and, on the other hand, that our defalcations be effected on the instalment plan, lest doing the job all at once, we might be caught at it. In neither case is the idea morally respectable.

We are urged, however, to accept a policy of creeping inflation, and the size of the reward for following such a policy is supposed to restore our self-respect. We are supposed to get big, beneficent effects in the case of creeping inflation from only a little cause, a small cost. Thus we have the allegation of the greater beneficence and the lesser evil. It may be, as I think, a good deal more rational to believe that large effects argue proportionately powerful causes. Be that as it may, we are urged to have faith in a principle of leverage that gives such large and good results to offset such few small and bad results that our sense of morality is rescued from any residual injustice.

Since this alleged relationship between the good and bad results of inflation contradicts all human experience with it — indeed, the experienced relationships are just the other way around—our minimum right and duty is clear: it is both our right and duty to insist that the advocates of this presumably new and resplendent principle of leverage spell out the benefits and costs in the most painstaking detail and in accordance with the most punctilious standards of logical demonstration. Otherwise, we are likely to find ourselves intellectually swindled and morally procured and in no more enviable a situation than the gentleman, long ago, who clutched his pieces of silver, only to find them . . . depreciated.

No Hedges for the Poor

We are assured that the victims of inflation simply make an error in investment judgment. They should have recourse to things, claims on things, or claims on income — real estate and equity shares are mentioned—that would outsmart a public policy designed, by intention or permission, to outsmart them. To the extent that this contention is, as in considerable degree it must be, a vulgar notion that the ignorant, helpless, or trusting members of our society should be victimized by public policy—rather than aided—it is, to speak very gently, morally uninspiring. To the extent that the contention is merely a repetition of *caveat emptor*, in the vernacular, "Don't give a sucker a break," it merely repeats a doctrine that has residual uses in a free society but that lost a good deal of its respectability some 1900 years ago. It is nowadays, to our great credit, not much heard in business circles and almost never heard on the steps of the academy. In any case, the doctrine is an invitation to endless mendacity—the more so if applied to money—both in public and private dealings, and I, for one, do not believe that we can erect a good society on such a basis. I think, indeed, that conditions in large parts of the world where men neither trust each other nor their governments bear witness.

In the United States at the moment the idea of *caveat emptor* as applied to money is especially repulsive and degraded because we have had for many years and still continue a most elaborate and pervasive propaganda to convince people of all groups, especially small savers, that they can rest secure and unharmed in placing their savings in the debt instruments of government and in the contracts of institutions having the support of public policy. If we should now pursue a policy that nullifies our promises, by active promotion or passive permission, then we must simply face the fact that we have been and are being dishonest, that we stultify ourselves.

Let us be clear that what is being asked, when we are now urged to a policy of either intentional or connived-at inflation, is that we sell our honor. What altar of expediency is high enough and what bribe is great enough to absolve us from such perfidy? If this language be deemed unduly pungent, what other language shall be used? I believe that no greater delicacy of expression is warranted if we speak out of one side of our mouths to give ingratiating reassurances and out of the other side of our mouths to plan the undoing of the men we have enticed and are enticing.

The integrity of our conduct is crucial. Even if we ignore past savers in money forms, which would be a great scandal, we at least have a responsibility, binding in conscience, to present and future savers in money forms. If a policy of active or permissive inflation is to be a fact, then we can rescue the shreds of our self-respect only by announcing the policy. That is the least of the canons of decency that should prevail. We should have the decency to say to the money saver, "Hold still, Little Fish! All we intend to do is to gut you!"

Classification Needed

Creeping inflation is now urged by its proponents on the ground that it is needed to keep the economy operating efficiently and is, therefore, a desirable social and economic policy. I have suggested the importance of painstaking clarification as a minimum requirement before we assent to such urging, either on the basis of need or desirability. Let me note here just a few points, by no means all of them, on which clarification is indicated:

(a) There is, for instance, the suggestion that the losses to pensioners and Social Security claimants are to be made up by a gracious Congress or the business community. Apparently, we are to recognize that as holders of money claims, pensioners and retired money savers are done an evil by inflation and that the injustice should be repaired. Upon what ground do we make distinctions, repairing the injury done the one and not the other? If we make no distinctions, setting out to repair the injuries done to all, re-establishing their status *ante* inflation, so that there are no losers, then have we not merely spun our wheels? If everybody gets back to the place from which he started, is it not true that some may have enjoyed the trip while others were miserable, but that, economically, we have merely incurred the expenses of the journey?

It does not seem to me that the advocates of an inflationary policy can intend that everyone making the journey, for which they are serving as travel agents, should have a roundtrip ticket. It would help my own thinking if they would go into more detail. It would be helpful to all of us in making up our minds, for example, if the advocates of an inflationary excursion told us as nearly as may be possible *who*, in their judgment, should be the final net losers, and *who* should be the ultimate net gainers. It would also be helpful if they told us why these particular candidates are selected. Thus enlightened, we might be better able to judge both the morality and the economic effects of the proposal to inject an inflationary dynamic into the economy.

It is not impossible on occasion to find, if not perfect at least acceptable canons of justice that support a public policy of transferring wealth and income among the constituent members of society. The American people have given their assent, sometimes wisely and sometimes unwisely, to a number of such policies. No impossible burden, therefore, is proposed for those possessed by the newer inflationary revelation. All that is asked is that they tell us, with far greater clarity and candor than they have told us to date, whom they intend to take from, whom they intend to give to, and why?

(b) We are assured that the saver, when confronted with a policy of creeping inflation can protect himself by shifting his savings from money contracts to real estate, equity securities, and the participating shares of investment companies. At the same time, the businessman, when confronted with a policy of creeping inflation, is to find himself unable or unwilling to discount the inflationary policy by shifting his investment mix and, if he tries, will be unable to do so because he would make mistakes. Thus, protection against a policy of inflation can be had on the one hand but not on the other. Apparently, people having funds to allocate are presumed to meet a policy of creeping inflation by foreseeing the event and being able to protect themselves and, at the same time are presumed unable either to foresee the event or to protect themselves against it. I must confess that, so far as I am concerned, all this needs further explanation.

(c) We are told that the businessman, when faced with demands for money wages that are a bit higher than increases in real productivity, responds precisely as we want him to respond. That is, he alters his capital allocations, technologies, and managerial practices and much ultimate economic good arises from the pressure that has been put on him. We are also told, however, that, when confronted with an annually recurrent percentage of inflation, the businessman either doesn't react at all or cannot react smartly. On the one hand, the quality of his decisions is greatly improved by pressure, and, on the other, the quality of his decisions is not importantly affected by pressure. The businessman, apparently, is a very curious fellow.

(d) Incidental to this matter of self-protection against a policy of inflation, it seems that at least a considerable group of savers is expected to be able to effect protection by shifting its savings from money forms to real estate and other forms of real property or equity shares. In this shifting process, I miss the other side of the capital-providing, capital-using equation. I miss the borrower. We have some obligation to advise him.

Shall my son and yours, when they need to buy a house, and do not have all the cash, accommodate themselves to the altered allocations of savings by incorporating themselves and selling equity shares in their earnings? Will the mayor of my town and yours sell equity securities to finance the new school program? Will the Secretary of the Treasury incorporate the national revenue and sell equity securities? Maybe so. Anyway, it would be interesting to know how they are to adapt themselves to the increased supply of equity money and the diminished supply of loan money.

(e) In the newer enlightenment regarding creeping inflation we find that monetary restraint has a magnificient part to play. It should be used to prevent prices from accelerating and nicely adjust the allowable rise in prices to the increase in costs. Here, again, I need clarification.

Monetary Wizardry

Are the increased costs that monetary policy is to allow for simply increased labor costs, insofar as they exceed labor productivity? If so, the managers of monetary policy must first anticipate increased labor productivity, getting it right; then calculate the increments of all elements of labor reward, getting them right; then calculate the increments of non-labor reward costs, and do the subtractions. There is then a residual—something less than the increase in all costs and, in fact, less than the increase in all labor rewards—that represents the allowable price-rise target. To this target, presumably, monetary policy is to be adjusted.

If this be the proposal, then I think that every person having responsibility for the shaping of monetary policy has a right to feel greatly honored. But I believe the honor should be declined, with appropriate thanks. In the present state of the monetary arts, as has been said by the inflationists themselves, nobody knows how to arrange a perfectly stable price level. It is even more true that we do not know how to sort out a batch of cost factors and to manipulate monetary aggregates to allow for some costs and not for others. The visibility of such a wraithlike target, among other objections to it, is just too poor.

The proposal that monetary policy allow price increases to match cost increases may not be a suggestion, however, that involves increases in labor costs alone. As I repeat, I am not clear on the exact tenor. It may be that monetary policy is supposed to validate all increases in business costs, simply taking care, as seems to be clear, that costs and only costs are provided for. If so, there are a number of problems that need further exploration.

On the supposition that all increases in costs are to be validated, would not monetary policy be compelling the economic community to reimburse business owners and managers not only for increases in labor costs but also for cost increases of their own making — cost increases resulting from such things as lax administration, luxurious business expenditure, and ill-judged capital commitments? Under so benign and sweet a regime, with the businessman no longer needing to fear his natural enemy, increases in costs, would not "costs" (i.e., wastes) flourish like a tropical jungle, human nature being what it is?

Perhaps there is to be some limit on the monetary validation of wasteful cost increases. But what is that limit, and how does it avoid getting us back into the impossible task of differentiating between costs that will be allowed and others that will not be allowed?

(f) In regard to wastes under a regime of creeping inflation, we are given a number of reassurances. Among other things, we are told that the businessman is influenced, not by the movement of prices, but by profits. It is as if there were no important relationship between a general movement of prices and profits.

I think this point also needs further clarification by the advocates of creeping inflation. Then, even if we dispose of the business community so neatly, which we cannot do, what about other sectors of the economic community? Is it not possible that inflation-induced waste can appear in important magnitudes at other places in the economy? Among consumers, for example.

No Miracle in Inflation

There is no miracle in inflation —creeping, walking, running, or galloping. The appearance of miracles can only be had by gross exaggeration of the apparent benefits and gross underestimation of the real costs to our society. The belief in the miracle comes only from men in search of a faith. It remains for us who are not possessed by the faith to uncover the source of the miracle.

The trick in the argument is not hard to find. The miracle of inflation is produced by the contention that, in the investment process of economic society, the fund mix can be altered by hedging against inflation (or by efforts to attain protection against it, however ineffective) but that the real capital mix of the economic community, which arises from the fund mix, will not be significantly changed. The marginal efficiency of real capital is supposed, therefore, either not to be reduced at all or to be reduced in an insignificant degree. Thus, the real costs of the inflationary program are eliminated, largely, if not completely. Thus, the miracle.

This contention amounts to nonsense. It contravenes our observations of the economic debris resulting from past inflationary booms. It also contravenes common sense. The contention that a steady, annual, but indefinite deterioration of money will not adversely affect the quality of judgment in the economic community is about as logical as would be the belief that a steady, annual, but indefinite depreciation of the tape measure would not adversely affect the quality of judgment in carpenters, cabinetmakers, and their customers.

We would be much closer to the truth, I think, if we held that, in the one case, economic society would find itself equipped with some exceedingly curious cabinetwork and carpentry and that, in the other, economic society would find itself equipped with a good deal of exceedingly curious and unprofitable capital commitments. Indeed, the way inflation operates is by influencing the decisions of the business community in particular and the economic community in general. As to the quality of the result, I think we can safely proceed on a simple rule: the more difficult the calculation the greater the chances of error.

The dynamic of inflation rests on a long-known and very simple sequence of events. It transfers the command of purchasing power from savers in money forms to other components of the economic community, partly, but by no means exclusively, including the business community. The business community's share in the transfer alters the apparent profitability of business and causes the businessman to utilize productive elements that would be uneconomic and submarginal, *ex* inflation. Thus, together with the production of real things that can be used as a store of value by other components of economic society, we get the full utilization of productive factors and the apparent beneficence of the inflationary process.

Enormous Cost of Inflation

The costs of inflation are enormous. They are equitable and economically tolerable, in my opinion, only in a special case, to wit, when a preceding deflation has been the cause of a non-utilization of factors that would be economic, *ex* deflation. In such a case the inflation is more appropriately to be thought of as "reflation." In all other situations, as I see it, the costs and dangers far outweigh the benefits.

It is assumed that the cost of a creeping inflation is merely the cost of keeping otherwise uneconomic manpower employed. That is a gross error. The loser in the inflationary process is called on to pay not merely the cost of employing a galaxy of uneconomic manpower but also the cost of employing uneconomic producers' instruments — plants, tools, machines, and managerial processes. The charge against the loser in the inflationary game does not even stop there.

The loser is likewise called on to pay a vast horde of free riders. These are people who are the beneficiaries of inflation, not because of any contribution that they are making to the productive process but because they happen to be in possession of instruments that serve as money substitutes in providing a store of value. In fact, there is a good deal of evidence that the principal burden on the loser in the inflationary game consists of the free riders that he is compelled to carry on his back. There is a good deal of evidence that the increased profitability of business in an inflationary situation is less a real increase than it is a bookkeeping illusion.

The clearest and most immediate dislocation arising from inflation, then, is that the money saver is called on to pay an altogether inequitable and excessive charge for any production increases that can be alleged to accrue. The charge is so excessive that, in the absence of clear assent, it can reasonably be called a theft. Even if this be brushed aside as of no consequence, however, there are other costs and dangers. They arise from the imbalances that inflation necessarily injects into the utilization of income and savings.

An efficient economic society must have an efficient and reasonably reliable means by which its members may convert present saving into future spending. The most efficient general means that society has yet discovered for the fulfillment of this need is money. Once money is destroyed as a store of value or its function therein seriously impaired, substitute stores of value, though basically less efficient, must and will be sought. The energies of economic society are thus diverted to the search for a money substitute—an immediate and unnecessary waste; but the results are a great deal more far-reaching.

Store-of-Value Function

An inflationary pressure to find a money substitute for the store-of-value function of money shifts the utilization of income and savings in many ways. But the shifts have one thing in common: they alter the judgment of the consumer, the saver, the businessman, and often governments as to their best interests in the presence of inflation as against what their judgment of their best interest would be in the absence of inflation.

For the consumer who cannot find a substitute store of value, the utility of immediate consumption as against future consumption is increased. For the consumer who is in a better position, the utility of durable instruments that may serve as a store of value is increased, and he goes to market to purchase such existing instruments or to demand their production. He must turn his attention partly away from the normal satisfaction of consumer desires and add to his calculation the effectiveness of his choice as a store of value. He must frequently accept less of the one in order to gain more of the other. For the investor, the shift is toward the purchase of instruments having the same store-of-value function or the employment of producers' resources in the new production of such instruments. For the businessman, the pressure of inflation enforces much the same sort of shift. He must turn his attention partly away from the efficiency of producers' instruments and add to his calculation the effectiveness of the instruments as a store of value. He must frequently accept less of the one in order to gain more of the other.

To be sure, the shift in consumers' and producers' choices enforced by inflation will be many and subtle, and their effects cannot always be observed or measured. Indeed, the consumers, investors, and businessmen will themselves often not understand or be able clearly to explain what causes the shift in their schedule of preferences. The magnitude of the shifts will be related to the severity of the inflation and to its continuity or expected continuity; and the timing of the shifts will be related to the previously remembered experiences of the population. If their remembered experience has led people to have confidence in the integrity of their government, the adjustment to creeping inflation may be long delayed. If their remembered experience has caused people to have no confidence in their government, the adjustment to inflation may be immediate, convulsive, and panicky. All these qualifications regarding magnitude and timing are to be admitted. The qualifications, however, cannot be used to deny that the inflation-induced shifts will all represent an effort consistent in direction—an effort to discount the depreciation of money by finding substitutes for money in its store-of-value function.

Discounting Practice

The discounting process will never be exact or perfectly attained. Excessive discounts, in fact, are likely to appear from time to time as people not merely try to discount the depreciation of money but also try to profit from it. Eventually, though, the new production of money substitutes, and shifts in the prices of already existing substitutes, will reach a rough and approximate discount of the foreseen depreciation of money. People will have taken "cover from foreseen and tolerated spoliation." [1]

Long before the discount process is complete, however, long before people will have found cover, the creeping inflation will have created great wastes and great dangers. First, as heretofore noted, we will have diverted energies to finding money substitutes, and capital and labor to their production, which is a waste because we already have in money an efficient store of value if we will but maintain its function in that respect. Second, we will have replaced a more efficient by a less efficient means. Substitutes for money's store-of-value function are expensive to produce. They also have an inherent and ineradicable physical depreciation and obsolescence, whereas the physical depreciation of money is negligible and its value depreciation is not inherent or ineradicable; and the substitutes lack the quality of universality of acceptance and easy, economical transferability, which are among the important characteristics of money. Third, we will have distorted our economy. We will have distorted it, that is, if we deem the maximization of consumer satisfaction, as such, and the maximizations of the producing efficiency of producers' instruments, as such, are the implicit objectives of economic society.

One of the dangers that creeping inflation creates is that it tends to become a running or galloping inflation, magnifying the evils of a creeper. Although that danger is stoutly denied by some, historical experience, which, if we are rational men we will heed, teaches us that the danger is great. The danger is not only attested by historical experience but is also to be foreseen in political and social considerations.

An inflation creates a mass of beneficiaries who scream to heaven for the continuation and the increase of their benefits. The will of governments to resist the inflation and its increase is often weakened because, unless they be exceedingly fortunate in their tax structure, their mounting expenses, by very reason of the inflation, tend to outrun their revenues, and their budgets tend to become intractable for that reason and for the additional reason that they are under savage pressure to repair the status of inflation's victims.

Keeping Inflation Fueled

However, the principal reason why a creeping inflation tends to run and then to gallop, until its manifold disasters produce almost universal nausea, lies in another direction. Once the discounting of a creeping inflation, whatever the dosage, has reached an advanced stage, then no further stimulation can be expected from the same dosage and in fact, the dosage must be maintained, else the attained balance is disturbed, a plethora of money substitutes appears on the market, and economic convulsion follows. The continuation of the dosage thus becomes the minimum requirement of a creeping inflation; but the minimum will not suffice to maintain the inflation-induced euphoria.

During the initial period of adjustment to money depreciation, the allocation of capital and human resources to the production of instruments that can serve as money substitutes is accelerated. Once a discount of the foreseen depreciation of money is reached, that allocation cannot be maintained by the mere continuation of the same inflationary dosage. Thus we are confronted, after a time, with the necessity for a large reallocation of manpower and capital—away from the industries that have accommodated themselves to the initially accelerated search for money substitutes—or by the necessity of increasing the inflationary dosage in order to maintain the inflation-inspired allocation of manpower and resources.

Inflation and Employment

We are urged to accept all of these costs, distortions in our economy, and dangers to our monetary unit on the general ground that a stable dollar will produce an intolerable level of unemployment. This contention can be made to rest on a variety of theories.

It might be made to rest on the theory that our inflationary developments have already created such misapplications of income and savings as to necessitate a major economic convulsion if inflation is stopped. If so, then the further we proceed with inflation the worse the capital allocations will become and the greater the convulsion that we must finally confront.

The contention can be, and I believe often is, made to rest upon the theory that certain groups in our society — organized labor is often mentioned — will insist on taking and, in the long run, will be able to take a share of the economic product exceeding their productivity, so that their gains must in part be the losses of others. If so, then the proposal for a behind-the-back, creeping inflation is simply a statement that a free economic society, as we have developed it, cannot survive without a small infusion of theft and is simply a proposal that monetary policy should connive at the theft and assist it. If it be true that our economic society will not function tolerably well without such a principle, we are in a sad case indeed; for the principle is limited by no natural controls, is unlikely to be limited by self-restraint, and ends only when and if there is no one else to pluck.

The contention that if we had a stable dollar we would produce an intolerable level of unemployment can finally be made to rest, however, on still another ground. It can be made to rest on the idea that we have in our society a large group of submarginal personnel and submarginal producers' instruments that cannot be employed in making products and services that will be taken off a market unless that market is expanded by the search for store-of-value substitutes for depreciating money.

No one can know the exact truth of these matters. It is possible to make a good many economic arguments, both common sense and sophisticated, to indicate that the supply of personnel and producers' instruments that are submarginal in an uninflated market is not large. It is even possible, for whatever it may be worth, to calculate the presently existing inflationary gap to the same conclusion. It is not only possible but necessary to say that organized labor's best interest lies in stable money; and it is entirely possible to believe that organized labor in this country will shortly become one of the strongest voices supporting a stable dollar. Regardless of all that, no statistician possesses a technique subtle enough to reveal the exact facts. Both the inflationists, who have been blinded by the light on the road to Utopia, and those of us who have not seen the light, will find it smartish, I think, not to be too confident in our predictions. The real point is, whatever may be the facts, that there are ways of dealing with them that are less costly, more honest, and less corrosive to our economy than gimmicking the monetary unit.

Morality Overshadows All

It will be noticed that I have laid heavy emphasis on moral considerations. I have asserted that no canon of justice can support a deliberated policy of relieving the saver of the fruits of his savings without his knowledge and his assent as attained under the usages appropriate to a democratic society. The emphasis on the morality involved is intended. My opinion is that the morality of our conduct overshadows all other questions and represents, by all odds, the greatest danger arising from the policy of inflation-on-the-sly that is being urged. A policy of cheating simply does not represent a principle of conduct that can be assimilated to a free and economically efficient society. Indeed, though the fact is often forgotten, honesty — representing mutuality of trust—is probably the fundamental requisite of economic efficiency.

Vital to a free, democratic, and efficient society is the existence of honesty as between man and man and between governments and people. At the very core of this honesty, from which mutual confidence derives, is the integrity of money as representing, in substantial part, the obligations of one man to another, of a government to its people, and of a people to its government. Such central elements of our society may now and then be breached because of utter necessity or by instances of miscalculation. There will always, moreover, be a few rascals among us. The society can still survive. The survival of a free, democratic, and efficient society, however, is not to be hoped for if the breaching of mutual trust is to be made a principle of conduct.

1 Sir Dennis Robertson

C. D. Howe Joins Canadian Fund Board

The Rt. Hon. C. D. Howe, P. C., Minister of Trade and Commerce and Defense Production in the Liberal Government of Canada until June, 1957, has been elected a director of Canadian Fund, Inc., a mutual fund for U. S. investors, managed by Calvin Bullock, Ltd., New York and Montreal, it has been announced by Hugh Bullock, President. In addition to a distinguished career as a Canadian Cabinet Minister for over 20 years, Mr. Howe has been active as an engineer and business leader in Canada. He is the holder of honorary degrees from nine colleges and was awarded a Medal of Merit by the United States in 1947. He is a graduate of the Massachusetts Institute of Technology and served on the staff of that Institute until he moved to Canada. Born in Waltham, Mass., he became a Canadian citizen in 1913.

Rt. Hon. C. D. Howe

Florida Power & Light Common Stock Offered

Public offering of 300,000 shares of Florida Power & Light Co. common stock at a price of $49.50 per share was made yesterday (Nov. 20) by an underwriting syndicate jointly managed by Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co.

Net proceeds from the sale of the additional common shares are to be used by the company primarily to provide improved and expanded electric facilities. The company estimates that its 1957-1958 construction program will approximate $141,000,000, of which about $66,000,000 will be expended in 1957.

Florida Power & Light Co. supplies electric service in most of the territory along the east coast of Florida, the agricultural area around southern and eastern Lake Okeechobee, the lower west coast area, and portions of central and north central Florida. With about 98% of its total operating revenues accruing from its electric services, the company had a total of 595,049 customers as of Sept. 30, 1957. Electric service is supplied in 462 communities, the largest of which are Miami, Fort Lauderdale, Coral Gables, West Palm Beach, Miami Beach, Hialeah, Hollywood and Daytona Beach.

New Walston Branch

Walston & Co., Inc., Members New York Stock Exchange, has opend its eight office in New York City in the Plaza Hotel, 59th Street and Fifth Avenue.

Located on the Mezzanine floor, the office offers complete investment facilities for transactions in stocks, bonds and commodities. The branch will be headed by Muriel Audrey Bailey.

Other Walston offices are located at San Francisco, Los Angeles, Philadelphia, Chicago and Basle, Switzerland.

Form Thomas Secs.

OLEAN, N. Y.—Thomas Securities, Inc. has been formed with offices in the Exchange Building to engage in a securities business. Officers are Thomas W. Shipton, President; Edmund Schermerhorn, Vice-President; and John H. Smith, Secretary-Treasurer.

Continued from first page

Convertible Bonds for Savings Banks and Others

can, at his option, exchange his bond for the stock of the corporation should the price of the shares advance above the fixed conversion price. It is not necessary to convert the bond to realize the gain. Convertible bonds will advance in price in the market as the stock of the company rises, and the capital gain can be realized by selling out the bonds at the higher level.

The large volume of recent offerings of convertible bonds and declines in market prices of outstanding issues have made convertible bonds available on more attractive terms than for a long time past. It is timely, therefore, to review the considerations that savings banks should apply in the selection of convertible issues for their portfolios, and to see if there are bonds in today's markets which measure up to these standards.

The Credit Risk

Mutual savings banks have always applied high standards in the selection of bonds for their portfolios, so as to minimize the credit risk to which bonds are exposed.

The reasons for insisting on high quality in the selection of bonds for savings banks are particularly applicable today. The rapid growth of deposits in recent years has lowered surplus ratios. The proportion of resources invested in United States Government obligations has dropped as mortgage portfolios have been expanded. At the same time, credit risks tend to be greater than before because of the threat of a business recession, and because the aggregate size of corporate debt has risen sharply in the past few years. In a recession, bonds of poorer quality become much more vulnerable to price declines and to default.

The conversion privilege can prove quite profitable under favorable conditions, but it does not lessen the risk of loss to the investor when conditions are unfavorable. The fact that a bond is convertible will not protect the investor when a decline in the earnings of the issuer threatens its ability to pay interest and principal.

The first test for selecting a convertible bond for inclusion in a savings bank portfolio, therefore, is that the issue must be of investment quality. If the only reason for buying a convertible bond is that the stock into which it is convertible is attractive, it is wiser as a rule to purchase the stock directly. The buyer then assumes the risks of equity investment with his eyes open, without having his judgment distorted in the belief that he is purchasing a bond and not a stock in the first instance.

Borrowers add convertible features to bonds only because it is to their own advantage to obtain a lower interest cost or a higher price for the bonds and raise equity capital more advantageously. It is up to the buyer to analyze the bond carefully to make sure the quality is satisfactory.

In analyzing the quality of a convertible bond, the same criteria are applicable as to other corporate obligations. Adequate earnings coverage of interest requirements, the financial strength and credit of the obligor and the protective provisions of the indenture should give fundamental assurance of safety. These safety factors are all the more important in the analysis of a convertible obligation because the conversion privilege is often given to junior and subordinated obligations, and occasionally to securities which are not adequately safeguarded against future increases in the indebtedness of the issuer, in the hope that the possibility of price appreciation will cause poorness of quality to be disregarded.

On the other hand, there are corporations of great financial strength which issue convertible bonds of high quality. An outstanding example is the American Telephone and Telegraph Co. Over the years investors in its convertible bonds have done well.

As a rule, mutual savings banks will be interested only in convertible bonds of investment quality. The sole exceptions would be rare instances where there are solid reasons for believing that a lower rating does not fairly reflect the investment quality of the bond.

The Interest Rate Risk

Bonds, as a class, are subject to a twofold risk of price depreciation. They may decline, as we have seen, because of quality deterioration and the risk of default. In addition, an advance in interest rates will depress prices and lift yields of bonds, apart from quality factors.

Convertible bonds, like other bonds, are vulnerable to the risk of price depreciation due to a rise in interest rates, except where a high price for the stock holds the quotation of the bond well above its investment value as a bond.

The risk of depreciation in bond prices due to a rise in interest rates is minimized when purchases are concentrated during periods of relatively high interest rates like the present. In fact, high-grade convertible bonds, like other high-grade bonds, may be expected to appreciate whenever a contraction in the demand for funds, an easing of Federal Reserve credit policy, or both bring about a decline in the level of interest rates. These two developments should accompany a recession in business and a lessening of inflation pressures.

The Conversion Premium Risk

Convertible bonds are subject to a third risk peculiar to themselves. A convertible bond will usually sell several points above its straight investment value, which is the worth of the bond wholly apart from the value of the right of the holder to convert it into stock, even though the stock for which it may be exchanged sells below the conversion price. The closer the stock rises to the conversion price the higher is this conversion premium at which the bond will sell. When the stock sells close to, at or above the conversion price, then the price of the bond is determined increasingly by its conversion privilege into stock rather than by its investment value.

With a drop in the price of the stock far below the conversion figure, on the other hand, this conversion premium tends to decline or disappear, causing the bond to decline in price to around its investment value as a bond without the conversion feature.

That part of the market price of a convertible bond which is due solely to the conversion privilege is sensitive to a decline in the stock market. When the trend of the stock market is downward, as has been the case since the middle of July, convertible bonds are subject to the added risk of a decline due to the narrowing of the conversion premium, apart from quality and interest rate considerations.

We can conclude that convertible, like other bonds of good quality, are subject to relatively little risk at this time due to a further rise in interest rates from the current high level, but that many convertibles could be affected adversely by a continued decline in stock prices that would cause conversion premiums to shrink or disappear.

Yield Standards

It is not realistic to expect that desirable convertible bonds, possessing conversion features that could prove of considerable value in the future, will give fully as high a rate of return as other bonds of similar quality that do not possess the conversion privilege. Some premium above investment value, and so some sacrifice of yield, is usually unavoidable to obtain the opportunity for capital gains that good convertibles offer.

However, since there can be no assurance when, if ever, the conversion privilege will prove of value, too large a sacrifice of current yield for the conversion option is not prudent for a savings bank. This means that when the price of a convertible bond has been lifted too high above its investment value by the conversion privilege, the issue becomes relatively unattractive to savings banks.

Capital Gains from Convertibles

The chief attraction of convertible bonds is the prospect of capital gains should the stock into which the bonds are convertible register a major advance in price.

This means that the attractiveness of a convertible issue depends in the final analysis upon the outlook for the stock into which the bonds are convertible. A convertible bond is attractive when the issuing company enjoys the clear prospect of substantial future growth in its per share earnings, a rise in the dividend paid, a merger or some other favorable development that is likely to lift the price of the stock substantially. Analysis of longer-term prospects for the company's stock is thus an integral part of the appraisal of a convertible bond to determine how desirable it is as an investment.

Convertible bonds as a class are more attractive when purchased at a time when the stock market as a whole is depressed and market prices of equities do not discount future favorable prospects liberally. When stock prices recover, the value of the conversion privilege increases.

The value of a conversion privilege will be further affected by the provisions in the bond indenture which define the terms of the privilege. For example, does the bond indenture protect the holder against dilution of the company's equity? Is the conversion period sufficiently long to give the conversion privilege a reasonable chance to become profitable? Convertible bonds of a company that sells new stock from time to time, which tends to hold down the price, may be less attractive than issues of companies that are unlikely to engage in new equity financing for the foreseeable future. Conversion terms that provide for a sizeable step up of the conversion price for the stock tend to limit opportunities for capital gains on convertible bonds.

Convertible Bonds in Today's Markets

The ideal time to purchase convertible bonds is when interest rates are relatively high and stock prices have declined drastically. The risk of market price depreciation due either to an increase in the level of interest rates or to a decline in the value of the conversion premium at which the bond sells is then at a minimum. At the same time, the prospect for capital appreciation of both the stock and the convertible bond is greatest from a lower level for stock prices.

With interest rates now around the highest level in a quarter of a century, today's bond market meets one test for timing purchases of convertible bonds. From this level, high grade bond prices are more likely to recover considerably than to decline further.

Stock prices have declined substantially since the summer. However, the market as measured by the Dow-Jones Industrial Average is still high both historically and in relation to what prices could be in a period of business recession and declining corporate profits and dividends.

Any further decline in the stock market would tend to make many convertible bonds available on a more attractive basis because conversion premiums would be reduced. At the same time, however, a business recession that would depress stocks would also lead to a decline in interest rates and so lift the investment value of convertible bonds of good quality. Moreover, a number of stocks with growth characteristics have dropped considerably more than the average, and may be less vulnerable to further declines.

We can conclude, therefore, that selected convertible bonds of sound quality, with reasonable yields, and having desirable conversion terms are relatively attractive in today's market. Where it is feared that a business recession may depress stocks further, consideration could be given to spreading purchases of the convertible issues desired on a scale down.

Appended is a list of convertible bonds of varying investment quality available in today's market, together with pertinent statistical information. The most significant data are the quality of the bond, its yield, and the premium expressed in percentage of the market price a purchaser would currently be required to pay over the straight investment value of the issue. The attractiveness of the convertible privilege will depend upon the results of a careful analysis of the long-term prospects for the company's common stock rather than near term market price fluctuations.

Additions can be made to this list as new convertible issues of investment quality are offered on attractive terms; or as weakness in the stock market narrows conversion premiums, and so lifts yields offered by other desirable issues that have been selling too far above their investment value to be attractive to savings banks.

CURRENT MARKET POSITION OF CONVERTIBLE BONDS

Moody's Rating	Issue	Market Price 11-18-57 (1)	Yield to Maturity (2)	Approximate Straight Invest. Basis Value (3)	Yield (4)	Premium Market Price over Inv. Val.* (5)	Conver. No. Shs. per $100 par val. (6)	Bonds Conv. into Com. at (7)	Mkt. Price of Com. 11-18-57 (8)	Amount Outstdg. (millions)
A	Atlantic Refining, 4½s, 8/15/87	102¼	4.35%	100	4.50%	2.3%	1.89	53	37⅞	$100.0
A	Bethlehem Steel, 3¼s, 5/1/80	113⅛	2.50	85⅝	4.25	32.1	4.00†	36¼	38⅜	33.9
Baa	Burroughs, 4½s, 12/1/81	106¾	4.05	97⅞	4.65	9.1	2.50	40	31⅝	29.9
Baa	Combustion Engineer., 3⅜s, 6/15/81	90	4.05	82½	4.60	9.1	3.33	30	21⅝	15.0
A	Consolidated Edison, 4½s, 2/15/72	106½	3.90	103⅛	4.20	3.3	2.20	45.45	41⅜	54.8
Aa	Consumers Power, 4⅝s, 11/1/72	105¼	4.15	105¾	4.10	--	2.13	47	44¾	35 2
A	Detroit Edison, 3¾s, 9/14/71	113¼	2.60	96⅜	4.10	17.5	3.25‡	30.77	36⅞	56.6
Baa	Douglas Aircraft, 4s, 2/1/77	102½	3.80	90⅝	4.75	13.1	1.05	95	69⅝	27.9
A	Dow Chemical, 3s, 7/1/82	121¼	1.90	81	4.25	49.7	2.26	44.31	55¾	54.4
Baa	General Am. Trans., 4s, 5/1/81	105	3.70	90¾	4.65	15.7	1.33	75	72½	23.7
Baa	General Dynamics, 3½s, 4/1/75	118⅞	2.20	86⅜	4.65	37.6	2.02	49.46	58⅜	29.4
Baa	National Cash Reg., 4½s, 12/1/81	113¾	3.65	97⅞	4.65	16.2	1.85	54	49¼	28.1
A	Niagara Mohawk Pwr., 4⅝s, 2/1/72	105¾	4.10	101⅞	4.45	3.8	3.15	31¾	28⅜	46.2
A	Phillips Petroleum, 4¼s, 2/15/87	102	4.15	97½	4.40	4.6	2.00	50	36⅜	171.6
Baa	Radio Corp. of Am., 3½s, 12/1/80	85¾	4.50	83¼	4.70	3.0	2.00	50	28⅜	91.9
A	Scott Paper, 3s, 3/1/71	91	3.85	87⅜	4.25	4.1	1.30	77	53⅜	98.6
A	Sinclair Oil, 4⅜s, 12/1/86	103¼	4.20	98¾	4.45	4.6	1.54	65	47¾	167.2
A	Southern Calif. Ed., 3¼s, 7/15/70	108¼	2.50	91¼	4.15	18.6	2.33¶	42.85	47⅝	24.1
Aa	Standard Oil (Ind.), 3⅛s, 10/1/82	97	3.30	84¼	4.15	15.1	2.30	46	36¾	16.5
Baa	Thompson Products, 4⅞s, 8/1/82	107¾	4.35	101¾	4.75	5.9	1.33	75	51	19.7

*Column (1) minus (3) divided by (3).
†Convertible @ $25 plus $11.25 per share.
‡From 10/1/1958.
¶No additional debentures may be converted until 1/30/1958.

New England Electric Units Offer 6% Bonds

Halsey, Stuart & Co. Inc., and associates on Nov. 19 offered publicly $2,000,000 of Lawrence Gas Co. 6% first mortgage bonds, series A, and $3,500,000 of Mystic Valley Gas Co. 6% first mortgage bonds, series B. Both issues, which mature on Nov. 1, 1977, were priced at 102% and accrued interest, to yield approximately 5.83%. Award of both issues of bonds was won by the group at competitive sale on Nov. 18 on a bid of 100.27%. The two utility companies are subsidiaries of New England Electric System.

The bonds will be redeemable at general redemption prices ranging from 108% to par, and at special redemption prices receding from 102% to par, plus accrued interest in each case.

Lawrence Gas Co. is engaged principally in the distribution and sale of natural gas in Lawrence, Andover, Methuen and North Andover, Mass. The territory served comprises an area of 87 square miles with an aggregate population of approximately 126,400. For the 12 months ended July 31, 1957, the Lawrence company showed gross operating revenues of $2,579,438 and net income of $240,819.

Mystic Valley Gas Co. is engaged principally in the distribution and sale of natural gas in 13 municipalities north of Boston, Mass. The territory it serves comprises an area of 90 square miles, having an aggregate population of about 432,000. For the 12 months ended July 31, 1957, the Mystic Valley company showed gross operating revenues of $8,333,643 and net income of $829,020.

New Coast Exch. Member

SAN FRANCISCO, Calif. — The election of George M. Greene to membership in the San Francisco Division of the Pacific Coast Stock Exchange, effective Nov. 15, 1957, was announced by William H. Agnew, Chairman of the Board.

Inv. Security Corp.

AUSTIN, Texas—Investors Securities Corporation of Texas has been formed with offices in the Perry-Brooks Building to engage in a securities business. Officers are Harold N. Jungmichel, President; and F. R. S. Jungmichel, Vice-President.

Max Wolfson

Max S. Wolfson passed away Nov. 12 at the age 73 following a brief illness. Mr. Wolfson was a partner of Ross, Low & Co.

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The Outlook for State Taxes

centage was 3.28, practically the same as during the past fiscal period.

(For the all-level or total governmental tax bill—Federal, state, and local—the percentages show the influence of the major wars and the continued large postwar Federal defense expenditures. The respective percentage ratios of total tax collections to the respective GNPS follow: 22.9% for 1957, 23.0 for 1956, 22.8 for 1952, and 12.5% for 1940. The 1957 and 1956 figures include my estimates of local tax collections which for some time have run several hundred million under the state amounts. If national income data, a component of the GNP, were used, the above percentages would be somewhat higher.)

Compares States

Because we live in individual states we like to know how our taxes compare with those of other states as to changes in totals, major sources, and burden. Information on these points can be gleaned from the Census publications on state tax collections.

For instance all except four states took in more taxes in 1957 than in 1956. Pennsylvania easily led the list with a 40% jump, the result largely of a substantial increase in the rate of its general sales tax the 1957 receipts from which were almost six times those of 1956. Nevada's total tax revenue for 1957 was 22.8% above the prior year with a 50% increase from its general sales levy. Six other states showed gains between 10 and 20%.

In contrast South Dakota had the largest decline, 11.8%. Its general sales slumped and there was a 16% drop in the state property tax collections. Delaware, Nebraska and Kansas were the other three states with less tax take in 1957 than 1956.

As has been mentioned it is natural to make interstate comparisons if a person has statistics on the individual states. Yet such comparisons can be and frequently are misleading. Differences in population can be taken care of by using per capita figures. But the big problem arises from the sharp contrasts in the role of state government versus the local governments when it comes to paying out dollars of tax money for services such as schools, roads, public welfare and health. The following example will point this up:

In the fiscal years just completed (1957) Nevada's state tax collections were $145 per person, the highest of all 48 states. But in New Jersey the state collected only $52 for each inhabitant. Even without specific knowledge of these two states one knows that the residents of New Jersey are not being neglected on the score of governmental public services. Rather the facts are that in Nevada the state instead of the local governments supplies the bulk of the major public services and, thus, pays the bills and raises necessary taxes. In New Jersey it is just the reverse, the local governments are to the fore.

To get an equitable picture the sum of state and local taxes on a per capita basis for each state should be used. But good annual data for all the thousands of local governments understandably are not compiled by Census, the yearly job would cost too much. Census does, however, annually collect and publish full fiscal information for cities having more than 25,000 inhabitants, about 483 cities at present.

With the above qualifications in from the recent Census report: the three highest states were mind, here are a few comparisons Nevada ($145 per capita), Washington State ($133), and Louisiana ($124). At the other end of the list were New Hampshire ($59) and Nebraska and New Jersey with $52 per person. In 1956 the highest states were Washington, Delaware, and Nevada. The three lowest were the same as in 1957.

Major Tax Categories

What major categories of taxes are the gold mines, the largest contributors to the tax revenues? In 1957 sales taxes, general and selective, easily continued their lead bringing in 58% of total taxes or a sum of $8.3 billion. Of this amount general sales accounted for $3.3 billion even though used in only 33 states. (A general sales tax is one on sales in general usually at the retail level, though for equity and administrative reasons sales below the 10 or 20 cent level frequently are not taxed, and some states exempt a few real necessities of life.)

As would be expected among the **selective** state sales taxes, that on motor fuels easily was first with collections some five times the next nearest item, alcoholic beverages.

State income taxes showed the continued prosperity of the country yielding a total of $2.5 billion (up 12.6% from 1956) with 31 states collecting some $600 million more from taxes on individuals than 33 states obtained from their taxation of corporation net incomes. If not too confusing it may be added that 29 states use both net income taxes, and 13 states levy neither of these, though, with the passing of years some of these 13 are almost sure to make use of this profitable tax source in order to cover mounting state costs.

Licenses are classified by Census as a major tax category even though some license fees may not fully cover the costs of the offices issuing them. In this group motor vehicle licenses easily came first, and if the receipts from motor vehicle operators' licenses were added the total of $1.4 billion was three times the next most prolific source—corporations. Two-thirds of the states are able to count on $1 to $7 million yearly from just their hunting and fishing licenses.

Trend Toward More Services

Important as are the preceding figures, of equal or more concern is the outlook. There are a number of rather clearly defined trends in public finance, and few of them offer promise of smaller tax bills. Really none if one thinks in the terms of the total of the three governmental levels: Federal, state, and local. Let me briefly indicate several of the more important of these trends.

First, and it would seem most basic, is the willingness of the people to accept, or more accurately to demand more governmental services in quantity and quality. Rephrased in order to avoid the impersonal words "the people" and "government" the contention is this: We the people are members of pressure groups—civic organizations, trade associations, agricultural federations, labor unions. Through our groups we are demanding and receiving more aid in services or in dollars from the local, state, and Federal jackpots.

This is a most important fact. To be sure sometimes we are not too aware of the long-run objectives of such groups or the extent to which we in fact use governmental agencies. At other times the paid political lobbyist is formally on our payroll. This group action is normal, proper, because as long as we retain the form and practices of a democracy **we are the government** and must make our desires known. But when these desires include more governmental services, subsidies, and other aids, we must face up to it and pay the tax bills.

It is not enough just to state the above propositions. Certain reasons for the turn from traditional individualism toward collectivism or group action can be specified and should be if forecasts are to be made. We are more socially and economically interdependent than 100 years ago. At least three-fourths of our labor force—as Census puts it—now are employed, not self-employed. This means that many are dependent for their livelihood on decisions of the few, and the decisions of the few whether to take on more employees, for instance, or to lay many off are in turn the result of being able to sell the produce in the market place.

Growing Interdependence

Even the nominally self-employed are interdependent: the doctor must have patients; the farmer must sell grain or hogs in order that his wife can buy groceries at the nearest city chain store. It has been almost a half century since the bulk of our population could be classified as "rural." With such increasing interdependence necessarily comes group action, and group action necessarily finds expression in part, in substantial part in governmental laws and government agencies. Laws and agencies cost money to initiate and to keep going.

Also the world has condensed. In doing so it has changed form politically. The pioneer was personally able to take care of an intruder. You and I individually or in small groups cannot contain Russia which under the Communists claims the world.

Self Interest and More Government

Underlying this growth in both domestic and international interdependence is a common human trait: people individually and in groups are first of all going to look after their own interests as they see such interests. The rationalization or justification of the various devices used to achieve such self-protection are without end.

For instance: the officers of a corporation will try to justify their self-voted (at times exorbitant) salaries and bonuses on the basis of "keeping good men." Top bosses of labor unions have rested their personal privileges on the benefits gained for the rank and file. In other social fields the hierarchy of an authoritarian church act to "further the Kingdom of God," and the political dictator and his henchmen seek to spread the blessings of a "dominant race." The most basic of all is the self-protective action of a household.

In all of the foregoing the common denominator is self-interest. The result is more government in some form, and in the strictly political sphere this means more taxation.

Spending Other Peoples' Money

Another reason for the present-day tax burden and the prospect of its continued growth is this: It is too easy to spend other peoples' money. And this ease is helped along by the impersonal nature of the concept "government" as has been mentioned. It is true or seems true for most pressure groups that they get more from government than they give in taxes. In some cases a lot more. Under such conditions very few persons will show restraint. The result is more government and more taxes or debt.

Can this movement toward growing governments and larger tax bills be stopped or at least slowed down? Unless one is a convinced socialist or communist this question is vital. The answer to the "stopped" seems to be "No." But there are possibilities of slowing down this movement.

The necessary step has been intimated. It lies in personalizing government so that when you or I or someone else says "Let the government do it" this will be rethought or rephrased at once into "Let me do it—through more tax payments." The question, thus, becomes one of deciding which is the better way, directly through individual and private group activity, or through our formally organized government supported by taxes.

This is a new approach to governmental spending, and it may bring us up short. We may decide that perhaps after all we and our neighbors can do without the proposed service. Or if the service has become a necessity perhaps it can be offered on a private basis. But if the job in fact is too big for private resources then in turning to government we shall know what we are doing. We shall be concerned about the cost in tax dollars, and we are more likely to follow through the performance of governmental officials in order to get our money's worth.

With such a personal approach, the growth of government in this country, state, Federal or local, will not be stopped. But the growth will be slowed, and the resulting taxation may seem less of a burden.

Securities Salesman's Corner

By JOHN DUTTON

Contact and Collect!

If you will endeavor to build up a well rounded clientele it is entirely possible to maintain a satisfactory level of business even during periods of declining securities markets and general investor apathy toward investment. The foundation for this type of well diversified clientele is based upon the CONTACTS you are systematically and diligently cultivating from day to day. Every personal interview, every letter you mail, every telephone call, if directed toward the objective of establishing a favorable relationship with someone who can POSSIBLY have an interest in a particular type of investment or speculation at some future date is never wasted. The cumulative effect of today's work will be collected tomorrow.

There Are Many Phases of Prospecting

If you are in a position to offer a diversified investment service it might be helpful to enumerate here some of the specialized areas where investment business can be cultivated outside the every day run-of-the-mill type of investor or speculator's requirements.

Local industrial companies with a predominant investor interest in your own community constantly offer opportunities for developing business in good times or bad. If you are able to meet the management and controlling individuals of these companies and establish a relationship with them and thus gain their confidence and good will, it is very possible to obtain a continuing flow of business through these sources in all types of markets.

In smaller communities the local owned banks also present this same sort of opportunity. There are people who will buy shares in their home town bank when they will invest in little else.

There are speculators who are interested in substantial participations in going ventures that can be offered to them at opportune times and, although these people are not discovered on every street corner, it is sometimes possible to develop a very worthwhile situation that can repay you many times for the time and effort you have expended in finding them.

There are business firms that for one reason or another are candidates for sale, merger, or private financing. Although this phase of the investment business is highly specialized, the well rounded investment man is in a better position to capitalize on these highly profitable and interesting opportunities than almost any other individual, with the possible exception of capable attorneys and accountants.

There are people in the higher income brackets who still are unaware of the attractiveness of **sound tax free bonds. If you will watch the newspapers you will obtain a constant flow of prospects that you can follow by mail, telephone, and person call. In this category are professionals, such as doctors, attorneys in the high brackets and who are in a position to direct you to other clients, and those in successful lines of business that do not require large investments in equipment (service businesses, entertainers, etc.).**

If you can develop some contacts with bank officers, savings and loan officials, and attorneys that can refer clients to you this is a very obvious asset. Such relationships do not come about without patience and work. The best of these contacts can be very rewarding and they are worthwhile striving to obtain. Good service, competence and reliability in handling the referred business are essential to success.

Be a Good Record Keeper

When you are building these contacts keep a record of your results and classify your prospects. Then when a special situation presents itself you will know where to go. If you have some stock in a local company offered to you it is not going to be placed in your hands for an indefinite period so that you can leisurely take your time to find someone who might be interested in its purchase. But if you know that Joe Smith told you that he might be interested in buying that stock if you ever ran into some, a telephone call can often set up a trade.

The man who works constantly, meets qualified people, keeps his friends and his contacts healthy in good times as well as during declining markets, usually makes a good living even in a volatile endeavor such as the investment securities business.

Senelco Opens

SEATTLE, Wash.—Senelco, Inc. has been formed with offices at 1021 Westlake Avenue to engage in a securities business. Officers are Robert H. Brazell, President; John N. Leavitt, Vice-President; and Cliff Mortensen, Secretary and Treasurer.

Armstrong, Jones Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Henry L. Miga has been added to the staff of Armstrong, Jones, Lawson & White, Incorporated, Penobscot Building, members of the Detroit Stock Exchange.

W. D. Mowen Opens

FREDERICK, Md.—William D. Mowen is conducting a securities business from offices at 716 Fairview Avenue.

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Creating a National Mutual Savings Banking System

liberalize their branch banking restrictions so as to give to savings banks the same privileges as are accorded to commercial banks.

S & L Associations as Savings Banks

The third accomplishment, and as to this I realize there may be some disagreement as to its desirability, would be to afford to the savings and loan associations of the country an opportunity to be converted into savings banks.

At first blush the savings bankers may object that would only serve to create more competition for the savings banks. Actually it would not create more competition; that competition is already there. It would, however, set up the same standards for the competitors.

I believe that savings bankers must agree with me that everyone would gain rather than lose if savings bank requirements become standard for savings and loan associations.

Another benefit to be obtained, and here too, there is room for disagreement, is that the savings banks would improve their competitive position *vis-a-vis* the commercial banks.

It is my firm conviction that savings, whether in savings banks, loan associations, or in commercial banks, should be invested primarily in long-term obligations. Commercial bank funds should be primarily invested in short-term obligations. If commercial banks are to continue to take savings accounts, and I believe they should be allowed to, they should be restricted, however, as to where they invest these moneys.

These restrictions should be the same for all savings funds, no matter where deposited.

It was my privilege to meet with savings banks' committee, which was assigned the task of reviewing my bill. We exchanged ideas freely and frankly. I have read with great interest its report. I hope that each savings banker will do so at the earliest possible moment. It is as fine a piece of work as I have ever seen. It demonstrates what men of good will can do when they approach a legislative problem constructively.

Someone asked, "isn't that lobbying?". Let me take long enough to tell you that lobbying is as much a part of our American way of life as the Bill of Rights. Of course, it is a privilege that is occasionally abused. Then it makes the headlines, and the respectable and respected lobbyist gets a black eye. But we do not repeal the Constitution because a criminal occasionally escapes punishment.

My colleagues and I can spot the off-color lobbyist very quickly. We make short shrift of him. But the lobbyist who calls on us and fairly and honestly presents the pros and cons of a situation as a useful citizen who finds our doors are always open to him.

In this vastly complicated and troubled world of ours no one man and no one legislator, can hope to have all the answers. We must depend for much of our enlightenment upon those who know the specific problems; that is the proper function of the honorable lobbyist.

I return to the committee's report. The thought bears repetition, that pleasing me as to the details of the bill will not get it enacted. I have only one vote. I would like to sponsor a bill, however, that has the maximum support of the industries involved. In indicating that most of your recommendations meet with my approval, and that I will probably endorse all of them, is based on the fact that your recommendations are prompted by your practical experience in the operation of the thrift system. There, too, however, I realize that different experiences cause different reactions. After full and free discussion of your recommendations you may change some of them.

Aid of Compromise

I remind you that progress in the legislative field is accomplished by compromise. By taking the middle ground we can bring forth a good bill that should be acceptable to the vast majority of all concerned. I doubt whether we can get unanimity of opinion as to anything except the principle. Personally, I like your suggestion that the Federal Home Loan Bank Board, rather than the Comptroller of the Currency, be the chartering and supervising agency. The Comptroller of the Currency deals mainly with commercial banks. Without impugning the integrity or motives of any past, present or future Comptroller, we can agree that that office is attuned to the thinking of the commercial banks. The Federal Home Loan Bank Board deals solely with thrift institutions, knows their problems and is acclimated to that field of endeavor. This question should be resolved by the institutions themselves. I am certain that the Congress would rather not be required to decide that question for you.

Rather than the Federal Savings and Loan Insurance Corporation, you suggest the insuring authority should be the Federal Deposit Insurance Corporation. I concur, but with reservations.

FDIC Composition

There is considerable sentiment in support of changing the composition of the Board of FDIC so as to remove the Comptroller of the Currency from membership thereon. The insuring organization should be independent of the chartering and supervisory agency. Such separation of authority will eliminate any conflict of interest and make for better management and efficiency in both organizations. While subscribing to that school of thought, I do not, however, take the position that FDIC shall be named in my bill, as the insuring agency, only if the desired change is accomplished. If we must wait for such a change in FDIC we can do so without impairing the effectiveness of my bill.

I hope that your association will approve at least that part of your committee report which endorses another one of my oft-repeated statements, to wit: "That the public sees much more of similarity than of difference between" savings banks and savings and loan associations, and that you "stand roughly upon the same competitive plane."

Based on the premise you and the savings and loan associations can move forward to quickly establish a national mutual savings bank system which will be of tremendous benefit to our nation.

Here too there will have to be some give and take as between the privileges and restrictions imposed upon the two types of institutions. The compromise must be one which will promote the best interests of the country regardless of whether the one type of institution will have to submit to the greater restriction that applies to the other or, conversely, one type of institution will attain the greater liberality that now applies to the other. To be specific as only one of these differences: most States are more restrictive in the granting of charters to savings and loan associations than the national system. The national system is more liberal in the granting of applications for new branches than most of the States. The State savings banks are being restricted in establishing new branches. These matters must be resolved not on the basis of difference in legislative enactment but on the basis of community need and community interest, as well as the broader aspect of the national interest.

Greater Efficiency

If as the result of the enactment of my bill, we eventually get one national insurance agency insuring all thrift institutions, the result must be greater efficiency at less cost. Surely you will concede that there is at least some justification for the complaint that savings and loan associations should not pay a higher rate of assessment than the savings banks pay. Pardon me, but I used the wrong term — FDIC Act levies assessments; the FS & LIC Act charges premiums. Isn't it strange, however, that the first Act levies the premiums on "withdrawable and repurchasable shares and deposits," while the FDIC Act charges the assessments on all "deposits."

The practical approach dictates that you and the savings and loan associations coordinate your thinking. You are all thrift institutions serving the public by encouraging savings. Whether you pay dividends or interest on shares or deposits is unimportant. You are the mainstay of our free economy by making it possible for our citizens to own their own homes. You do that by investing the money which the owners of your institutions leave with you.

Urges Action

If you combine your efforts and show the Congress you want this bill, nothing can stop you from getting it. There are savings and loan associations in the State and, I daresay, in the district of every one of the 30 members of the House Banking and Currency Committee. In addition, there are savings banks in the State and, I am sure, in the district of 14 of the 30 members of that Committee.

Surely you can see how effective a lobbying job your combined organizations can do if you put your minds to it.

The only objectors to this bill can be the commercial banks. If the objection does come from that source it will be because of shortsightedness on the part of commercial bankers. They are not thrift institutions and cannot do the job that is demanded by the American public of thrift institutions. The only competition commercial banks can give the savings institutions is by means of the interest rate. The need for money prompts the commercial banks today to increase that rate. In doing it they overlook the reason for the present statutory prohibition against commercial banks paying any interest on demand deposits.

What Commercial Bankers Overlook

As soon as the tight money situation changes, the commercial banks will be compelled to lower their interest rates on savings and time deposits. In their shortsightedness, the commercial bankers overlook the fact that the time deposit, on which they pay interest, is merely a temporary immobilization of commercial funds. They are not the type of deposits sought by thrift institutions. Excluding time deposits, all savings accounts, no matter what called, should be channeled into long-term investments, and that should be done by law and regulation if necessary.

The commercial bankers should be your allies and not your opponents, not only as to the principle of this legislation but also in your fight for an extension of branches within the State of New York.

If I were the biggest and most important customer of any business enterprise that was opposing my just demands for the privilege to expand and broaden my service, I would find someone who would appreciate my trade and not try to destroy it or to limit it. In my opinion, savings banks, certainly in New York State, are the biggest, the best and the most important customers of the commercial banks. If I were a savings banker I wouldn't do business with any commercial banker who wouldn't commit himself in writing to furthering my proper objectives which, as to the savings banks, is delineated by statute to the service of the public.

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The Business Outlook Today And the Role of Government

million in taxes. And last year the barge lines made $700,000.

The plant and equipment, when we sold the business, had practically gone to pot. Today, both have been renovated and replaced, so that it is a good going business —not on the backs of the taxpayers, but on its own steam, helping to support the government.

Let me say a word about controls. This was the first job I had to do—to decide how we could get rid of controls. There were many who didn't believe it could be done with any degree of safety. But it has been done. And the interesting thing to me, over a four-year period, is that whenever the businessman's ox is gored, he wants controls put back on.

They have been in to see me to restore controls to nickel. And those who build ships, unable to get heavy plate for construction purposes in the shipbuilding industry, have wanted to have controls put back in such a manner that they might get their equipment.

There was a time some few years ago when you heard a great struggle for socialized medicine, a great pitch for socialized medicine.

You don't hear about it any more — with the exception that there is a bill introduced at the first of every session by Senator Murray of Montana, which would introduce socialized medicine, at a cost estimated to be $9 billion. But nothing has been done about it. You don't even hear about it.

What we have tried to do (and I think it is clearly indicated by expenditures) is to build up in basic research. That is where the activity of the Federal Government can be most useful and most helpful. And so we have increased expenditures in the field of basic research, from $58 million to $182 million.

But in the last several years—five, six, seven years, I think I would say, going back to 1950—individuals who held insurance policies covering hospital care and surgical care, have risen from about 33 to 37 million, in each case, to about 63 to 66 million.

In other words, they have approximately doubled. This indicates to me that we may have happily gotten away from the socialized medicine idea; and that the people are learning to take care of themselves, as indicated by these figures.

Socialized Farming

We have had a pinch before for socialized agriculture. There are many points to this program. But the basic fact of life in that this Administration wants an economically sound program which is in the long-term interest of all farmers. It wants an agriculture which is prosperous, expanding and free; not one which is rigidly controlled and which prices you rigidly into surpluses. A system of flexible price supports is the basic step in reaching this goal.

The regulatory agencies, when I used to look at it from the outside, used to be, I thought, very hostile to business. These regulatory agencies have been completely remade, and people who do business with them tell me that the atmosphere is completely different.

In this "big government" area that I am discussing a little, I want to say just a word about budgetary pressures, from two angles. First, the hand-out area; and second, the area of pressure for expenditures that is controlled by the growth of the country and/ or by statutory requirements.

In the latter case, I will use the Commerce Department as a bit of a guinea pig. In this hand-out area, two or three samples of what we are doing, and a few samples of what some people want to do.

The Congress gave us a program a year ago of $500 million—$50 million a year for 10 years—to help cities handle their water purification and sewage disposal problems. Why the Federal Government should pass out a dole to 500 or 900 cities all over the country for this purpose, I, personally, would not know.

A safety program in industry! There is a proposal that the government appropriate money and hand it over to the states to help in their industrial safety programs. Every state, practically speaking, has adequate workmen's compensation insurance under their statutes on the books; and there is every incentive—the humanitarian incentive, the business incentive—every incentive in the world for a manufacturer to run his operation so his people don't get hurt. If they do get hurt, as I say, there are statutes on the books in the states to take care of it—and funds provided.

And yet, here is a serious program presented to have the Federal Government hand out some money to help.

We had a study of the research of agricultural products for use in industry; nothing has happened to this one yet, but there is a proposal that $180 million be spent for this project.

And in the field of proposals that are now before the Congress —introduced by members of the Congress—there is one to hand over money for helping the states combat juvenile delinquency. There is another one to create a bureau of older persons in the Health, Education and Welfare center. Juvenile delinquency, $16 million to start with; $2 million for the bureau of older persons, a fund of $150 million to provide auxiliary credit to preserve the family-size farm, and a fund of $3 billion in proposed legislation to extend the availability of mortgage money to persons of moderate income!

Budgetary Pressures

I said I would also say a word about budgetary pressures controlled by the growth of the country and by statutory requirements. Let me give you two or three items in the Commerce Department that illustrate this point.

In the Maritime Field, we have the Maritime Act of 1936 and, here, we have the responsibility of keeping a Merchant Marine on the high seas. Because of competition with foreign flag vessels that operate at about a fifth of the cost of our vessels, we have to pay an operating subsidy and we have to pay a construction subsidy, and, under certain conditions—I don't think we'll go this far, because we don't have to—but if you literally followed the terms of the statute in its permissive possibilities, you'd run up a bill of about $400 million a year. I say we will not go this high, I'm sure.

In Civil Aeronautics, which is an agency of the Department of Commerce, there is a very startling development. For the three years **before** fiscal '57—that's the year ending last June 30—the average increase in instrument landings was about 15% a year. That's the best measure we have of the amount of traffic—instrument landings increasing 15% a year for three years. And in the year ending last June 30, fiscal '57, the increase was 47% over the previous year. This and the fast approaching arrival of the jet-age will give you an idea of what we have to do. In the field of controlling air traffic, operation, regulation and navigational equipment, my first budget was $118 million. I'm asking this year for $484 million and I think, with all the conviction that I possess, that we have to have this money if we are to keep air traffic safe as we have kept it up to this time.

In the field of Weather, of course, we are researching weather at altitudes undreamed of a few years ago. We have a Hurricane Research Project in West Palm Beach that cost money and we have a Radar Screen on the Gulf that will pinpoint hurricanes 150 to 200 miles out in the Gulf as they originate. And all of these things, I say, cost money.

In the Highway Program, which Commerce administers, we are engaged in building over a 13-year program period $38 billion worth of roads—a staggering figure, averaging about three billions a year. But the money is provided in the trust fund. If the trust fund doesn't produce from these specially allocated taxes on gas and so on—if it doesn't produce the revenue, then the work slows down accordingly.

I am happy to say, because I think this is an important project, that the estimated income has so far exceeded the actual receipts — or the actual receipts have so far exceeded the estimated income by about 20%.

Conclusion

Now, in conclusion, let me say —because the only good that may come to you or to me in discussing these matters is to arouse a greater interest on the part of people like you in what's going on in this country and I have said this on many a platform—industry in this country has developed the process of manufacture, has developed advertising and sales promotional techniques to a point never dreamed of. We do a wonderful job in industry. But we seem—you and I, as businessmen — seem completely impotent when it comes to selling an idea. We seem completely at a loss in understanding government partnership in all our affairs and problems of these days. I urge a much greater interest on the part of people like you in what is going on.

With this thought, I would close with a story of the Second World War.

Up on the Rhine, a company secured a bridgehead across the river, a narrow bridgehead; but the enemy counterattacked and many of this company were killed and wounded. A group of wounded, some seriously wounded, were placed in a small boat and started back across the river. About this time a Nazi machinegun found this target and commenced to spray the tiny craft with bullets.

Those who could swim and get around leaped overboard and started swimming for shore, but the badly wounded were now floating around in the middle of the stream with machinegun bullets spraying around them, exposed to almost certain slaughter.

Suddenly, from the opposite bank, a young soldier jumped into the water and, despite the hail of bullets, swam to this craft and towed it to the right side of the river.

Later, when General Patton rewarded his outstanding heroism and courage by pinning on his breast the Congressional Medal of Honor, the General said to him, "Why did you do that?" And what do you think was his reply? He said simply, "Well, sir, somebody had to do it."

And in this great country of ours—in this cold-war world and in the light of all that is going on in and out of government—you are "somebody." And when there is something to be done, I hope you'll say, as he did, "Well, sir, somebody has to do it," and **you help do it.**

State Bank Supervisors' Office in Washington, D.C. May Open Early in 1958

The National Association of Supervisors of State Banks expects to establish an office in Washington, D.C., early in 1958 in order that a permanent staff may be functioning during the second session of the 85th Congress, when many bills of interest to state banks and state bank supervisors will be under consideration, according to George A. Mooney, New York State Superintendent of Banks.

The State Supervisors voted at their convention last September in New York City to establish a permanent office in the nation's capital.

Mr. Mooney, who is chairman of a subcommittee of the association to develop plans for the establishment of this office, issued a progress report to the banking institutions which have replied favorably to a circular letter sent out last June, in which such institutions were invited to become associate dues-paying members.

He stated: "On behalf of all the members of this National Association, I wish at this time to thank you for your cooperation. The strengthening of the State system of banking in this country which will result from the establishment of the permanent staff and Washington office and the services which these new facilities will make possible for members and associate members alike will, we are confident, recompense you many times over for the modest annual dues you will be asked to pay.

". . . For your information and to interest additional prospective associate members, it is planned to have a pamphlet prepared which will present in detail the functions of the new office, the budget to maintain it, and the services which it may be expected to provide."

He continued: "The special Washington office subcommittee is now considering candidates for appointment to the post of Executive Director of the Washington office. The list of such candidates will be submitted to the Executive Committee for its selection in due course."

With M. J. Ross

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Jack Kleiner is now with M. J. Ross & Co., 6505 Wilshire Boulevard. He has recently been with Bennett-Gladstone-Manning Company.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

For those investors who are prepared to go through a further uncertain period, fire-casualty insurance stock yields have increased to levels that are rarely found in this group of equities. Indeed, one would probably have to go back to the depression years of the early 1930's to obtain comparable returns on the investment. It is not that there are widespread doubts about maintenance of present dividends, except in widely isolated cases. Many of these units are disbursing less than half of their income from investments and over the past several years income from investments has been in a rising trend.

Rather, the cause for the poor price action of the fire casualty stocks is to be found in the fact that price action of the group follows underwriting results. These have been in a deplorable state, with 1956 a bad underwriting year and 1957 promising to outdo 1956, downside.

But there is another facet to the situation that normally appeals to investors who are not interested in current income. While the attitude of his space has been to withhold major purchasing in the group, the investor who is more interested in purchasing the maximum of equity for his investment can begin to look at the various stocks to ascertain where his funds will do him the most good.

The investor who buys equity is concerned primarily with the long-term growth of his investment. He is very tax-conscious or he would not be an "equity investor." Current income in the form of cash dividends does not appeal to him as that connotes income tax liability, which he wishes to avoid. When he buys equity it is customarily held over a long period and so, when sold, is subject to capital gains tax rather than tax at higher rates.

But today insurance stock equities (made up of capital, surplus and voluntary reserves, plus a share in the company's unearned premium reserve) are at exceptionally high ratios to selling prices. Under normal conditions in the industry it is difficult to find any of the better grade stocks selling below liquidating value. Today as good grade a stock as Fidelity Phenix is priced at about 47% of its June 30, 1957 liquidating value; Northern of New York at about 53%; Federal at 76%, etc.

There is supplied a tabulation giving liquidating values and approximate current prices, with the ratio of the former to price. As not all companies supply complete reports at the mid-year date, we have used June 30, 1957 liquidating figures where they are available. Otherwise 1956 year-end data is used. In most cases liquidating values as of the same date for companies reporting on June 30, do not differ widely, so that using 1956 year-end figures for some keeps these companies in a comparative range.

	Liquidating Value	Aprox. Price	Ratio of Liq. Val. to Price
Fire			
Aetna Ins.	$125.16	49¼	2.55 times
Agricultural	61.80	21¼	2.90 "
American Ins.	36.37	20¾	1.74 "
Bankers & Ship.	92.62	47	1.97 "
Boston Ins.	55.31*	26½	2.08 "
Continental Ins.	77.80	39⅜	1.98 "
Federal Ins.	39.70	30	1.32 "
Fidelity Phenix	91.03	39⅞	2.28 "
Fire Ass'n	75.84*	33⅜	2.27 "
Fireman's Fund	68.54*	42½	1.65 "
Firemen's	59.12	30¼	1.95 "
Glens Falls	50.46	25¼	1.99 "
Great American	68.13*	27¼	2.50 "
Hanover	75.31*	29¼	2.57 "
Hartford	148.86*	120	1.24 "
Home	79.19	31¼	2.53 "
Ins. Co. No. Amer.	101.91	84½	1.21 "
National Fire	146.69	62	2.37 "
Nat. Union	62.60	28½	2.19 "
New Hampshire	89.23	32¼	2.77 "
Northern	133.47	69	1.93 "
North River	59.40	28	2.12 "
Pacific	94.33	40¼	2.35 "
Phoenix	137.82	53¼	2.59 "
Prov. Washington	32.09	13	2.46 "
St. Paul†	39.26	41¼	0.95 "
Security	63.70	22	2.89 "
Springfield	105.98	35	3.03 "
United States Fire	40.16*	20¾	1.93 "
Westchester Fire	47.33*	25½	1.86 "
Casualty			
Aetna Casualty	160.00*	130	1.23 "
American ReIns.	42.27*	25¼	1.67 "
American Surety	26.20*	13¼	1.97 "
Continental Casualty	68.56	62	1.10 "
Fidelity & Deposit	120.84	75	1.61 "
Massachusetts Bonding	48.26*	26¾	1.81 "
Seaboard Surety	90.55	61½	1.47 "
U. S. Fid. & Guaranty	72.03	52¾	1.36 "

*Dec. 31, 1956, liquidating value figure used, as of 1956 not published.
†On basis of 3,680,000 shares, reflecting 15% stock dividend in Sept., 1957.

Westheimer Adds

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Robert C. Dowd has been added to the staff of Westheimer and Company, 322 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

Joins J. Vander Moere

(Special to The Financial Chronicle)

GRAND RAPIDS, Mich.—Herbert F. Johnson has become connected with J. Vander Moere & Co., Peoples National Bank Building. He was formerly with Straus, Blosser & McDowell.

Halsey, Stuart Group Offers Savannah El. & Power 5⅛% Bonds

Halsey, Stuart & Co. Inc. and associates on Nov. 15 offered $6,000,000 of first mortgage bonds, 5⅛% series due Nov. 1, 1987, of Savannah Electric & Power Co. at 101.152% and accrued interest, to yield 5.05%. The group won award of the bonds at competitive sale Nov. 14 on a bid of 100.402%.

The new bonds may not be redeemed prior to Nov. 1, 1962 through issuance of debt securities bearing a lower interest rate. Otherwise, the bonds are redeemable at optional redemption prices ranging from 106.30% to par, and at special redemption prices receding from 101.20% to par, plus accrued interest in each case.

Net proceeds from the financing will be used by the utility company to pay its outstanding short-term notes incurred for construction purposes, and, together with cash from operations and additional short-term bank loans, to complete the company's 1957 construction program and finance in part the 1958 program.

Savannah Electric & Power Co. is engaged in the generation, purchase and sale of electricity, in an area in the southeastern corner of Georgia approximately 62 miles long and 33 miles wide, including the city of Savannah. Population of the territory served is estimated at 173,000.

For the 12 months ended July 31, 1957, the company had total operating revenues of $9,737,749 and net income of $1,547,216.

Robert Savage With Old Kent Bank

GRAND RAPIDS, Mich.—Robert D. Savage has become associated with the Old Kent Bank & Michigan Trust Company. Mr. Savage was formerly with the Harris Trust & Savings Bank and prior thereto was Detroit manager for Baxter, Williams & Co.

With Reynolds & Co.

(Special to The Financial Chronicle)

RALEIGH, N. C. — James R. Stogner Jr. is with Reynolds & Co., 120 South Salisbury Street.

Joins D. S. White

(Special to The Financial Chronicle)

CINCINNATI, Ohio—Eugene W. Nickerson III has become affiliated with D. S. White & Company, Union Central Building.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Alabama National Life Insurance Co.
Oct. 2 (letter of notification) 37,783 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—To selling stockholders. **Office**—Bessemer, Ala. **Underwriter**—Joe S. Hanson, 794 Navy Bldg., Pensacola, Fla.

★ Allen (Walter H.) Co., Inc.
Nov. 4 (letter of notification) $150,000 of 10-year 6% unsecured debentures, due Nov. 1, 1967, to be offered to stockholders. **Price**—At par (in units of $1,000). **Proceeds**—For construction of a new addition to present building. **Office**—6210 Denton Drive, Dallas, Texas. **Underwriter**—None.

★ Allied Laboratories, Inc.
Nov. 6 (letter of notification) an undetermined number of shares of common stock (no par) to be offered for subscription by employees. **Proceeds**—To reimburse the company for purchases made on the Midwest Stock Exchange. **Office**—406 West 34th St., Kansas City, Mo. **Underwriter**—None.

Allstate Commercial Corp., New York
Sept. 16 filed 256,300 shares of class A common stock (par one cent), of which 233,000 shares are to be sold for account of the company and 23,300 shares for the account of Ben Degaetano, President of the underwriter. **Price**—$1.50 per share. **Proceeds**—For working capital to be used in realty financing activities. **Underwriter**—Midland Securities, Inc., New York.

American Hardware Corp., New Britain, Conn.
Nov. 5 filed 125,000 shares of common stock (par $12.50) to be offered in exchange for not to exceed 250,000 shares of common stock of Savage Arms Corp. on the basis of one-half share of American (plus cash) for each Savage Arms share. The other is conditioned upon acceptance by holders of not less than 100,000 shares of Savage Arms stock not later than Dec. 17, 1957. **Underwriter**—None.

• American Israeli Paper Mills, Ltd. (12/2-6)
Oct. 29 filed 6,000,000 series B ordinary shares (par one Israel pound per share). **Price** — $1 per share, payable either in cash or in State of Israel bonds. **Proceeds**—For expansion program. **Office** — Hadera, Israel. **Underwriter**—Lee Higginson Corp., New York, on a best efforts basis.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

• A M I, Inc., Grand Rapids, Mich.
Oct. 4 filed 114,323 shares of common stock (par $3), with warrants, to be offered for subscription by common stockholders in units of one share and one warrant for each four shares held, with rights to expire on the 14th day after record day. **Price**—$9 per unit. Warrants entitle holder to purchase one additional share at $10 per share for each share subscribed for. **Proceeds**—To retire 5% mortgage note, 5% unsecured notes and to reduce bank loans. **Underwriter**—None. Cage Trust, a trust organized under the laws of the State of Liechtenstein, had agreed to purchase any unsubscribed shares. **Offering**—Abandoned on Nov. 18.

Ampal-American Israel Corp., New York
Oct. 14 filed $5,000,000 of five-year 6% sinking fund debentures, series F, due 1962. **Price**—At 100% of principal amount. **Proceeds**—To purchase machinery and equipment. **Underwriter**—None.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

Artesian Water Co.
Oct. 15 (letter of notification) 3,404 shares of class A non-voting common stock (no par) to be offered for subscription by common and class A common stockholders of record Oct. 2, 1957 on the basis of one new share of class A common stock for each eight shares of common stock and class A common stock; rights to expire Dec. 2, 1957. **Price**—$30 per share to stockholders; and $32 to public. **Proceeds**—To purchase assets of Collins Park Water Co.; Willow Run Water Co. and Sedgely Farms Water Plant; also to purchase additional storage tanks, water mains, etc. **Office** — 501 Newport & Gas Pike, Newport, Del. **Underwriter** — Laird, Bissell & Meeds, Wilmington, Del.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

• Brockton Edison Co. (12/2-6)
Sept. 18 filed 30,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and to acquire securities of Montaup Electric Co. **Underwriter**—May be Kuhn, Loeb & Co., New York.

Brockton Edison Co.
Sept. 18 filed $3,000,000 first mortgage and collateral trust bonds due 1987. **Proceeds**—To repay bank loans and to acquire securities of Montaup Electric Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Stone & Webster Securities Corp.; Blair & Co. Incorporated. **Bids** — Had been expected to be received up to 11 a.m. (EST) on Oct. 30 at 49 Federal St., Boston, Mass., but offering has been temporarily postponed pending decision as to sale of preferred stock.

Canada Mortgage Bonds, Ltd., Englewood, N. J.
Sept. 3 filed $1,000,000 of 8% mortgage bond trust certificates. **Price** — At par (in units of $250, $500 and $1,000). **Proceeds** — For purchase of mortgage bonds. **Underwriter**—None.

Canadian Prospect Ltd., Calgary, Canada
Sept. 27 filed 4,851,810 shares of common stock (par 16⅔ cents) to be offered in exchange for capital stock of Canadian Export Gas Ltd. on the basis of 2½ Canadian Prospect shares for each Canadian Export share, subject to acceptance by holders of at least 80% of Canadian Export shares outstanding. **Underwriter**—None. Statement effective Nov. 4.

★ Carrace Oil Co.
Nov. 7 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For development of oil properties. **Office**—312 American Bldg., Ada, Okla. **Underwriter**—None.

• Carter-Jones Drilling Co., Inc.
Sept. 27 filed 300,000 shares of capital stock (par 10 cents. **Price** — $5 per share. **Proceeds**—To repay bank loans and other indebtedness; to participate in the acquisition and exploration of oil properties in joint venture arrangements with other companies in which the company does not propose to retain more than a 25% interest or assume more than 25% of the risk; and for general working capital. **Office**—Kilgore, Texas. **Underwriter**—None. Statement effective Nov. 6.

• Caruso Foods, Inc.
Oct. 3 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds**—For working capital, etc. **Business**—Spaghetti, macaroni, etc. products. **Office**—2891-99 Nostrand Ave., Brooklyn, N. Y. **Underwriter** — Anglo-American Securities, Inc., New York. **Offering**—Now being made.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite.

★ Central Oils Inc.
Nov. 4 (letter of notification) 950,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For development of oil properties. **Office**—4112 Arcade Bldg., Seattle 1, Wash. **Underwriter**—None.

★ Champion Industries, Inc.
Nov. 7 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—$4 per share. **Proceeds**—For development and engineering expenses, raw materials and working capital. **Business** — Jalousies, storm windows, screens, etc. **Office** — 22 Jericho Turnpike, Mineola, N. Y. **Underwriter**—Allstate Securities Inc., 80 Wall St., New York.

★ Chesapeake & Potomac Tel. Co. of Md. (12/9)
Nov. 15 filed $30,000,000 of 36-year debentures due Dec. 1, 1993. **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent, and for additions and improvements to telephone plant. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Morgan Stanley & Co.; Kuhn, Loeb & Co.; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—To be received up to 11:30 a.m. (EST) on Dec. 9 at Room 2315, 195 Broadway, New York, N. Y.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share. (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York. **Offering**—Expected at any time.

Chicago Title & Trust Co.
Oct. 24 filed 23,907 shares of common stock (par $20) to be offered in exchange for common stock of Title Insurance Corp. of St. Louis at the rate of five-eighths of one share of Chicago Title stock for each Title Insurance share. The exchange offer is subject to acceptance by 30,600 shares (80%) of the 38,250 Title Insurance shares outstanding. Initial expiration date of the offer is Dec. 20. **Underwriter**—None.

Cleary (W. B.), Inc.
Oct. 3 (letter of notification) 5,600 shares of common stock (par $5) to be offered to stockholders of record Sept. 26, 1957 on the basis of one new share for each five shares held. **Price**—$20 per share. **Proceeds**—For accounts payable; and drilling for oil and gas wells. **Office**—272 First National Building, Oklahoma City 2, Okla. **Underwriter**—None.

• Coastal Ship Corp. (11/26)
Sept. 13 filed $6,000,000 of 6% debentures due Feb. 1, 1968 (with warrants to purchase 80,000 shares of common stock of Coastal, of which 60,000 shares are included in the public offering and exercisable at $1 per share; and 20,000 shares to be privately placed; and warrants to purchase an undetermined number of shares of McLean Industries, Inc., class A common stock at market, the exact number of shares to be established at a later date. **Price**—To be supplied by amendment (expected at 100% for debentures). **Proceeds**—Together with other funds, to purchase five C-2 freighters to be converted into trailerships. **Underwriters**—Eastman Dillon, Union Securities & Co. and White, Weld & Co., both of New York.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York. Statement effective Aug. 10.

★ Columbus Electronics Corp.
Nov. 13 (letter of notification) 110,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For working capital. **Office**—1010 Sawmill River Road, Yonkers, N. Y. **Underwriter**—To be furnished by amendment.

Commercial Credit Co.
Oct. 10 filed $50,000,000 senior notes due Nov. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To increase working capital. **Underwriters**—The First Boston Corp. and Kidder, Peabody & Co., both of New York. **Offering**—Indefinitely postponed.

Commonwealth Oil Refining Co., Inc. (12/9-13)
Nov. 1 filed $20,000,000 of convertible junior subordinated debentures due 1972. **Price** — To be supplied by amendment. **Proceeds**—To liquidate deferred credits and short-term debt, to construct additional facilities and to provide working capital. **Office**—Ponce, Puerto Rico. **Underwriter**—The First Boston Corp., New York.

Consumers Cooperative Association
Oct. 23 filed 240,000 shares of 5½% preferred stock and 4,000 shares of 4% second preferred stock. **Price** — At par ($25 per share). **Proceeds**—To be added to general funds. **Office**—Kansas City, Mo. **Underwriter**—None.

Continental Insurance Co.
Oct. 10 filed 1,700,000 shares of capital stock (par $5) being offered in exchange for capital stock (par $7.50) of Firemen's Insurance Co., Newark, N. J., at the rate of 17 shares of Continental for every 20 shares of Firemen's stock. The offer, which is subject to acceptance of not less than 80% of the Firemen's stock, will expire Dec. 2, 1957, but may be extended to Dec. 31, 1957. **Underwriter**—None. Statement effective Oct. 31.

Cooperative Grange League Federation, Inc.
Sept. 27 filed $600,000 of 4% subordinated debentures due Jan. 1, 1966; 10,000 shares of 4% cumulative preferred stock par $100; and 150,000 shares of common stock (par $5). **Price**—At principal amount or par value. **Proceeds**—To finance inventory purchases, to make capital loan advances to retail subsidiaries; to reduce bank loans; and for working capital. **Office** — Ithaca, N. Y. **Underwriter**—None.

★ Cubacor Explorers, Ltd.
Oct. 28 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share-U. S. funds. **Proceeds** — For exploration and drilling costs. **Office** — Suite 607, 320 Bay St., Toronto, Ont., Canada. **Underwriter**—Stratford Securities Co., Inc., 135 Broadway, New York.

★ Cyprus Mining Co.
Nov. 13 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price** — 15 cents per share. **Proceeds**—For mining expenses. **Office**—343 N. Calvert St., Baltimore 2, Md. **Underwriter**—None.

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

DeLuxe Check Printers, Inc.
Aug. 28 (letter of notification) 25,000 shares of common stock (par $1) to be offered to employees and present stockholders. **Price**—$11.80 per share. **Proceeds**—To acquire new machinery and equipment. **Office** — 530 N. Wheeler St., St. Paul 4, Minn. **Underwriter**—None.

• Dillon (J. S.) & Sons Stores Co., Inc. (12/3)
Nov. 12 filed 110,000 shares of common stock (par $5), of which 100,000 shares are to be offered publicly and 10,000 shares to employees, officers and directors of company. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to equip new stores, to increase inventories and for general corporate purposes. **Underwriter**—Kidder, Peabody & Co., New York.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

★ Dixie Auto Insurance Co., Inc.
Nov. 8 (letter of notification) 100,000 shares of common stock (par $1) to be offered for subscription by stock-

holders on the basis of one new share for each two shares held. **Price**—$2.50 per share. **Proceeds**—For capital and surplus accounts. **Office** — Commercial National Bank Bldg., Anniston, Ala. **Underwriter**—None.

Doctors' Motels, Inc., Kansas City, Kan.
Oct. 25 filed 500,000 shares of common stock, of which 426,497 shares are to be offered publicly, 39,568 shares are to be offered in exchange for $432,055 outstanding 6% debentures, 3,085 shares are to be issued as a stock dividend and 30,850 shares are presently outstanding. **Price**—At par ($15 per share). **Proceeds**—For construction and operation of motels and to repay bank loans. **Underwriter**—None.

Dow Chemical Co.
Oct. 3 filed 200,000 shares of common stock (par $5) being offered for subscription by employees of the company, its subsidiaries and certain associated companies. Subscriptions will be accepted by the company from Nov. 4 through Nov. 22. **Price**—$42.25 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None.

● **Duraloy Co., Scottdale, Pa. (12/2-6)**
Nov. 12 filed 69,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For modernization and improvements. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York.

Durox of Minnesota, Inc., Denver, Colo.
Sept. 23 filed 750,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For capital expenditures and working capital. **Business** — Building material. **Underwriter**—American Underwriters, Inc., Englewood, Colo.

Electro Precision Corp., Arkadelphia, Ark.
Oct. 30 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For office and laboratory equipment; inventory, working capital, etc. **Underwriter**—Nunn-Groves Co., Little Rock, Ark.

Famous Virginia Foods Corp.
Nov. 6 (letter of notification) 5,000 shares of common stock. **Price**—$6.67 per share. **Proceeds**—To selling stockholder. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

● **Fine Arts Acceptance Corp.**
Oct. 25 filed $525,000 of 6½% subordinated sinking fund debentures (with non-detachable common stock purchase warrants), due Nov. 1, 1977. **Price**—95% of principal amount. **Proceeds**—For working capital and general corporate purposes. **Underwriters**—Woodcock, Hess, Moyer & Co., Inc.; Boenning & Co.; Suplee, Yeatman, Mosley & Co., Inc., and Paul & Lynch, all of Philadelphia, Pa. **Offering**—Expected today (Nov. 21).

First International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters, Inc., Englewood, Colo.

First National Life Insurance Co., Phoenix, Ariz.
July 29 filed 106,500 shares of common stock (par $4), of which 90,000 shares are to be offered publicly and 16,500 shares to employees pursuant to stock purchase options. **Price**—To public, $12 per share. **Proceeds**—For expansion and other corporate purposes. **Underwriter**—None.

● **Florida Steel Corp., Tampa, Fla. (12/3)**
Nov. 12 filed 80,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record Nov. 29, 1957, at the rate of one new share for each 10 shares held; rights to expire on Dec. 16. **Price**—To be supplied by amendment. **Proceeds** — Together with bank loans, to construct new steel mill. **Underwriters**—McDonald & Co., Cleveland, Ohio, and Kidder, Peabody & Co., New York, N. Y.

Florida Trust, Pompano Beach, Fla.
March 4 filed 850 certificates of beneficial interest in the Trust. **Price**—$1,000 per certificate. **Proceeds**—To acquire by purchase, lease or otherwise, and to hold, own, subdivide, lease, mortgage, exchange, bargain, sell and convey lands and every character of real property. **Underwriter**—None.

Fluorspar Corp. of America
Nov. 12 filed $1,400,000 aggregate market value of common stock (number of shares to be supplied by amendment). **Price**—Also to be supplied by amendment. **Proceeds**—To finance additional exploration work on mining properties and to provide working capital. **Office**—Portland, Ore.

● **Food Fair Properties, Inc. (12/6)**
Nov. 12 filed 2,499,116 shares of common stock (par one cent) to be offered for subscription by common stockholders of record about Dec. 6, 1957, on the basis of one new share for each two shares held; rights to expire on Dec. 20, 1957. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for real estate operations and financing. **Underwriter**—Eastman Dillon, Union Securities & Co., New York. Food Fair Stores, Inc., owner of about 45% of the outstanding common stock, has indicated that it intends to exercise its subscription rights. **Offering**—Expected early in December.

Forest Laboratories, Inc.
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Alfred L. Powell Co., New York; and H. Carroll & Co., Denver, Colo.

Gate City Steel, Inc., Omaha, Neb.
Oct. 17 filed 30,000 shares of 6½% cumulative sinking fund preferred stock, series A (par $20), with common stock purchase warrants to buy 60,000 shares of common stock; and 100,000 shares of common stock (par $1). **Price** — At par for preferred and $5 per share for common. **Proceeds** — To retire outstanding preferred stocks and short-term bank loans and for general corporate purposes. **Underwriter**—The First Trust Co. of Lincoln, Neb.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

General Telephone Co. of the Southwest
Nov. 1 filed 250,000 shares of cumulative preferred stock. **Price**—At par ($20 per share). **Proceeds**—To repay bank loans and for new construction. **Dealer-Manager**—Mitchum, Jones & Templeton, Los Angeles, Calif. **Offering**—Expected today (Nov. 21).

Genie Craft Corp.
Aug. 8 (letter of notification) $100,000 of 10-year 6% convertible debentures and 120,000 shares of common stock (par 10 cents) to be offered in units of one $50 debenture and 20 shares of common stock. **Price**—$100 per unit. **Proceeds**—To discharge short term obligations; purchase merchandise inventory; and for working capital. **Office** — 1022 18st St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

● **Gold Seal Dairy Products Corp. (11/25-26)**
Oct. 25 filed 175,000 shares of class A stock (par 10 cents) of which 15,000 shares are to be reserved for prior offer to employees. **Price** — To be supplied by amendment. **Proceeds**—To acquire outstanding stock of Kulka Electric Manufacturing Co., Inc. **Office**—Elizabeth, N. J. **Underwriter**—Amos Treat & Co., Inc., New York.

Great Divide Oil Corp.
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Great Northern Life Insurance Co.
Oct. 7 (letter of notification) 44,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For capital stock and unassigned surplus. **Office** — 119 W. Rudisill Blvd., Fort Wayne, Ind. **Underwriter**—Northwestern Investment Inc., Fort Wayne, Ind.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

● **Gulf States Land & Industries, Inc.**
Sept. 25 filed 316,814 shares of common stock (par 50 cents) and $2,754,900 6% first mortgage sinking fund bonds due 1972 to be offered in exchange for the outstanding $4.50 prior preferred stock on the following basis: For each preferred share (a) 11½ shares of common stock, or (b) $100 of bonds, plus 1½ shares of stock. The offer is conditioned upon its acceptance by holders of at least 85% of the 27,549 outstanding preferred shares. **Dealer - Manager** — Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La. Statement effective Nov. 13.

Hampshire Nickel Mines Ltd.
Aug. 23 (letter of notification) 600,000 shares of common stock (par $1-Canadian). **Price** — 50 cents per share. **Proceeds**—For development of property and for general corporate purposes. **Office** — Suite 607, 320 Bay St., Toronto, Canada. **Underwriter** — H. J. Cooney & Co., New York.

Hartford Electric Light Co.
Oct. 8 filed $2,400,000 of 3% secured debentures, series A, due Aug. 1, 1967, being offered in exchange for 3% first and general mortgage bonds, series D, due May 1, 1982, of Connecticut Power Co. on a par-for-par basis. The exchange offer expires on Dec. 27. **Underwriter**—None.

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NEW ISSUE CALENDAR

November 21 (Thursday)
Idaho Power Co.______________________Bonds
(Bids 11 a.m. EST) $15,000,000

November 22 (Friday)
Pall Corp.______________________Common
(Schuster & Co., Inc.) $100,000

November 25 (Monday)
Gold Seal Dairy Products Corp.____Class A Common
(Amos Treat & Co., Inc.) 175,000 shares
Republic National Bank of Dallas__________Common
(Offering to stockholders—to be underwritten by Walker, Austin & Waggoner; The First Southwest Co.; and Dallas Rupe & Son) $10,040,625
United States Coconut Fiber Corp.________Common
(Southeastern Securities Corp.) 735,000 shares

November 26 (Tuesday)
Coastal Ship Corp.__________________Debentures
(Eastman Dillon, Union Securities & Co. and White, Weld & Co.) $6,000,000
Ketchum & Co., Inc.__________________Common
(Hemphill, Noyes & Co.) 210,000 shares

November 27 (Wednesday)
Ryder System, Inc.____________________Common
(Blyth & Co., Inc.) 200,000 shares

December 2 (Monday)
American Israeli Paper Mills, Ltd.__Series B ord.
(Lee Higginson Corp.) $6,000,000
Brockton Edison Co.___________________Preferred
(May be Kuhn, Loeb & Co.) $3,000,000
Duraloy Co.__________________________Common
(Mortimer B. Burnside & Co., Inc.) 69,000 shares
Roach (Hal) Productions_______________Common
(S. D. Fuller & Co.) $1,125,000

December 3 (Tuesday)
Dillon (J. S.) & Sons Stores Co., Inc.____Common
(Kidder, Peabody & Co.) 100,000 shares
Florida Steel Corp.___________________Common
(Offering to stockholders—underwritten by McDonald & Co. and Kidder, Peabody & Co.) 80,000 shares
Virginia Electric & Power Co.______________Bonds
(Bids 11 a.m. EST) $20,000,000

December 4 (Wednesday)
Chicago, Milw., St. Paul & Pac. RR.
Equipment Trust Ctfs.
(Bids noon CST) $5,400,000
Norfolk & Western Ry.___________Equip. Trust Ctfs.
(Bids noon EST) $4,140,000

December 5 (Thursday)
Baltimore & Ohio RR.________Equip. Trust Ctfs.
(Bids noon EST) $3,435,000
Wisconsin Public Service Corp.______________Bonds
(Bids 10 a.m. EST) $7,000,000

December 6 (Friday)
Food Fair Properties, Inc.________________Common
(Offering to stockholders—underwritten by Eastman Dillon, Union Securities & Co.) 2,499,116 shares

December 9 (Monday)
Chesapeake & Potomac Telephone Co. of Maryland______________________Debentures
(Bids 11:30 a.m. EST) $30,000,000
Commonwealth Oil Refining Co.________Debentures
(The First Boston Corp.) $20,000,000

December 10 (Tuesday)
Montreal (City of)___________________Debentures
(Bids to be invited) $18,000,000
Southwestern States Telephone Co.______Preferred
(Dean Witter & Co.) $4,000,000

December 11 (Wednesday)
Baltimore & Ohio RR.__________Equip. Trust Ctfs.
(Bids to be invited) $3,435,000
Suburban Electric Co.____________________Bonds
(Bids 11 a.m. EST) $4,500,000

January 14, 1958 (Tuesday)
Commonwealth Edison Co.______Bonds Debentures
(Bids to be invited) $50,000,000

January 21, 1958 (Tuesday)
Pacific Gas & Electric Co.________________Bonds
(Bids to be invited) $60,000,000

January 22, 1958 (Wednesday)
Norfolk & Western Ry.__________Equip. Trust Ctfs.
(Bids noon EST) $4,140,000

February 7, 1958 (Friday)
American Telephone & Telegrpah Co.___Debentures
(Offering to stockholders—no underwriting) about $720,000,000

February 13, 1958 (Thursday)
Indiana & Michigan Electric Co.___________Bonds
(Bids 11 a.m. EST) $25,000,000

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★ Hines Engineering Co., Inc.
Nov. 15 (letter of notification) 125,000 shares of common stock (par 20 cents). **Price**—$1 per share. **Proceeds**—For payment of bank loans and equipment indebtedness, land development, equipment and working capital. **Office**—3207 Columbia Pike, Arlington, Va. **Underwriter**—None. Needham C. Hines is President.

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each five shares held. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Horace Mann Fund, Inc., Springfield, Ill.
June 27 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Distributor and Investment Manager**—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President. **Office**—216 E. Monroe St., Springfield, Ill.

Hycon Mfg. Co., Pasadena, Calif.
Oct. 18 filed 400,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan, for capital improvements, research and development costs and working capital. **Underwriter**—Dempsey-Tegeler & Co., St. Louis, Mo. **Offering**—Expected this week.

● Idaho Power Co. (11/21)
Oct. 16 filed $15,000,000 of first mortgage bonds due 1987. **Proceeds** — To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler and Eastman, Dillon, Union Securities & Co. (jointly); Blyth & Co. Inc., Lazard Freres & Co. and The First Boston Corp. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. **Bids**—Expected to be received up to 11 a.m. (EST) on Nov. 21.

Illowata Oil Co.
Oct. 24 (letter of notification) 900,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For exploration and operation of oil properties. **Office**—1509 Mile High Center, Denver, Colo. **Underwriter**—Wayne Jewell Co., Denver, Colo.

International Staple & Machine Co.
Oct. 14 (letter of notification) 20,000 shares of 6% cumulative preferred stock of which 10,000 shares are to be offered to the public and the remainder to stockholders of record Oct. 10, 1957 in exchange for seven shares of common for each share of preferred. Both subscription and tenders for exchange must be received on or before Nov. 30, 1957. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—497 Union Trust Building, Pittsburgh 19, Pa. **Underwriter**—None.

Intra State Telephone Co.
Sept. 27 filed 4,900 shares of common stock being offered for subscription by common stockholders on the basis of one new share for each two shares held of record Oct. 18, 1957; rights to expire on Dec. 16, 1957. **Price**—At par ($100 per share). **Proceeds**—To reduce bank loans. **Office**—Galesburg, Ill. **Underwriter**—None. Statement effective Oct. 23.

Israel-Mediterranean Petroleum, Inc. of Panama
Sept. 27 filed voting trustees covering 1,000,000 shares of common stock (par one cent). **Price**—At the market on the American Stock Exchange. **Proceeds**—For exploratory drilling and development of presently licensed acreage and for acquisition of additional acreage. **Underwriter**—None.

Isthmus Steamship & Salvage Co., Miami, Fla.
May 21 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To purchase a ship and for working capital. **Underwriter**—Anderson Cook Co., Inc., Palm Beach, Fla.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

★ Joplin-Southern Corp., Joplin, Mo.
Nov. 14 (letter of notification) 9,980 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—For land, working capital, etc. **Office** — 112 West 4th St., Joplin, Mo. **Underwriter**—None.

Ketchum & Co., Inc., New York City (11/26)
Sept. 27 filed 210,000 shares of common stock (par $1), of which 43,000 shares are to be offered for account of the company and 167,000 shares for selling stockholders. **Price**—To be supplied by amendment. **Proceeds** — For general corporate purposes, including carrying of larger inventories. **Business**—Wholesale drugs. **Underwriter**—Hemphill, Noyes & Co., New York.

★ Kristi Co.
Nov. 6 (letter of notification) 48,000 shares of capital stock. **Price**—At par ($1 per share). **Proceeds**—For engineering and development work; purchase and payment of materials; machinery and working capital. **Address**—P. O. Box 7405, Denver 15, Colo. **Underwriter**—None.

★ Laymen Life Insurance Co.
Nov. 12 (letter of notification) 60,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital for expansion of its sales program as a legal reserve life insurance company. **Office** — 554 Citizens Bank Bldg., Anderson, Ind. **Underwriter** — None.

★ Magdalena Mining & Milling Co.
Nov. 7 (letter of notification) $260,000 of 7% sinking fund debentures due 1960 and 65,000 shares of common stock (par $1) to be offered in units of one $100 debenture and 25 shares of common stock. **Price** — $100 per unit. **Proceeds** — For mining expenses. **Office** — 1260 Simms St., Lakewood, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

★ Martinique Associates, Passaic, N. J.
Nov. 14 filed 38 participations in partnership interests. **Price**—$10,000 per participation. **Proceeds**—To purchase property at 80 Passaic Ave., Passaic, N. J. **Underwriter**—None. Offer to be made through four partners of Associates.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho. Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

★ Mercantile Acceptance Corp. of California
Nov. 1 (letter of notification) $25,000 of 5½% 12-year capital debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—333 Montgomery St., San Francisco, Calif. **Underwriter** — Guardian Securities Corp., same city.

Missouri Utilities Co.
Oct. 7 filed 25,135 shares of common stock (par $1) being offered for subscription by common stockholders at the rate of one new share for each 12 shares held as of Oct. 15 (with an oversubscription privilege); rights to expire on Nov. 25. **Price**—$19.50 per share. **Proceeds**—Together with funds from private sale of $800,000 5¾% first mortgage bonds, series C, to be used to retire bank loans and pay for property additions and improvements. **Underwriter**—Edward D. Jones & Co., St. Louis, Mo.

★ Mitchell (John E.) Co.
Nov. 12 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For payment of instalment of a note due bank. **Office**—3800 Commerce St., Dallas, Tex. **Underwriter**—None.

★ Model Mink, Inc., Circleville, N. Y.
Nov. 15 (letter of notification) 1,000 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For lease or purchase of land and new construction, expansion, etc. **Underwriter**—None. Wallace D. Turner is President.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Montreal (City of) (12/10)
Nov. 15 filed $11,000,000 of sinking fund debentures due Jan. 1, 1978 and $7,000,000 of sinking fund debentures due Jan. 15, 1978. **Price**—To be supplied by amendment. **Proceeds** — For public works and local improvements. **Underwriter**—To be determined by competitive bidding. Probable bidders: Shields & Co., Halsey, Stuart & Co. Inc., Savard & Hart and Salomon Bros. & Hutzler (jointly); Lehman Brothers, White, Weld & Co., Eastman Dillon, Union Securities & Co. and Blyth & Co., Inc. (jointly). **Bids**—Expected on Dec. 10.

Mortgage Clubs of America, Inc.
Aug. 19 filed $1,000,000 of participation units in second mortgages of real estate to be offered for public sale in units of $100, plus a sales commission of $10 per unit to the company. **Proceeds**—To be invested in small loans secured by second mortgage on home properties. **Office**—Springfield, Mass. **Underwriter**—None. Charles Hershman is President.

Municipal Investment Trust Fund, Inc. (N. Y.)
May 9 filed 5,000 units of undivided interests in Municipal Investment Trust Fund, Series A. **Price**—At market. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., New York.

Nassau Fund, Princeton, N. J.
May 8 filed 250,000 shares of common stock. **Price**—At market. **Proceeds**—For investment. **Office**—10 Nassau St., Princeton, N. J. **Investment Advisor** — Harland W. Hoisington, Inc., same address.

National Biochemicals, Inc.
Sept. 10 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—For cost of plant and inventory and for general corporate purposes. **Office**—Room 202 Houston Title Bldg., Houston, Tex. **Underwriter**—Scott Taylor & Co., Inc., New York, N. Y.

National Cylinder Gas Co.
Aug. 28 filed $17,500,000 of subordinated debentures due Sept. 1, 1977 (convertible on or before Sept. 1, 1967). **Price** — To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering** — Indefinitely postponed.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

★ Natural Gas Pipeline Co. of America
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters** — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York.

★ New Orleans Public Service Inc.
Nov. 12 (letter of notification) 5,965 shares of common stock (no par) to be offered for subscription by stockholders of record Dec. 2, 1957 on the basis of one new share for each eight shares held; rights to expire on Dec. 26. **Price**—$25 per share. **Proceeds**—For construction program. **Office** — 317 Baronne St., New Orleans, La. **Underwriter**—None.

★ Nichols, Inc., Exeter, N. H.
Nov. 14 filed 25,000 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—To repay short term bank loans and for working capital. **Business** — Sells hatching eggs and day-old chicks. **Underwriter**—None. George E. Coleman, Jr., is President.

Nuclear Science & Engineering Corp.
Sept. 20 filed 100,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Temporarily postponed because of market conditions.

Oglethorpe Life Insurance Co., Savannah, Ga.
Sept. 13 (letter of notification) 26,932 shares of common stock (par $2.50), of which 17,932 shares are being offered to present stockholders and 9,000 shares are offered to employees. **Price** — $11 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Johnson, Lane, Space Corp. and Varnedoe, Chisholm & Co., both of Savannah, Ga.

Oil & Gas Ventures—First 1958 Fund, Ltd. and Oil & Gas Ventures—Second 1958 Fund, Ltd., Madison, N. J.
Oct. 29 filed $2,500,000 of participations in capital as limited partnership interests to be offered in $25,000 minimum amounts. **Proceeds**—For acquisition, exploration, etc. of oil properties. **Underwriter** — Mineral Projects Co., Ltd., Madison, N. J.

★ Oil & Mineral Operations, Inc.
Nov. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For development of oil and mineral properties. **Office**—208 Wright Bldg., Tulsa, Okla. **Underwriter**—Universal Securities Co., Tulsa, Okla.

Old American Life Co., Seattle, Wash.
July 22 filed 15,825 shares of class A stock (par $10) and 3,165 shares of common stock (par $10) to be offered in units of one common share and three class A shares. **Price**—$260 per unit. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—None.

Pacific Great Eastern Ry.
Oct. 25 filed $30,000,000 of sinking fund debentures, series D, due 1987 (guaranteed unconditionally as to principal and interest by the Province of British Columbia). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriters**—Morgan Stanley & Co., Harris & Partners, Inc. and Burns Bros. & Denton, Inc., all of New York. **Offering**—Indefinitely postponed.

Pacific Petroleums, Ltd.
Oct. 11 filed 1,603,998 shares of common stock (par $1), of which 1,588,998 shares are to be offered in exchange for outstanding Merrill Petroleums, Ltd. common stock at the rate of one Pacific share for each two Merrill shares; the remaining 15,000 shares are to be issuable upon exercise of presently outstanding options granted by Merrill, which options will be assumed by Pacific. **Office**—Calgary, Alberta, Canada. **Underwriter**—None.

Palestine Economic Corp., New York
Sept. 26 filed 130,000 shares of common stock. **Price**—At par ($25 per share). **Proceeds**—For participation in further development of Israel industry; for capital improvements; for extension of cooperative and other banking credit; for financing of export to Israel; for investment in stock of two companies; and for working capital and other corporate purposes. **Underwriter**—None.

● Pall Corp. (11/22-25)
Nov. 1 (letter of notification) 20,000 shares of common stock (par $1). **Price**—$5 per share. **Proceeds**—For inventories, working capital, etc. **Business** — Filtration equipment. **Office**—30 Sea Cliff Ave., Glen Cove, L. I., N. Y. **Underwriter**—Schuster & Co., Inc., New York.

Pan American Tool Co., Houston, Texas
Oct. 28 filed 165,000 shares of common stock (par $1), to be offered in blocks of not less than 3,000 shares. **Price**—To be supplied by amendment. **Proceeds** — To discharge trade accounts payable, to buy tools and equipment and for working capital. **Underwriter**—None.

Pearce-Simpson, Inc., Miami, Fla.
Nov. 7 filed 415,450 shares of common stock (par 50 cents). **Price**—$1 per share. **Proceeds**—For capital expenditures; to retire loans and notes outstanding; and for inventories, tools, and other corporate purposes. **Underwriter**—Christopher Corp., Miami, Fla.

★ Pennsylvania & Southern Gas Co.
Oct. 31 (letter of notification) 5,000 shares of common stock (par $1.25) to be issued through exercise of stock purchase warrants attached to 6% debentures due Nov. 1, 1976. Warrants void if detached from debentures. **Price**—$12 per share. **Proceeds**—For sinking fund for the retirement of debentures. **Office**—1420 Walnut St., Philadelphia 2, Pa. **Underwriter**—None.

Peoples Security Investment Co.
Oct. 28 filed 1,000,000 preorganization subscriptions to class A voting common stock and 250,000 preorganization subscriptions to class B non-voting common stock to be offered in units of four class A shares and one class B

share, the purchaser agreeing to donate each class B share to the Peoples Security Foundation for Christian Education, to be incorporated as a non-profit corporation. **Price**—$2 per share. **Proceeds** — For capital and surplus to finance a proposed insurance company to be named Peoples Security & Endowment Co. of America. **Office** — Montgomery, Ala. **Underwriter** — None. T. J. Patterson is President.

★ Piedmont Co.
Nov. 8 (letter of notification) preorganizational subscriptions for 1,900 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For a plant site; plant cost; equipment and working capital. **Office**—404 Ashland Drive, Augusta, Ga. **Underwriter**—None.

★ Pittsburgh Brewing Co., Pittsburgh, Pa.
Nov. 15 filed $5,646,750 of 5% sinking fund income suboridnated debentures due Oct. 31, 1992; 112,935 shares of common stock (par $1); and 451,740 warrants to purchase 451,740 additional shares of common stock to be offered in units of $50 of debentures, one common share and warrants to purchase four common shares to be offered in exchange for each outstanding share of preferred stock (par $25) plus accrued dividends. **Purpose**—To eliminate or reduce preferred dividend arrearages. **Underwriter**—None.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Steven Randall & Co., Inc., New York.

★ Polytronic Research, Inc.
Nov. 4 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For equipment and research, development program and working capital. **Office**—4130 Howard Ave., Kensington, Md. **Underwriters**—First Washington Corp. and The Stanford Corp., both of Washington, D. C. **Change of Name**—Formerly Acme Tool & Engineering Corp.

★ Prane Laboratories, Inc.
Nov. 7 (letter of notification) 40,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For development and promotion of new products and for working capital. **Office**—4101 Estes Ave., Nashville, Tenn. **Underwriter**—None. Robert Douglas Peery is President.

★ Preferred Risk Life Insurance Co.
Nov. 12 (letter of notification) 200,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For working capital and other corporate purposes. **Address**—P. O. Box 1640, 3400 North Nevada Ave., Colorado Springs, Colo. **Underwriter**—None.

Pyramid Mining & Metal Corp.
Oct. 24 (letter of notification) 236,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For mining expenses. **Office** — 508 Great Plains Life Bldg., Lubbock, Tex. **Underwriter**—Sterling Securities Co., Inc., Odessa, Tex.

Ramapo Uranium Corp. (New York)
Aug. 13 filed 125,000 shares of common stock (par one cent). **Price**—$5 per share. **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilor mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

Reichhold Chemicals, Inc.
Oct. 10 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York. **Offering** — Temporarily postponed.

Research Instrument Corp.
Oct. 7 (letter of notification) $125,000 of 10-year 10% convertible debentures and 12,500 shares of common stock (no par) to be offered in units of one $100 debenture and ten shares of common stock. **Price**—$200 per unit. **Proceeds**—For equipment, working capital and inventory. **Office**—7962 S. E. Powell Blvd., Portland, Ore. **Underwriter**—Campbell & Robbins, Inc., Portland, Ore.

Resolute Bay Trading Co., Ltd.
Oct. 29 (letter of notification) 30,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital, etc. **Business**—Purchase and sale of commodities. **Office**—St. John, N. B., Canada. **Underwriter**—Irving Weis & Co., New York.

● Roach (Hal) Productions (12/2-6)
Aug. 8 filed 375,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For expansion of production of filmed television commercials and for working capital. **Business**—Produces films for television. **Office**—Culver City, Calif. **Underwriter**—S. D. Fuller & Co., New York.

★ Rokeach (I.) & Sons, Inc.
Nov. 15 (letter of notification) 72,437 shares of common stock (par $1) and 72,437 warrants to purchase common stock at $1 per share. **Price**—At market (about $1.25 per share). **Proceeds** — For working capital. **Office**—Farmingdale, N. J. **Underwriter**—None.

Rose Records, Inc.
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater. Okla.

● Royal McBee Corp.
Nov. 1 filed $7,675,300 of 20-year 6¼% convertible subordinated debentures due Dec. 1, 1977 being offered for subscription by common stockholders of record Nov. 20, 1957, on the basis of $100 of debentures for each 20 shares of common stock held; rights to expire on Dec. 4. **Price**—At par. **Proceeds**—To reduce bank loans and for working capital. **Underwriter**—Kuhn, Loeb & Co., New York.

Rule (C. F.) Construction Co.
Sept. 13 filed 127,289 shares of common stock (par $10). **Price**—$13 per share. **Proceeds**—To retire outstanding loans and for working capital and investment in additional equipment. **Office**—Nashville, Tenn. **Underwriter**—None.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Indefinitely postponed.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

Shacron Oil Corp.
Sept. 11 (letter of notification) 40,000 shares of common stock ((par $1) to be offered for subscription by stockholders; then to public. **Price**—$1.25 per share to stockholders; $1.37½ to public. **Proceeds**—For expenses incidental to drilling of oil wells. **Office**—Suite 14, 1500 Massachusetts Ave., N. W., Washington, D. C. **Underwriter**—None.

★ Shuron Optical Co., Inc.
Nov. 8 (letter of notification) an aggregate of $50,000 market value of common stock (par $5) to be offered for subscription by employees. **Price** — At over-the-counter market. **Proceeds**—None to company. **Office**—Geneva, N. Y. **Underwriter**—None.

Simplicity Pattern Co. Inc.
Oct. 10 filed 155,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering**—Temporarily delayed.

● Southern Colorado Power Co.
Oct. 21 filed $1,780,780 of convertible debentures due Dec. 1, 1972 to be offered for subscription by common stockholders on the basis of $100 of debentures for each 40 shares of stock held. **Price**—100% of principal amount. **Proceeds**—Together with funds from private sale of $1,500,000 5⅜% first mortgage bonds, to repay bank loans and for new construction. **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis, both of New York. **Offering**—Temporarily postponed, but expected soon.

★ Southwestern States Telephone Co. (12/10-12)
Nov. 20 filed 160,000 shares of cumulative preferred stock, $1.44 dividend convertible series (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

Standard Oil Co. (New Jersey)
Oct. 15 filed 6,549,124 shares of capital stock (par $7) being offered for subscription by stockholders of record Nov. 8, 1957, at the rate of one new share for each 30 shares held; rights to expire on Dec. 18, 1957. **Price**—$44 per share. **Proceeds**—To increase investments in subsidiary and affiliated companies. **Underwriter**—Morgan Stanley & Co., New York.

Standard Steel Products Manufacturing Co.
Oct. 3 (letter of notification) $165,000 of 7% 10-year debentures, 11,000 shares of common stock (par $2.50) and warrants to buy 11,000 additional common shares to be offered in units of $30 principal amount of debentures, two shares of stock and a warrant to buy two common shares at $7.50 each. **Price**—$45 per unit. **Proceeds** — For equipment and working capital. **Office**—2836 S. 16th St., Milwaukee, Wis. **Underwriter** — The Milwaukee Co., Milwaukee, Wis.

Suburban Electric Co. (12/11)
Nov. 5 filed $4,500,000 first mortgage bonds, series D, due 1987. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Dec. 11 at 441 Stuart St., Boston 16, Mass.

Surinam Corp., Houston, Tex.
Oct. 21 filed 10,000,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and exploitation of oil, gas and sulphur properties. **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

Syntex Corp. (Republic of Panama)
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock: unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share. **Proceeds**—To pay outstanding obligations to Ogden Corp. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Taylor Instrument Companies
Oct. 1 filed 99,195 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — To retire short term bank loans and for working capital and general corporate purposes. **Office** — Rochester, N. Y. **Underwriter**—The First Boston Corp., New York. **Offering**—Indefinitely postponed.

Tex-Star Oil & Gas Corp., Dallas, Texas
Oct. 14 filed 600,000 shares of common stock (par $1) to be offered in exchange for leases on certain properties. **Underwriter**—None.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

★ Texas Fund, Inc., Houston, Texas
Nov. 18 filed (by amendment) 1,000,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

Trans-America Uranium Mining Corp.
Nov. 6 filed 3,000,000 shares of common stock (par one mill). **Price**—25 cents per share. **Proceeds**—For land acquisition, exploratory work, working capital, reserves, and other corporate purposes. **Underwriter**—None. Alfred E. Owens of Waterloo, Ia., is President.

★ Tri-State Dental Supply, Inc.
Nov. 7 (letter of notification) 490 shares of class A common stock (no par) and 10 shares of class B common stock (no par). **Price**—$100 per share. **Proceeds**—For working capital. **Office** — Dome Bldg., Chattanooga, Tenn. **Underwriter**—None.

Ulrich Manufacturing Co.
Sept. 24 filed $600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par $1) to be offered in units of $500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. **Office**—Roanoke, Ill. **Underwriter**—White & Co., St. Louis, Mo., on a best-efforts basis.

Union of South Africa
Sept. 12 filed $15,000,000 10-year external loan bonds due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—For transportation development program. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Postponed temporarily.

● United States Coconut Fiber Corp. (11/25-26)
Sept. 30 filed 735,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For expansion program and other corporate purposes. **Office**—Washington, D. C. **Underwriter** — Southeastern Securities Corp., New York.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

Universal Drilling Co., Inc., New Orleans, La.
Oct. 31 filed 400,000 shares of class A common stock (par $1). **Price**—$5.50 per share. **Proceeds**—To pay obligations incurred and to be incurred in connection with construction and equipping of a drilling barge; and for working capital and other corporate purposes. **Underwriter**—Kohlmeyer & Co., New Orleans, La.

★ Universal Lithium Corp.
Nov. 13 (letter of notification) 1,065,000 shares of class A voting common stock (par two cents) to be offered thorugh class A warrants to 22 individuals. **Price**—Six cents per share. **Proceeds**—For mining lithium properties. **Office**—1507 M. St., N. W. Washington, D. C. **Underwriter**—None.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

● Victoreen Instrument Co., Cleveland, O.
Oct. 9 filed $700,000 of 6% convertible subordinated debentures due Nov. 15, 1967 being offered for subscription by common stockholders at the rate of $100 of debentures for each 100 shares of common stock held as of Nov. 13; rights to expire on Nov. 29. **Price**—At par. **Proceeds**—For expansion and working capital. **Underwriter**—Saunders, Stiver & Co., Cleveland, Ohio.

Virginia Electric & Power Co. (12/3)
Oct. 29 filed $20,000,000 of first and refunding mortgage bonds, series N, due Dec. 1, 1987. **Proceeds**—For construction expenditures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and American Securities Corp. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; White, Weld & Co. **Bids**—Expected to be received up to 11 a.m. (EST) on Dec. 3.

Warwick Valley Telephone Co.
Oct. 24 (letter of notification) 4,708 shares of common stock (no par) to be offered for subscription by common stockholders on the basis of one new share for each two shares held. **Price**—$20 per share. **Proceeds**—For construction of new telephone plant. **Office** — 47-49 Main St., Warwick, N. Y. **Underwriter**—None

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★ Washington Drama Center, Inc.
Nov. 15 (letter of notification) 900 shares of preferred stock and 100 shares of common stock. **Price**—Both at par ($50 per share). **Proceeds**—For inventories, working capital, etc. **Office**—1535 34th St., N. W., Washington, D. C., c/o John B. Wentworth, President. **Underwriter**—None.

Washington National Development Corp.
Oct. 2 (letter of notification) 50,000 shares of common stock (par $1) of which 34,280 shares are to be offered publicly at $1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office** — 3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

★ Western Chrome Inc.
Nov. 4 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For mining expenses. **Office** — Suite 901-902 Continental Bank Bldg., Salt Lake City, Utah. **Underwriter**—Utah General Securities, Inc., Salt Lake City, Utah.

• Western Copperada Mining Corp. (Canada)
Aug. 30 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For development and exploratory work, drilling costs and survey, and for working capital. **Office** — 1205 Phillips Square, Montreal, Canada **Underwriter**—Jean R. Veditz Co., Inc., New York. **Offering**—Expected at any time.

Wisconsin Public Service Corp. (12/5)
Nov. 5 filed $7,000,000 of first mortgage bonds due Dec. 1, 1987. **Proceeds**—For construction program and to repay bank loans. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Dean Witter & Co.; Lehman Brothers; White, Weld & Co. **Bids**—Expected to be received up to 10 a.m. (CST) on Dec. 5 at 231 So. La Salle St., Chicago 4, Ill.

Woodbury Telephone Co.
Sept. 23 (letter of notification) 3,533 shares of common stock being offered for subscription by common stockholders of record Oct. 25, 1957 on the basis of one new share for each three shares held; rights to expire Nov. 22, 1957. **Price**—At par ($25 per share). **Proceeds**—To repay all short term bank notes and for construction program. **Office**—Woodbury, Conn. **Underwriter**—None.

Wycotah Oil & Uranium, Inc., Denver, Colo.
July 29 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For acquisition of property and for other corporate purposes **Underwriter** — Teden & Co., Inc., New York. Statement effective Oct. 24.

★ Young (Donald W.) & Son, Inc. (12/2-5)
Nov. 14 (letter of notification) $75,000 of 10-year 6% debentures due Oct. 1, 1967, with common stock warrants to purchase 7,500 shares of 10-cent par common stock at $1 per share. **Price**—$100 per unit of a $100 debenture and one warrant. **Proceeds**—To repay short term debt and for working capital. **Office**—Stockholm, N. Y. **Underwriter**—Sherry Co., New York.

Prospective Offerings

Aircraft, Inc.
July 9 it was reported company plans to issue and sell up to $12,500,000 common stock, following spin-off by California Eastern Aviation, Inc. of its subsidiaries, Land-Air, Inc. and Air Carrier Service Corp. into Aircraft, Inc., a new company. **Underwriter**—Cruttenden, Podesta & Co., Chicago, Ill.

★ American Telephone & Telegraph Co. (2/7)
Nov. 20 it was announced company plans to offer to its stockholders an issue of approximately $720,000,000 of convertible debentures on the basis of $100 principal amount of debentures for each nine shares held. Subscription rights are expected to be mailed on or about Feb. 7, 1958 and the subscription period will run until about March 12, 1958. **Proceeds**—To meet demand for new telephone facilities. **Underwriter**—None.

Atlantic City Electric Co.
April 9, Bayard L. England, President, announced that later this year the company will probably issue about $5,000,000 of convertible debentures. **Proceeds**—For construction program. **Underwriter**—May be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., American Securities Corp. and Wood, Struthers & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Lee Higginson Corp.; Blyth & Co., Inc.

• Baltimore & Ohio RR. (12/5) (12/11)
Bids will be received by the company at 2 Wall St., New York 5, N. Y., up to noon (EST) on Dec. 5 for the purchase from it of $3,435,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler. Bids for an additional $3,435,000 of certificates are expected to be received on Dec. 11.

Brooklyn Union Gas Co.
Oct. 11 it was announced that company expects to issue and sell $18,000,000 to $20,000,000 mortgage bonds in the first or second quarter of 1958. **Proceeds** — To repay bank loans and for construction program. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc., and F. S. Moseley & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly).

★ California Electric Power Co.
Nov. 20, Carl C. Ernst, President, said that "it now appears we will be back to market more securities soon after the first of the year." **Proceeds**—For repayment of bank loans and for new construction.

Cambridge Electric Light Co.
Oct. 22 it was reported company may issue $4,500,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc. and F. S. Moseley & Co. (jointly). **Bids**—Tentatively expected to be received in January.

Central Illinois Public Service Co.
April 9 it was reported company plans to issue and sell $10,000,000 of 1st mtge. bonds. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; Blyth & Co., Inc.; Kidder, Peabody & Co.; and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly). **Offering**—Expected late in 1957.

★ Chicago District Pipeline Co.
Nov. 12 it was announced company plans to sell about $5,000,000 of first mortgage bonds sometime after the turn of the year. **Proceeds**—To repay advances made by Peoples Gas Light & Coke Co., the parent. **Underwriters** —Probably Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.

★ Chicago, Milwaukee, St. Paul & Pacific RR. (12/4)
Bids will be received by the company at Rome 744, Union Station Bldg., Chicago 6, Ill., up to noon (CST) on Dec. 4, for the purchase from it of $5,400,000 equipment trust certificates, series WW, to be dated Jan. 1, 1958 and to mature in 30 equal semi-annual installments of $180,000 each, from July 1, 1958 to and including Jan. 1, 1973. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Cincinnati Gas & Electric Co.
Nov. 8 it was reported company plans to issue and sell about $15,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Blyth & Co. Inc. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Lehman Bros. (jointly); Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly).

★ Cincinnati Gas & Electric Co.
Nov. 8 it was also announced that company plans in the summer of 1958 to offer to its common stockholders about 450,000 additional shares of common stock on about a 1-for-16 basis. **Underwriter**—None.

City Investing Co., New York
July 30, Robert W. Dowling, President, announced that the directors are giving consideration to the possible future issuance of debentures which could be used largely to acquire investments producing ordinary income as well as those with growth potentials.

Coastal Transmission Corp.
July 1 it was reported the company plans to offer publicly about 191,000 units of securities for about $20,000,000 (each unit expected to consist of a $25 debenture or $35 interim note and five shares of $1 par common stock). **Proceeds**—Together with other funds, for construction program. **Underwriters**—Lehman Brothers and Allen & Co., both of New York.

Colorado Fuel & Iron Corp.
Oct. 3 it was reported company now plans to issue and sell about $25,000,000 first mortgage bonds due 1977. **Underwriter**—Allen & Co., New York.

Commonwealth Edison Co. (1/14)
Nov. 4 it was announced company plans to sell $50,000,000 of mortgage bonds or debentures. **Proceeds** — For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co. **Bids**—Tentatively expected to be received on Jan. 14, 1958. **Registration** — Planned for about the middle of December.

Connecticut Light & Power Co.
Feb. 18, it was reported company plans to sell not less than $20,000,000 of first mortgage bonds, possibly this Fall, depending upon market conditions. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

Darco Industries, Inc.
Sept. 23 it was reported registration is expected of approximately 275,000 shares of common stock, of which about 225,000 shares are to be sold for account of company and 50,000 shares for selling stockholders. **Business** —Manufactures products for commercial and military aircraft and missiles. **Underwriter**—William R. Staats & Co., Los Angeles, Calif.

Eastern Gas & Fuel Associates
April 3 it was announced company may need additional capital of between $25,000,000 and $35,000,000 during the next two years. **Underwriter**—For any bonds to be determined by competitive bidding. Probable bidders Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly).

Eastern Utilities Associates
April 15 it was announced company proposes to issue and sell $3,750,000 of 25-year collateral trust bonds. **Proceeds** — For advances to Blackstone Valley Gas & Electric Co., a subsidiary. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; Stone & Webster Securities Corp. and Estabrook & Co. (jointly).

Falcon Seaboard Drilling Corp.
Oct. 28 it was reported that a secondary offering of 110,000 shares of common stock is expected. **Underwriter** —Lehman Brothers, New York.

Federation Bank & Trust Co. (N. Y.)
Sept. 12 it was announced stockholders will be given the right to subscribe for 118,900 additional shares of capital stock at the rate of one new share for each three shares held of record Oct. 18, 1957; rights to expire on Dec. 6, 1957. **Price**—$21 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Gulf Interstate Gas Co.
May 3 it was announced company plans to issue some additional first mortgage bonds, the amount of which has not yet been determined. **Proceeds** — For construction program. **Underwriters**—Carl M. Loeb, Rhoades & Co. and Merrill Lynch, Pierce, Fenner & Beane.

Gulf, Mobile & Ohio RR.
Nov. 8 company applied to the ICC for permission to issue $28,343,800 of 5% income debentures to mature Dec. 1, 2056 in exchange for the 283,438 shares of outstanding $5 preferred stock (no par) on the basis of $100 of debentures for each preferred share.

Hathaway (C. F.) Co., Waterville, Me.
June 24 it was announced company plans soon to offer to its common stockholders some additional common stock. **Underwriter**—Probably H. M. Payson & Co., Portland, Me.

Indiana & Michigan Electric Co. (2/13/58)
Nov. 15 it was announced company plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Proceeds** —For reduction of bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co. Inc.; The First Boston Corp.; Eastman Dillon, Union Securities & Co. **Bids**—Tentatively expected to be received up to 11 a.m. (EST) on Feb. 13, 1958.

Laclede Gas Co.
Aug. 5 it was announced company plans to raise up to $11,700,000 new money this year through sale of new securities. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Merrill Lynch, Pierce, Fenner & Beane and Reinholdt & Gardner (jointly).

Long Island Lighting Co.
April 16 it was announced company plans to sell later this year $40,000,000 of first mortgage bonds, series J. **Proceeds**—To refund $12,000,000 of series C bonds due Jan. 1, 1958 and for construction program. **Underwriter** —To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co. Inc. (jointly); W. C. Langley & Co. and Smith, Barney & Co. (jointly).

Louisville & Nashville RR.
Bids are expected to be received by the company some time in the Fall for the purchase from it of $14,400,000 of equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Mangel Stores Corp.
June 19 it was reported company plans registration of an issue of $3,000,000 of convertible debentures due 1972. **Underwriter**—Lee Higginson Corp., New York.

Montana Power Co.
May 20 it was reported company may issue and sell in the fall about $20,000,000 of debt securities. **Proceeds**—For construction program and to reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co.; Kidder, Peabody & Co.; Smith, Barney & Co., and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Stone & Webster Securities Corp. (jointly).

New Orleans Public Service Inc.
Nov. 5 it was announced company plans to offer to its common stockholders the privilege of subscribing for 157,851 additional shares of common stock at the rate of one new share for each eight shares held. Middle South Utilities, Inc., as holder of 1,215,089 shares (96.22%) of the outstanding common stock, proposes to acquire its pro rata share of the additional stock. **Price**—$25 per share. **Proceeds** — For construction program. **Underwriter**—None.

Norfolk & Western Ry. (12/4) (1/22)
Bids are expected to be received by this company up to noon (EST) on Dec. 4 for the purchase from it of $4,140,000 equipment trust certificates (second instalment) to mature semi-annually from May 1, 1958 to and including Nov. 1, 1972. Bids for the remaining $4,140,000 of certificates of the same issue (third instalment) are expected to be received up to noon (EST) on Jan. 22. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern Illinois Gas Co.
Aug. 29 this company announced that it has deferred until the first half of 1958 its plan to raise between $8,000,000 and $10,000,000 early this fall. No decision has been made as to the form of the proposed financing, but no consideration is being given to sale of common

stock or securities convertible into common stock. **Proceeds**—For construction program. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.

● Northern Natural Gas Co.
Nov. 7 it was announced company plans to issue and sell $25,000,000 of debentures due 1977. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York. **Offering**—Planned for December.

● Northern Natural Gas Co.
Nov. 5 the directors authorized the issuance of additional shares of common stock (par $10), to be offered early in 1958 to common stockholders on the basis of one new share for each eight shares held. **Proceeds**—Approximately $20,000,000 to repay bank loans and for construction program. **Underwriter**—None.

Ohio Water Service Co.
Sept. 26 it was reported company to issue and sell in November an issue of $1,500,000 convertible subordinated debentures. **Underwriter**—McDonald & Co., Cleveland, Ohio. **Registration**—Expected in near future.

★ Oklahoma Gas & Electric Co.
Nov. 18 it was reported company plans to raise about $20,000,000 next Spring through sale of bonds and other securities. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly). (2) For preferred stock—Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); The First Boston Corp.; Lehman Bros. and Blyth & Co. Inc. (jointly); Smith, Barney & Co.; Harriman Ripley & Co. Inc.; Kuhn, Loeb & Co. Any offering of common stock may be made to common stockholders, with Merrill Lynch, Pierce, Fenner & Beane underwriting.

● Pacific Gas & Electric Co. (1/21)
Oct. 16 directors authorized the sale of $60,000,000 first and refunding mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp. and Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc. **Bids**—To be received on Jan. 21, 1958.

★ Pacific Gas & Electric Co.
Nov. 4 it was announced company plans, following bond sale about Jan. 21, to offer a small amount of common stock to keep the capital structure in reasonable balance. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Public Service Electric & Gas Co.
Aug. 1 it was announced company anticipates it will sell in the Fall of 1957 or in 1958 $25,000 000 of preferred stock. **Proceeds**—For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

Quebec Hydro-Electric Commission
Oct. 7 it was reported that the company may be considering a proposal to raise between $30,000,000 and $50,000,000 additional funds this year. **Underwriters**—The First Boston Corp. and A. E. Ames & Co., both of New York.

Republic National Bank of Dallas (11/25)
Nov. 12 it was announced that Bank plans to offer to its stockholders of record Nov. 25, 1957, the right to subscribe for 223,125 additional shares of capital stock (par $12) at the rate of one new share for each 12 shares held. **Price**—$45 per share. **Proceeds**—To increase capital and surplus. **Underwriters**—Walker, Austin & Waggoner, The First Southwest Co. and Dallas Rupe & Son, all of Dallas, Tex.

Riddle Airlines, Inc.
Oct. 21 it was announced company plans to register with the SEC an issue of new common stock, the number of shares and the price at which they will be offered not yet determined. The authorized common stock has been increased from 7,500,000 to 15,000,000 shares. **Proceeds**—To finance route expansion and for working capital. **Underwriter**—James H. Price & Co., Inc., Coral Gables, Fla. and New York, N. Y., handled previous public offering of 500,000 shares of common stock at $3.25 per share in July, 1956.

Royal Dutch Petroleum Co.
Oct. 3 it was announced company plans early in 1958 to raise between Fls.800 million and Fls.1,000 million (equivalent to $211,000,000 and $263,000,000) through a "rights" offering to stockholders. **Price**—To be governed by market conditions prevailing at time of issue. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co. in U. S.

● Ryder System, Inc. (11/27)
Aug. 28 it was announced company plans to sell publicly in the Fall an additional 200,000 shares of its common stock. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., New York.

★ Seaboard Air Line RR.
Nov. 18 it was reported company plans to issue and sell $5,445,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Shell Transport & Trading Co., Ltd.
Oct. 3 it was announced company plans to offer to stockholders early in 1958 between £40,000,000 and £55,000,000 additional capital stock (equivalent to $112,000,000 and $154,000,000). **Price**—To be governed by market conditions prevailing at time of issue. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Grenfell & Co., Ltd., London, England.

South Carolina Electric & Gas Co.
Jan. 14 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Lehman Brothers (jointly); Kidder, Peabody & Co.; Eastman Dillon, Union Securities & Co. **Bids**—Not expected to be received until the Fall.

Superior Tool & Die Co.
July 26 it was announced company plans to issue and sell 150,000 shares of 70-cent cumulative convertible preferred stock (par $10). **Price**—Expected to be between $11.12½ and $11.50 per share, depending upon market conditions. **Proceeds**—To discharge a note of $1,160,500 held by City Industrial Co. in connection with acquisition of Bethlehem Foundry & Machine Co. common stock and for working capital and general corporate purposes. **Underwriter**—Van Alstyne, Noel & Co., New York.

★ Texas Utilities Co.
Nov. 4 it was announced company may sell some additional common stock in an amount not exceeding 4% of present outstanding 12,210,000 shares. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); The First Southwest Corp., Rauscher, Pierce & Co. and Dallas Securities Co. (jointly); Lehman Bros. and Bear, Stearns & Co. (jointly); Eastman Dillon, Union Securities & Co.

Toledo Scale Co.
Sept. 26 it was reported that, following merger with Houghton Elevator Co., Toledo Scale Co. plans to issue some additional common stock. **Underwriter**—McDonald & Co., Cleveland, Ohio. **Registration**—Expected in November.

Transocean Corp. of California
May 21 it was announced company plans a public offering of securities to provide about $6,700,000 of new working capital.

Tuttle Engineering, Inc., Arcadia, Calif.
Nov. 6, Harry Oedekerk, Chairman of the Board, announced corporation plans a public stock issue in the near future. **Proceeds**—For working capital and other corporate purposes.

★ Union Electric Co. (Mo.)
Nov. 11 it was reported company plans to offer around 1,000,000 additional shares of common stock, first to common stockholders. **Underwriter**—To be determined by competitive bidding. Probable bidders: Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane.

★ Union Electric Co. (Mo.)
Nov. 11 it was reported company plans in the Spring to issue and sell $25,000,000 to $35,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); White, Weld & Co., Blyth & Co., Inc., Eastman Dillon, Union Securities & Co. and Shields & Co. (jointly); The First Boston Corp.

Valley Gas Co.
April 15 it was announced company, a subsidiary of Blackstone Valley Gas & Electric Co., plans to issue, within one year, $4,000,000 of bonds, $1,100,000 of notes and $900,000 of preferred stock to its parent in exchange for $6,000,000 of notes to be issued in exchange for certain assets of Blackstone. The latter, in turn, proposes to dispose by negotiated sale the first three new securities mentioned in this paragraph.
April 15 it was also announced Blackstone plans to offer to its common stockholders (other than Eastern Utilities Associates its parent) and to common stockholders of the latter the $2,500,000 of common stock of Valley Gas Co., it is to receive as part payment of certain Blackstone properties. **Dealer-Manager**—May be Kidder, Peabody & Co., New York.

Washington Natural Gas Co.
Oct. 18 the directors authorized the sale of $5,000,000 in debentures. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

Washington Water Power Co.
Oct. 8, Kensey M. Robinson, President, stated that the company will come into the market early next year, probably in January, with $30,000,000 of new public financing, mostly in bonds, but may include some debentures. **Proceeds**—For construction program. **Underwriters**—Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Laurence M. Marks & Co., all of New York.

● Wisconsin Southern Gas Co., Inc.
Oct. 17 it was reported company plans to offer to stockholders for a 14-day standby, an additional 16,566 shares of common stock on a 1-for-7 basis. However, financing plans may be revised and a full registration statement filed. **Underwriters**—The Milwaukee Co., Milwaukee, Wis.; and Harley, Haydon & Co. and Bell & Farrell, Inc., both of Madison, Wis.

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Observations . . .

observation employed in proper perspective, you can detect the many foibles in which the financial community, again and again, indulges.

And now a word about figuring the yield, that is the dividend yield. *Do* handle this difficulty of judging the yield of individual common stocks today by reading the dividend tables in two or more publications, and get the answer through a kind of process of osmosis or absorption. Difficulty in finding out the actual dividend policy, is partly due to the non-uniform policy of company directors, both from company to company and within a company. On occasion it is even said that extra dividends are more regular than the regular disbursement.

And here is something practically useful. *Do* read the financial pages from the index which is usually very efficient, and *do* pay particular attention to the part of the index applying to factual corporate news.

The Don'ts

Now for some "don'ts":

Avoid rumors and rumor mongering whether it be direct or by implication. From bitter experience even a Lord Keynes came to learn that "The laws of arithmetic are more reliable than the winds of rumor." As my very important caveat, I would strongly urge against confusing values with market prices.

Don't follow market quotations any more closely than is absolutely necessary. Quotation consciousness should be relegated to a role strictly secondary to value appraisal. Certainly *don't* be a hound for instantaneous news of quotations such as after-the-close stock tables feverishly published by the evening papers between the baseball and horserace editions. In other words, I'm saying about this part of the financial news—the quotations part—*don't* read it!

Avoid the temptation to fall in with the commentators' or writers' proclivity to concentrate exclusive emphasis, or in selecting one of the twin sets of bullish or bearish elements in order to support either his own interpretation or forecast. Here's an interesting idea. The practice of Alexander Dan Noyes, late financial editor of the New York "Times," seems to have been ideal. Each New Year's Day he listed the 10 foremost "bullish" and then along side of them the 10 foremost "bearish" elements in the situation of the time and simply left it to the reader to take his pick and make his decision.

Don't Look!

Please *don't* look at the market value of an issue soon after your transaction in it; otherwise you will get into a lot of trouble because of your emotional reactions to having either been temporarily proved "right" or "wrong." If the stock you don't own goes up without you in it, the emotional anguish may be even greater than from an actual loss. Of course I can't go so far as to tell you not to look at the price before you buy it, because you'll have to determine its valuation, and then give your broker the price.

Beware of over-dramatization and over-glamourization of stock market movements. You probably have heard of the wife or sweetheart grudgingly attending a prize-fight, who brings along a portable radio set so that the broadcaster's picturesque description of what she is witnessing will relieve her boredom. At first she can scarcely believe that the proceedings before *both* her eyes and her ears are one and the same. And so it often is with the morning after description of the day's stock market action. During a minor reaction in calm markets sometime before the September-October violence, I culled the following captions applying to even mere declines of 1 to 2%: "Stocks Routed," "Market Falls from Own Weight," "Stocks Reel from Own Blows," and such a picture as "Savage Selling." Dramatization and glamourization have extremely serious importance in undermining investment principles. In making a game of market movements, in overemphasizing the importance of liquidity, in adding to the mistaking of price changes for value changes, and in accentuating the tendency to concentrate on the forecasting of quotation factors of the so-called chips—blue, pale and yellow—instead of appraising the real worth of the business, that is the properties in which these chips or quotations represent shares, genuine investment practice is directly undermined.

Now this investment caveat also applies to pictorialization in advisory services whether via verbiage, in or charts concocted under the guise of the stratospheric calculus. So-called *signaling* as a means to market profit, tempting as it is, constitutes a major dis-service to the genuine investor in distracting him from concentrating on constructive value considerations.

Above all preserve an investment status in all your reading, as well as in your other behavior regarding the market place.

Two With Merrill Lnych

(Special to The Financial Chronicle)

CHICAGO, Ill. — Kenneth M. Miller and James Shannon have joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

Daniel F. Rice Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Robert M. Saperstein has been added to the staff of Daniel F. Rice and Company, 141 West Jackson Boulevard, members of the New York and Midwest Stock Exchanges.

With Hess Inv. Co.

(Special to The Financial Chronicle)

QUINCY, Ill.—William H. Van Wyk has become affiliated with Hess Investment Company, 721 Maine Street.

Joins H. C. Wainwright

(Special to The Financial Chronicle)

PORTLAND, Maine — Erlon S. Varney is now connected with H. C. Wainwright & Co., Casco Bank Building.

Royal McBee Rights Offer Underwritten

Royal McBee Corp. is offering to its common stockholders rights to subscribe for $7,675,300 principal amount of 6¼% convertible subordinated debentures due Dec. 1, 1977, at the rate of $100 principal amount of debentures for each 20 shares of common stock held of record on Nov. 20, 1957. The subscription price is 100%. The rights will expire at 3:30 p.m. (EST), on Dec. 4, 1957. The offering is being underwritten by a group headed by Kuhn, Loeb & Co.

The debentures are convertible into common stock at $26 a share through Dec. 1, 1967; at $28.50 a share thereafter and through Dec. 1, 1972; and at $31 a share thereafter.

The issue will have the benefit of an annual mandatory sinking fund of $500,000 principal amount of debentures on each Dec. 1 from 1968 through 1976, and the company at its option may redeem up to an additional $500,000 principal amount during each of such years, such option being noncumulative. The debentures will be redeemable for sinking fund purposes at par.

The debentures are noncallable for two years and are optionally redeemable at any time thereafter at prices declining from 106% to par in the last two years; however, the debentures may not be redeemed for refunding purposes prior to Dec. 1, 1967, at an interest cost to Royal McBee of less than 6¼%.

Of net proceeds from the sale of the debentures, $7,000,000 will be used to reduce short-term bank loans incurred primarily because of increases in accounts receivable and inventories stemming from the company's expanded sales and in connection with preparation for marketing new products. The balance of the net proceeds will be added to Royal McBee's working capital.

Royal McBee manufactures Royal typewriters and McBee data processing equipment and machines, filing equipment for accounting forms, and records and specialized printed products. The company also distributes electronic computers for Royal Precision Corporation, a 50% owned subsidiary.

Consolidated net sales and services during the fiscal year ended July 31, 1957 totaled $107,648,268. Net income available for the common stock was $4,117,943.

Lee Higginson Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Frank L. Soule is now with Lee Higginson Corporation, 50 Federal Street.

With Charles A. Parcells

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Albert B. Hammond is now associated with Charles A. Parcells & Co., Penobscot Building, members of the Detroit Stock Exchange.

With Straus, Blosser Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Charles T. Newton has joined the staff of Straus, Blosser & McDowell, Penobscot Building.

Marache, Dofflemyre Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — David H. Turner has been added to the staff of Marache, Dofflemyre & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange.

Berry Opens Branch

Berry & Company has opened a branch office at 50 Broadway, New York City, under the direction of William L. Cooeny.

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The State of Trade and Industry

the 990,000 during September even though private home building slipped slightly during the period.

The department noted that starts for the first 10 months of this year indicated a total of only 980,000 units for 1957. The number of private and public housing starts during the first 10 months of 1957, it continued, aggregated 892,300 units or 9% under the like 1956 volume and the lowest total for the period since 1949.

The October annual rate, although slightly better than September, fell short of the 1,010,000 of August and the 1,015,000 of July and trailed the 1,052,000 rate in October of 1956.

Steel Output Set at 76.8% of Ingot Capacity This Week Compared With an Actual Rate of 77.7% a Week Ago

A crosscurrent of gains and declines in 45 economic indicators for the metalworking industry shows that more adjustment is on the way, "Steel" magazine reported on Monday of the current week.

It said the rolling adjustment means that pressure for short term expansion will probably ease up still more and that over-all production is expected to hold at a level only slightly below the pace of the last two years.

Nineteen of the indicators reported on by this trade weekly were above the level of the previous month, while 26 were below. Most of the gains (13) were in production, while only three of indicators on orders and sales were ahead. Backlog gained in only one industry, malleable foundries. Both wages and prices showed a mixed pattern.

The industry appears to be following pretty much of a seasonal pattern but at a lower-than-seasonal level. Several of the downtrends, such as those in fabricated structural steel and refrigerators, are normal in the fall. Most of the uptrends are also normal, such as the marked increase in the radio-TV industry.

Strong activities, such as construction and auto output, are counterbalancing declines in steel mill shipments and durable goods orders.

The steel industry will turn out about 115,000,000 ingot tons in 1957 or 85% of its 133,500,000 tons of capacity.

Competition for steel business has become so keen that mills must answer a consumer's inquiry within an hour or run the risk of losing the order. Over-all demand for steel is not pressing and consumption is off with many users still working off inventories.

The decline in steel production is pulling down pig iron output, the lower the steel output, the lower the amount of iron needed.

Normally, the steelmaking rate is about the same as the best furnace rate, but this year has been an exception, continues this trade magazine. In the first nine months, the steelmaking rate averaged 87.9% of capacity and the blast furnace rate averaged 95.1%. Steelmakers were using high proportions of hot iron in their melts to avoid high prices of scrap.

Heavy reliance on hot iron and the decline in steel production sent scrap prices into a drop that continued through the week ended Nov. 13. "Steel's" scrap price composite was $33.17 a gross ton, off 16 cents from the week-ago figure.

While mills watch scrap prices go down, they foresee a rise in labor costs. Steelworkers automatically get pay boosts when the cost of living rises a stipulated amount. The cost of living is measured twice a year, May 15 and Nov. 15. It is expected that the rise, to be announced late in December, will be sufficient to give the steelworkers a wage increase of 3 cents or 4 cents an hour on Jan. 1, concludes "Steel."

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry, will be an average of 76.8% of capacity for the week beginning Nov. 18, 1957, equivalent to 1,965,000 tons of ingot and steel for castings, as compared with an actual rate of 77.7% of capacity, and 1,990,000 tons as week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,495,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 80.2% and production 2,052,000 tons. A year ago the actual weekly production was placed at 2,463,000 tons or 100.1%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Climbs for Fourth Straight Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 16, 1957, was estimated at 11,953,000,000 kwh., according to the Edison Electric Institute. Output the past week advanced for the fourth straight week.

The past week's output rose 39,000,000 kwh. above that of the previous week and advanced by 364,000,000 kwh., or 3.1% above that of the comparable 1956 week and 804,000,000 kwh. over the week ended Nov. 19, 1955.

Car Loadings Dipped 5.4% in Latest Week and Were 12.6% Below the 1956 Period

Loadings of revenue freight for the week ended Nov. 9, 1957, were 38,721 cars or 5.4% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Nov. 9, 1957, totaled 675,273 cars, a decrease of 97,577 cars, or 12.6% below the corresponding 1956 week and a decrease of 116,769 cars, or 14.7% below the corresponding week in 1955.

Passenger Car Output Climbed 6.2% Last Week

Passenger car production for the latest week ended Nov. 15, 1957, according to "Ward's Automotive Reports," registered a gain of 6.2%, adding that close to 595,000 units will leave the assembly lines this month.

Last week's car output totaled 145,281 units and compared with 136,742 (revised) in the previous week. The past week's production total of cars and trucks amounted to 167,925 units, or an increase of 8,540 units above that of the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 8,539 cars, while truck output advanced by one vehicle during the week. In the corresponding week last year 135,641 cars and 21,510 trucks were assembled.

Last week the agency reported there were 22,644 trucks made in the United States. This compared with 22,643 in the previous week and 21,510 a year ago.

Canadian output last week was placed at 7,210 cars and 1,586 trucks. In the previous week Dominion plants built 6,896 cars and 1,599 trucks and for the comparable 1956 week 8,282 cars and 1,977 trucks.

Lumber Shipments 1.6% Below Output in Week Ended Nov. 9th

Lumber shipments of 471 reporting mills in the week ended Nov. 9, 1957, were 1.6% below production, according to the National Lumber Trade Barometer. In the same period, new orders were 4.5% below production. Unfilled orders amounted to 27% of stocks. Production was 2.7% below; shipments 8.2% below and new orders were 3.8% below the previous week and 7.8% below production for the like week of 1956.

Business Failures Rose Sharply for Week and Were Considerably Above 1956 Period

Commercial and industrial failures climbed to 306 in the week ended Nov. 14 from 266 in the preceding week, Dun & Bradstreet, Inc., reported. At the highest level since May, casualties were up considerably from the 240 last year and the 214 in 1955. Despite this increase, failures remained slightly below the prewar level of 308 in the comparable week of 1939.

All of the week's rise occurred among casualties with liabilities of $5,000 or more, which climbed to 269 from 222 a week ago and 184 in 1956. On the other hand, small failures involving liabilities under $5,000, dipped to 37 from 44 in the previous week and 56 last year. Twenty-seven of the failing businesses had liabilities in excess of $100,000, as against 21 in the preceding week.

Retailers and construction contractors accounted for most of the week-to-week upturn. In retailing, casualties rose to 149 from 120 and in construction to 51 from 37. While the total in manufacturing edged up 54 from 53, commercial service held steady at 26 and wholesaling dipped to 26 from 30. More businesses failed than a year ago in all lines. The smallest increases from 1956 occurred in wholesale trade and construction whereas advances of 28% or more prevailed in other groups.

Geographically, the increase during the week was concentrated in four of the nine major geographic regions. The total in the Pacific States rose to 83 from 67, in the East North Central, to 43 from 27, in the East South Central to 9 from 3 and in the West South Central to 24 from 15. Meanwhile, no change was reported in four regions, including the Middle Atlantic States which held steady at 92. Only the New England States had a decrease, to 11 from 18. Failures exceeded last year's level in all regions except the West North Central States.

Failures Turned Mildly Upward in October

A total of 1,122 businesses failed in October, involving liabilities of $47,400,000. Casualties rose slightly from the preceding month but were lower in both number and size than in October last year. Furthermore, the rate of failure dipped from the postwar peak of 59 per 10,000 listed concerns in September to 52 per 10,000 in October. A year ago, failures occurred at a rate of 53 and in pre-war 1939 the rate was 73.

Manufacturing failures climbed to the highest level since March with mining and apparel industries accounting for most of the upswing. Wholesalers and construction contractors suffered the heaviest casualties in five months, with the construction increase concentrated in subcontracting. Failures among retailers increased from September but continued below any other month this year. Casualties were confined to the automotive, food, restaurant and drug lines.

Fewer trade and construction concerns failed than last year. Declines ranged from 3% in construction to 7% in retailing and 12% in wholesaling. Although mixed trends from the previous October prevailed among both contractors and retailers, mortality was noticeably lower for general builders and for retailers of food, general merchandise, apparel and building materials. In contrast, manufacturing and service enterprises suffered more severely than in October 1956.

Geographically, all of the October rise was centered in the New England, Middle Atlantic, West South Central and Mountain States.

Wholesale Food Price Index Rose Sharply Scoring Fourth Successive Gain the Past Week

Reflecting the continuous uptrend in wholesale food markets, the Dun & Bradstreet wholesale food price index advanced sharply last week. The index for Nov. 12 went to $6.29, from $6.18 the week before. This was the fourth successive gain and marked the highest level since Sept. 10, when it was $6.32. At $6.29, the current number compares with $6.01 at this time last year, or a rise of 4.7%.

Advances in individual commodities greatly outnumbered declines during the week. Higher in wholesale cost were flour, wheat, corn, rye, hams, bellies, coffee, cottonseed oil, cocoa, peanuts, eggs, potatoes, steers, hogs and lambs. Lower were oats, barley, lard, sugar and raisins.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Strikes Another 2-Year Low in Latest Week

Some price declines on livestock, steel scrap and rubber offset gains in grains, cocoa and hides during the week, pulling the general commodity price level to another two-year low. On Nov. 8 the daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc. fell to 275.69. This compared with 276.68 on Nov. 4 and 294.41 on the comparable date a year ago.

Political developments and international tensions influenced grain prices last week. Most grains showed increases, with the most noticeable gains in rye, soybeans and wheat. Slight advances were scored from a week earlier in wholesale costs of corn and oats. Purchases of grains were sluggish throughout most of the week, but picked up on Friday. The buying of wheat improved substantially as buyers hoped that Democratic political victories would result in an increase in next year's support prices.

A slight rise in flour prices occurred as mills somewhat stepped up their orders for hard Winter bakery flour. Interest in Spring flour and other types lagged. Flour receipts at New York railroad terminals on Thursday amounted to 22,837 sacks, with 2,647 for export and 20,240 for domestic use.

There was a noticeable rise in rice buying during the week, and prices advanced moderately. Increased exports to Cuba and Far Eastern markets reduced wholesale inventories. Although the buying of raw sugar was unchanged, prices rose fractionally. Refined sugar prices were close to those of the previous week.

Cocoa futures trading on Thursday was the highest for any single day so far this year. The previous high was on Oct. 30. This resulted in a slight price increase. Warehouse stocks in New York declined to 194,051 bags, and were noticeably below the 327,868 bags of a year ago. Cocoa arrivals at United States ports for the season so far totaled 2,808,720 bags compared with 3,542,733 bags in the comparable period last year.

Wholesalers reported a slight decline in coffee futures prices, but purchases were close to those of a week earlier. Despite moderate gains in trading, rubber prices fell sharply to new seasonal lows. This was a result of rumors that the Government might alter its stockpiling program and unload its stocks on the world market.

Interest in cattle slackened and prices slipped somewhat. Cattle receipts in Chicago were somewhat lower than those of the prior week, but were moderately higher than a year ago. Transactions in hogs expanded appreciably and prices remained at previous week levels. There was a sharp rise in hog receipts. The Government forecast that the hog crop for 1958 would be noticeably higher than in 1957 and that prices next Fall and Winter would dip considerably. Lamb supplies were limited and prices slipped in sluggish trade. Both trading and prices on lard were close to a week earlier.

Unfavorable weather conditions in growing areas, stimulated cotton trading last week, causing an appreciable increase in prices. The Government estimate of the year's cotton crop was lower than previous estimates and showed a substantial decline from last year's crop. Cotton exports last year amounted to about 61,000 bales compared with 144,000 a week earlier and 125,000 in the similar week last year. For the season through Nov. 5 cotton exports were estimated at 1,284,000 bales compared with 1,622,000 bales during the comparable period last year, the New York Cotton Exchange reported.

Trade Volume in Latest Week Unchanged to 4% Above Year Ago

There was another moderate rise in consumer buying last week, and volume slightly exceeded that of a year ago for the second consecutive week. Much of the increase was attributed to increased sales of women's apparel, furniture, floor coverings and some food products. The introduction of some 1958 models helped stimulate interest in new passenger cars. As a result, volume was close to that of a year ago, spot reports reveal. Dealer inventories remained noticeably higher than the corresponding period a year ago, when they were abnormally low.

The total dollar volume of retail trade in the period ended on Wednesday of last week was unchanged to 4% higher than a year ago, spot estimates collected by Dun & Bradstreet, Inc. show. Regional estimates varied from the comparable 1956 levels by the following percentages: Middle Atlantic States +2 to +6%; East South Central and Pacific Coast +1 to +5%; East North Central 0 to +4%; New England and Mountain —1 to +3%; West North Central, South Atlantic and West South Central States —2 to +2%.

Shoppers noticeably stepped up their buying of women's cloth coats, which brought about substantial year-to-year gains. Sales of dresses and sportswear moderately exceeded those of a year ago. Interest in fashion accessories remained close to that of both a week earlier and the similar 1956 period. Best-sellers in men's apparel were finishings and hats.

The call for floor coverings advanced considerably, with interest centering primarily on imported merchandise. Furniture stores reported appreciable gains from the prior week in the buying of case goods, upholstered chairs and dinette sets. Slight increases in sales of linens were offset by declines in draperies. Major appliance dealers reported decreases in purchases of refrigerators, automatic washers and dryers and television sets.

Grocers reported an improvement in food sales last week.

There were moderate declines in wholesale orders for women's Spring clothing, as retailers concentrated on obtaining Winter dresses and accessories to replenish depleted stocks and prepare for the Christmas season. Wholesalers anticipate increased sales in Spring dresses and coats in January. While a slight rise in orders for men's furnishings and shoes occurred, interest in children's clothing lagged.

Buyers moderately stepped up their orders for toys and games during the week and slight year-to-year increases prevailed. Wholesalers reported moderate gains in the call for lighting equipment, television sets and radios, but volume in refrigerators and automatic laundry equipment was sluggish. Another noticeable rise occurred in purchases of floor coverings.

There were moderate declines in transactions in woolens and worsteds. Volume in cotton gray goods fell, with decreases in print cloths and broadcloths. Mid-Atlantic dyers and finishers reported a moderate dip in incoming orders.

Over-all food buying at wholesale improved the past week.

At $11.2 billion, total wholesale volume in September slipped about 2% below August, but equaled that of the comparable 1956 month. The most noticeable month-to-month decreases occurred in durable goods, especially furniture, home furnishings and machinery. Sales of non-durables were down slightly in September from August.

At the end of September the book value of manufacturing and trade inventories totaled $90.9 billion, moderately higher than a year ago. Although the level was slightly higher than at the end of August, the month-to-month gain was considerably less than earlier in the year. Declines in manufacturing stocks offset in part rises in retail inventories.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 9, 1957 declined 1% from the like period last year. In the preceding week, Nov. 2, 1957 a decrease of 2% was reported. For the four weeks ended Nov. 9, 1957 a decline of 1% was reported. For the period Jan. 1, 1957 to Nov. 9, 1957 an increase of 1% was registered above that of 1956.

Retail trade sales volume in New York City the past week showed a gain of 2% above sales for the corresponding period in 1956.

Strong Veterans' Day buying coupled with cooler weather and some early Christmas shopping were given by trade observers as the cause of the improved showing last week.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 9, 1957 increased 1% above that of the like period last year. In the preceding week, Nov. 2, 1957 an increase of 6% was reported. For the four weeks ending Nov. 9, 1957 an increase of 2% was registered. For the period of Jan. 1, 1957 to Nov. 9, 1957 the index registered an increase of 2% above that of the corresponding period of 1956.

Business Man's Bookshelf

Automobile Facts and Figures—37th Edition—Automobile Manufacturers Association, 366 Madison Avenue, New York 17, N. Y.—Paper.

British Government Publications—September, 1957—British Information Services, 45 Rockefeller Plaza, New York 20, N. Y. (paper).

Contract Method of Construction Safeguards Public Funds — Revised—Associated General Contractors of America, Inc., Munsey, Building, Washington 4, D. C.—Paper.

Design Sense—Special trademark issue—Lippincott & Margulies, Inc., 430 Park Avenue, New York 22, N. Y. (paper).

Economic Backwardness and Economic Growth — Harvey Leibenstein—John Wiley & Sons, Inc., 440 Fourth Avenue, New York 16, N. Y., $12.50.

Federal Expenditure Policy for Economic Growth and Stability—Papers submitted by panelists appearing before the Subcommittee on Fiscal Policy of the Joint Economic Committee — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. — paper—$3.25.

Freeman, November 1957 — Containing articles on "to Shoot a Myth, How's Your Thinking?, Importance of Awe, Social Discipline, Why Humans Must Be Free, More Frenchmen to Algeria?, Competitive System Is Humane; Education Is a Private Responsibility; Voluntary Associations and the State; Small States are Best; etc."—Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 50c per copy.

Government Careers for Women—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., 45c.

Growth of the Federal Budget: An Appraisal and Forecast — New York Chamber of Commerce, 65 Liberty Street, New York 5, N. Y., (paper).

Guide to Effective Report Writing—Industrial Relations News, 230 West 41st Street, New York 36, N. Y.—$1.50.

Guides for Control and Reduction of the 1959 Federal Budget — National Association of Manufacturers, 2 East 48th Street, New York 17, N. Y.—Paper.

Homeownership Through Savings—International Union of Building Societies and Savings and Loan Associations, 1 South Dearborn Street, Chicago 3, Ill., (paper).

Industrial Relations Problems of United States Corporations Abroad — A bibliography — Industrial Relations Section, Princeton University, Princeton, N. J.—paper—20c.

Is Math in the Stars for You?—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., 5c.

Job Horizons for the College Woman, 1956 — U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., 25c.

Journal of Political Economy — October 1957 containing articles on Workers' Management in Yugoslavia; Increased Rents from Increased Costs; Study of Irrational Judgments; Interest Arbitrage, Exchange Rates, and Dollar Reserves; and Employment Effects of Minimum Wages, 1938-50, etc.—University of Chicago, Chicago, Ill.—$6 per year.

Labor Laws and Their Administration — A discussion, 1956 — U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., 60c.

Manufacture of Brick, Tile & Kindred Products — U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., 15c.

Positive Experiences in Retirement—Otto Pollak—Richard D. Irwin, Inc., Homewood, Ill., (paper), $1.50.

Preview of Leisure Years—Booklet discussing the conditioning of individuals to the idea of retirement — Retirement Education, Inc., Caxton Building, Cleveland 15, Ohio, (paper—on request).

Printers and Technology — Elizabeth Faulkner Baker—Columbia University Press 2960 Broadway, New York 27, N. Y., $7.

Residential Finance 1950—Richard U. Ratcliffe, Daniel B. Rathbun & Junia Honnold—John Wiley & Sons, 440 Fourth Avenue, New York 16, N. Y.—$6.

Safety Standards, July - August, 1957—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., 15c.

Some Fundamental Problems of Policy Formation and Organization in the Commercial Field—Dr. J. F. Haccou—H. E. Stenfert Kroes N. V., Publishers, 38 Pieterskerkhof, Leiden, Holland Paper—3.60 Dutch guilders.

Unemployment Insurance — Margaret S. Gordon and Ralph W. Amerson—Institute of Industrial Relations, University of California, 201 California Hall, Berkeley 4, Calif.—50c (lower prices on quantity orders).

What About Listing? — Brochure describing seven important advantages of listing stocks on a securities exchange — Midwest Stock Exchange, 120 South La Salle Street, Chicago 3, Ill., (paper).

What's Ahead for Civil Service?—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y.—paper—25c.

Workmen's Compensation Problems—U. S. Department of Labor, 341 Ninth Avenue, New York 1, N. Y., $1.

After Four More Years

"In my report to the last Asian regional conference (in 1953), I drew attention to the enormous gap between living levels in Asia and those in the more highly developed countries and to the need for great and rapid advance to meet Asia's basic problems of poverty and underemployment.

"The basic problems have not changed over the last four years. From such statistical evidence as is available, it is clear that the gap has not been closing, but has even been widening.

"Poverty is still crushing and widespread. Land, capital and entrepreneurial and technical skill are still short. Manpower — the greatest potential asset in Asian development—is still suffering from unemployment and underemployment. Industrialization is slow to make an impact on these age-old problems." — David A. Morse, Director-General of the International Labor Organization.

Those who think that the condition of the poor in backward regions—and that is about all there are there—can be promptly and substantially improved by pouring even billions into the work should ponder these sentences — as certainly also should those who talk about "investments" in the regions.

H. G. Winans Now With Mitchum, Jones Firm

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Henry G. Winans has become associated with Mitchum, Jones & Templeton, 650 South Spring Street. He was formerly Reverside representative for Fairman & Co. and prior thereto was in the Santa Monica office of Walston, Hoffman & Goodwin.

Mutual Funds

By ROBERT R. RICH

No Sharp Business Decline Seen

No sharp business decline that would lead to severe depression conditions in the months to come is foreseen at this time by a well-known Wall Street investment research organization.

This opinion is contained in the monthly report on the business situation which has just been made to Tri-Continental Corp., the nation's largest diversified closed-end investment company, and three associated mutual funds, Broad Street Investing and National Investors Corporations and Whitehall Fund, Inc.

"The developments of the past month seem to fortify the expectation that business activity will experience some moderation in the months to come," stated the report from the economists of Union Service Corp.

"In view of the stability of governmental expenditures, some rise in state and municipal expenditures, the high level of personal income and savings, the readjustments that have already taken place in many industries, and the high—though declining—order backlogs, a sharp decline leading to severe depression conditions does not seem apparent.

"However," the report cautioned, "a close scrutiny of events must be maintained to see that a gentle decline does not give evidence of accelerating, or, contrariwise, that one is unaware that the necessary readjustments have worked themselves out and the economy has resumed its expansion."

The report brought out that developments have reinforced "the conclusion that business activity is more likely to decline moderately during the months ahead than experience a resurgence of the boom."

Other noteworthy points included:

"(1) Additional checks on expenditures for plant and equipment confirm the expectation that they will decline in 1958 by something like 8 to 10%. (2) New orders continued under current production, resulting in the continuance of the downward trend in order backlogs. (3) Industrial raw material prices significant of future business activity continue their decline. (4) Retail sales in general showed a slight easing rather than any substantial pickup, although still ahead of last year."

The stock market decline, the report opines, "has been more than a technical fluctuation in the market itself and seems to express the view on the part of investors that the long rise in business has ended for a while at least and that business conditions are more likely to be flat or declining rather than rising."

"No doubt," the report to Tri-Continental continues, "the Russian satellite and the Syrian troubles had their part in disturbing the investor sense of security and confidence. On the other hand, the decline has not gone far enough to constitute a forecast of depression of the 1937-38 variety.

"It must now be said that with the upsetting of investor confidence continuing, a more cautious attitude has been engendered in business quarters which may affect business planning to some degree, although in general the confidence of the businessman seems well maintained."

"Some observers," the report stated, "look to the ability of the public to buy goods at retail because of high disposable income, a high level of savings, and more moderate new instalment commitments as the positive forces which will in due course counteract declining tendencies and bring about a renewal of expansion. There is no doubt that the ability to buy is there, but whether the willingness to spend freely will be present is subject to some doubt in the light of a somewhat lessened confidence in the future."

Concord Fund Still Defensive

The annual report to Concord Fund shareholders covering the fiscal year ended Sept. 30, 1957 showed cash, government bonds and short term corporate notes at $6,071,000—representing 56.4% of the entire portfolio. This compares with a defensive position of 60.1% as of June 30, 1957.

Dr. Charles F. Roos, President of the fund, commented that the fund has begun to reinvest a modest amount of its liquid resources in the sharp decline which has occurred in security prices since June 30. These purchases, said Dr. Roos, have been continued during October, although a substantial amount is held in liquid form in anticipation of further declines in the general level of security prices.

Sales of Concord Fund for the fiscal year ended Sept. 30, 1957 were $3,868,553 as compared to $3,966,324 reported a year earlier, according to W. George Potts, Concord Sales Director for A. C. Allyn & Company, Inc., of Chicago, underwriters and national distributors of the fund.

As of Sept. 30, 1957, net assets of Concord Fund were reported at $10,771,434—an increase of 9% from the year-earlier figure.

No Change In Upward Trend Of Stock Market Prices Seen

Despite "wild market gyrations," a new look at the economic "fundamentals" indicates no change in the long-term upward trend of security prices, the 16,500 shareholders of Managed Funds, Inc., were told on Nov. 20.

Hilton H. Slayton, President, said that sharp fluctuations in both directions have brought forth widely conflicting opinions, "ranging all the way to the rumor that the dog in Sputnik is a bear in disguise."

"A number of times since the war, short-term influences have temporarily obscured basic long-term fundamentals," he said. "As a result, the problem of investing today has become one of separating the great mass of irrelevant detail from the essential facts and determining what those facts mean."

Mr. Slayton listed population growth, the rise in consumer income, progress and research, continuance of inflation, and anti-depression forces, as the five "fundamental facts" of the long-term economic outlook.

By 1960, America's population should be close to 180 million and, by 1975, about 220 million, he said, adding:

"Beginning in the early 1960's, the rate of formation of new households will rise as today's children reach the age of marriage. New households mean increased demand for homes, autos, appliances, goods and services of all kinds."

The rise in consumer income, he went on, has given at least half of all family units take-home pay in excess of their basic living costs, compared with only 10% before World War II.

Today's mass market is no longer tied to the essential commodities, he said, and consumer credit, though high in terms of dollars, represents only 22% of discretionary income, compared with 32% in 1940.

"There is certainly nothing here to suggest an imminent decline in the national standard of consumption," he said.

Pointing out that more money has been spent for scientific research in the last decade than in all the previous years of the nation's history, Mr. Slayton said each new scientific advance opens new fields for exploration, making a continued increase in the importance of research "inevitable."

He noted a probable outlay of about $7.3 billion for research in 1957 and said this rate may well be doubled within the next 10 years.

The continuous developing of new and better products has had, and will continue to have, a tremendous impact on plant expansion, employment and consumer buying power," he predicted.

Turning to inflation, Mr. Slayton holds out little hope for a prolonged halt in the decline of purchasing power.

One important reason is organized labor's persistent and successful demands for wage increases, a force over which the Federal Reserve has "no control," he continued.

"And although the government is genuinely concerned about inflationary trends," he said, "it seems unable to reduce its debt in periods of prosperity, yet is committed to increase it in periods of depression to stimulate the economy."

Mr. Slayton said the possibility of a serious depression has been "substantially reduced" by a number of stabilizing factors, including high-level government spending, old-age benefits, pension plans and unemployment compensation which tend to maintain purchasing power. Other stabilizing elements are the Full Employment Act of 1946, and the fact that business' long - range plans are "no longer governed by transient considerations."

These established fundamentals of the economy suggest that the 100-point drop in the Dow-Jones Industrial Averages is not a reflection of things to come, but an opportunity to purchase securities at bargain prices, Mr. Slayton said.

"The fact is," he concluded, "that despite the substantial economic advances and increases in values of plant, equipment and new-product potentials, investors can today purchase stocks at prices which prevailed two years ago."

Scudder Funds Report Gains

Scudder, Stevens & Clark Fund, Inc. reports total net assets on Nov. 13, 1957 of $61,993,245, equal to $31.04 per share on 1,997,082 shares outstanding. This compares with total net assets a year ago of $72,168,704, equivalent to $37.45 per share on 1,926,915 shares then outstanding.

Scudder, Stevens & Clark Common Fund, Inc. reports total net assets on Nov. 13, 1957 of $14,294,579, equal to $19.94 per share on 717,008 shares outstanding. This compares with total net assets a year ago of $13,658,365, equivalent to $24.17 per share on 565,196 shares then outstanding.

Delaware Fund Moves Into Stable Stocks

Delaware Fund has replaced some of its more cyclical commitments with stable consumers' goods stocks, Chairman D. Moreau Barringer writes in his latest semi-monthly Directors' Letter.

As part of this movement, he reports, the fund sold the remainder of its once large holdings of General Motors. The sudden movement in the "exotic fuel" stocks following Moscow's hints on Sputnik fuel prompted the sale of General Tire & Rubber at what Mr. Barringer termed "a generous profit."

The Delaware Chairman believes the difference between a disappointing 1958 and a passably good one lies in the hands of the automobile industry's prospective customers. He feels that although it is too early to determine how the new models are being received, the comments lean toward the unfavorable side. He notes, however, that the dealers' two months' cleanup of 1957 models exceeds last year's high pressure results by some 90,000 sales.

Citing the close relationship between automobiles, steel production, and the country's capital goods activity, Mr. Barringer reasons: "With the automobile outlook still less clear than it should become in the ensuing weeks, and with many capital goods stocks likely to become targets for tax-selling, a little more emphasis on service industries and consumers' goods seems wise.

"We continue to believe," the Delaware executive concluded, "that as time goes on business (and eventually stock prices) will make new attempts at higher levels than those from which we have recently retreated. Therefore, we expect a well-selected list of commons to be a sounder investment just now than cash or its equivalent."

Hare's Ltd. Takes Canada Fund Sales

National distribution of the Canadian International Growth Fund Ltd. has been taken over by Hare's Ltd., 85 Broad Street, New York City, S. Chadwick Reed, Vice-President and Director of Dealer Sales for Hare's Ltd., announced.

The Canadian International Growth Fund, which was organized in June, 1956 is a mutual fund investing in growth companies whose principal interests are in Canada and other countries of the Free World outside the United States. Assets of the fund are now more than $4.5 million.

Directors of the fund include Kenneth S. Van Strum, President of Van Strum & Towne, Inc.; Joseph A. Straessle, Director of Credit Suisse, Paul Rykens, former Chairman of Unilever and Thomas H. McKittrick, former President of The Bank for International Settlements.

Canadian International Growth Fund is organized under Canadian law to accumulate and reinvest all earnings, operating so as to incur minimum taxes in Canada and no corporate tax liability in the United States.

Hare's Ltd. is also the national distributor for Institutional Growth Fund, Institutional Insurance Fund, Institutional Foundation Fund, Institutional Bank Fund and Institutional Income Fund. Total assets of the funds distributed by Hare's Ltd. are in excess of $57,000,000.

Brush Slocumb Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Edward L. Culin has been added to the staff of Brush, Slocumb & Co. Inc., 465 California Street.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Helen C. Haynes is now affiliated with Merrill Lynch, Pierce, Fenner & Beane, 1319 Franklin Street.

With F. I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—William H. Lowden has become associated with Francis I. du Pont & Co., 317 Montgomery Street. Mr. Lowden was formerly for many years with Walston & Co., Inc.

Joins H. H. Butterfield

(Special to THE FINANCIAL CHRONICLE)

JACKSON, Mich. — Albert B. Hammond is now with H. H. Butterfield & Co., City Bank Bldg.

Warren Currier Opens

LA JOLLA, Calif. — Warren Currier III is engaging in a securities business from offices at 5820 Bellevue Avenue. He was formerly with Allen & Company and P. W. Brooks & Co.

Tri-Con Stability Illustrated

Investors who have sought the advantages of diversification and professional management provided by closed-end investment company shares have also had the advantage of favorable market performance in this year of mixed stock trends if their holdings were in shares of Tri-Continental Corp.

The common stock of Tri-Continental, the nation's largest diversified closed-end investment company, at 27½ on Nov. 11, was priced ¼ above the 27¼ at the start of the year. This was in sharp contrast with a loss of an average 19% for 15 "blue chip" market leaders.

As compared with the Tri-Continental showing, the Dow-Jones averages showed that in the same period industrials were down 13%, rails —29%, utilities —5%, and the 65 stocks —16%.

A table comparing Tri-Continental common's market performance with that of the 15 "blue chips" and the Dow-Jones averages follow:

	12/31/56	11/11/57	% Change
Tri-Continental common	27¼	27½	+ 1%
Aluminum Co.	92⅛	66¾	—23%
American Gas	37¼	34¾	— 7%
Continental Oil*	62⅞	44¾	—29%
du Pont	192¾	172¾	—10%
Eastern Air Lines	49¾	32⅜	—35%
General Electric	60¼	59¾	— 1%
Goodrich	73¾	60⅞	—17%
International Paper	105	86¼	—18%
Kennecott Paper	127⅝	85	—33%
National Lead	110½	96⅝	—13%
Southern Railway	44¾	32	—18%
Standard Oil (New Jersey)	58¾	48¾	—17%
U. S. Steel	73½	54⅛	—26%
Union Carbide	115¾	92½	—20%
Union Pacific	30¼	25	—17%
Average 15 leaders			—19%
Dow-Jones Industrials	499.47	434.94	—13%
Dow-Jones Rails	152.23	107.48	—29%
Dow-Jones Utilities	68.54	64.84	— 5%
Dow-Jones 65	174.09	146.86	—16%

*Adjusted for stock split.

The favorable market performance of Tri-Continental common, it is said, so far this year reflects (1) an increase in public interest in the investment company's shares, (2) continued investment of substantial sums by British and Scottish investors, and (3) growing interest in the shares on the part of pension funds and trust companies.

Investor Loyalty Pays Off, Rukeyser Maintains

Economist, urging maintenance of the long range investment view, declares expectation of successfully catching market swings represents a victimizing delusion. Advocates Dollar Averaging technique for constructive fruitful results.

While constancy in love and marriage has long been heralded by poets, the financial meistersingers in Wall Street have failed to create public appreciation of the fact that investor loyalty also pays off.

Merryle S. Rukeyser

This view was expressed in Springfield, Mass., Nov. 6 by Merryle Stanley Rukeyser, economist, newspaper columnist, and business consultant.

"Fickleness in finance," Mr. Rukeyser declared, "does less for the investor than for the broker who earns commissions and for the taxing agencies which place imposts on transactions. In growing and dynamic America, it has been prudent to take the long-range investment view and retain positions of ownership in outstanding, seasoned and well managed corporations."

A Sucker's Delusion

"While the sucker is victimized by the delusion that he will be lucky enough to buy at the bottom and sell at the top, experience shows that those who more modestly add to their holdings of superior securities by the practice of monthly dollar averaging may expect better practical results. Dollar averaging is based on the discipline of making precisely the same monetary deposits for acquiring a selected list of securities irrespective of the current emotional waves of optimism or pessimism. This system achieves a satisfactory average cost through the impact of enlarging the buying power of the monthly deposits in depressed markets and, conversely, automatically shrinking purchasing power of such investment booms in inflated and overexploited markets.

"If initial selections are astutely made the investor participates in national growth and from the compound interest effect that well managed companies retain a third to a half of year's earnings and reinvest them in the business for the benefit of stockholders.

"Obviously financial constancy and loyalty of investors to the companies of which they are part owners should be contingent on affirmative evidence in periodical corporate financial reports that the enterprise continues to be well managed, and through research is keeping abreast of technological change. Intelligent adherence to a program does not mean falling asleep and failing to keep informed as to whether management is holding its own in a competitive situation.

The Tax Inroad

"The capital gains tax on dollar increases in market valuations of shares make in and out trading less attractive. Long-term gains are taxed at a ceiling of 25%, and, unless there are fundamental reasons for changing the form in which capital is invested, the realized sale because of the tax factor tends to deplete an individual's capital. The capital gains tax distorts markets, and causes even in and out traders to behave differently than they would except for the tax. The net effect of the capital gains tax is to cause speculative prices of shares to exaggerate the rise during a boom, and the decline during a corrective break."

Mr. Rukeyser, who is author of "Financial Security in a Changing World" and five other books on investment, pointed out the investor has utter freedom of choice, and is not compelled to remain with marketable shares any longer than he desires. The speaker stated that no formal divorce proceedings are required for separation of an individual from the role of stockholder in a company. Like an Arab monarch, Mr. Rukeyser said, the invester can end the relationship at will without any formalities.

Railroad Securities

Western Maryland Railway

Earnings of Western Maryland Railway in the first 10 months of this year actually registered an increase over those of the like period of 1956. This was a better showing than reported by the other roads in the Allegheny District and equaled the performance of almost any other carrier in the country. Few roads have registered gains over 1956.

For the first 10 months of this year, Western Maryland reported a net income of $7,457,000 as compared with a net income of $6,503,000 in the corresponding period of last year. This was equal after taxes, charges and preferred dividend requirements to $10.51 a common share against $7.96 a share in the comparable period a year ago.

The railroad has completed arrangements to prepay the final installment of $1,500,000 on short-term bank loans due Dec. 26. The loan originally was for $4,500,000 and was obtained in December, 1955 in connection with refinancing to provide for the payment of all dividend arrears on the 7% preferred stock. The payment of this bank loan now lifts all restrictions on the payment of common dividend and, for the first time, it is expected the board of directors will consider such action before the end of the year. It is likely that either a lump sum year-end payment will be made of the common placed on a quarterly basis for 1958. Dividends on the second preferred stock were begun in 1956.

The capitalization of the Western Maryland is fairly small. Funded debt at the end of last year amounted to $78,340,992, including equipment trust obligations of $33,721,092. The 7% first preferred stock, through the recapitalization plan, has been reduced to only 8,332 ($100 par) non-redeemable shares. There are 169,088 ($30 par) $1.50 cumulative preferred shares which are redeemable at $30 a share and of which the Baltimore & Ohio RR. owns 167,127 shares. The $4 non-cumulative 2nd preferred shares ($100 par) and redeemable at par are convertible into one share of common stock. Of the 61,290 shares of this issue outstanding, the B. & O. owns 8,000 shares. The common stock consists of 660,908 no-par shares of which the B. & O. owns 214,746 shares.

Carloadings in November have been running under those of the like 1956 month. For the week ended Nov. 9, cars on line and received from connection amounted to 11,359 cars as compared with 14,207 cars loaded in the like week of last year. However, even if traffic as anticipated should run under those of a year ago in the final weeks of the year, it is believed that for the full year net income per share should approximate the $10.22 a share reported for the full year of 1956.

Western Maryland is highly dependent on the movement of bituminous coal and this commodity has held up well in comparison with the other freight classifications. Traffic also has been improved by development of the Port of Baltimore and adjacent territory and also by a drive on the part of management for greater industrialization of the territory served.

As of Sept. 30, 1957, cash aggregated $5,190,563, temporary cash investments $1,494,377 and special deposits $1,388,473. This compares with cash of $5,554,080, temporary cash investments of $497,779 and special deposits of $1,706,570, at the end of the like 1956 period. Net current assets (current assets less current liabilities) on Sept. 30 were $12,849,827 against $10,983,041 on the corresponding 1956 date.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Richard T. Hussey is now affiliated with First California Company, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

M. R. Zeller Opens

ROCKAWAY PARK, N. Y.—Milton Zeller has formed M. R. Zeller Co. with offices at 122-20 Ocean Promenade to conduct a securities business.

Murray Opens Branch

PITTSBURGH, Pa. — Murray and Company has opened a branch office at 933 Penn Avenue under the management of Robert Luttrell.

Whitney Co. Branch

RICHMOND, Va. — Whitney & Company Inc. has opened a branch at 5 North Sixth Street under the direction of Mrs. Geraldine K. Glenn.

Now Lifeco Inc.

EAST SYRACUSE, N. Y.—The firm name of Hyde, Di Marco & Leveen, 2025 Teall Avenue, has been changed to Lifeco, Inc.

Now Metropoltan Inv.

ST. LOUIS, Mo.—The firm name of Marlo Investments, 939 Oakridge Avenue, has been changed to Metropolitan Investors.

Continued from first page

Flexible Bank Reserves And Sustained Prosperity

these tools is the power to change the amounts of reserves that banks must legally carry against their deposits. Next, I shall examine critically the present system of legal reserve requirements established by the Federal Reserve Act, in the light of the economic function that reserves perform today. We shall then be in a position to appraise proposals for reforming the system, made by the American Bankers Association. Finally, I shall advance some alternative reform proposals for consideration, arising out of research we have been carrying on in the Graduate School of Business Administration at UCLA.

Our Economic Goal

The economic goal of the American people is full employment and full production, without inflation, in a free economy. We seek to avoid unemployment and loss of production; to prevent inflation and the depreciation of the dollar; and to let individual businesses and consumers rather than governmental officials make decisions regarding prices, production, investment, and consumption. The problem is to achieve all three of these conditions at the same time. The Employment Act of 1946, passed by overwhelming majorities of both parties in the Congress, requires the Federal Government to use all of its power and influence to achieve this end.

The three elements of our economic goal have not always received the same emphasis. Before World War II, Americans were most concerned about putting idle men and idle factories to work. Immediately after World War II, the removal of government controls over wages, prices, inventories, and production, appeared most urgent. Within the past two years, emphasis has shifted to the need to avoid a creeping inflation of the price level. In the future, emphasis may again shift. Yet, the American people will never willingly sacrifice any one element to attain another. We intend to achieve all three objectives at the same time, and to operate an economy in which high employment is compatible with individual freedom and a stable dollar.

Monetary Policies—The Key Regulator of a Free Economy

There can be no question that monetary policies represent the keystone of any effort by the central government of a free economy to maintain a steady pace of economic growth with a stable price level. This is so because of the great power, the impersonality, and the generality with which monetary controls affect peoples' behavior. Federal Reserve actions to increase the quantity of money (currency and checking accounts in banks) relative to the physical volume of production tend to expand demand and to raise the prices of goods and services. Federal Reserve actions to restrict the supply of money and credit, relative to the supply of goods and services coming into the nation's markets, tend to reduce demand and to hold down prices. These monetary and credit controls operate impersonally. There is no governmental interference with the details of private business, which is so irksome and inefficient in a free economy. Specific pricing, production, buying, and selling decisions are made by individuals operating in open markets.

Monetary policies are also general in their operation, rather than selective and discriminatory. As we have only recently seen, determined actions by government to tighten the money supply and to make credit costlier and harder to get can put a powerful break on an inflationary boom. They reduce the rate of spending by businesses, consumers, and state and local governments. They can greatly moderate a general rise in prices. Whether they can succeed in slowing the rise of wage costs sufficiently to bring price inflation to a halt, without a business recession, is a vital question. We do not yet know the answer to this question.

While monetary policy is the key regulator of a free economy, it is not all-powerful. If wage-costs (including fringe benefits) do keep rising faster than the productivity of labor in the face of credit restrictions imposed by the Federal Reserve authorities to keep the price level stable, a general business recession may emerge because profits are squeezed too severely. The alternative course open to the Federal Reserve authorities, in this situation, is to permit the supply of credit to increase enough to finance full-employment and full production at a *higher* price level. Thus, it *may* not be possible to reconcile the objectives of full employment and a stable price level, without imposing direct government controls of wages and prices, which we all wish to avoid.

I believe that this possible dilemma of monetary policy can be resolved by reforms in U. S. economic policies that would make our economy more inflation-resistent. We should not expect monetary regulation by itself to bring the millennium. It would be a digression fully to discuss these reforms. May I simply enumerate subjects that deserve careful study if we are to fortify monetary policy in its effort to maintain prosperity without a depreciating dollar.

Clearly, we need to have a Federal fiscal policy which adjusts taxes and government spending in ways that support Federal Reserve policy. We need a foreign trade policy which does not, through tariffs and quotas on foreign products, tend to raise the domestic price level. We need an agricultural policy which does not keep the prices of farm products at uneconomically high levels. We need to reconsider our stockpiling program, which has helped to keep up the prices of certain basic metals and materials. We should consider the application of our anti-monopoly laws to labor unions and other private economic activities now exempt, in the interest of making the price system more flexible and the mobility of resources more rapid. If we have a highly competitive economy of flexible prices and mobile resources, then an intelligent use of sharp monetary tools — supported by wise Federal taxation and spending policies—can be relied upon to achieve our economic goal.

How can the instruments of monetary regulation be made more efficient?

Sharpening the Tools of Monetary Regulation

Three major tools of general monetary regulation are available to the Federal Reserve System. First, the power to change, upward or downward, the percentages of their deposits that commercial banks are legally required to maintain as cash reserves. Secondly, the power to change the rates at which the Federal Reserve banks will discount collateral offered by commercial banks that need additional cash. Third, the power to purchase or sell government securities in the open market, with the effect of either releasing or absorbing available liquid funds.

Since a policy of active monetary restraint was initiated by the Federal Reserve System in 1955, searching questions have been raised about the equity and the adequacy of these tools. Indeed, the need for modernizing the whole structure of financial control has been urged by many responsible persons. The Federal Reserve System has been substantially unchanged during the past quarter-century. During this time, startling alterations have taken place in the U. S. economy and in the financial institutions of our country. There have been profound changes in the economic environment of banking, including a surging growth in the size of the U. S. economy, a larger role for government, a leveling-up of consumer's wealth and income, and the suburbanization of cities. We have seen the emergence of deposit insurance, a great growth of branch banking, the burgeoning of life insurance companies, the development of the savings and loan association, and the rise of specialized consumer credit institutions, to mention only a few.

Do all segments of our contemporary financial system respond as rapidly and fully as necessary to present monetary controls? Do current controls operate inequitably, putting home builders, municipalities, and small businesses in an unfairly tight pinch under a policy of monetary restraint? Does the country need selective controls of home mortgage and consumer credit as well as of stock market credit, at least on a standby basis? What is the proper rate of SBA, FHA, VA and other Federal lending and loan insuring agencies, and how can we better coordinate their credit activities with those of private institutions?

It is impossible to answer these difficult questions here. I raise them only to emphasize the need for a thorough study of all aspects of the U. S. financial system by a National Monetary and Credit Commission, such as was proposed by President Eisenhower last year. This is a long-range task for a distinguished group of experts, having the time and the training to deal with these problems fundamentally and objectively. It is not a task for a Congressional committee, which must perforce meet briefly under the spotlight of publicity. Both the commercial banking industry and the U. S. economy would, in my opinion, gain much from the recommendations of such a Commission.

The Economic Function of Bank Reserves

It is in connection with the need to sharpen the tools of monetary regulation that we should appraise our present legal reserve system. The first question one naturally asks is: What is the economic function of a legal reserve requirement?

In the older theory and practice of American commercial banking, the "liquidity concept" of reserves prevailed. Because most bank liabilities are payable on demand, or nearly so, and the ability of an individual bank to meet the demands of depositors depends on its cash or liquidity, the main function of a legal reserve requirement was thought to be that of enforcing a bank to maintain a certain minimum proportion of its assets in the form of cash. However, the "liquidity concept" of legal reserves is no longer applicable. The Federal Reserve banks provide liquidity to a member bank, when there is pressure by its depositors to withdraw funds, by permitting it to discount or borrow against any "eligible assets" in its portfolios.

The primary function of a legal reserve requirement today is, therefore, to give the monetary authorities control of the aggregate volume of bank credit. The legal reserve requirement provides the monetary authority with a basic means by which it can influence the "free reserves" and thereby the volume of loans and investments made by member banks, and the amount of deposits available to the public for expenditure. Of course, the Federal Reserve authorities also determine the amount of "free" reserves available to member banks by their open market and discount operations.

From the point of view of an individual bank, the cash reserve it is required to keep with its Federal Reserve bank represents non-earning assets — funds which cannot be loaned or invested and made to earn an income. The legal reserve requirement thus represents a kind of tax upon the earning power of an individual bank, levied to support the necessary powers of monetary control by the Federal Reserve System. What determines the amount of "tax" that an individual bank should pay? The logical answer is that this "tax" should be proportional to the share of the bank in the total demand for the gross national product: That is, a bank's reserve requirement should be proportional to the expenditures made by its depositors on the final products of the economy in relation to all such expenditures. For this reason, the amount of *debits* against the demand deposits of a bank appears to provide the most rational measure of its legal reserve. If we consider debits in relation to the bank's demand deposit balances, the *annual turnover of demand deposits* is the proper measure of its legal reserve requirement. Banks whose demand deposits turn over rapidly should logically be required to carry a higher reserve, per dollar of demand deposit balances, than banks with a low deposit turnover. (I shall not state here the reasons why debits for different purposes should not be treated the same.)

Faults of the Present Reserve System

The present legal reserve system classifies member banks of the Federal Reserve System into three groups, according to whether they are located in central reserve cities (New York and Chicago), reserve cities (of which there are 48 designated at present), or so-called "country" territory. This tripartite geographical classification dates back to the National Bank Act of 1863. Present legal reserve ratios are 12, 18, and 20% against demand deposits of country, reserve city, and central reserve city banks respectively. Savings and time deposits carry a legal reserve requirement of 5% uniformly. Any bank, large or small, whatever its clientele, is required to maintain the stated proportion of its deposits as a legal reserve, depending only upon location.

This system has been so manifestly inequitable, especially in its application to small banks in suburban areas of central reserve or reserve cities, that the Board of Governors has exercised powers granted it by the law to designate so-called "outlying districts" of large cities, to banks within which is granted the privilege of maintaining lower reserves. At the end of 1956, some 144 member banks had been authorized to maintain lower reserve requirements because they were located in "outlying districts." Nevertheless, the present system continues to be inequitable and arbitrary in its application, particularly to small banks located in large urban centers, and to the branches of branch banking institutions. Each branch is required to maintain the same legal reserve ratio that applies to the head office of the system, even though many of these branches are in suburban towns and country villages, and compete with local unit banks privileged to operate with a much lower legal reserve ratio.

We have conducted research in the Graduate School of Business Administration at UCLA, designed to find the relationship between the size and location of individual banking offices, on the one hand, and the composition and turnover of their demand deposits, on the other hand. While our studies are not yet complete, they rather clearly indicate that there is a significant positive correlation between the size of a banking establishment (measured in its total deposit balances) and the annual rate of turnover of its demand deposits. Accordingly, we conclude that a much more efficient system of legal reserve requirements, from the standpoint of monetary control, could be constructed by classifying individual banking offices either according to their annual turnover of demand deposits; or, if this is not feasible because of the difficulty of obtaining reliable figures in bank debits, on a basis of their size (in total deposits). Either basis would be superior to geographic location. I emphasize that we are concerned with the deposit turnover and the size of *individual banking offices* — that is, unit banks or single branches of branch banks — and not with banking corporations.

The system of reserve requirements obviously should be one that will effectuate the monetary policy of the Federal Reserve Board. Suppose the Board desires to stimulate the economy by an "easy money" policy, including a reduction in legal reserve ratios. Then the system should reduce the legal reserve requirements of individual banks in amounts *proportional* to their ability to expand public expenditures through increases in their loans and investments and deposits. Suppose, on the other hand, the Board intends to curb inflationary demand by a policy of active monetary restraint, including raising legal reserve ratios. Then the system of legal reserve requirements should operate to contract the loans, investments and deposits of individual banks in amounts *proportional* to their contributions to inflationary demand. As I have shown, either annual turnover of demand deposits or size of banking office, is a much more accurate gauge of a bank's influence on demand, per dollar of deposit balances held, then is its geographical location. Therefore, they would provide much more efficient systems for monetary control purposes. Moreover, they would improve the effectiveness of Federal Reserve discount and open market operations in controlling aggregate demand, for any given level of legal reserve ratios. And, for reasons that could be developed if time permitted, they would also tend to increase the efficiency of bank management.

Reforms Proposed by the American Bankers Association

The inefficiency and inequity of the present legal reserve system has not escaped the attention of thoughtful bankers, economists, and the Congress. Many proposals to reform the system have been made over the years. Because of their recency, authoritative nature, and comprehensiveness, I shall mention only the proposals made by the Economic Policy Commission of the American Bankers Association early this year.[1]

The essential features of the ABA plan are these:

First, gradually reduce reserve requirements for demand deposits to 10%.

Secondly, apply a 10% requirement uniformly to the demand deposits of all member banks, eliminating geographical differences.

Third, authorize the Federal Reserve authorities to vary the reserve requirements for demand deposits within a range of 8 to 12%.

Fourth, gradually reduce the reserve requirement for time deposits from the present 5% to 2%.

Fifth, permit banks to include their vault cash in legal reserves.

May I comment on some features of these ABA proposals.

The ABA proposes to cut reserve requirements against demand deposits from 20, 18 and 12%, respectively, to a uniform 10% for all banks. Because our economy is operating at a high level and it would obviously be improper to reduce the legal reserve requirements of banks at present, the ABA proposes to make the reduction at such time as it would be helpful to the economy. The important issue is not whether the right legal reserve ratio for all banks is 10, 15 or 20%. The vital question is whether *any uniform* ratio should be applied to the demand deposits of all banks, irrespective of the activity of their demand deposits on their size. Our studies indicate that a uniform reserve ratio would be less equitable and efficient than a classification of banks according either to size or the average annual turnover of demand deposits. In general, the demand deposits of larger banks turn over somewhat more rapidly than do the deposits of smaller banks. But the difference between these rates of deposit turnover is not nearly as great as the present 67% difference between a 12% reserve ratio for country banks and a 20% ratio for central reserve city banks. We find grounds for a legal reserve ratio only about *30% higher* for the largest banks than for the smallest banks. Consequently, we agree with the ABA study that the present differentials in legal reserve ratios are too large; but we do not find economic justification for moving all the way to a uniform reserve ratio as the ABA recommends.

Our studies do support the ABA recommendation that the legal reserve ratio for savings deposits be gradually reduced from 5% to 2%. In banks of all kinds and in cities of all sizes, savings deposits appear to turn over on the average only about once every two years. Compared with demand deposits, they finance very little buying of the product of the economy, dollar for dollar. The reserve ratio for time and savings deposits should be considerably lower, in relation to that for demand deposits than it is at the present time.

The ABA recommends that banks be permitted to include vault cash in their legal reserves. We find strong theoretical and practical support for this proposal. Country banks characteristically carry larger amounts of vault cash in proportion to their deposits than do banks in reserve or central reserve cities. The inclusion of vault cash in reserves would therefore soften the impact upon country banks of a reserve system based upon deposit activity or size of banking office.

May I now recapitulate the most significant conclusions we have reached in this examination of the relationship between the legal reserve requirements of the commercial banking system and the sustained prosperity of our economy.

First, because monetary controls are the key instrumentality for regulating the growth of a free economy and achieving full employment without inflation, commercial bankers must expect a *highly* flexible monetary policy in the future, including changes in legal reserve ratios. They will probably be obliged to live with investment portfolios and interest rates fluctuating more rapidly than in the past.

Secondly, changes in the present legal reserve system can best be considered in the broader context of reforms in the monetary and credit structure of the economy and the means of controlling it. There is urgent need for the appointment of a National Monetary and Credit Commission to begin a searching study of these matters at an early date.

Thirdly, the present legal reserve system works against efficient management of commercial banks and against efficient regulation of our economy by the monetary authorities. In general, it penalizes small unit banks located in large cities, and suburban or country branches of banks whose head offices are in large cities.

Fourthly, a more equitable and efficient legal reserve system could be based either on the annual turnover of demand deposits, or on the size of a banking office, rather than on geographical location. A difference of about one-third between the ratios applied to demand deposits of the top and the bottom classes of banking offices would be appropriate, and a very substantial reduction should be made in the reserve ratio for time and savings deposits.

Fifth, until legislation is passed to establish a more efficent legal reserve system, the Board of Governors might well exercise its administrative powers to improve the operation of the present system. Thus, the Board should gradually reduce the differences between the reserve ratios applied to demand deposits of central reserve city, reserve city and country banks; it should reclassify cities to reflect the contemporary distribution of population; and it might well designate additional "outlying districts" of large cities and permit banking offices within them to carry the same reserves as country banks.

The U. S. economy today has great fundamental strength. Our system of private enterprises competing in open markets has established a record of widely-shared economic progress unequalled anywhere in the world. The commerical banking system has played a leading role in this achievement. We are justified in taking satisfaction from the record. Yet, let us keep our minds open to opportunities for improving the nation's economic performance in the future. Always conserving what is good in the financial system, let us be ready to incorporate changes that will enable it to score an even better record!

1 See *A Plan for Member Bank Reserve Requirements.*

Joins Dempsey Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Musa L. Miller has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. He was formerly with Shaw, Bayliss & Co.

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Achieving Policies for Neither Inflation Nor Recession

highest for that month since September 1933.

Business is "spotty" in many key lines such as automobiles and steel production. Employment is down and unemployment is on the increase.

Cut backs in defense spending have occurred and have brought unfavorable business in many fields, such as electronics, the aeronautical industry, and machine tools where new orders booked in September were one-third the value of those the same month a year ago.

Washington, in making an attempt to keep within the present Federal $275 billion debt limit by cutting back defense spending, has created unemployment among defense plant workers from Long Island of Los Angeles.

Many economists and businessmen have expressed concern over the direction our economy has been heading.

Professor Sumner Slichter, of Harvard University, a leading economist who has often defended the Federal Reserve System, now feels that the tight money policy is being greatly overdone and is largely responsible for the "stagnation of the economy."

On the other hand, Alfred Hayes, President of the Federal Reserve Bank of New York, in a recent speech while admitting that a pause in industrial activity had occurred nevertheless stated "It would be a great mistake to relax credit restraint just as we have some hope of achieving the price stability that we have sought so ardently."

Questions Reliance on One Symptom

The continued reliance on price indexes has brought a new concept to economic stability. It now seems that the most important goal of public economic policy is to keep prices from rising. I say we must, in deciding on the course of our credit policy, consider the fact that unemployment is increasing, as is business failures; industrial production and home construction are down and municipalities are under a hardship to build needed facilities.

Yet even the goal of price stabilization has not been fully realized—consumer prices continue to rise. If price levels become the sole guide to public policy then we are in for a continued period of restraint.

I think the time is at hand for the Reserve to again weigh all of the factors. If business activity declines faster than they expect then a reversal of credit policy might be too late to spark an upturn.

I am sure no one favors inflation—but neither should we condone policies which will invite unemployment and recession.

Separate Municipal Financing

A year ago, in a speech before the New York State Bankers Association, I questioned whether our reliance on quantitative credit controls to curb inflation was not raising serious obstacles to the maintenance of economic growth. I felt then, and do now, that the sole use of such controls ignored the serious nature of individual situations.

General credit restraint, although attempting to deal with all sectors of the economy, has an uneven effect on both lenders and borrowers. That whole body of important suppliers of long-term capital known as institutional investors are far less responsible to the stabilizing policies of the Federal authorities than is generally known. In addition, some borrowers, notably well-established business firms, continue to secure funds with relative ease since they are able to pass on the higher interest costs to the consumer and to the government by means of corporate tax deductions.

As chief fiscal officer of the State of New York, I have been primarily concerned with the effect of tight money on state, city, school district and other municipal borrowing.

At present I am faced with some $1.6 billion in State obligations which have been authorized and are to be issued. This includes $500 million for our highway program, $511 million for public housing, $250 million for the State University, and $326 million for Mental Health Hospital construction, and $30 million for grade crossing elimination bonds. In addition, some $50 million in State-guaranteed Thruway bonds remain to be sold. These bonds must be sold at reasonable interest rates. If not, we will impose an unnecessary addition to the tax burdens now carried by our citizens.

As Comptroller, I also have responsibility over the fiscal affairs of almost all of the local units of government in the State —some 7,000 in total. In the performance of this duty, my office gathers a great variety of fiscal data and maintains close contact with local officials and the financial community. Facts reported to us make it clear to me that the scarcity and high cost of credit is creating an undue hardship. To me this constitutes one of the most challenging problems faced by public fiscal officers.

The combined effects of suburbanization and population growth have increased the demand for capital outlays on the part of local units of government.

Unprecedented Demand

Community after community throughout New York is faced with an unprecedented need for schools, for health facilities, for water supply and sewage disposal systems, and for hospitals and for highways. These projects must be built now. It is estimated that during the next three years school districts in New York State will borrow $700 to $800 million to build necessary schools.

While all segments of our economy are affected by the scarcity and the high cost of credit, the degree of pressure is perhaps greatest on the municipal bond market. Because of the tax-exempt feature, interest in municipal issues has centered on a limited group of investors—those subject to high Federal tax rates and to commercial banks.

Commercial banks which are normally an important source of funds for the municipal bond market have curtailed their purchases in order to meet the demands of industry and commerce for working capital.

Today the individual purchaser is not able to absorb the large amount of issues coming to market, nor can those institutions such as fire and casualty companies, who can take advantage of the tax free feature of municipal bonds.

The tax-exempt feature is of minor importance to insurance companies, and other mutual thrift institutions such as your own savings banks, and other institutional investors who receive a growing share of the nation's long-term savings.

As the volume of state and local long-term borrowing continues to exceed the supply of funds it becomes increasingly necessary for governmental units to compete on a straight return basis with the more attractive yields of corporate issues. This has happened and yields on municipal bonds have gone up substantially. The burden of today's high municipal bond interest rates will be carried by the citizens of New York State for the next 20 to 30 years.

New York State school district bond interest rates are now at a level 4%. Some 1% higher yield than just 18 months ago. This increase has added some $30 million to the interest cost over the next 30 years of school district borrowings for the coming year, or some 15% to the $200 million to be borrowed by school districts in the next 12 months.

I believe there is ample justification for Federal consideration of the problem of local government financing separately from other monetary policy considerations in periods of tight money. Certainly, a fundamental issue of public policy is involved. Should the benefits of new schools, new roads, new hospitals be denied to us simply because public borrowers are at a competitive disadvantage? Should not steps be taken to make it easier to secure funds for these purposes in adverse credit times?

I believe a similar argument could be made for housing as a socially necessary program. A person must take into account his total mortgage in determining whether he could afford a home. A 1% increase in interest rates increases this cost by 10%. The only recourse he has is to refinance when rates ease. But such a device is little known to most purchasers of homes.

The same problem confronts the person who is trying to decide whether to build a large apartment building. His rentals must reflect high interest costs plus other costs and an adequate profit. That being the case, an increase in interest cost is reflected in higher rents. This, of course, assumes that the builder has been able to obtain the financing.

It is likely that we shall be faced time and time again in future years with periods when credit restraint becomes necessary. Steps should be taken now to put into operation a program of qualitative controls that assure the continuance of credit to socially necessary programs at reasonable interest rates.

Long-Range Study

While I have been talking about immediate steps I believe there is a long range goal which we must seek. What is needed is a long range study, such as proposed by the President but lost along the line, that would completely re-examine the country's banking system and would take cognizance of the far-reaching institutional changes that have occurred during the last 20 years. The inquiry would in part deal with the adequacy of the present Federal Reserve powers to deal with the problems confronting us.

Since the thirties, the whole structure of finance has changed. New institutions have grown up, attracting billions in savings from the public and making billions in loans. New government corporations have been established to facilitate lending. Yet, the machinery for regulating the money market, to violent savings in our economy, was set up many decades ago.

What has been proposed is no piece-meal inquiry. A Presidential Commission could include within the scope of its investigation the ways and means by which inflationary pressures can be combatted, within the existing structure of our financial institutions, via purely monetary measures without the recourse to

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Nov. 24	§76.8	*77.7	80.2	100.1
Equivalent to—					
Steel ingots and castings (net tons)	Nov. 24	§1,965,000	*1,990,000	2,052,000	2,463,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 8	6,796,220	6,711,570	6,728,700	7,050,000
Crude runs to stills—daily average (bbls.)	Nov. 8	¶7,540,000	7,580,000	7,744,000	7,964,000
Gasoline output (bbls.)	Nov. 8	26,224,000	27,024,000	27,363,000	26,714,000
Kerosene output (bbls.)	Nov. 8	1,934,000	1,902,000	1,856,000	2,704,000
Distillate fuel oil output (bbls.)	Nov. 8	11,870,000	12,077,000	12,401,000	12,289,000
Residual fuel oil output (bbls.)	Nov. 8	7,151,000	7,354,000	7,313,000	8,275,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 8	180,805,000	181,410,000	177,948,000	171,843,000
Kerosene (bbls.) at	Nov. 8	34,177,000	34,264,000	35,846,000	36,105,000
Distillate fuel oil (bbls.) at	Nov. 8	173,963,000	*175,129,000	172,683,000	161,656,000
Residual fuel oil (bbls.) at	Nov. 8	59,538,000	59,343,000	59,041,000	47,425,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 9	675,273	713,994	741,520	772,850
Revenue freight received from connections (no. of cars)	Nov. 9	586,246	590,734	606,484	655,935
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 14	$372,988,000	$147,911,000	$312,346,000	$369,852,000
Private construction	Nov. 14	152,699,000	77,323,000	130,340,000	202,816,000
Public construction	Nov. 14	220,289,000	70,588,000	182,006,000	167,036,000
State and municipal	Nov. 14	166,675,000	58,622,000	159,303,000	116,652,000
Federal	Nov. 14	53,614,000	11,966,000	22,703,000	50,384,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 9	9,400,000	*9,820,000	9,910,000	10,201,000
Pennsylvania anthracite (tons)	Nov. 9	458,000	393,000	475,000	679,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE=100	Nov. 9	136	122	132	137
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 16	11,953,000	11,914,000	11,684,000	11,589,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 14	306	266	258	240
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 12	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Nov. 12	$66.42	$66.42	$66.42	$63.04
Scrap steel (per gross ton)	Nov. 12	$33.00	$33.33	$37.33	$61.1[illegible]
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 13	26.475c	26.175c	26.550c	35.700c
Export refinery at	Nov. 13	23.975c	23.400c	22.950c	34.82[illegible]
Lead (New York) at	Nov. 13	13.500c	13.500c	14.000c	16.000c
Lead (St. Louis) at	Nov. 13	13.300c	13.300c	13.800c	15.800c
‡Zinc (delivered) at	Nov. 13	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Nov. 13	10.000c	10.000c	10.000c	13.500
Aluminum (primary pig, 99%) at	Nov. 13	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Nov. 13	90.125c	89.500c	92.000c	108.125
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 19	89.61	87.63	85.81	90.5[illegible]
Average corporate	Nov. 19	88.95	88.67	89.37	97.4[illegible]
Aaa	Nov. 19	94.86	94.12	94.86	100.6[illegible]
Aa	Nov. 19	91.62	91.62	91.91	99.6[illegible]
A	Nov. 19	88.95	88.81	89.09	97.47
Baa	Nov. 19	81.29	80.93	82.40	92.5[illegible]
Railroad Group	Nov. 19	86.65	86.91	87.86	95.77
Public Utilities Group	Nov. 19	89.09	88.67	89.09	98.2[illegible]
Industrials Group	Nov. 19	91.19	90.48	91.34	98.57
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Nov. 19	3.39	3.58	3.76	3.27
Average corporate	Nov. 19	4.49	4.51	4.46	3.9[illegible]
Aaa	Nov. 19	4.08	4.13	4.08	3.7[illegible]
Aa	Nov. 19	4.30	4.30	4.28	3.77
A	Nov. 19	4.49	4.50	4.48	3.9[illegible]
Baa	Nov. 19	5.08	5.11	4.99	4.2[illegible]
Railroad Group	Nov. 19	4.66	4.64	4.57	4.02
Public Utilities Group	Nov. 19	4.48	4.51	4.48	3.8[illegible]
Industrials Group	Nov. 19	4.33	4.38	4.32	3.8[illegible]
MOODY'S COMMODITY INDEX	Nov. 19	387.9	385.0	389.1	423.8
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 9	281,322	358,296	273,642	276,848
Production (tons)	Nov. 9	287,763	292,063	299,922	283,400
Percentage of activity	Nov. 9	94	94	97	95
Unfilled orders (tons) at end of period	Nov. 9	485,369	481,299	517,385	477,587
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE=100	Nov. 15	109.60	109.55	109.88	109.53
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Oct. 26	2,821,550	1,703,110	1,831,190	1,028,650
Short sales	Oct. 26	739,680	414,360	293,090	189,04[illegible]
Other sales	Oct. 26	2,410,820	1,463,990	1,566,080	840,75[illegible]
Total sales	Oct. 26	3,150,500	1,878,350	1,859,170	1,029,79[illegible]
Other transactions initiated on the floor—					
Total purchases	Oct. 26	517,580	323,270	356,780	175,090
Short sales	Oct. 26	125,100	93,100	38,800	25,930
Other sales	Oct. 26	477,350	313,170	339,810	241,960
Total sales	Oct. 26	602,450	406,270	378,610	267,890
Other transactions initiated off the floor—					
Total purchases	Oct. 26	904,030	576,645	586,090	342,271
Short sales	Oct. 26	165,630	116,360	84,790	63,63
Other sales	Oct. 26	744,345	574,937	520,595	406,546
Total sales	Oct. 26	909,975	691,297	605,385	470,176
Total round-lot transactions for account of members—					
Total purchases	Oct. 26	4,243,160	2,603,025	2,774,060	1,546,01[illegible]
Short sales	Oct. 26	1,030,410	623,820	416,680	278,600
Other sales	Oct. 26	3,632,515	2,352,097	2,426,485	1,489,256
Total sales	Oct. 26	4,662,925	2,975,917	2,843,165	1,767,856
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Oct. 26	2,657,011	1,791,226	1,578,868	1,070,76[illegible]
Dollar value	Oct. 26	$110,734,130	$73,447,547	$72,104,456	$57,051,834
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Oct. 26	1,645,299	1,144,528	1,131,479	743,808
Customers' short sales	Oct. 26	46,347	30,134	20,597	5,45[illegible]
Customers' other sales	Oct. 26	1,598,952	1,114,394	1,110,882	738,351
Dollar value	Oct. 26	$71,874,869	$49,034,626	$53,713,620	$35,997,678
Round-lot sales by dealers—					
Number of shares—Total sales	Oct. 26	298,590	209,830	259,880	184,060
Short sales	Oct. 26	------	------	------	------
Other sales	Oct. 26	298,590	209,830	259,880	184,060
Round-lot purchases by dealers—					
Number of shares	Oct. 26	1,298,350	837,240	720,564	484,510
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Oct. 26	1,566,810	961,750	683,660	344,670
Other sales	Oct. 26	20,634,830	13,242,310	12,586,260	7,875,[illegible]
Total sales	Oct. 26	22,201,640	14,204,060	13,269,920	8,220,650
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Nov. 12	117.8	117.5	117.7	115.[illegible]
Farm products	Nov. 12	91.9	*90.5	91.7	87.8
Processed foods	Nov. 12	106.1	*105.1	105.2	103
Meats	Nov. 12	93.2	90.1	91.0	80.6
All commodities other than farm and foods	Nov. 12	125.6	125.6	125.7	124.[illegible]

*Revised figure. ¶Includes 988,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
CONSUMER PRICE INDEX — 1947-49=100— Month of September:			
All items	121.1	121.0	117.1
Food	117.0	117.9	113.1
Food at home	115.5	116.6	111.7
Cereals and bakery products	131.2	137.0	126.6
Meats, poultry and fish	110.3	111.9	101.3
Dairy products	113.1	111.5	109.8
Fruits and vegetables	114.8	121.3	114.8
Other foods at home	115.0	113.6	115.4
Housing	126.3	125.7	122.5
Rent	135.7	135.4	133.4
Gas and electricity	113.7	113.3	112.2
Solid fuels and fuel oil	136.8	135.7	130.5
Housefurnishings	104.8	103.9	103.3
Household operation	128.3	128.0	123.7
Apparel	107.3	106.6	106.5
Men's and boys'	109.3	108.8	108.3
Women's and girls'	99.8	98.6	99.6
Footwear	128.1	128.3	126.0
Other apparel	92.3	92.0	92.0
Transportation	135.9	135.9	128.6
Public	181.1	180.6	173.0
Private	125.5	125.6	118.7
Medical care	139.0	138.6	134.0
Personal care	125.1	124.9	120.5
Reading and recreation	113.3	112.6	108.4
Other goods and services	126.7	126.7	122.7
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of September:			
Cotton Seed—			
Received at mills (tons)	504,250	238,086	1,273,839
Crushed (tons)	346,062	141,951	526,375
Stocks (tons) Sept. 30	418,191	280,003	1,708,180
Crude Oil—			
Stocks (pounds) Sept. 30	64,027,000	36,787,000	96,275,000
Produced (pounds)	114,715,000	48,393,000	165,478,000
Shipped (pounds)	80,506,000	46,525,000	73,623,000
Refined Oil—			
Stocks (pounds) Sept. 30	81,569,000	98,945,000	157,521,000
Produced (pounds)	75,529,000	43,777,000	69,432,000
Consumption (pounds)	94,429,000	103,764,000	96,977,000
Cake and Meal—			
Stocks (tons) Sept. 30	204,213	209,556	140,916
Produced (tons)	166,582	71,002	249,069
Shipped (tons)	171,925	113,262	228,441
Hulls—			
Stocks (tons) Sept. 30	50,085	45,359	55,322
Produced (tons)	76,115	32,441	112,850
Shipped (tons)	71,389	39,324	112,651
Linters (running bales)—			
Stocks Sept. 30	196,384	162,188	145,109
Produced	107,384	45,398	157,352
Shipped	73,188	65,489	115,569
Hull Fiber (1,000-lb. bales)—			
Stocks Sept. 30	991	589	546
Produced	987	275	1,152
Shipped	585	(a)	940
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Sept. 30	999	706	2,115
Produced	720	285	1,042
Shipped	427	599	866

(a) Not given to avoid disclosure of figures for individual companies.

	Latest Month	Previous Month	Year Ago
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of September:			
All manufacturing (production workers)	13,042,000	*13,050,000	13,345,000
Durable goods	7,427,000	*7,490,000	7,615,000
Nondurable goods	5,615,000	*5,560,000	5,729,000
Employment indexes (1947-49 Avge.=100)—			
All manufacturing	105.4	*105.5	107.9
Payroll indexes (1947-49 Average=100)—All manufacturing	165.7	*165.0	166.7
Estimated number of employees in manufacturing industries—			
All manufacturing	16,917,000	*16,968,000	17,119,000
Durable goods	9,718,000	*9,811,000	9,826,000
Nondurable goods	7,199,000	*7,157,000	7,293,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of August (000,000's omitted):			
Ordinary	$3,689	$3,699	$2,892
Industrial	515	492	545
Group	759	1,090	1,164
Total	$4,963	$5,281	$4,601
PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of September (in billions):			
Total personal income	$346.5	*$346.8	$333.1
Wage and salary receipts, total	241.2	*241.7	230.4
Commodity producing industries	101.9	*102.8	99.6
Distributing industries	64.7	*64.7	60.9
Service industries	33.9	*33.7	31.5
Government	40.7	*40.5	38.4
Less employees' contribution for special insurance	6.8	6.9	5.7
Other labor income	8.0	8.0	7.6
Proprietors and rental income	51.1	*51.2	49.9
Personal interest income and dividends	31.7	*31.6	30.1
Total transfer payments	21.3	21.2	18.8
Total nonagricultural income	331.2	331.3	316.1
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1911=100—As of Sept. 15:			
All farm products	245	248	236
Crops	228	233	233
Commercial vegetables, fresh	221	248	181
Cotton	279	278	275
Feed, grains and hay	163	169	196
Food grains	217	217	222
Fruit	193	200	225
Oil-bearing crops	244	252	235
Potatoes	159	172	163
Tobacco	484	469	455
Livestock	259	260	239
Dairy products	269	260	266
Meat animals	291	301	254
Poultry and eggs	174	167	172
Wool	290	305	233
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of July:			
Net railway operating income	$68,486,699	$74,030,561	$61,686,949
Other income	19,446,439	22,578,661	19,959,714
Total income	87,933,138	96,609,222	81,646,663
Miscellaneous deductions from income	4,384,649	4,073,099	3,590,470
Income available for fixed charges	83,548,489	92,536,123	78,056,193
Income after fixed charges	52,562,364	61,696,853	48,166,961
Other deductions	4,346,922	4,356,481	4,262,631
Net income	48,215,442	57,340,372	43,904,330
Depreciation (way & structure & equipment)	48,877,906	48,590,157	45,971,608
Federal income taxes	21,405,705	24,169,191	10,021,155
Dividend appropriations:			
On common stock	26,301,264	34,270,657	14,945,503
On preferred stock	542,662	1,069,769	854,125
Ratio of income to fixed charges	2.70	3.00	2.61

Continued from page 45

Achieving Policies for Neither Inflation Nor Recession

undue increases in the rates of interest. The investigation should also consider any necessary structural changes in the financial sector of the economy which would make it more responsive to the stabilization policies of the Federal Government. Within such a broad mandate a Presidential Commission of inquiry could indeed concern itself with Congressional legislative action needed to improve the functioning of our economy.

An inquiry into the structure, development and operational procedures of banking and financial institutions becomes a prerequisite for understanding the functioning of our economy and for reappraising the means by which, within either the existing financial institutional format or on the basis of needed structural reforms, we can achieve an economic stability consistent with continued social progress.

It seems to me the central group that has been set up by the President and called the anti-inflationary committee should be the group to tackle this inquiry.

The head of the Federal Reserve System, the Secretary of the Treasury and the Chairman of the Council of Economic Advisors are able members. To this group should be added such other persons as deemed appropriate.

Proposes Study Questions

Coming events, I am certain, will prove the need for this undertaking. I would like to pose the following questions which I believe you must answer in order to properly evaluate your position on the present Federal Reserve policy.

(1) Should highly rated tax-exempt securities bear the same interest rates as corporate bonds?

(2) Can a credit restraint program achieve a stabilized price level in view of the pressure of wage demands and administered prices?

(3) Do signs of soft spots in our economy indicate that the danger of runaway inflation is over or are they merely a preliminary to continued price rises next year?

(4) Should we ease credit in the next few months to keep business from a real downturn?

(5) Should the maintenance of a stable price level be made a formal goal of public economic policy?

(6) Can the Federal Reserve shift its monetary policy in time or will it wait too long so that the shift will not be sufficient to reverse the trend?

The Savings Banks have been a strong factor in combatting inflation. They have done an excellent job in urging the public to decrease spending and to increase savings so that money became available for long-term productive purposes without recourse to creating credit.

They, however, have been faced in this tight money market with more competitors seeking to woo the saving dollar than ever before in your history. The commercial banks are making a strong effort to attract new savings accounts as are the savings and loan associations.

The past record of performance of mutual savings banks has been of such a high standard that I am confident that they will prosper and play an increasingly more important role in the future growth of our state and nation.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — A mighty army of powerful road building equipment, which is getting bigger and bigger, is making some changes across the country. The construction industry, represented by more than 6,000 contractors, is now executing the greatest highway construction program of all time.

The country is preparing to spend about $7,000,000,000 a year in new roads and improving old ones. The Federal Government will be spending about $3,000,000,000 and the states and local subdivisions about $4,000,000,000. It all adds up to the biggest construction program the world has ever known.

With each succeeding month this year, construction activity has been gaining in momentum. The volume of work has doubled in some states. The accelerated program, authorized under the 1956 Highway Act, is a historic pay-as-you-go program. As most close observers of the United States Senate can guess, the pay-as-you-go amendment was incorporated into the act by none other than the "watch dog" of the Treasury, Senator Harry F. Byrd of Virginia. That is the way old Virginia operates its highway department.

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While the highway industry has picked up speed through the year, there are some dark clouds on the horizon, along with the blue skies. Several states are lagging behind in obligating their funds. A few have not obligated all of their 1957 fiscal year money which was earmarked for them, but they will get around to that in time.

Obligation of funds, however, is no accurate yardstick for construction or progress. It does mean that the funds have been designated for preliminary engineering, obtaining rights-of-way, and other things.

The big barrier to the whole road program is inflation. The cost of just about everything has gone up and up. The 1954 estimates which the U. S. Bureau of Public Roads made on which the 1956 Highway Act was geared at the time, are now way off base. Therefore, Congress will be faced with a series of things in the next session.

Time Lag a Factor

Whether or not the epoch-making program is on schedule or not, depends perhaps on whose schedule one is using. The construction program will not achieve top momentum for a few years yet. Authorities at the Bureau of Public Roads say that the average Interstate System road project takes about 21 months from the time it is conceived until it has been put under contract. It then takes another 24 months to finish the road and open it to traffic. Thus it takes nearly four years as the life of the average interstate road project. It usually takes a little time, of course, for the primary, secondary and urban projects to be open for traffic.

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Vast Economic Impact

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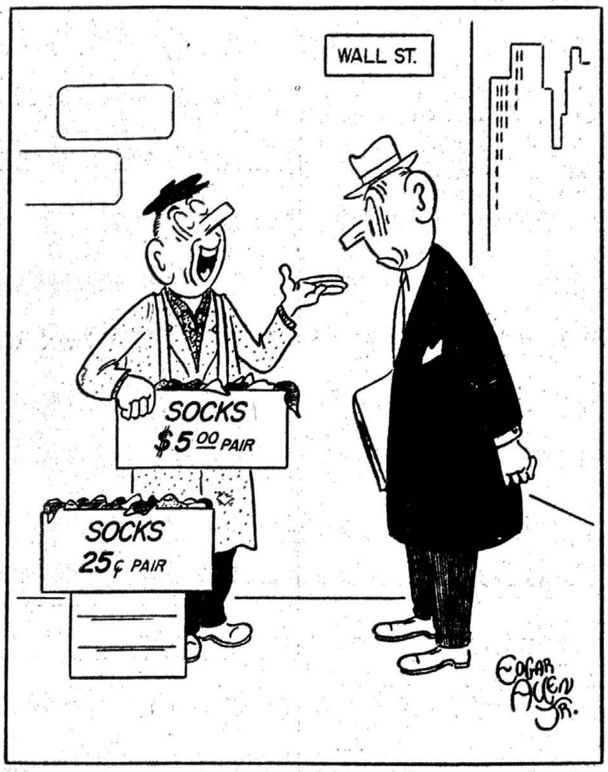
BUSINESS BUZZ



"Well, I suppose you could say one is common and the other preferred!"

Some Over-Discounting

Manufacturers of heavy construction equipment are expecting a sales increase of 150% when the maximum demand is reached. The manufacturers have recently invested an estimated $200,000,000 in new plants and assembly lines. However, some of the manufacturers have reportedly over-expanded and have had to lay off workers for lack of demand. Some trade association officials as well as officials in the Department of Commerce say that too many manufacturers have been disappointed that the demand has not been as great as was originally estimated.

After an unprecedented expansion, many cement manufacturers have done some retrenching. The crushed stone industry has had, with some spotty exceptions, a fairly good year and is expecting a better year in 1958. The industry is expanding.

15 Years' Duration

The sustained program will run at least 15 years or longer. Congress has already approved annual authorizations of Federal funds through 1969 insofar as the Interstate System is concerned. A Highway Trust fund has been established in the Treasury Department as a depository. Congress now appropriates Federal-aid funds directly from the trust fund rather than from the general treasury. When Congress created in 1956 the Trust Fund it was designed to function through 1972.

By then, with some 90,000,000 motor vehicles on the streets and highways, Congress anticipated that sufficient revenues would be accumulated to meet the full cost of the interstate roads. However, as General Prentiss points out and as most Americans realize, the shrinking buying power of the dollar may slow down the entire program.

Increased labor costs, increased land costs, higher freight rates and a lot of other things could result in a whole series of amendments to the 1956 Highway Act. It might have to be rewritten in part.

New Legislation Contemplated

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The most important report coming before Congress will be the reestimate of the cost of completing the Interstate System. The last estimate was made in 1954. It is now obvious that the new total borne in the Bureau of Public Roads estimates will exceed the 13-year Federal authorizations of $25,000,000,000 in the present law. It is also clearly apparent that the present taxes will not be sufficient for a more costly program.

Congress Must Decide

Congress will have to decide what it wants to do. It would seem that another economy drive will mark the new session. Thus there will be another attack on high government spending. Congress could extend the 16-year period for collecting taxes. It could also stop the present flow of automotive tax revenues that are going into the General Treasury and channel more of it into the Highway Trust Fund. Of course, the Interstate and the various other programs could be curtailed, or it could revert to a government bond financing program, which is highly unlikely.

Fate of Present Toll Roads

Another report of importance to the industry and to the highways departments will be the question of possible Federal reimbursements to the states for the already 2,100 miles of toll roads and 4,000 miles of free roads that were built to Interstate standards and are now incorporated into the Interstate System. There are moves afoot in some quarters to make the toll roads free now because they are a part of the Interstate System. The question is immediately raised: Should Congress buy the already completed roads or build more roads with the funds available?

The Senate and House Public Works Committee will have a busy period during the session on proposed new highway legislation, and other public works proposals that will come before the committees. The Secretary of the Treasury on March 1, 1958 is scheduled to present a report to Congress detailing the financial condition of the Highway Trust Fund and estimating revenues through 1972.

Meantime, the overall picture is not bad. The program is not bogging down. But it has not moved as fast as many people had expected when President Eisenhower signed the Highway Act in June, 1956.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

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In 2 Sections — Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

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CONVENTION

November 3-6, 1957

NATIONAL SECURITY TRADERS ASSOCIATION INC.

Dictum Meum Pactum

31 AFFILIATES
4600 MEMBERS

the HOMESTEAD
Hot Springs · Virginia

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Congress will have to decide what it wants to do. It would seem that another economy drive will mark the new session. Thus there will be another attack on high government spending. Congress could extend the 16-year period for collecting taxes. It could also stop the present flow of automotive tax revenues that are going into the General Treasury and channel more of it into the Highway Trust Fund. Of course, the Interstate and the various other programs could be curtailed, or it could revert to a government bond financing program, which is highly unlikely.

Fate of Present Toll Roads

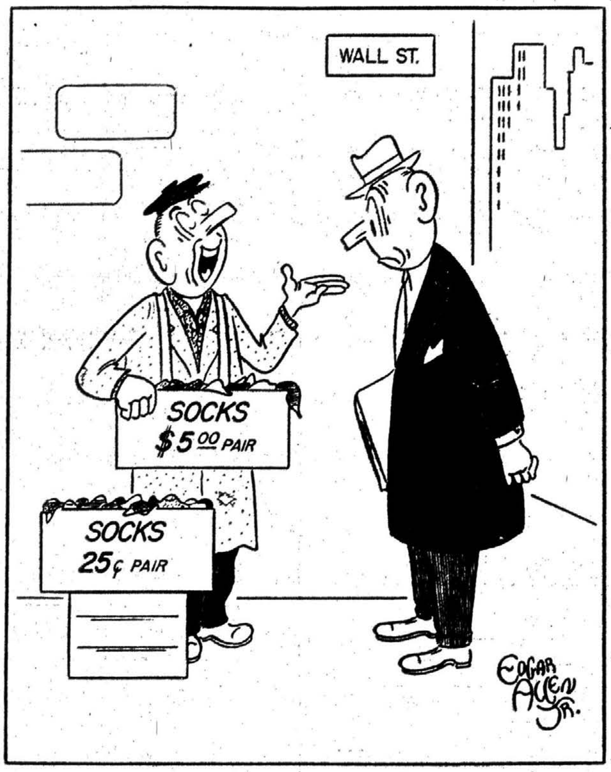
Another report of importance to the industry and to the highways departments will be the question of possible Federal reimbursements to the states for the already 2,100 miles of toll roads and 4,000 miles of free roads that were built to Interstate standards and are now incorporated into the Interstate System. There are moves afoot in some quarters to make the toll roads free now because they are a part of the Interstate System. The question is immediately raised: Should Congress buy the already completed roads or build more roads with the funds available?

The Senate and House Public Works Committee will have a busy period during the session on proposed new highway legislation, and other public works proposals that will come before the committees. The Secretary of the Treasury on March 1, 1958 is scheduled to present a report to Congress detailing the financial condition of the Highway Trust Fund and estimating revenues through 1972.

Meantime, the overall picture is not bad. The program is not bogging down. But it has not moved as fast as many people had expected when President Eisenhower signed the Highway Act in June, 1956.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"Well, I suppose you could say one is common and the other preferred!"