2

ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 186 Number 5694 New York 7, N. Y., Thursday, November 28, 1957 Price 50 Cents a Copy

EDITORIAL

As We See It

The Bureau of Labor Statistics announces with evident satisfaction the end (or so it hopes) of the long rise in what used to be called the cost of living — now termed consumers price index. The persistent rise in this index has for a good while past been a topic much discussed in the public press, and a concern to many a politician. If the Washington statisticians prove correct in their surmise that the course of this figure from this time on will be, with temporary exceptions perhaps, downward, or at least not upward, some vote seekers will breathe a sigh of relief, while others, doubtless, will have to look around for an issue to take the place of what was the mounting cost of living. Most economists, too, doubtless, to say nothing of the rank and file who had begun to wonder what would become of them if prices continued to mount, welcome an end to this evidence of inflation.

It was the persistence rather than the speed of the rise which many found disconcerting. After some years of relative stability, this index started to climb in the Spring of last year. By October of this year, the figure had reached 121.1, or some 5½% higher than early in 1956. If the forecasts from Washington that the long use has come to an end prove correct, one of the worries of the Administration will vanish. General conditions also suggest that the upward movement of prices will not continue much longer. Doubtless facts such as these were among

Continued on page 24

Meeting Communist Threat Via Trade and Aid

By HONORABLE C. DOUGLAS DILLON*

Deputy Under Secretary of State for Economic Affairs
Former Board Chairman, Dillon, Read & Co.

The State Department's economics policy maker declares enlarged, long-term strengthened economic-policy action is needed to increase the free world's economic strength in order to forestall Soviet challenge in the field of international economic relations. This challenge, the former investment banker declares, lies principally in the economic field and "we may be sure that we will not stay the course of Soviet world domination, no matter what our military power may be." Mr. Dillon suggests we: (1) extend Reciprocal Trade Act for five years; (2) increase size of Development Loan Fund; (3) become a member of OTC, and (4) encourage private investment efforts, and activities of Federal trade agencies.

History has repeatedly demonstrated that when the American people are faced with a serious problem which is unmistakably clear to them, they somehow discover the unity, the resources and the determination to solve it.

C. Douglas Dillon

I do not doubt, therefore, that our missile-satellite program will succeed.

The larger question is whether we will respond, adequately and in time, to the overall challenge to our society which is implicit in the progress of Communist technology and power now being so dramatically advertised to an apprehensive world.

Much of that challenge is outside the realm of military power. It lies in the field of international economic relations. For unless the free nations, acting together, succeed in building strong and healthy economies which answer to the aspirations of their

Continued on page 28

*An address by Mr. Dillon before the 44th National Foreign Trade Convention, New York City, Nov. 18, 1957.

Dire Consequences of More Currency Debasement

By ALLAN SPROUL*

Director, American Trust Company, San Francisco, Calif.
Director, Kaiser Aluminum and Chemical Corp.
Former President, Federal Reserve Bank of N. Y.

Mr. Sproul advises monetary authorities not to embrace policy of continuous "homeopathic" doses of inflation to cover up defects of other parts of our economic program, or to be used in the unproved assumption that creeping inflation maintains maximum production and employment. Aware of the general biased attitude favoring inflation, and the coming months of economic uncertainty, the former N. Y. Central banker states "this is no reason" to relax efforts to protect the dollar needs. Sees present slowdown as propitious time to reverse our trend toward economic rigidity, and repeats previous call for objective financial study.

I realize that the subject of continuing debasement of our currency as an economic way of life has been combed over pretty thoroughly in recent months and years by Congressional committees, financial experts, economists, columnists, radio and television forums, panels of greater or lesser degree, as well as the "common man" and "common woman." I am not going to try to cover the field. I am merely going to try to fill in a few cracks and crannies.

Allan Sproul

And the words I have chosen to label my subject — continuing debasement of our currency, instead of inflation — will indicate that my views are tilted toward resisting the inflationary tendencies we all perceive in our economy, rather than relaxing and enjoying the ride. We all know that over extended time periods most currencies have declined in purchasing power; have suffered deval-

Continued on page 30

*An address by Mr. Sproul before the Governors of the Association of Stock Exchange Firms, San Francisco, Calif.

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

The Security I Like Best

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

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

BEN GAYNES, JR.
Partner, Sprayregen & Co., New York City
Members New York Stock Exchange; Chicago Board of Trade and Associate Members of American Stock Exchange

Pennsalt Chemicals Corporation

The 107-year old Pennsalt Chemicals Corporation, emerging from a period of transition, is now graced with a streamlined internal organization, new product flow, and greatly enhanced earnings capabilities. The coming year should not only see an 8 to 10% increase in sales but also a major easing of the current pressures on profit margins. The result should be an increase in net earnings of more than 25% over the expected 1957 showing of $2.75 per share.

Ben Gaynes, Jr.

Start-up expenses of new facilities in 1958 should approximate less than 20% of similar costs presently being incurred, thus eliminating to a great extent one of the major drags on margins. An unwieldy corporate structure has been reshaped in such ways as to limit duplication of marketing efforts and to effect reductions in administrative costs. One further step that management has taken is that of relieving the company of those products or facilities which do not offer a high return on investment. One recent example of this policy was the disposal of a municipal water system limited by Pennsylvania law to a return of 6½% on invested capital.

The revitalized earning power first should begin to exhibit itself in the March quarter. Common share earnings in 1958 should range somewhere between $3.50 and $3.75. The important feature of this increase is that it should not represent an anticipated plateau, but rather just the initial phase of an era of accelerated earnings.

Pennsalt has made continuous dividend payments for the past 94 years. The annual rate affords a 3.6% return based on current market of approximately 52. Over the recent years, disbursements have averaged 67% of net earnings, and indications are that this policy will not vary greatly in the imminent future. Conservative management has made it possible for the company to finance a considerable portion of its expansion program through the medium of internally generated funds. Another source of money for this purpose was $15 million of 3.45% Sinking Fund Debentures issued in 1956 and representing some 83% present total long-term debt. Outstanding common stock totals 1,278,568 shares.

Pennsalt is one of the pioneers in the field of fluorochemistry. Fluorine imparts stability to such diverse products as refrigerants, pharmaceuticals, and aerosol propellants. The company's tradename, ISOTRON, is steadily assuming more importance in these booming industries. Plastics offer fluorine chemicals a limitless potential as does the area of nuclear power. In the missile field an incendiary compound based on fluorine acts as a trigger and adds tremendous propulsive power to rocket fuels.

The company's industrial and specialty chemicals service broad segments of American Industry in addition to those mentioned in the preceding paragraph. High on the list would be rubber, metal processing, plating, petroleum, food processing, and agriculture. Several products worthy of separate note are odorants for natural gas and LPG producers and swimming pool chemicals. The substantial growth indicated for these lines is self evident. The immediate outlook for the metal processing industry is cloudy, but any sales losses in this market should more than be made up by increased consumption on the part of rubber and paint manufacturers.

At 51 (New York Stock Exchange) the common stock is priced some 26% below the 1957 high of 70¾. Opinion that improvement in the company's finances would begin to show up in mid-57 was largely responsible for a market rise of almost 15 points from the 1956 year-end close of 56. Currently selling at about 19 times estimated 1957 earnings and 15 times estimated 1958 earnings, the common stock of Pennsalt Chemicals offers, in my opinion, excellent opportunities for capital appreciation next year.

ARTHUR LIPPER III
Security Analyst, New York City

Melchior Engineering Corporation

If one accepts the thesis that "youth owes it to itself to speculate" then certain criteria should be established as to what comprises a good speculation. The prerequisites which a given situation should meet are, in my opinion, as follows:

Arthur Lipper, III

(1) The product or product lines of the company must be either new or so drastically superior to what is already on the market that immediate competition is not a prime consideration. Patents should be granted rather than pending. Products should lend themselves to diverse applications and not be attractive solely to one industry or group of buyers.

(2) Capitalization has to be favorable with a small number of shares outstanding and no dilution present. Management should also be substantial holders of the common stock.

(3) The company should be in such a positon so as to be able to maintain at least a constant relationship between sales and net profit and not, as so many smaller concerns do, get caught in a "profit squeeze."

(4) A need for new money or the prospect of future financing should either be absent or very carefully investigated.

(5) Market price of the stock has to be reasonable both in the light of future earnings and historical values.

(6) Management must be willing and able to discuss the negative factors in their situation as well as the positive ones. Basic managerial philosophy should be constructive and realistic.

This Week's Forum Participants and Their Selections

Pennsalt Chemicals Corp. — Ben Gaynes, Jr., Partner, Sprayregen & Co., New York City. (Page 2)

Melchior Engineering Corp. — Arthur Lipper III, Security Analyst, New York City. (Page 2)

Melchior Engineering Corporation was originally presented to me for evaluation over one year ago; neither before nor since has a company met the test so well or intrigued me as much.

Melchior Engineering is a patent-holding company whose royalty agreement with its various licensees provides that the corporation is to receive 5% of the gross sales price on Melchoir instruments, on all Melchior Diaphragm Capsules, and on all instruments in which the primary sensing elements and/or actuating mechanisms can be established as referring to Melchoir designs, principles or methods. This means that for every $2,000 instrument sold employing a single Melchior design principle, the corporation receives $100. The profit of the licensee has no bearing on the royalty arrangement.

The corporation's field of interest, experience and patent protection is in one of today's most dynamic . . . that of pressure sensing. In the initial application a vastly superior altimeter of hitherto unknown accuracy is just now reaching the production stage of Bulova Research and Development Laboratories, (subsidiary of Bulova Watch Co., the U. S. Licensee). This altimeter in recent flight tests performed in such a manner as to convince the most skeptical observer that this instrument has an immediate market and fills an acute need.

It is believed that annual altimeter sales by Bulova alone, may exceed a $10,000,000 rate in the near future. This would provide Melchoir Engineering with $500,000 before taxes. There are less than 100,000 shares of this company outstanding, but more of this later.

Aside from the altimeters amazing accuracy, five feet plus or minus at sea level versus fifty feet for a standard instrument, there is no hysterisis (time lag) between change in altitude and registration of the fact. Competitive altimeters lag several hundred feet in a steep dive or ascent. Dire consequences can result if a pilot must wait several minutes before determining his exact altitude. The airlines have evidenced very real interest in this development, as has the Air Navigation Development Board.

Master instruments for calibration of other instruments, rate (of climb and descent) control devices, and static altitude control devices used in conjunction with automatic pilots are all anticipated based on the original altimeter. An air speed indicator (Machmeter) is also a possibility.

Undersea and missile applications may also be offered for sale in the future.

A new type air/fuel metering device is in the early stages of development with patents already granted. This "carburetor" has created considerable interest both in Detroit and among the major oil companies, as it possesses the ability to accept volatile fuels regardless of vapor pressure, e. g., propane. It is conceivable that the carburetor might eventually make an even greater contribution to earnings of Melchoir En-

Continued on page 41

Three Critical Issues On the Business Scene

By PHILIP D. REED*

Chairman, Board of Directors, General Electric Co.

G. E. head delves into politically-oriented issues that demand the attention of businessmen and specifies the dangers of inflation, union power, and the atack on large-scale enterprise as which are said to affect the economic health of all industry. Mr. Reed fears the nation may relax its fight against inflation and/or regard it as a comforting friend rather than a deadly foe; calls on Congress to end closed shops; and doubts responsible Americans want to see great companies of our country made smaller. Asks business to enter the arena of public opinion and make its ideas known.

Philip D. Reed

Alert observers of the American business scene have undoubtedly noted a seeming paradox. On the one hand, great strides have been made in the technical proficiency of management. The techniques of organization have advanced. The factors involved in decision-making are better understood and better integrated. An impressive variety of measurements have been developed to help managers improve their performance in the traditional business functions. It is fair to say that the technical competence of present-day managers is generally held in high esteem.

But even as we businessmen extend our mastery over the traditional management functions, we find ourselves being drawn more and more into unfamiliar areas in which, as a group, we have no proven competence and do not find general acceptance.

The cause of the dilemma is not difficult to ascertain. It grows out of the ever increasing complexity of our society, which tends to put greater and greater emphasis on political as distinguished from economic factors. Twenty-five years ago, economic considerations tended to control the nation's political life. Today the pendulum has swung, and political determinations have in large measure become controlling factors of economic life.

Those words tell the story: . . . Political determinations have become controlling factors in our economic life.

Now let me say at once that this is a broad statement, perhaps too broad. But I made it deliberately in order to emphasize both the fact and the importance of the growing influence of political affairs on our business life. This will not be a new idea to you. I am well aware that the petroleum industry gets its full share of attention in Washington. Last month in Detroit, Mr. Porter claimed for you the unenviable distinction of being "subject to more problems and greater vulnerability than any other American indsutry in its relationships with government."

I wish to make the point, however, that the significance of the shift in emphasis between economics and politics extends beyond the intervention of government in the affairs of a particular industry at a particular time. It extends to issues affecting the economic health of all industry at all times.

Today I would like to discuss three of these issues with you: inflation, union power, and corporate size.

Problem of Inflation

First, inflation.

In current literature, inflation has become the greatest "whodunit" of our time. Erle Stanley Gardner and Ellery Queen combined probably could not fashion a more complex plot. The finger of suspicion has pointed at various times at government, business, banking, unions, world politics—yes, an deven at gremlins! Unfortunately, the story is not yet ended, and though the outcome is of critical importance to us all, we canont skip ahead to the back of the book and see how it is going to turn out.

Ten years ago no one suspected that inflation would prove to be such a difficult mystery to unravel. Economists spoke quite confidently about what it was, what caused it, and what had to be done to halt it. They described it as too much money chasing too few goods and most of them appeared to agree that the threat would pass as soon as the money supply was stabilized, the Federal budget balanced, and the country had plenty of goods on the shelf.

During the past year the country has experienced the kind of conditions that were sought as an antidote to inflation 10 years ago. There have been susbtantial inventories in most lines, and ample capacity to produce more. There has been a tight money policy, and no flood of easy money to overwhelm the supply of goods. The Federal budget has been in balance.

And yet, the value of money has continued to decline.

I do not have the key to unlock the mystery. I suspect that there is no simple or single solution to inflation. Perhaps all accused are

Continued on page 26

*An address by Mr. Reed before the 37th anual meeting of the American Petroleum Institute of Chicago, Nov. 13, 1957.

INDEX

Articles and News Page

Meeting Communist Threat via Trade and Aid —Hon. C. Douglas Dillon — Cover

Dire Consequences of More Currency Debasement —Allan Sproul — Cover

Three Critical Issues on the Business Scene—Philip D. Reed — 3

The Stock Market Ahead—Sidney B. Lurie — 4

Factors Making for Bear Market—Roger W. Babson — 4

Foreign Real Estate for the Well Heeled—Ira U. Cobleigh — 5

Are Administered Prices or Wages Responsible for Price Inflation?—Jules Backman — 6

Federal Highway Program and Petroleum Industry —Bertram D. Tallamy — 7

Timber and Forest Products: An Investment for the Future —James L. Buckley — 9

The Future of Natural Gas and Direct Industrial Sales —Ralph T. McElvenny — 10

Investments for Freedom—Leland I. Doan — 12

How to Watch Your Investments—Lewis D. Gilbert — 14

New York Authority's Problems and Progress —Austin J. Tobin — 15

Our Secret Weapon Is Trade and Investment —Benjamin F. Fairless — 17

Investments Require Trade and Other Essentials —A. N. Lilley — 19

Courageous Credit Engineering—Herbert R. Silverman — 20

* * *

"The Greeks Had a Word for It" (Letter to Editor from B. H. Narveson regarding H. Eugene Dickhuth's Article) — 14

Banker vs. Politician (Boxed) — 26

Fourth Quarter Business Prospects Assayed by Cleveland Trust Co. — 27

CED to Conduct Independent Monetary Survey — 32

Purchasing Agents Don't Expect Business Upturn in Fourth Quarter — 42

"Confidence in the Future" (Boxed) — 42

Regular Features

As We See It (Editorial) — Cover

Bank and Insurance Stocks — 23

Business Man's Bookshelf — 44

Coming Events in the Investment Field — 8

Dealer-Broker Investment Recommendations — 8

Einzig: "American Gold Buying Price Is a Bulwark Against Inflation" — 22

From Washington Ahead of the News—Carlisle Bargeron — 15

Indications of Current Business Activity — 33

Mutual Funds — 40

NSTA Notes — 16

News About Banks and Bankers — 18

Observations—A. Wilfred May — 5

Our Reporter on Governments — 21

Our Reporter's Report — 39

Public Utility Securities — 26

Railroad Securities — 25

Securities Now in Registration — 34

Prospective Security Offerings — 38

Securities Salesman's Corner — 25

The Market . . . and You—By Wallace Streete — 16

The Security I Like Best — 2

The State of Trade and Industry — 4

Washington and You — 44

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President

Thursday, November 28, 1957

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings state and city news, etc.).

Other Offices: 135 South La Salle St. Chicago 3, Ill. (Telephone STate 2-0613); 1 Drapers' Gardens, London, E. C. England c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $65.00 per year. in Dominion of Canada, $68.00 per year, Other Countries, $72.00 per year.

Other Publications

Bank and Quotation Record — Monthly $40.00 per year. (Foreign Postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The Stock Market Ahead

By SIDNEY B. LURIE*

Market Analyst, Josephthal & Co., Members N. Y. S. E.
Former President, New York Society of Secrity Analysts

Market analyst, while advising against "betting the bank roll," maintains now is one of the few times for being an aggressive buyer. Asserts dismal business outlook has been discounted by market's decline; and points to bullish aspects of the bond market. Cites buying opportunities in low-coupon municipal bonds, in finance companies and oils, and in four specific stock issues.

Speculation, like any business, requires faith, courage and ability. It requires common sense. Unfortunately, however, most people think there is a "magic key" — and don't use common sense when it comes to Wall Street. Let me illustrate the point by offering five rules for successful speculation:

Sidney B. Lurie

(1) Don't ask your broker what he thinks of the market. You buy individual stocks — not the stock market. The averages which supposedly measure the market are little better than a 30-inch yardstick.

(2) Don't delude yourself that you are buying stocks for income. Sure, it's important—but the only reason to buy common stocks is for capital gains. In other words, you risk your capital no matter what you buy—and appreciation is the only compensation for risk.

(3) Have the courage of your convictions — and concentrate rather than diversify. Most successful businesses make the bulk of their profits from only a few products—not the complete line.

(4) Every businessman knows that the first inventory loss always is the smallest. In the stock market, however, people seem to get stubborn—which almost always is wrong. This is a business in which you must recognize mistakes—and limit losses. Furthermore, when you decide to reduce your security inventory, sell the least desirable items — not the most promising.

(5) There are only a few times in each span of years when it is wise to "bet the bank roll." This isn't one of them. There are, however, a few times each year when the calculated risks suggest being an aggressive buyer — or seller. With the Dow-Jones Industrial Average now around 430, I think this is one of the times to be a buyer.

No Forecasting Univacs

Mind you, I'm not implying that a new bull market has started. Far from it! Nor am I trying to say that a new business boom is in prospect. Actually, I think business will get worse—before it gets better. There is little or no chance of improvement until the second half of 1958. In effect, therefore, what I'm saying is that speculation is an applied art. There are no UNIVACS in Wall Street. And stock prices are made by many factors—with the business trend being only one of them. In effect, my bullishness on the intermediate stock market outlook stems from several factors:

(1) We've been through a financial panic—and the storm of forced liquidation has blown itself out.

(2) By and large, the market has discounted the shape of things to come in the near future. It takes a surprise to make a new price trend—and there is no surprise in the fact that the trend of business is down.

(3) The bond market has turned upward. This is bullish on stock prices, in that it removes competition for the security buyer's dollar.

(4) Seasonally, this is the time of the year when the market almost always trends upward. It's human nature to look on a new year with optimism—and we, who speculate, must capitalize on the human frailties.

(5) Speculative psychology has improved—for we now have a sense of national direction and we're seeing a managed economy at work.

(6) In my opinion, the next time for new disillusionment, new shocks, probable won't be at hand until early in 1958. This is when we might see some disappointment over the probability that the economy is unlikely to reverse its field—because of easier credit and increased defense spending.

Too Early to Be Scared Too Late to Worry

In a word, it seems to me that it is temporarily too early to be "scared" about 1958—and too late to worry about 1957. If you're flexible, if you know that speculation is not a simple business, there are many issues which look quite interesting. If it were easy to get "fat" financially, there wouldn't be enough Slenderellas in the country to take care of everybody. Meanwhile, I think the following groups and issues are quite interesting for purchase.

Low-Coupon Municipal Bonds (which now sell at deep discounts from par).
Finance Companies.
The Oils.
Georgia Pacific.
St. Regis Paper.
Norwich Pharmaceutical.
Wilson & Co.

In a word, there are a number of issues which tempt the security buyer's dollar—if you know that stocks are merchandise — if you realize that this is an era where the man will be separated from the boys. But whatever you do, know what you are doing. This is a business which pays off on knowledge and imagination. It's business which pays off when you act with your intellect—not your emotions.

The Stock Market is no different than life itself—it doesn't offer security—but it does offer opportunities if you are willing to accept the same calculated risks you took when you got married.

*A talk by Mr. Lurie before the Beth-El Mens' Club, Great Neck, N. Y., Nov. 21, 1957.

Aibel Co.-Mgr. of R. E. Kohn Branch

ELIZABETH, N. J.—Herbert M. Aibel, has been appointed co-manager of Richard E. Kohn & Co.'s Elizabeth office, according to an announcement by Richard E. Kohn, Senior Partner. Mr. Aibel is a bond specialist and an authority on portfolio planning.

Davis, Skaggs & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Don G. Hopper has become connected with Davis, Skaggs & Co., 111 Sutter Street, members of the Pacific Coast Exchange. Mr. Hopper was formerly with E. F. Hutton & Company.

Factors Making For Bear Market

By ROGER W. BABSON

The determinant of a bear market, according to Mr. Babson in drawing upon 50 years of background experience, "is how you and your neighbors feel. If most . . . have faith in the present Administration, then a real Bear Market has *not* yet started." Explains the forecasting technique of the "Area Theory," which he believes is preferable to the "Dow Theory," and predicts retailers should expect a good Christmas business.

Most readers are anxious to know whether we are now in a Bear Market. This applies to retail stores, real estate and commodity prices, as well as to stocks and bonds. Let me first say that everything points to good Christmas business. Retailers who are at their stores from opening to closing and who attend to business have nothing to worry about, at least this year.

Roger W. Babson

During my 50 years of watching Wall Street, a part of which time I spent on Wall Street, I have witnessed five Bear Markets. Naturally they all follow Bull Markets such as we have seen in the past decade. In fact, there has been no other Bull Market during these 50 years as long and as profitable as the one we have experienced since 1942.

When Bull Markets increase and become overextended, that is the first indication of a Bear Market. Furthermore, such Bear Markets ultimately include commodity prices and real estate activity, as well as stocks and bonds. One type of activity, however, may anticipate or extend beyond another. The bond market may now be at the low point of its cycle, while the stock market is still high. Stocks are usually the first to collapse and the first to come back, whereas real estate is the last.

When we were on a Gold Standard, the best sign of the approach of a Bear Market was very high interest rates. Today, however, we are no longer on the Gold Standard, but on a Political Standard. The Government in Washington cannot forever extend prosperity: but they can certainly stretch it out.

Another system which has worked fairly well is forecasting markets is the Dow Theory. This was originated many years ago by one of the former owners of the "Wall Street Journal." I presume any reader can secure an explanation of it by contacting his broker or investment advisor. Just now, however, this Dow Theory is out of style.

I personally have been guided by the Area Theory, so-called. Briefly, this means that as long as business remains near its normal line of growth we have nothing to fear, except for some very unexpected eventuality. When, however, business begins to form an Area of Prosperity above the normal line larger than previous areas, we must be on our guard. When the area becomes too large, an Area of Depression below the normal line begins to develop. Stocks and retail profits

Continued on page 5

The State of Trade and Industry

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

Two major factors this week had a very depressing effect upon business and industry, the first of which was the news report on Tuesday that President Eisenhower suffered a cerebral attack. The stock market turned sharply lower in the closing hour of trading and tickers ran as much as seven minutes late. Coupled with the President's illness, the steel industry, "The Iron Age," reported on Wednesday, last, was heading into its "slowest demand period since 1954." With respect to the period of steel inventory correction, this trade paper added that it will probably continue well into the first-half of 1958. It further observed that there could be a substantial pickup in demand in the last half if the forecasts for some of the major steel-using industries materialize. This week steelmaking operations are expected to drop to 73.6% of ingot capacity, a 15-month low point, as a result of the Thanksgiving Day holiday.

Some bit of encouragement was given to business last week with the news that Federal Reserve officials were considering further steps to ease credit conditions. Alfred Hayes, President of the Federal Reserve Bank of New York, it was reported, hinted to Congress that the Reserve System's open market committee may increase credit supplies as a follow-up to the half-point reduction the past few days in the discount rate at five Federal Reserve Banks.

He told the House Small Business Committee the discount rate cut probably would have little mechanical effect in expanding the volume of money in circulation, but intimated that other actions might follow. Steps that could be taken to this end, bankers noted, include Federal Reserve purchases of Treasury bills in the open market and reduction in the reserves member banks are required to maintain against deposits.

Initial claims for unemployment insurance dropped 7,400 to 301,500 during the week ended Nov. 16, but topped the year-ago figure by 84,000, the United States Department of Labor's Bureau of Employment Security reported.

The steel industry this week heads into its slowest demand period since 1954, "The Iron Age," national metalworking weekly, reports.

Steel company presidents and vice-presidents are shoring up customer relations from the top down and old-time salesmen, the ones who know what "hard sell" really means, are showing the newcomers long-neglected tricks of the trade.

Here is what the mills are up against: Steel users have set a course of inventory-cutting and are sticking to it. They know they are in the driver's seat and are cutting their own costs at the expense of the mills. They are living hand-to-mouth on inventories and counting on the mills to give them quick delivery when they need it.

These are hard times for the mills. They are set up to operate on a mass-production basis. It is a strain on their scheduling and distribution systems when they are forced to handle small orders. The fact that they have been able to do it is a tribute to their ability to meet changing conditions, this trade weekly declares.

Continuing, it notes that one of the biggest sales tools the mills now have is quick delivery. This has forced them to carry heavier-than-usual inventories of finished steel, backed up by unusually large stocks of semi-finished steel.

The period of inventory correction probably will continue well into the first half of 1958, it further states. There could be a substantial pickup in demand in the last half if the forecasts for some of the major steel-using industries pan out.

Here is why, in spite of the current lag, most steel producers are optimistic about prospects for last-half 1958 business: Highway construction will be gathering momentum. One major mill predicts that more than 2,400,000 tons of steel will go into roads in 1958. That would be a 20% hike over 1957. Sales of roadbuilding equipment, one builder says, will jump 10% next year. There was little or no gain this year, "The Iron Age" declares.

Oil and gas activity should be on a par with 1957, which will go down as a good year. Oil well drillings this year will be about 58,000 and the same level is expected for 1958. Shipbuilding is going strong with shipyards in the United States and abroad booked ahead for several years. General construction volume will be high, despite the expected slowing in some lines and appliances are expected to make a comeback after a year of relatively slow sales. Part of this pickup will be due to a predicted increase in residential construction. Automotive production should be at least on a par with this year's 6,000,000 units, barring a strike.

Meanwhile, the mills know their customers are chewing up steel at a fair rate. in fact some analysts say actual steel use in 1958 could equal that of 1957, which may turn out to be a record year. They point out that steel consumption should not be confused with steel shipments in making evaluations.

Under these conditions, a better-than-expected spurt in one or more of the major steel-using industries could spark a rush for more steel and put the industry back on the upgrade, concludes "The Iron Age."

October witnessed a further drop in the volume of building permits in 217 cities and marked the sixth straight month to fall below the level of a year ago, Dun & Bradstreet, Inc., reports. The total valuation of permits issued last month was $501,328,013. This compared with $524,374,748 in September, for a loss of 4.4% and with $535,228,128 in October, 1956, for a decline of 6.3%.

For New York City alone, building permit values fell to a comparatively low level, totaling $34,983,647. This was down 21.7%

Continued on page 31

Observations . . .

By A. WILFRED MAY

WHAT SHALL THE INVESTOR NOW DO ABOUT INFLATION?*

Before going into the many pro's and con's, let us take a moment's time-out to define what we mean by inflation. As a working definiton, stripped of the customary excess verbiage, I would offer the following: "A major price rise resulting from an increase in the money supply which exceeds the amount of goods and services available for consumer use." For investors the emphasis of the concept of inflation, as used (and sometimes misused) is mostly concerned with the depreciation of the dollar; in the context of managing one's portfolio to preserve the real value in terms of purchasing power.

A. Wilfred May

But—however controversial the definition, or the public's view on so-called inflation, may be—t. ere surely can be no doubt about its continuing timeliness as a factor of which the investor is acutely conscious. Through both bull and bear market movements, you've been keeping one weather-eye on this factor as both a threat and support to your investment position. Whereas in past times the inflation factor often has tended to be merely an academic concept, today—tied to popular news topics as wage-escalator clauses and discussions over Cold War Defense spending—it is now a taxi-driver conversation item. With the spread of cost-of-living tie-ins on wage contracts, the auto worker is now an inflation-economist. Then too, with the repeated citation of the drawback to Savings Bonds contained in their exposure to dollar-depreciation, the 50 million of E-Bond holders have been made inflation-conscious; as has the prospect for a mutual fund purchase had the wits scared out of him by the distributor's picturing the fund-less individual's ruination by the inflation threat.

The Inflation Picture Ahead

Let us now review the inflation factors facing you, the intelligent investor, today. How shall you appraise the importance, degree, and course of inflation as a long- and as a short-term market force? How should you chose between inflation hedging elements on the one hand, and sound investment criteria on the other? Again, how should the selection of specific stocks be slanted to accord with inflation factors?

Comparative Changes in Cost of Living; and Share and Bond Prices

TABLE I

1937-1957 (through Aug.-Sept.)

	Cost of Living	Share Prices	Bond Prices	Proportion of Living-Cost Rise Offset by Stock Rise
Netherlands	+208%	+158%	—62%	75%
United Kingdom	+163	+ 78	—60	48
Italy	+6,000	+3,997	—24	67
Switzerland	+ 80	+119	—34	149
France	+1,270	+5,840	—65	460
Sweden	+123	+134	—44	109
Union of South Africa	+120	+ 21	—31	18
U. S. A.	+133	+247	—33	186

TABLE II

(1948-1957)

	Cost of Living	Share Prices	Bond Prices	Proportion of Living-Cost Rise Offset by Stock Rise
Australia	+110%	+ 20%	—23%	18%
Spain	+149	+ 51	n.a.	34
Chile	+746	+557	—35	75
Canada	+ 36	+123	—40	342
*Germany	+ 76	+219	+1,000	288
Union of South Africa	+ 46	— 44	—37	0
U. S. A.	+ 90	+150	—48	166

*Period, 1950-1957. n.a. Not available.

TABLE III

U. S. A. Changes in Share Prices and Cost of Living—Other Periods

	Cost of Living	Share Price	Proportion of Living-Cost Rise Offset by Stock Rise
1915-1920*	+107%	+ 33%	31%
1937-1950	+ 85	+ 33	40
1937-1951	+ 80	+ 62	78
1937-1952	+ 83	+ 73	87
1946-1951	+ 42	+ 27	64

*From June to June of each year.

From the long-term view of the price level, are we now on the side of a limitless mountain, or perhaps only at a major peak? Or, as a third alternative, possibly a mere foothill with the major

Continued on page 41

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

Foreign Real Estate For the Well Heeled

By DR. IRA U. COBLEIGH

Enterprise Economist

Some field notes on personal ownership of foreign real estate, especially with reference to its higher income yield and inheritance tax advantages.

The recent tired action of the stock market, and the current downtrend in earnings of quite a few of our more eminent corporations, has caused a number of knowledgeable men of substance to take a new look at real estate investment. The inducements are attractive: higher yields—from 30% to 100% above the present average yield of the Dow Jones industrials; a considerable income tax shelter via depreciation; a fine hedge against inflation (which is the ultimate, if not the present propellent of our economy); and, in the case of certain foreign countries, a very important defense for U. S. citizens against the impact of inheritance taxes. A number of excellent articles and books have been written on investment in American real estate from vacant land to skyscrapers, and from leaseholds to lease backs. For today, however, we've narrowed our field of discussion to a much less publicized form of realty—income producing property outside the United States.

Ira U. Cobleigh

Why look abroad when there are so many fine values here? For three quite valid reasons: (1) higher net yield, (2) more dramatic opportunity for capital gain, and (3) substantial saving in inheritance taxes. Now obviously many foreign countries are highly unsafe for such investment—Syria, Poland or Egypt, for example. The desired national attributes are simple and clear:

(1) A politically stable, and economically sound government with a strong currency and no impediment to money transfer.

(2) An economic climate encouraging private enterprise and the quest for profits.

(3) Not a static but a dynamic economy.

By those criteria, the two countries now most attractive for the deployment of American money into real estate abroad are Canada and Venezuela—so we'll talk about them. And we shall refer to individual, rather than corporate, ownership, since the inheritance tax benefits aforementioned do not apply to ownership via stock certificates.

If one's funds are extensive, outright ownership of a property is possible. Generally, however, limited partnerships are entered into, with the liability of each partner limited to his initial investment. Under such an arrangement, each partner owns directly and personally an undivided interest in the piece of realty selected. He further benefits from his proportionate share of depreciation, and his income is not diluted by the payment of corporation taxes.

As between Canada and Venezuela, investors presently prefer Canada, probably because of a more stable political history, closer geographic proximity and a common language. Good commercial building properties in the larger Canadian cities presently yield a return of around 9% (before personal income taxes) with some apartment houses yielding up to 15%. In Venezuela, this percentage would be higher with comparable commercial realty returning 12%.

In the case of either country, however, the return would be variously between 40% to 80% income tax-exempt to an American owner, through the allowance for depreciation. Since the major drawback to real estate investment has always been the absence of liquidity, American investors should confine their foreign holdings to well located commercial or apartment properties in the larger cities — and the fastest growing ones. This policy is the best insurance of favorable future resale prices. And, of course, seeking the guidance of a reliable and responsible realty firm in the selection of property is always an excellent idea.

Just so we don't keep this piece at the theoretical level, let's set down an actual example of an investment account, including Canadian real estate. We assume our client to have $350,000, $250,000 of it invested in American securities yielding 5% and $100,000 in a Toronto office building yielding 9%. This returns, before taxes, $10,000 on the U. S. portfolio and $9,000 from the building with $4,500 of that, tax exempt.

That's attractive enough from an income standpoint, but consider how this Canadian realty can reduce the inheritance tax, if the owner passes on. Under the U. S.-Canada Death Tax Conventions (effective in June, 1941 and amended in November, 1951) only the country in which the property is situated levies a tax on the succession to real estate. Supplementing this Canadian Convention S. 2031(a) of the Internal Revenue Code, 1954, specifies that the value of foreign real property need not be included in the value of the gross estate of a decedent. In other words, in settling the affairs of our deceased friend, what looked like a $350,000 gross U. S. estate bracket is immediately reduced by $100,000; and the U. S. inheritance tax on this much lower gross is paid at a far lower rate. Here's how the calculation works out assuming distribution to a widow and two sons:

Gross "World" Estate	$350,000
Less Canadian Realty Exemption	100,000
Gross U. S. Estate	$250,000
Less deduction allowed to widow (half of $125,000)	62,500
Adjusted Gross Estate	$187,500
Less Exemption Sec. 2052	60,000
U. S. Taxable Estate	$127,500
U. S. Inheritance Tax on above	$27,950

But if this realty had been U. S., instead of Canadian, the U. S. taxable estate would have been $202,500 requiring $51,450 in tax. Thus, you will perceive that the Canadian property lessened the U. S. tax by $23,500. Not all of that is saved, however, as we have not yet calculated the tax Canada will charge. Here's the way that goes:

Aggregate net value of Toronto property	$100,000
Tax on Widow's Share (11.9% of $50,000)	5,950
Tax on Son's Share (10.7% of $25,000 x 2)	5,350
Total Canadian Tax	$11,300
End Result:	
Tax **not** paid to U. S. (as shown above)	$23,500
Less Canadian Tax Paid	11,300
Inheritance Tax Saving	$12,200

This illustration reveals a quite sizable tax saving. Had the estate been $1,000,000, however, with $300,000 in Canadian realty, the tax saving would have run into six figures. Quite similar (but somewhat less favorable) results could have been achieved had the foreign property been located in Venezuela, since that country also has a reciprocal inheritance tax agreement with the United States.

Now it should be obvious that major realty investment should not be embarked upon solely for tax reasons. A well located, quality holding, with a rewarding income are the first things to look for, and considerable attention should be given to the trend of realty prices in the subject city. In such metropolises as Vancouver, Calgary, Winnipeg, and Caracas, there has been a dynamic upward price trend in real estate in the past decade, which if continued, should remove most of the objections to realty holdings there, so far as liquidity is concerned. Real estate anywhere is quite easy to sell on a steadily rising market!

Remember, too, that foreign real estate must be individually (not corporately) held for maximum tax advantage. Further, it should be held preferably free of mortgage lien as there is some possibility the inheritance tax exemption might not apply on mortgaged property.

Because of the very heavy American security investments in both Venezuela and Canada, and the amazing and sustained rise in gross national product and personal income in both countries, it is only natural that Americans of high solvency would, in due course, become interested in realty in those areas. The attractive yields and lower tax bite provide a considerable lure and the opportunity for capital gain may well appeal to those who are at the moment a bit "stock weary."

Continued from page 4

Factors Making For Bear Market: Babson

usually begin to decline in the last part of the Prosperity Area, and begin to come back in the early part of the Depression Area. The word AREA is used rather than *high* or *low* because if the area above or below the normal line is deep, then it will last a much shorter length of time than if it is shallow. Contrariwise, a shallow area will tend to last longer. Thus, under the Area Theory, you cannot make a forecast as to the length of a period of prosperity or of depression until you know its height or depth.

During previous periods of prosperity, a very small percentage of the people owned securities, or even real estate. Today, however, markets can be very much influenced by the thinking of small investors scattered throughout the country—that is, "John Q. Public." Furthermore, owing to the strict supervision of the Securities and Exchange Commission, the bankers, investment dealers, and large investors cannot form pools to influence the market as they did before the Roosevelt regime.

This was very clearly illustrated during the second election of President Eisenhower. Most stock and businesss analysts felt that the "bloom was off the rose" in 1955 and believed a Bear Market had started. The tremendous victory of Mr. Eisenhower in 1956 entirely changed the attitude of John Q. Public. This caused another uplift to the market and an extension of the Period of Prosperity. Therefore, the real criterion now of whether or not we are in a Bear Market is how you and your neighbors feel. If most of you have faith in the present Administration, then a real Bear Market has *not* yet started. But, if you are fearful and unhappy, my guess is that the Bear Market has started in earnest.

Are Administered Prices or Wages Responsible for Price Inflation?

By DR. JULES BACKMAN*
Professor of Economics, New York University

As the boom subsides and wage inflation continues, Professor Backman concludes, narrower profit margins and growing unemployment are in the offing instead of a rise in price level. This conclusion follows the Economist's analysis of administered prices and administered wages which produces such observations as: (1) though 90% of all wholesale prices and practically all retail prices are administered, there is no significant relationship between administered prices and price changes nor differences in prices of products subject to high as against low concentration of control; (2) administered prices have not produced huge profits since they are subject to supply-demand, and (3) administered wages, in excess of productivity, helps explain paradox of declining raw material prices and finished goods price inflation.

The rise in prices during the past two years has resulted in a renewed examination of the causes of inflation. The analysis has been complicated by the absence of the developments on the monetary and fiscal fronts which usually have been associated with price inflations in the past. This has been a period of budgetary surpluses not deficits! It has been a period of less than "normal" increases in money supply (currency plus demand deposits) rather than one of larger expansion.

Jules Backman

Perhaps one of our difficulties is the popular tendency to associate the term inflation with **any** rise in the price level. Prices may change for many reasons which are not considered to be associated with the term inflation. The rises and declines in the prices of farm products in response to changes in supplies is a familiar illustration. The factors contributing to a rise in the price indexes must be carefully examined with this point in mind.

Inflation is not popular with large numbers of persons who are hurt by it. Accordingly, there is a tendency for each group in our economy to point the finger at other groups in order to evade responsibility for the advance in prices. The recent rise in prices has been blamed on industry, on labor, on government, and even on the tight money policy. In this paper, we are concerned primarily with evaluating the role of two suggested causes: administered prices and administered wages.

Before analyzing developments in these two areas, it should be useful to review the magnitude of the price changes which have occurred. The changes in three indexes are particularly pertinent in this connection: (a) sensitive raw material prices, (b) wholesale prices, and (c) consumer prices.

Reviews Various Price Indexes

(a) **Sensitive Price Index:** One of the amazing developments for a period of inflation is the fact that the sensitve price index of 22 raw materials compiled daily by the U. S. Bureau of Labor Statistics has failed to rise during this period. In fact, it has **declined.** This index was 89.2 (1947-49=100) in May 1955. A year later it was 90.4 **and** in May 1957 it was 88.2. Currently, the index is 84.9 or about 4.8% **lower** than when the general price rise started in May 1955.

That this is a most unusual performance for this index in a period described as inflationary may be illustrated by its past behavior. For example, in the seven months after the outbreak of the Korean War, this index rose 50% or three times as rapidly as the comprehensive wholesale price index. During the Suez crisis in 1956, this index rose 5% in a few weeks. The commodities included in this index usually are very responsive to any threat of inflation. Nevertheless, in the past two years, this index has declined. Here is a dramatic illustration that something other than the type of inflation experienced in the past is taking place.

(b) **The Comprehensive Wholesale Price Index:** From May 1955 to August 1957 the comprehensive wholesale price index (more than 2,000 commodities) rose by 7.6%. Most of this rise had occurred by the end of 1956.

	(1947-49 · 100)
May 1955	109.9
December 1956	116.3
August 1957	118.3
October 3, 1957	117.5

The index has declined moderately from 118.3 in August to 117.5 at the beginning of October 1957.

The nonfarm nonfood component (industrial prices) has followed a similar pattern: 115.5 in May 1955, 124.7 in December 1956, 125.9 in August 1957 and 125.5 early in October. Here again, we find only a nominal rise in 1957.

(c) **The Consumer Price Index:** Much of the public agitation has resulted from the rise month after month in the Consumer Price Index. After several years of stability, this index was 114.6 (1947-49=100) in February 1956. It rose to 118.0 in December and then to 121.0 in August 1957; the rise has been 5.6%.

Retail prices have risen by 2.5% in 1957 as compared with the relative stability in the wholesale price index and the decline in raw material prices. It is difficult to reconcile this pattern of price behavior with the use of the term inflation to describe events in 1957.

It is against these changes in prices that the impact of industrial price policy and administered wages must be measured.

Administered Prices

In its broadest sense, the term prices embraces wage rates as well as the prices of goods. Some economists have used the term administered prices to cover both prices and wages—and then have managed to limit their illustrations of price administration almost entirely to commodity prices. So that my remarks will not be subject to the misunderstanding which such an approach creates, I will confine the term administered prices to prices of goods and services and use the term administered wages to describe wage rates.

Administered prices are usually described as those which are set by administrative action and then held unchanged for some longer or shorter period of time. They are contrasted with market prices which technically describe prices determined under conditions where there are so many buyers and sellers that no one of them can determine the price. It is a two-way auction market.

We should keep in mind that administered pricing predominates in our economy. About 90% of the wholesale price index and practically all retail prices are administered.[1] To determine which prices are administered, it is necessary to examine the conditions under which specific prices are established. A mere counting of the number of times prices change in a given period of months, as is done by some economists, does not yield a significant test of the existence of price administration. All that such a count shows is how frequently a price changes not whether or not it is administered.

Administered Flexible Prices

Nor can we assume that inflexible prices and administered prices are identical. The recognition that there may be "inflexible administered prices" and "more flexible administered prices" destroys the assumption that there is any behavior pattern for an administered price as such. Clearly, if administered prices can have varying degrees of flexibility or inflexibility, we must go beyond the fact of administration and examine how individual prices or groups of prices actually behave. If various administered prices can behave differently during any given period—and they do have widely diverse behavior — then some force or forces other than the fact of administration must be the primary determinants of that behavior. The experience of the past two years provides ample illustration of this point.

The wholesale price index includes 92 subgroups of which 78 are administered. An examination of the changes in prices from June 1955 to June 1957 reveals the widely differing behavior of different groups of administered prices.[2] Illustrations include the following:

Prices of electrical machinery and equipment rose 17.2% while prices of household appliance declined 1.1%.

Prices of wool products rose 5.7% while cotton products prices were unchanged.

Prepared asphalt roofing prices rose 17.9% while plywood prices fell 7.5%.

Coal prices rose 22.6% while lumber prices declined 3.3%.

An examination of the 78 groups of administered prices reveals that 12 declined, three were unchanged, 12 rose loss than 3% and 10 more than 15% between June 1955 and June 1957. Among the administered prices which were unchanged or declined were: cereal and bakery products, cigarettes, household appliances, silk products, other chemical and allied products, canned and frozen fruits and vegetables, lumber, electricity, man made fiber textile products, and mixed fertilizer. The groups of administered prices which declined or were unchanged accounted for 17.1% of of the weight of the wholesale price index; those which advanced more than 15% had a combined weight of 21.4%.

Examines Industries

An examination of the industries with declining administered prices will show that in most instances their products have failed to participate fully in the recent boom (e.g., textiles; appliances; cigarettes; fertilizers; lumber). Conversely, the administered prices which have risen most were those most affected by the boom (e.g., machinery and equipment).

Market prices also have recorded varying changes. Six groups of market prices which advanced had a weight of 6.7% in the wholesale price index. Included in this category were hides and skins, animal fats and oils, fresh and dried fruits and vegetables, and livestock and live poultry. The eight groups of market prices which declined accounted for only 4.9% of the index.

Most of the market prices which declined from June 1955 to June 1957 were affected by large agricultural surpluses. Included in this category were: grains, hay, hayseeds and oilseeds; crude vegetable oils; manufactured animal feeds; and refined vegetable oils. One of the major determinants of agricultural prices is the available supply. Domestic demand usually records only small changes from year to year. Large supplies, therefore, tend to result in declining prices, while short supplies create pressure for rising prices for farm products. In recent years, the accumulated surpluses of these agricultural products have been unusually large and have been the primary factor affecting such prices.

Price behavior is more adequately explained by these reactions to supply-demand conditions than to the method of price determination — whether market or administered. The point is well illustrated by the behavior of copper, lead, and zinc prices. From June 1955 to mid-1956, these prices rose sharply under the impact of large and urgent demand. Since June 1956, and particularly in recent months, these nonferrous metals prices have declined sharply as supply has more than overtaken demand. It should be added that during this period these prices have been administered with one or another of the large companies announcing a change in price and other companies following.[3] Price administration has not prevented the extremely wide gyrations which have taken place in these nonferrous metals prices.

Concentration of Control and Price Changes

Sometimes, the argument is made that high concentration of control over supply results in highly administered prices which tend to be inflexible in a period of recession and to rise more sharply in a period of boom. Apparently, we are to believe that the greater the concentration of control, the more effective the administration, and the less flexible the price. Debate on this issue was extensive during the '30s. But the comprehensive research of Crowder and Throp, Alfred Neal and others effectively showed there was no significant relationship between concentration and price inflexibility.[4]

What has been the relationship between concentration of control and the magnitude of the price rises since the Spring of 1955? Data showing the proportion of shipments accounted for by the four largest firms have been made available in the recent Friedman Report.[5] These data cover 1,023 **classes of product** shipments and were based on the 1954 Census of Manufactures. Wholesale price data are available for **individual products in the BLS** index. However, neither in coverage nor in method af classification do the price data match the data for concentration. At best, a very rough comparison can be made between the two series. Since the element of judgment plays a significant role in matching up the two series, there is bound to be some disagreement concerning the combinations included in any survey.

This analysis is a preliminary one and is confined to five major groupings in the Census of Manufactures — primary metal industries, fabricated metal products, machinery (except electrical), electrical machinery, and transportation equipment. They cover about 40% of manufacturing employment.

The procedure used was as follows: Concentration data were used only for 5 digit classes. All the BLS price data that appeared comparable with a Census product class was examined. Then the price series having the greatest weight was used to represent the price movement for all of the product class.[6] However, if the price index with the greatest weight didn't account for at least 0.01% of the total wholesale price index, the comparison was not used.[7] It is possible that other prices may have had a different behavior.[8] If time had permitted, therefore, it would have been more desirable to prepare weighted indexes of all the prices of products included in a Census category instead of using only the most important price.

Because of lack of available data and difficulty in matching the two series, 136 comparisons were derived as compared with 335 product classes listed in the five Census categories. The number of usable comparisons in each group was as follows:

Group	No. of Census Categories	No. of Matched Comparisons
33 Primary metals	42	26
34 Fabricated metal prods.	74	30
35 Machinery (expect elec.)	132	52
36 Electrical machinery	64	24
37 Transportation equip.	23	4
Total	335	136

Preliminary Results

While there are obvious infirmities in this procedure, as has been noted, the results probably give an approximate picture of the relationship between price changes and the degree of concentration. The basic data are reproduced in Appendix Table I.

A scatter chart of the table data suggests there was no relationship between the price change from May 1955 to May 1957 and the degree of concentration for these five groups of products. Large price rises are shown for products for which concentration was small as well as for those for which it is high. Table I summarizes the data. For example, prices rose

Continued on page 22

*An address by Dr. Backman before the Society of Business Advisory Professions, Inc., New York University Club, New York City.

1 See Jules Backman, *Administered Prices*, New York City, Aug. 15, 1957, pp. 9-11.

2 For the detailed breakdown see Jules Backman, "Administered Prices and Inflation," *The Business Record*, October 1957, National Industrial Conference Board, p. 481.

3 For example, on Oct. 15, 1957, it was announced that lead prices were being reduced. This was the first change since June 11, 1957, a period of more than four months. See *The Wall Street Journal*, Oct. 15, 1957, p. 19.

4 Willard L. Thorp, "The Structure of Industry," *Monograph No. 27*, Temporary National Economic Committee, Washington, D. C., 1941; Alfred C. Neal, *Industrial Concentration and Price Inflexibility*, American Council on Public Affairs, Washington, D. C., 1942; Rufus S. Tucker, "Concentration and Competition," *The Journal of Marketing*, April 1940, Ernest M. Doblin, "Some Aspects of Price Flexibility," *The Review of Economic Statistics*, November 1940.

5 Jesse J. Friedman, *Concentration In American Industry*, a Report of the Subcommittee on Antitrust and Monopoly to The Senate Committee on The Judiciary, Eighty-Fifth Congress, 1st Session, 1957.

6 See U. S. Department of Labor, Bureau of Labor Statistics, *Relative Importance of Individual Commodities, December 1954*, issued August 1955.

7 If we included products that had a weight of over .005%, the following would be included: jack plane, steam boiler (coal), hardening furnaces, power sprayer, garden tractor, and milking machine.

8 For example, from May 1955 to May 1957, the price of steel pipe line carbon increased by 29.6%. This product has a weight of .171 in the index. However, during the same period, the price of steel pipe, black, carbon (weight of .102 in the index) advanced by 26.0% and the price of steel pipe, galvanized, carbon (weight of .057 in the index) rose by 21.9%. The price of steel pipe line carbon was used because it carried the largest weight of the three products. If a weighted average were used the price rise would be smaller.

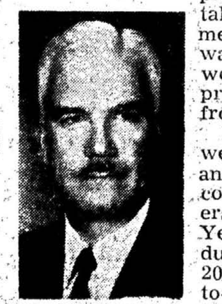
Federal Highway Program And Petroleum Industry

By HON. BERTRAM D. TALLAMY*

Federal Highway Administrator, Bureau of Public Roads

Mr. Tallamy points out Federal-aid highway act of 1956 has given cities the greatest opportunity in history to solve their traffic problems. Mr. Tallamy describes the manifold goal as one allowing us to catch up with the motor vehicle manufacturer, petroleum producer, and our defense needs, and as a bold attack as Traffic deaths and accidents, congestion and economic waste, and municipal problems. States 2,576 miles of 41,000 mile interstate system is under way, or about to get under way, at a cost of $1.3 billion, and more than 30,000 miles of improved lesser roads at a cost of $1.7 billion.

I have been asked to discuss the Federal highway program and its relationship to petroleum industry. It is a close relationship indeed and an outgrowth of another close relationship—the one between the motor transport and the petroleum industries, which are sometimes known as the Siamese twins of the American economy. I don't see how one could get along without the other, for each is the other's best customer. The motor vehicle not only consumes petroleum but transports a good share of it as well.



Bertram D. Tallamy

This alliance and mutual dependence has been a profitable one for the industries as well as a keystone of the progress and prosperity of the United States. There are plenty of persons alive today who remember this country before the happy meeting of these two great industries. Isolation, drudgery and loneliness were an accepted part of the rural way of life and city living for millions meant working and living in tightly packed neighborhoods, with fresh air and open spaces merely something to be dreamed of.

Only about 55 years ago, all the hard-paved roads in the United States would reach only from New York City to Boston. Farms not served by railroads produced virtually no crops for outside markets. Now about 90% of all farm products go to market at least part of the way by truck and farm values have jumped astoundingly since the advent of the gasoline age. A lot of us know of instances where a lonesome acre that could be bought for $5 because it was unused farm land eventually sold for $5,000 or more when it became a suburban lot or a desirable industrial site. Along with this development came the growth of countless industries connected with, or dependent on, motor transport — gas stations, garages, trucking and taxi firms, automobile and accessory sales, automobile finance and insurance, motels and countless other enterprises.

This happy state of affairs occurred, not only because of technical advances in the petroleum and motor vehicle industries, but because together they forced the construction of all-weather roads and streets.

It was an ever-growing circle. Production of more and more motor vehicles led to demands for better roads. At the same time, better roads whetted the desire of the people to own automobiles. This was fine and for about 40 years we reaped the benefits of ever-improving automobiles and fuels as well as highways that were adequate to handle the traffic.

Then after World War II we woke up to find that we had a problem on our hands. It didn't take much vision to see that merely adding more miles of highways on the old model and scale would never solve the traffic problems which suddenly confronted us.

In the 10 years after the War we built 100,000 miles of roads and streets in an attempt to accommodate the increasing ownership and use of motor vehicles. Yet in the same period we produced enough new ones to stretch 200,000 miles if placed bumper-to-bumper. The inevitable result was that our traffic death and accident tolls became a national tragedy, with about 40,000 persons killed and 1,350,000 injured each year. More than that, we were suffering at least $5 billion a year in economic loss due to accidents.

Time was running out on us to do something about the problem. Today we have 67,000,000 motor vehicles on about 3,300,000 miles of roads and streets. More than 67% of all consumer units in the country own one automobile and 7% own two or more. By 1975 we expect to have 100,000,000 cars, trucks and buses on the go in place of today's 65,000,000.

41,000 Mile System

Against that background President Eisenhower and the 84th Congress enacted a "grand plan" highway program, the greatest in history. It involves the construction of 41,000 miles of the National System of Interstate and Defense Highways and the building or rebuilding of hundreds of thousands of miles of other routes. The Interstate System will link all 48 states and 90% of the principal cities of the nation and connect with the highway networks of Canada and Mexico. It will be a limited access system and there will be no commercial establishments immediately adjacent to it. That means, of course, that the traveler must leave the System to get food, gasoline or shelter.

The construction of the Interstate System and the rebuilding of the so-called ABC roads in the next 15 or 16 years poses a tremendous challenge to the engineers, the contractors and the suppliers of materials. Take a look at some of the basic construction requirements. These are rough estimates, of course, but we expect that the expanded highway program will require about 13 billion gallons of petroleum products. It will also take about 50 million tons of steel, 1.5 million barrels of cement, 130 million tons of bituminous materials, 10 million tons of aggregates and 75 million gallons of paint. Aside from the direct consumption of petroleum products, all of these figures are significant to your industry because many of the materials will be brought to the job sites by motor vehicle.

It is a safe prediction that sales of petroleum products will skyrocket during the next 15 years. Some economists predict that gasoline sales will rise at least 60% during that period. I am informed that the Petroleum Institute estimates that sales will rise from the 1955 level of about 50 billion gallons to around 75 billion by 1964.

The average family car is driven an average 9,400 miles a year, but with the safer, easier, less congested driving on the new expressways, it is expected that this annual average will be increased by 2,000 or 3,000 miles a year. I'm sure I don't need to tell this audience anything about induced or generated traffic, but obviously the availability of adequate highways will entice a tremendous number of motor vehicles out of the garages.

Healthy Economic Effect

Another point worth making is that the demands of the highway program on the industry are predictable. Construction of the new road networks is not a crash program but a sustained, calculated undertaking that will carry on at a reasonably high level throughout the construction period. There are no peaks and valleys in the schedule and the result should be a continuing healthy effect upon the general economy.

This job of really fitting the nation to the motor age is well under way. The program has not, of course, reached high momentum, because it takes 20 to 24 months from the time a project is conceived until it is placed under contract. Even after the work is started, it is many months before the road is ready to open as a complete facility.

But despite this time lag, as of Nov. 1 construction work was under way or about to get under way on 2,576 miles of the Interstate System at a total cost of $1.3 billion. On the primary, secondary and urban systems—the ABC networks—more than 30,000 miles of improvements had been completed at a total cost of $1.7 billion. The program is a balanced one, not weighted toward the Interstate System nor toward the ABC systems.

Bold Attack on Problems

The new highway program is a bold attack, not only on traffic deaths and accidents, congestion and economic waste but on perplexing municipal problems. Some of our largest cities were concerned, and rightly so, that poorly managed traffic was destroying their desirability as places to live and work. The result had already begun to express itself in declining municipal revenue. The Federal-aid highway act of 1956 has now given cities the greatest opportunity in history to solve their traffic problems and, at the same time, advance redevelopment plans to fit in with the new city arterial routes.

From the viewpoint of general effect on the economy we have ample evidence of the value of modern limited access expressways. We now have several thousand miles of free and toll roads in operation that measure up to interstate standards and their impact has been astounding. They generate not only traffic, but new residential and industrial growth along their routes, with a consequent rise in property values.

In New York the Thruway has attracted more than $400 million in new industry and commercial enterprises. Land values in some areas along the route have risen from $600 an acre a few years ago to $6,000 an acre today, and in some cases near the interchanges, to as high as $23,000 an acre. When the Baltimore-Washington Expressway was built, some land was acquired for $250 to $300 an acre. Today adjacent property sells for $3,500 an acre. Land along the Eastshore Freeway near Oakland, Calif. has risen in value from $500 to as much as $40,000 an acre.

These are some of the implications of the Federal highway program. The safety factor alone would justify the undertaking, without considering the all-pervasive role of the motor vehicle in promoting economic growth and fostering community benefits.

National Defense Aid

Finally, but certainly not in the order of importance, is the national defense consideration. Everyone is defense-conscious these days and everyone has good reason to be. The construction of the 41,000 mile Interstate System will permit industry to decentralize to the point where the factories—and the bomb or missile targets—will be out in the country and the employees will be in the urban areas. All of the Interstate routes, I might add, were selected in consultation with the Department of Defense.

I have tried to give you a capsule review of some of the implications of the Federal highway program. What we are really trying to do is to catch up with the motor vehicle manufacturers and the petroleum producers, as well as to shore up our defenses against possible aggression.

The degree of success we have in accomplishing this twin goal will largely determine the trend of our way of life. The completion of the highway program in the prescribed period is a challenge to all of us but I am confident that, working together, we are equal to the challenge.

*An address by Mr. Tallamy before the 37th annual meeting of the American Petroleum Institute, Chicago, Ill., Nov. 11-14, 1957.

Searight, Ahalt & O'Connor Formed

Searight, Ahalt & O'Connor, Inc. has been formed to continue the investment business of George A. Searight. Officers are Mr. Searight, President; Henry C. Ahalt, Vice-President, and William O'Connor, Secretary and Treasurer. Mr. Searight has been active in the investment business in New York from offices at 115 Broadway. The new firm also has a Washington office at 1024 Vermont Avenue, N. W.

NASD District No. 7 Elects Committeemen

Elected as members of NASD's District No. 7 were the following: W. Guy Redman, partner, A. G. Edwards & Sons, St. Louis; Dumont G. Dempsey, partner, Newhard, Cook & Co., St. Louis; and R. N. Dillingham, partner, Dabbs Sullivan Co., Little Rock, Ark.

James White Jr. V.-P. Of Hendrix & Mayes

BIRMINGHAM, Ala.—James H. White, Jr. has become associated with Hendrix & Mayes, Inc., First National Building, as Vice-President. Mr. White was formerly with Southern Natural Gas Co.

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 Securities Co. Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

Bank & Insurance Stocks—Circular—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

Canadian Market—Appraisal—Ross, Knowles & Co. Ltd., 25 Adelaide Street, West, Toronto 1, Ont., Canada.

Copper—Circular—Calvin Bullock, Ltd., 1 Wall Street, New York 5, N. Y.

Corn Refining Industry—Study with particular reference to **Corn Products Refining Company, Penick & Ford, Ltd., Inc., American Maize Products Co.** and **National Starch Products Inc.**—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Campbell Soup.**

High Yield Common Stocks—Bulletin with particular reference to **Douglas Aircraft Co., W. T. Grant Company,** and **Swift & Company**—Thomson & McKinnon, 11 Wall Street, New York 5, 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 20 leading "stock" companies — Paradise Securities Company, 9477 Brighton Way, Beverly Hills, Calif.

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

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

Personal Property Tax Free Long Dividend Paying Stocks—List of 195 issues—Moore, Leonard & Lynch, Union Trust Building, Pittsburgh 19, Pa.

Science Speculations — Bulletin with particular reference to **Cenco Corporation, Norbute Corporation**—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Stran Steel Products—Catalog giving information on all products for use in institutional industrial and commercial construction—Stran-Steel Corporation, Detroit 29, Mich.

Treasure Chest in the Growing West—Booklet describing resources of the area served—Dept. K, Utah Power & Light Co., Box 899, Salt Lake City 10, Utah.

Warrants as Long Term Speculations—Circular—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

• • •

Aetna Standard Engineering Company — Bulletin — De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

American Agricultural Chemical Comany — Analysis — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

American Steel Foundries—Circular—Bache & Co., 36 Wall Street, New York 5, N. Y. Also in the same circular are data on **Alpha Portland Cement.**

Atchison, Topeka & Santa Fe — Memorandum — Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available are memoranda on **Dravo Corp., Hooker Electrochemical Co., Lily Tulip Corp.**

Black Hills Power & Light—Analysis—A. G. Becker & Co., Incorporated, 60 Broadway, New York 4, N. Y.

Boston Edison—Data—du Pont Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Corn Products Refining** and **Fedders Quigan.**

Brewster Bartle Drilling Company Inc.—Analysis—Rowles, Winston & Co., Bank of the Southwest Building, Houston 2, Texas.

Buffalo Eclipse Corporation — Analysis — H. E. Herrman & Company, 52 Wall Street, New York 5, N. Y.

Champlin Oil & Refining Co. — Memorandum — The Illinois Company, 231 South La Salle Street, Chicago 4, Ill.

Chesapeake & Ohio Railway Co.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **Westinghouse Electric Co.**

Consolidated Electrodynamics Corporation—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y. Also available are analyses of **Ampex Corporation, Union Oil Company of California** and **Valley National Bank of Phoenix.**

Cott Beverage Corporation—Analysis—Cartwright & Parmelee, 70 Pine Street, New York 5, N. Y.

Federal National Mortgage Association — Analysis — C. F. Childs and Company, Inc., 1 Wall Street, New York 5, N. Y.

General Dynamics Corporation—Memorandum—Lee Higginson Corporation, 20 Broad Street, New York 5, N. Y.

Government Development Bank for Puerto Rico—Quarterly report for period ended Sept. 30, 1957—Government Development Bank of Puerto Rico, San Juan, P. R.

Grinnell Corporation—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Gulf Sulphur Corporation—Analysis—Peterson & Company, 3511 Main Street, Houston 2, Texas.

Johnston County, Kansas Water District No. 1 Revenue Bonds—Circular—Davidson-Vink-Sadler, Inc., Beacon Building, Wichita 2, Kansas.

Lakeside Laboratories, Inc. — Analysis in current issue of "Business & Financial Digest"—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis. Also in the same issue is an analysis of **Emhart Manufacturing Company.**

P. Lorillard Company—Analysis—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Melville Shoe Corp.—Analysis—Peter P. McDermott & Co., 42 Broadway, New York 4, N. Y.

Nationwide Corporation—Analysis—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

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.**

Parke, Davis & Company—Analysis—Blair & Co., Incorporated, 20 Broad Street, New York 5, N. Y.

Pepsi-Cola General Bottlers Inc.—Report—Link, Gorman, Peck & Co., 208 South La Salle Street, Chicago 4, Ill.

Reserve Oil & Gas Company—Report—Lon Hughes Organization, 376 Sutter Street, San Francisco 8, Calif.

Southern Nevada Power—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Speer Carbon Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Suburban Gas Service, Inc.—Report—Kidder, Peabody & Co., 510 South Spring Street, Los Angeles 13, Calif.

Transcontinental Gas Pipe Line Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a memorandum on **Union Oil & Gas Corp. of Louisiana.**

United Insurance Co. of America—Memorandum—A. C. Allyn & Co., Inc., 122 South La Salle Street, Chicago 3, Ill.

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

Two With Columbine

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Loran W. Roberts and Ray J. Williams have been added to the staff of Columbine Securities Corporation, 1575 Sherman.

Two With Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Marlin H. Flowers and Dwight A. Knudson are now connected with Mountain States Securities Corporation, Denver Club Building.

COMING EVENTS

In Investment Field

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

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

Jan. 27, 1958 (Chicago, Ill.)
Bond Traders Club of Chicago annual Midwinter Dinner at the Sheraton 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.

Sept. 29-Oct. 3, 1958 (Colorado Springs, Colo.)
National Security Traders Association Annual Convention at the Broadmoor.

Nov. 2-5, 1959 (Boca Raton, Fla.)
National Security Traders Association Annual Convention at the Boca Raton Club.

Joins Saunders, Stiver

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — John N. Darrow, Jr. is now with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange. He was formerly with H. L. Emerson & Co., Inc.

With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

WINSTON SALEM, N. C. — Bahnson Gray is now with Harris, Upham & Co., Pepper Building.

Joins Ross, Borton

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—George K. Herman is now affiliated with Ross, Borton & Co., Inc., The 1010 Euclid Building.

With Earle C. May

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — Cyril H. May has jointed the staff of Earle C. May, 811 Southwest Sixth Ave.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg. — John J. Inskeep, Jr. has jointed the staff of Merrill Lynch, Pierce, Fenner & Beane, Wilcox Building.

Marshall Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Robert S. Rummler has been added to the staff of The Marshall Company, 765 North Water Street.

With First California

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif. — Leroy Swenson has been added to the staff of First California Company Incorporated, 343 East Main St.

Two With Columbine

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Phillip Massari and Oscar E. Wiles have become affiliated with Columbine Securities Corp., 1575 Sherman. Mr. Massari was formerly with Securities Inc.

Corey-Nelson Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Howard Z. Gibbons has been added to the staff of Corey-Nelson Investment Co., 1575 Sherman.

Timber and Forest Products—An Investment in the Future

By JAMES L. BUCKLEY*
Vice-President, Georgia-Pacific Corporation

A limitless future for the forest products industry is depicted by Mr. Buckley who does not hesitate to explain why he singles out timber as the "Green Gold among our natural resources." The integrated operator cites study indicating plywood and paper products alone must double by 1975 just to keep pace with mounting consumer demand, and another study revealing timber in each 20-year period—for the past 200 years—was worth more than it was the preceding 20 years. Asserts selling price of the products may decline but not logs or timber. Notes perpetual, growing supply assures permanency of the industry, and sees no reason to be concerned about future demand. Hopes plywood and lumber will finally learn to match output to sales.

There are four factors in this Forest Products picture I would like to discuss. They are: (1) The Versality and Growth Factors of the Products. (2) Efficiency of Manufacture. (3) The Stability of Timber Values. (4) Permanence. (5) Future Demand.

I think that most of us, particularly those of us who live in the Northwest, are inclined to think of "Forest Products" exclusively as lumber, but we are treating with an industry of vast proportion—an $8 billion industry that ranks #1 in number of companies in the United States; #2 in number of workers; #4 in total salaries paid, and #5 in value added by manufacturer. We are treating with an industry that no longer consists of lumber as its principal product, but of plywood, paper and paper products, hardboard, roofing felt, insulation board, particle board, chemicals, synthetic textiles, and so the list lengthens.


James L. Buckley

New Products' Success

And now research is developing a whole stable of new products by breaking down the fibres; separating them from lignin and then reconstituting them in combinations of resins, glues and other materials. Sawdust is a source of industrial alcohol for synthetic rubber and is also mixed with molasses for cattle feed. Europeans have developed a high protein human food from wood and the Germans call wood "Universal —Rohstoff," meaning "the material which can produce anything." So efficient and practical are these products developed from the trees that of the first three fastest growing industries in America, two are derived from timber—the plywood industry and the paper and paper products industry.

The first factory in America was a sawmill and the first American exports were forest products. That was in 1608, 350 years ago. Yet up until 1927 the use of timber was largely related to the lumber industry and in the past 30 years we have witnessed this quite revolution from our forests being used almost exclusively as lumber to the tree being used as wood fibre plus wood to produce a multitude of new products. One of the most dramatic developments of these is in the panel products field. These comprise principally plywood, insulating board, hardboard and particle board, all virtually unknown and some undreamed of 30 years ago. Although the consumption of lumber in this country has remained static at about 30 to 33 billion feet annually, in the past 10 years Douglas Fir Plywood has increased 200%, insulation board 50%, hardboard 100%, and particle board, an infant wood product, has increased from nothing to a vigorous young industry with a productive capacity of about 300 MM sq. ft. annually.

Let's trace just one of these—a product with which we are all now very familiar and which 20 years ago was almost unknown—Fir plywood. In 1937 there were 13 plants in Oregon and Washington manufacturing Fir plywood, and the total production was 300 MM' per year. Today, largely through research which has developed new glues and improved manufacturing techniques, as well as the recognition of the tremendous efficiency of plywood in building, there are 116 mills turning out nearly 5,500 MM' in 1957. This versatile material, which originally was used only for the manufacture of doors, is now "the wood of 1,000 uses." Its growth potential was never better demonstrated than in 1957 when the volume of building products generally declined 15% to 20%, due to shrinkage in home building, plywoods growth has continued and about 5% more plywood will be made in 1957 than in 1956.

Nor is plywood the only material which has come of age through this revolution in the use of wood. Hardwood — an inexpensive combination of wood fibre and resin — has grown by leaps and bounds in recent years as its value for low cost furniture, industrial and building uses has become more widely recognized. Insulation board is another form of wood fibre which is now made in immense quantities and has wide use in construction. And now comes a junior partner — particle board, which threatens to revolutionize the use of lumber and veneer as a core material in the furniture and fixture business.

Paper and Pulp

As we have witnessed the consumption of plywood in the United States increasing 20-fold in 20 years, we have also seen the paper and pulp industry grow at a terrific pace. The per capita consumption for paper for packaging alone in the United States has increased from 50 lbs. in 1932 to 200 lbs. today, and the per capita consumption of newsprint has increased in proportion. This tremendous growth has been due to research and new products, but also has been largely due to improved manufacturing techniques. Paper and pulp can use almost any wood fibre today, and this has greatly increased the demand for chips and logs of all softwood species, but principally Douglas Fir, Yellow Pine, Spruce, and Hemlock. The great growth in the pulp and paper business has been in the "work horse" class—Kraft paper and liner board. Today it is estimated that 80% of everything that comes into your home is either completely or partially wrapped or packaged in Kraft paper or board. Not only does this include normal wrapping paper, shopping bags, and cartons of all kinds and description, but such unrelated items as glassine, the boards that come in your shirts from the laundry and the new milk bottles—all originating from Kraft. And the end is not in sight, for this versatile product keeps growing as new uses multiply.

To again transpose the value of the pulp and paper industry to the Northwest is interesting to note, that in the last 10 years alone paper and board capacity in just Oregon and Washington has more than doubled and over one-half a billion dollars is now invested in these two states in this industry. Washington ranks first in production of wood pulp and Oregon 12th in the nation.

New Integrated Manufacturing

And now let's consider the second factor — the efficiency of manufacture in the forest products industries. Here again there has been a tremendous change in just the past decade. Only 10 years ago the three principal components making up the forest products industries — lumber, panel products, paper and pulp—were practically all divorced and isolated one from the other. As a recognition of the necessity for greater utilization of the tree became more pronounced, the interdependence of these facilities one on the other became increasingly recognized as timber values grew, and today you are witnessing the development of the so-called integrated units—the plywood plant utilizing the high grade logs, the lumber mill utilizing the low grade and salvage logs, and the chips made from the refuse and waste from these operations going into the pulp and paper mill and to the hardboard and particle board plant. This is efficiency at its utmost and the disgraceful sawmill burner which once consumed 75% of the tree is now almost a thing of the past.

These integrated units and their relative recent recognition are well illustrated by the experience of our own company at Toledo and Coos Bay, Oregon. In 1951 when we acquired the large sawmill and timber holdings of C. D. Johnson Lumber Company at Toledo, lumber was the only product made there. Realizing the value of the integrated unit for a perpetual operation, we added several other large blocks of timber, two plywood plants, and we are now adding a pulp and paper mill to create a completely integrated unit. To this working circle in 1956 was added Coos Bay Lumber Company with large stands of timber 90 miles south, a large plywood plant, a hardboard plant and sawmill. Now in this 90-mile circle we have a complete integrated unit with the plywood plants using the high grade logs, the sawmills using the salvage and low grade logs, and the chips from these operations sustaining a 300 ton pulp and paper mill and a large hardboard plant. This unit is there permanently and will expand. The growth from the eight billion feet of timber we own within a 90-mile radius assures the supply of raw materials for many many years to come. Everything from the tree goes to the markets through these plants except the bark and studies are being made to utilize that.

The next factor we want to consider is the availability of raw material—timber.

Increase in Timber Value

All these products stem back to the tree and with the growth in utilization of wood fibres, the

Continued on page 24

*An address by Mr. Buckley before the Western Regional Trust Conference of [illegible]can Bankers Association, Portland, Ore.

Connecticut Brevities

The new SPAN Building has recently been open in Hartford. It is believed to be the first cooperative organization created by independent competing companies to use electronic computing equipment for data processing and accounting. The name of the building is derived from the names of the four cooperating companies: **Springfield Fire and Marine Insurance Company, Phoenix Insurance Company, Aetna Insurance Company,** and **National Fire Insurance Company.** The building was designed specifically to house the electronic data processing equipment. The initial personel will consist of 24 persons from the member companies, seven liaison persons also from the member companies, and four full-time engineers from International Business Machines. The four member companies anticipate that SPAN will greatly improve the speed and accuracy of their accounting operations.

* * *

Owens-Illinois Glass Company has exchanged its 50% ownership of common stock of **Plax Corporation** with Monsanto Chemical Company for 325,000 shares of Monsanto common stock. The stock of Monsanto has a market value of about $10.4 million, which compares with a cash price of $8 million paid in 1953 by Owens-Illinois for the stock of Plax. The remaining 50% of the outstanding stock is owned by Emhart Manufacturing Company. Plax manufactures a wide variety of plastic bottles and other plastic products. Monsanto has been a distributor of Plax products.

* * *

American Hardware Corporation has announced plans to offer up to 125,000 shares of its common stock plus cash in exchange for up to 250,000 shares of common stock of **Savage Arms Corporation.** One-half share of Hardware plus cash will be offered for each share of Savage. Hardware will be bound to accept a minimum of 100,000 of Savage if tendered for exchange and may accept up to the full 250,000 shares. Hardware, together with its affiliate, B.S.F. Company, now own about 100,000 of Savage's 766,834 outstanding shares of common. The offer by Hardware was precipitated by a proposal of the Directors of Savage to exchange 100,000 shares of Savage for the outstanding stock of Aircraft Armaments, Inc., Baltimore, Maryland. A stockholders meeting of Savage was called for Nov. 15 to vote on the acquisition. Hardware and B.S.F. formed a stockholders committee to oppose the acquisition and indicated that its exchange offer of Hardware stock for Savage stock would be withdrawn if Savage acquired Aircraft Armaments. Stockholders of Savage at their Nov. 15 meeting rejected the proposal to acquire Aircraft Armaments and thus paved the way for the actual exchange offer from Hardware.

* * *

Reeves Soundcraft Corporation has released plans to build a 50,000 square fool plant in Stamford at a total cost of about $1 million. The Reeves plant will include automation facilities which are expected to reduce material handling costs by about 60%. The Company produces magnetic tape, the use of which has been increasing rapidly due primarily to various telemetry, information storage, and entertainment applications.

* * *

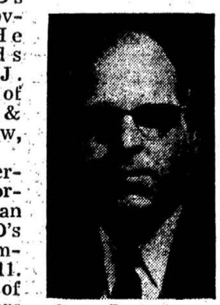
Sorensen and Company, Inc. has opened and placed in operation its new 80,000 square foot building in South Norwalk, to be used to house executive, sales and engineering offices and a large part of the Company's manufacturing operations. Sorensen, which was founded in 1943, employs some 400 persons and is the largest producer of AC and DC precision voltage regulators and frequency changers for use in such equipment as airplane gun turrets and electronic computers. The Company recently merged with Beta Electric Corporation of New York, manufacturer of high voltage power equipment, and has established a Swiss subsidiary, Sorensen-Ardag.

* * *

Pitney-Bowes, Inc., Stamford, has introduced a new automatic mail-handling device which automatically recognizes stamps on letters, positions the envelope, postmarks and cancels letters bearing adhesive stamps at speeds up to 30,000 pieces per hour. It is claimed that the machine cuts the present time and cost of the primary mail-sorting operation by more than one half.

NASD District No. 11 Elects New Officials

Announcement has been made of the election of Glenn E. Anderson, President, Carolina Securities Corp., Raleigh, N. C., as a member of NASD's Board of Governors. He succeeds Joseph J. Muldowney of Scott & Stringfellow, Richmond.


Glenn E. Anderson

Mr. Anderson is a former Chairman of NASD's District Committee No. 11. He is one of the founders and the First President of the Securities Dealers of the Carolinas, and a Past President of the Raleigh-Durham Bond Club.

Elected as members of District Committee No. 11 were: W. Barrett Disney of Abbott, Proctor & Paine, Richmond, and Robert W. Fleming of Folger, Nolan, Fleming & Co., Inc., Washington.

Form Planned Secs.

BOSSIER CITY, La. — Planned Securities Corporation has been formed with offices at 113 Magnolia Court to engage in a securities business. Jesse L. Walden is a principal.

The Future of Natural Gas And Direct Industrial Sales

By RALPH T. McELVENNY*
Chairman, American Natural Gas Service Company
Detroit, Mich.

Unrealized higher cost consequences to industrial gas users who buy gas direct from unregulated pipelines are revealed by Detroit utility chairman who also comments on the problem of allocating pipe line cost of service between demand and commodity charges. Other than these problems, Mr. McElvenny shows that the future of the natural gas industry is extremely bright, from both the standpoint of increasing gas reserves assuring "we are going to be in business for a long, long time," and from the widening cost gap between gas and higher price of other fuels.

It is hardly necessary for me to emphasize the importance of the industrial sale of gas in a successful utility operation. The extent to which our natural gas industry relies upon industrial gas sales is clearly demonstrated by the fact that more than 50% of all the natural gas which is brought to market is sold to industrial users.

Ralph T. McElvenny

The importance of the industrial load is increasing rapidly as more and more space heating customers are connected by utilities. The space heating customer is a valuable user of gas and an excellent source of revenue to a utility—but he also creates some special problems.

In order adequately to serve a space heating customer a utility must be able to meet his needs on the coldest winter day.

Nothing is worse than having the furnace go out when the temperature drops to zero, or below.

Nothing will destroy a utility's standing in the community faster than a shortage of gas in the middle of winter.

In order to prevent this public calamity, a utility must be sure that it has a sufficient supply of gas to meet its peak day requirements—and sufficient distribution facilities to get that gas to the ultimate consumers at the time they want it.

Unfortunately, there is only one peak day in every winter. And our experience shows that the peak day we must plan so long and hard for seldom comes, since our weather apparently is getting progressively warmer.

This means that on every day—except this mythical peak day—a utility is operating its system with idle capacity. The amount of the idle facilities necessarily increases as the number of space heating customers rise.

In the long run, these idle facilities of the distributing utility mean higher rates for gas users if this utility plant cannot be put to work providing gas to industrial customers on both a firm and an interruptible basis.

On the other hand, the very fact that the facilities do exist—and the fact that the supply of gas is available—makes it possible for industries to obtain large supplies of natural gas from their utility supplier when and where they need it at reasonable rates and on an equitable and non-discriminatory basis.

Simply stated, industrial gas sales go hand in hand with space heating sales and the other types of service rendered by a distributing utility company. This is necessary if a utility company is to be able properly to serve its market at the best possible rates for all of its customers.

*An address by Mr. McElvenny before the American Gas Association Convention, St. Louis, Mo.

Invasion of Local Markets

This leads directly to the problem presented by the efforts of certain pipe line companies to make sales directly to industrial customers who are located within the service areas of distributing utilities.

I believe that many of you are generally familiar with the successful efforts of Michigan Consolidated Gas Company to demonstrate before regulatory commissions and the courts that pipe line sales directly to industries in the areas Michigan Consolidated serves are contrary to the public interest.

This has not been merely a local problem in Detroit. There have been similar cases in Indiana and other States. At the present time this same question is one of the principal issues in current hearings before the Federal Power Commission on a proposal to interject another pipe line into the Great Lakes and Great Plains areas. The proposed new line is relying on direct sales to two steel plants in the Chicago area to support a market for its project.

The direct industrial sale by a pipe line company in the service area of a utility has been proscribed by the courts. This was conclusively stated by the United States Supreme Court when it vigorously condemned the efforts of a pipe line company to "compete for the cream of the volume business without regard to the local public convenience or necessity."

The court held that if the pipe line were successful in this venture it would adversely affect the distributing utility's over-all cost of service and its rates to its customers.

This results from the fact that the profits from the sale of gas by a pipe line directly to an industry are not subject to the jurisdiction of the Federal Power Commission. They are not considered by that Commission in setting a pipe line's rates for gas sold to utility customers for resale. Accordingly, the sale of gas directly—rather than through the distributing utility—reduces the regulated revenues of a pipe line and increases its rates for regulated sales to its utility customers. This added cost of pipe line gas must be collected by the utilities from all of their customers in the form of increased utility rates.

On the other hand, if a pipe line sells its gas in jurisdictional sales to its utility customers — rather than non-jurisdictional direct industrial sales—all the consumers purchasing gas from the utilities are benefited.

This benefit it two-fold.

First, such sales increase the regulated revenues of a pipe line and reduce the rates charged to its utility customers. In turn, this reduces the rates charged by the utility to the public.

Secondly, the added revenues received from the sale of this gas by the utilities to their industrial customers result in rate benefits to all of the customers of the utilities.

Problems of Industrial Customer

Those who are primarily concerned with the sale of gas to industrial customers have to be able to answer the customer who may say:

"I don't care whether I buy my gas from a distributing utility or from a pipe line. What I want is gas at the lowest possible price."

In the first place, I don't believe this statement is entirely true. I believe that any industry is greatly concerned over its standing in the community. Most industries spend thousands, or maybe millions, of dollars promoting good public relations.

I believe that industries sincerely want to know whether their policies are good or bad for the community. They do not want to buy gas, or anything else, in some way that produces higher prices for their workers and their neighbors—and also increases the cost of materials produced by their various suppliers in the area and which costs are passed right back to them.

Secondly, I believe it can be demonstrated that an industry has a real economic advantage in buying gas from its local utility at regulated rates and under regulated conditions of service rather than directly from a pipe line company.

When a utility sells gas to an industrial plant it does so under a filed rate schedule and under rules and regulations which have been approved by the local regulatory authority. Thus the industry is assured that it will be treated fairly, without discrimination and will be able to buy gas — and its fair share of the available supply—at a just and reasonable rate.

A pipe line, however, sells gas to industry on the basis of a negotiated contract at a price which may be favorable to the industry today but most unfavorable in a very short time. Usually the contract is of comparatively short duration and often it contains escalator clauses which will increase the price of gas in relation to the prices paid by the pipe line to producers or the price at which the pipe line sells to utilities. When the contract expires—or perhaps even prior to that time — the industrial plant may find itself cut off from its supply. This can readily happen if the pipe line has located another industrial customer who is willing to pay a higher price or if the pipe line has found a place in a foreign country where the gas can be sold and thus be free of regulation.

Furthermore, in purchasing gas from a utility, an industry is assured that its competitors are going to pay the same rate for the same type of service. No one receives an unfair price advantage or an inequitable price gouge. But if an industry buys gas directly from a pipe line it may find that a short time later the same pipe line has entered into a contract to sell gas to his competitor at a cheaper price.

The many smaller businesses of the community are obviously at a disadvantage in such a situation.

If the utility company can be driven out of the large volume industrial business by the pipe line, then the pipe line is in full command.

Industries would find themselves at the complete mercy of a single, unregulated pipe line supplier—and would have to bear the consequences.

Utility's Position

Another unjustified burden facing the utility is that of being compelled to furnish gas to an industry when the industry's supply is cut off by the pipe line. With its public obligation to provide service when called upon, it is difficult for the utility because of the local public interest to refuse service. This places the utility in the unenviable position of providing standby service for the pipe line, contrary to the interests of the utility and the consuming public.

Sometimes a pipe line attempts to justify its invasion of the service area of a utility by arguing that a distributing company should not have an exclusive right to the sale of gas in its service area. The pipe line misrepresents this as "monopoly" and attempts to claim that it should have the right to "compete" for the industrial business by undercutting the rate structure of the regulated utility and forcing unnecessary added costs upon the public generally. The pipe line attempts to give the idea that "competition" of this kind between a utility and a pipe line is a basic part of the American way of life.

Of course such an argument is obviously fallacious. Many years ago the legislatures of most states decided that the people would best be served by a single utility company which was subject to proper regulation. This conclusion was reached after long and painful experience showed that competition between utilities rendering the same type of service in the same area resulted in waste and duplication of facilities, poor service and ultimately in higher rates for everyone.

There is no justification for attempting to turn back the clock to these bygone years and have distributors and pipe lines fighting each other for industrial gas sales. The victim of such disorderly action will be not only the general public but the industrial customer as well.

We feel confident that industrial gas users will themselves oppose the direct industrial sales of gas within a utility's franchise area when they are fully informed of the facts.

An excellent example of this is the position which has been taken in Detroit by the Board of Commerce, an organization composed of more than 4,100 businesses. The organization is vitally interested in the welfare of industry in the area. But it is also very vitally interested in the welfare of the people and of the thousands of smaller businesses in the community.

For many years the Board of Commerce has closely followed the question of direct industrial sales in the Detroit area. And it has firmly and consistently gone on record as opposed to a pipe line's invasion of the service area of the local gas utility.

So much for the direct industrial sale.

Allocation of Pipe Line Costs Between Demand and Commodity Charges

There is a second subject which I would like to comment upon rather briefly as a matter which I believe will be of growing importance in the sale of industrial gas. It will also be a subject of growing importance in the operation of both pipe lines and distribution companies which are now being confronted with stringent take-or-pay-for clauses in the gas producers' contracts.

The issue is the allocation of the pipe line cost of service between the demand and the commodity charges.

It is important because the method used by the Federal Power Commission in determining a pipe line's commodity cost of gas is vital to the ability of the pipe line and the distribution company to sell to industries the volumes of gas which the pipe lines are required to take or pay for. By the same token the method is important in permitting the gas to be priced at a level which is attractive to industry.

For several years the Federal Power Commission divided the pipe line's cost of service between demand and commodity charges on the basis of a formula. In general, this formula provides that all of the cost of purchased gas shall be considered as a commodity cost and that practically all other expenses shall be split equally between the demand and the commodity charges.

When the field price of gas was low the formula did not present difficulties. However, with the very substantial increase in the last few years in the price of gas in the field, and with the development of exacting take-or-pay provisions in the gas purchase contracts with the producers, the gas industry has now reached a point where other important factors must be taken into consideration in determining the commodity cost of gas.

Under present-day gas purchase contracts, pipe line companies are required to accept what approaches 100% take-or-pay-for provisions. This means that in order to get the gas which its customers desire in the winter, the pipe line company as a practical matter must agree to buy large volumes on a year-round basis. Some of this summer gas can be stored, either by the pipe line company or by its customers if storage is fortunately available. Many pipe lines, however, do not have storage fields. Moreover, even large storage facilities cannot indefinitely handle the tremendous volumes of gas generated by warm winters.

This means if the pipe line is to meet its purchase commitments with the producers, it must be able to sell summer gas to its utility customers at a price which will enable them to dispose of it to industry in competition with other fuels. The commodity price, therefore, must be low enough so that the distributing utility can buy the excess pipe line gas, make a reasonable profit, and sell large volumes of it to industry when it is available.

Certainly the gas which is sold to industry should pay a reasonable share of the cost of service. However, it cannot be priced so high that it cannot be sold.

It is important, therefore, to take a new look at the formula and to consider the competitive price of other fuels in the determination by the regulatory body of the commodity price of gas authorized in pipe line rates.

Bright Future for Natural Gas Industry

Although I have spent some time discussing certain problems of industrial gas sales, I do not want to give the impression that the natural gas business is beset with difficulties.

On the contrary, the future of this business is extremely bright.

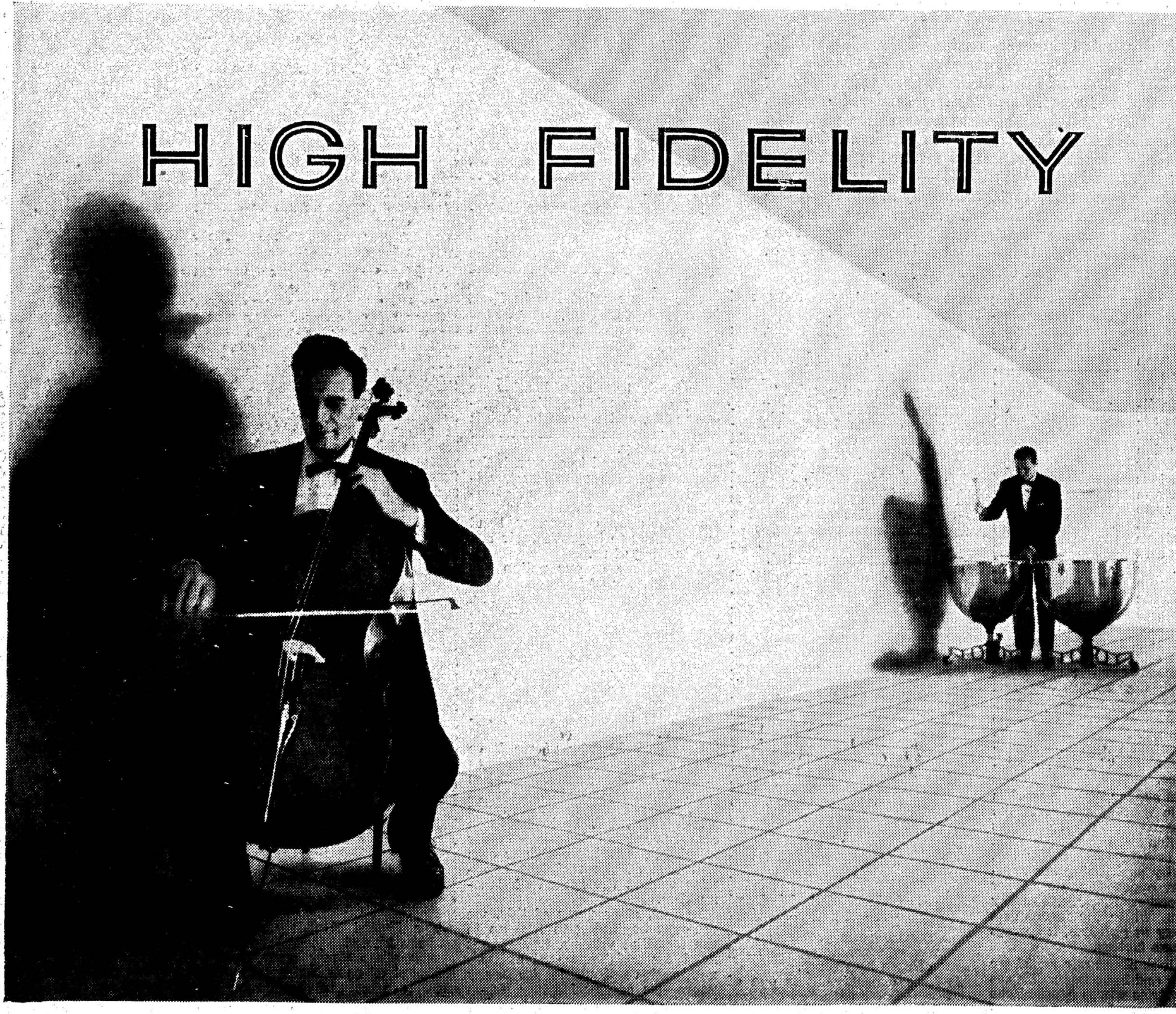
The difficulties which we have experienced, and are presently experiencing, are largely the result of growing pains. If these pains stop, then perhaps we should begin worrying that we are in real trouble.

From the standpoint of gas reserves—the very life blood of our industry—we appear to be in an excellent position at the present time. The greatest recorded annual increase in proved recoverable gas reserves in the United States was registered during 1956. During the past year the recoverable gas reserves were increased over 14 trillion cubic feet.

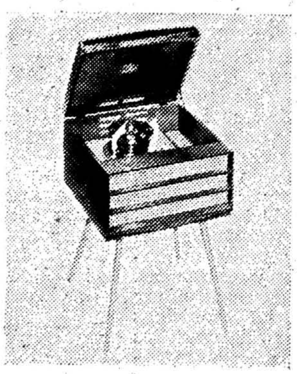
Natural gas production during 1956 was a record 10.9 trillion cubic feet. But this was about 3 trillion feet less than the amount of increase in the proven reserves. This is indeed a healthy situation.

At the end of the year the proven natural gas reserves in this country had risen to approxi-

Continued on page 32



How RCA brings a richer, wider range of musical sound to your home



Before high fidelity, the sound of recorded music was limited—much as piano music would be if you could hear only the notes played on the center of the keyboard. You missed the rich, deep bass notes and the keen, vibrant highs.

RCA achievements in the science of sound and acoustics changed all that.

Today, with RCA Victor records and high fidelity "Victrolas," the *full range* of sound is reproduced so faithfully that you can enjoy all kinds of music almost as though you were *there!*

And now, Stereophonic Sound! A new and dramatic dimension in recorded music is also yours to enjoy on RCA high fidelity instruments. Stereophonic units can be added to most "Victrola"® Hi-Fi systems any time you choose.

In this, as in almost every area of electronic progress in home entertainment, defense and industry, the leadership of RCA serves you. RCA *means* electronics —at its best!

RCA **RADIO CORPORATION OF AMERICA**

Investments for Freedom

By LELAND I. DOAN*
President, The Dow Chemical Company

In advising against channeling foreign aid through the United Nations, Mr. Doan recognizes the plight of the "have not's," but believes we should exercise unilateral control in dispensing our limited resources in assisting less developed countries. The Dow Chemical head mentions some of the pitfalls of state-to-state aid and directs attention to what he considers are the more detrimental considerations involved in such a proposed multilateral activity as SUNFED—where we would: (1) have but one vote; (2) contribute heavily in convertible currency, and (3) find ourselves betraying our own welfare and security. Outlines the advantages of and describes what can be done to further private investment so long as it is not used to export United States jobs.

October was a history-making month in some quite diverse matters. Milwaukee took the Series away from the Yankees and the Russians won the race to outer space.


Leland I. Doan

It also witnessed the arrival in our midst of a most lovely and gracious lady from Britain who gained a host of American friends and admirers.

Apart from all the specific questions and counter questions which Sputnik has raised it has served to shrink our globe still further and focus out attention even more completely on the complexity and urgency of the world's problems. The over-riding one, of course, is that of differing ideologies and whether or not they can be compromised so as to enjoy a peaceful coexistence.

It would appear that the world's most basic root of unrest is the great disparity in the conditions under which men live. The most obvious is physical well-being, followed by such things as freedom from oppression, desire for self-expression, identity, equality and so on. While the mechanism of war may be political, it springs from human factors.

As we look about our world we see have's and have not's. We see some countries whose people have a high degree of physical well-being, relatively high cultural advance and many such spiritual nourishments as freedom, indentity and opportunity.

We see other nations where the average level of material well-being would be regarded here as gross poverty, where culture has lagged and where individual freedoms and opportunities are minimal. And, of course, we see all degrees and combinations of economic, cultural and political conditions. We see freedom here, regimentation there, serfdom in another place. We see freedom with relative poverty in one place and relative prosperity with regimentation or a high degree of statism in another.

Such circumstances just naturally breed fear, unrest, suspicion, jealousy and all the other emotions which lead to conflict between men and between nations of men.

Helping the Have Not's

Thus we come to the general recognition that foremost among the world's needs today is that of bringing about a greater degree of equality among its people — of helping the have not's to attain a status more comparable to that of the have's. And, of course, there is equally general recognition that such a project requires the investment of capital, resources and technical knowledge.

The big questions, however, are: "How should these objectives be approached? By what means can they best be accomplished for the greatest good to all people?"

On these there is a great divergence of opinion between individuals, between organizations and between nations. It is these avenues to development which I should like to explore. And I trust you will bear in mind that this is so complex and many-faceted a subject that numerous angles or related matters will have to be ignored or taken for granted.

There are differing political philosophies regarding this problem. There is the answer of Communism. This is not only a possible answer, it is so effective an answer to sheer economic development that it is our chief worry. In case we were not sufficiently aware of it we needed only Sputnik to underline Russia's ability to supply the technology. And one might note here parenthetically that she is graduating technical people at a more rapid rate than we—thus creating a vast pool of technical assistance personnel who will carry with them the doctrines and propaganda of Communism wherever they go. Further, she has indicated a willingness and ability to supply capital and resources, if need be, in large quantities.

Communism has one other asset in approaching the problem. It is quite willing to use force—to bring about change by decree.

And, of course, that is one of our big quarrels with Communism and the communist approach. It subjugates the individual to the state. The state becomes supreme, arbitrarily deciding what is good and what is not good for its subjects.

We have similar objections to less extreme forms of statism because they tend to diminish the dignity, the freedom, the opportunity of the individual.

We still believe firmly in the better mousetrap and the right of the individual to decide whether or not he will buy it. Within the framework of public safety and decency we endow the individual with the right to determine his own courses of action. Through his decisions in the market place he determines who shall succeed and fail, and he stands as a constant challenge to business and industry to build the better mousetrap.

We believe our economic vigor is due to the fact that we have elevated and unshackled the individual, have confronted him with unlimited opportunity and challenged him with responsibility.

Forcing Imitation

It is natural, then, for us to believe that a similar formula is in the best interest of other peoples of the world. Thus we should like to see assistance to the less developed countries based upon principles of democracy and freedom.

Herein lies a pitfall in that we often tend to be overly self-righteous. We become so convinced that our ways of doing things are superior that we are unsympathetic to, or at least mystified by, people who do not accept them with eagerness and alacrity.

Many countries are sincerely interested in American methods, but we have to bear in mind that they may have markedly different cultures, mores and traditions which may not be compatible with some of ours. In short, while they may be interested in learning from us, they do not necessarily desire to be like us.

Also there are frequent limitations of resources, trading areas, educational levels and other factors which militate against the adoption of some of our economic practices.

Our mass market has in itself been unique, and only now do we see prospects of a similar mass market developing in Europe under the program outlined for the European Economic Community. If successful, this should alleviate many of Europe's traditional economic ills, and we can be sure it will have potent influences on our own economy.

In all, we need to approach the problem of aiding the less developed or less industrialized countries with a great deal of understanding and, conversely, bend every effort to improve their understanding of us.

The history of our nation has been a history of investments for freedom. Our ancestors invested a lot of blood, sweat and tears because they wished to be free—and a lot more to carve a civilized nation out of a wilderness. Twice in this century we have gone into tremendously costly wars to defend our own freedom and uphold the rights of others against aggression.

Since World War II we have distributed billions upon billions of dollars in foreign aid. There has been some humanitarianism in this, and possibly some economic self-interest, but basically these also have been investments for freedom, fortifying both our own and that of the recipient countries against the spread of Communism.

In fact, after years of this, we are now beginning to face up to the fact that while a tremendous need for assistance still exists—and will continue to for many years—we cannot feasibly go on bleeding ourselves forever. Our resources, while great, are not without limit, and neither is the patience of the American taxpayer.

The sharp reduction in the amount last authorized for foreign aid clearly shows that Congress is not disposed to continue so expensive a program. There is a growing sentiment for tax reduction, and from a standpoint of practical politics foreign aid is a more likely place to reduce the budget than domestic welfare programs, the benefits of which are much more evident to the voters and taxpayers.

Will Communism Gain?

So there is an understandable disposition to reduce foreign aid as such in the face of a continuing need on the part of less developed countries for assistance in elevating their economies. Is this bad? Are we in danger of thereby losing additional areas of the world to Communism? It depends on many things, but I do not necessarily think so.

State-to-state aid, of the type we have been extending, is a direct and convenient means of supplying capital and has a number of advantages. It can be directed arbitrarily where need is greatest irrespective of normal economic forces. It can, if desired, be used for political leverage. The recipient government can control its use—direct it, for example, into needed public works, transport systems and other facilities essential to a healthy economy.

Such aid, however, is not without weakness. It may be too subject to vagaries of politics at either end of the line. It may be channeled into projects which have more prideful appeal than economic validity. Or it may even be channeled into the recipient country's general budget.

A further grave weakness is that it often fails to materially benefit the masses of the population whom we wish to benefit and with whom we wish to make friends. It has in some cases only served to aggravate an already undesirable situation—to call upon upon an old phrase, to make the rich richer and the poor poorer.

Such are some of the pitfalls of state-to-state aid when viewed in terms of our desire to improve the condition of the world's less fortunate people.

SUNFED

Now we are being asked to participate in a gigantic project of multilateral aid which would be even more fraught with hazard. It is called the Special United Nations Fund for Economic Development or, in the nomenclature of the age, SUNFED. I might add that the world "Special" was added after the need for some initial letter preceding the "U" became painfully obvious.

SUNFED is a scheme devised by the United Nations Economic and Social Council which would call for voluntary contributions from various nations with distributions from the pool controlled by the UN. In the initial stages the thinking was that contributions would be made as funds were released through disarmament, but as enthusiasm gathered the sentiment shifted to one of, "Why wait for disarmament? Let's do it now."

So by vote of ECOSOC the General Assembly of the United Nations will be asked this fall to set the machinery in motion.

This is no small program. Some have estimated that to support adequately such a program would require as much as $10 billion a year—extended over a period of decades.

The United Kingdom, Canada and the United States have stood firmly against any early establishment of such a program and voted against the ECOSOC recommendation to the General Assembly.

Let us assume for a moment that we were to participate in such a program—and we would, of course, be expected to contribute heavily.

One Vote

First, we would presumably have only one vote in determining the distribution of the funds. We would have no effective power to channel our investment in the directions we most desired or even to insure that it would benefit only nations friendly to the United States. This is an important consideration so long as a state of cold war exists.

Second, our contribution, being in readily convertible currency, could be spent anywhere in the world. There would be no need on the part of the recipient country to spend it for American materials and American technicians. In fact it could as readily buy materials and hire its technicians from Iron Curtain countries. Thus we could indirectly be strengthening Iron Curtain economies and helping to spread communist propaganda into new areas.

The Russian contribution, on the other hand, would obviously be in rubles spendable only within the Soviet Union and its satellites.

There are two considerations, but I think these two should be sufficient to warn us away from any such plan. Yet there are those among us who seem totally unconcerned over such obivous dangers.

In March of 1956 Walter Reuther proposed that the United States contribute an amount equivalent to 2% of Gross National Product to such a program for a period of 25 years. Currently that would be $8 billion a year and that figure presumably would rise. His proposal included these points:

The 2% contribution over a 25-year period to be made **without qualifications.**

The program to be administered through the United Nations and multilateral agencies.

Economic aid from the world fund to be available to uncommitted as well as committed nations.

The following month, in addressing the American Society of Newspaper Editors, Adlai Stevenson proposed that all our foreign aid be channeled through the United Nations.

Betraying Our Own Goals

Perhaps these gentlemen wish to appear humanitarian and global in their thinking. Humanitarianism and global thinking are necessary and desirable, but I submit that the globe is not at this time one big happy family and we can ill afford humanitarianism in a form that may betray our own welfare and security.

Now, I presume we will find it necessary to continue some governmental foreign aid for some years to come, and we should most certainly keep it under our own control. There is need, however, to reduce it as much and as quickly as possible, and I am of the opinion that if we can bring about the right set of conditions private capital can take over a large part of this development job with advantage to itself and benefit to the host countries.

There are distinct advantages in this approach. For one thing we can be sure such capital would serve a sound economic purpose. No businessman would invest it otherwise. For another, private enterprise will automatically supply its own technical assistance—and they will be technicians grounded in the principles of freedom, not in those of communism.

Private enterprise will also tend to take with it American standards of education, health, housing and other aspects of our culture, and by experience and instinct will tend to elevate, rather than depress, the status of the worker. Thus we shall be reaching and benefiting very directly some of the masses whom we desire to help.

Finally, since these investments will be economic and self-sustaining, we can gradually eliminate state-to-state aid as private capital taxes over, thus reducing the burden on the American taxpayer.

Just last week, in San Francisco, Vice-President Nixon discussed this approach, and I agree in princple with most of what he said. It is necessary, of course, to recognize that this is not a simple and easy approach. You cannot force private investment in any given direction—whether it be Indonesia or the State of Ohio. You can, however, create conditions which will attract it.

Increasing Private Investment

United States policies control some of these conditions, but to a far greater extent they are dependent upon the policies and attitudes of the recipient countries. Some countries, such as Canada, The Netherlands and Venezuela, have found that large amounts of American capital can be attracted by establishing favorable investment climates. This does not seem to be generally understood by the less developed countries

*An address by Mr. Doan before the Economic Club of New York where the need for American capital is great.

Our own government could take some steps to encourage investment abroad. It could, for example, extend the concept of the Western Hemisphere Trade Corporation to the rest of the free world. It can understandably be argued that tax concessions on foreign investment are illogical when we are so heavily taxing the income from our domestic investments. On the contrary, by encouraging private investment such concessions should be expected to reduce the need for governmental aid, thus reducing the over-all load on the taxpayers. And, of course, one may well ask: If such a policy is good for the Western Hemisphere, why not for the rest of the free world?

Another potent inducement would be tax policies which would allow for the rapid recovery of investment before normal taxes were to apply. The host country would offer something similar to a certificate of necessity for tax relief, and this, in turn, would be honored by the U. S. Government.

Another stimulus over which we have some control would be an improved insurance plan for overseas investors against such hazards as devaluation, war damage and so on. Our present plan is helpful but it does not cover all of the hazards inherent in foreign investment.

The greatest responsibility, of course, lies in the recipient countries themselves. And it must be recognized that in some cases the basic instability of the government, or of its international relationships, is a strong deterrent to American investment. However, minimum favorable conditions would include:

Guarantees that properties will not be expropriated or nationalized without fair compensation to be paid promptly and in a freely convertible currency.

No restrictions should be placed on the remission of earned income in freely convertible currencies, or, similarly, upon the recovery of one's initial investment through sale of properties.

No arbitrary or discriminatory laws should place burdens upon a foreign company which are not imposed upon domestic firms and, of course, the laws regulating domestic firms should be fair and just.

Such guarantees would do much to eliminate the hazards and headaches which now deter private investment in many parts of the world. Conversely, of course, American capital should not expect any special privilege simply because it is American capital. And it should further welcome the participation of capital from the host country.

Assuming foreign investment can be encouraged, we should also see to it that our tariff structure is such that it does not encourage American capital to go abroad simply for the purpose of exploiting relatively lower labor costs and importing back into the United States products which otherwise would be made here.

Fears Exportation of Jobs

I oppose such practices because they tend to depress American wage levels and, in a sense, represent the exportation of jobs. Our objective should be to elevate the standards of other countries, not to reduce or freeze our own.

As the world's standards of living become more equalized the world's trade barriers can gradually be reduced and possibly, one day, eliminated.

Meanwhile, however, we should recognize that encouraging an extensive program of foreign investment implies the need for a reappraisal of tariff and trade policies to protect our domestic investment and the living standards of our own people.

Our Trade Agreements Act was first placed on the statute books in 1934 and has been extended upon each expiration with few changes. Twenty-three years have elapsed since this basic legislation, yet there is a tendency to disregard the many changes in the intervening period which effect the operation of American business.

Since 1934 we have had the Wagner Act, the Social Security Act, the Walsh-Healy Act, the Robinson Patman Act, the Miller Tydings Act, the Fair Labor Standards Act and the Taft-Hartley Act. All of these, in one way or another, have tended to increase the cost of American production.

In the light of these and other influences which have come upon the scene, it seems to me our Trade Agreements Act is about due for a long and thoughtful look and perhaps a complete overhaul.

There is no single and easy road to a more equalized and happier world. The great bulk of responsibility for development and progress must rest within the various countries themselves. What I have suggested here could at most be but a small ingredient. Sometimes, however, as with a catalyst, a small amount of something can have a tremendously stimulating effect.

With encouragements and safeguards such as I have outlined I believe private American capital could be come a more potent force for good, helping to build a more global prosperity on a sound and economic basis.

It is a distinct objective, but we shall only reach it sooner if we soon take the first steps.

With E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — David C. Elder is now affiliated with E. F. Hutton & Company, 1309 Franklin Street. He was formerly with Samuel B. Franklin & Co.

How to Watch Your Investments

By LEWIS D. GILBERT*
Author, "Dividends and Democracy"

Stockholder spokesman offers the investor principles to follow for his survival, including warning against buying on margin, and against buying after a big rise. Urges policy of constant broad diversification, and maintains investor must at all times "expect the unexpected." Urges importance of stockholder education, with particular attention to the proxy statement, annual report, and post-meeting report.

The first cardinal rule which every small stockholder should follow is **Never Buy on Margin.** I have in the past warned many, many people at lectures, on the air, and in my Annual Report against buying on margin, and the more the market rose the more I repeated and emphasized my warning.


Lewis D. Gilbert

My reasons for the rule are very simple, and they explain why the rule is not one to be ignored as, alas, so many people insist on doing. Over the long pull ahead there is no question in my mind that the trend in the value of American securities is **upward.** However, during this long pull there will be periods of **sharp decline,** such as we have been experiencing recently. The market can get the jitters for any number of reasons—illness of a President, errors of a tight money policy, or a period of international tension. No one can predict where the bottom will be during these periodic swings downward, or how long the downward trend will last, so I say there is no point in having even **the best stocks in the United States if you cannot afford to own them outright** so that you are in a position to ignore these market fluctuations. Therefore, **even when margin requirements are relaxed the rule of no margin buying still applies.** So when you buy stock, buy it in small amounts, over a period of time, irrespective of whether the market is up or down, **but insist that your Broker deliver this stock to you** so that you will truly own a share in America.

Diversify!

When I say buy stocks in small amounts I open the door to my next rule, and that is **follow a policy of Broad diversification** in order to make the impact of temporary market fluctuations as light as possible on your portfolio. My reason for this rule is that all stocks do not move in unison. Let us cite a specific example, and I can cite others. At this time last year I defy you to show me an investment counsellor who recommended the stock of **P. Lorillard & Company.** Its common was down to a low of about **14.** Even in the hard-pressed tobacco group it was the **least** favored. I recall vividly citing Lorillard as an example of a company preparing to have the best possible stockholder relations at another tobacco company's Annual Meeting, and the scornful way in which the President referred to my mention of Lorillard. On Nov. 6, the shares, in the face of a fast-dropping market, reached a high of well over 25. In fact, on one bad day a few weeks ago I recall with a smile that it was the **only stock** to reach a new high that particular day. Yet Lorillard is the kind of stock which almost any investment service a year ago would have told you to sell and take a loss. Of course, we kept ours, since we do not take losses on common stocks. In addition, we did more. We helped launch an attack on the policies of the prior management, which helped bring about a change in regime, because there were others who were prepared to carry on a proxy fight if there was not such a change.

This proves again, in my opinion, the soundness of our theory that it is the duty of stockholders to watch their investments in good times and bad — something the average investment service, investment trust, or mutual fund has not been doing. As a result, independent stockholders applaud the efforts of the new President of Lorillard, Lewis Gruber, as he has cleaned house and has instituted new policies which have revived the dropping fortunes of P. Lorillard.

However, the views of independent stockholders have been increasingly adopted in the field of shareholder relations, which is only common sense, especially at a company like Lorillard, where owners are customers, too. For details I refer you to the last post-meeting report of Lorillard and to our next Annual Report of Stockholder Activities at Corporation Meetings to be published in January.

Many Dividend Increases

When I urge diversification in your investment portfolio to protect your capital I am thinking in addition of the necessity for a better than average amount of dividend protection also. Even to me, it has been quite astonishing this past summer to pick up the "Wall Street Journal" and find out how, even in a period of a declining market, when some have been cutting or omitting their dividends, that there are many others who have actually **increased** their dividends to their stockholders.

Here, again, let me cite an example. Two years ago Avco Manufacturing Company was going through the wringer. What was causing many of Avco's problems? Continued losses in the Crosley and Bendix divisions brought the passing of the dividend. By constantly asking questions at the Annual Meeting as to which divisions were in the "red" shareholders and management alike moved to protect their joint interest and the great losses were stopped when the divisions were sold. This, in turn, recently permitted the resumption of a dividend at Avco, making up, for example, the passing of a dividend at Congoleum-Nairn. In turn, in a few years, when Congoleum resumes is dividend, it will probably make up for some other dividend passed or cut.

Now suppose we had followed the policy of taking a loss by selling our Avco stock because the dividend was passed? We would not now have the equalizing dividend. Now you see why we believe in broad diversification, not only for safety in growth of capital, but for equitable dividend return too. You see that it is the wise investor who looks upon his investments as something he should watch, not for the purpose of selling his shares, but to see what his management is doing about the problems facing it.

Abstain From Buying on Rise

Another rule to follow in the field of investment survival is **never to buy stock, even in the best companies, after it has had a terrific rise on the market,** even though it looks as if it might go further. Just as no one can predict the bottom of a market decline, so no one can predict the roof of a market rise. Instead, buy shares of corporations which have had demonstrated earning power after they have had a long decline, remain stationary, or after dividends have been cut or omitted, or which may not be popular even though the dividends may appear reasonably safe. Last year and the year before were no times to buy copper or steel shares. These are the securities which have fallen most in value over recent weeks when a little bad news came along. Everyone had over-bid and competed for them. On the other hand, tobacco stock, chain store securities and certain food company shares have not had drastic declines, and their income continues fairly constant. Unless things get much worse, they are likely to remain fairly stable in price.

Expect the Unexpected

The last investment principle which I follow, and which is by no means least, is to **expect the unexpected.** I believe the unexpected generally happens. Once again, let us look at the tobacco industry. One of the reasons that has been given for dumping your tobacco securities is the cancer scare. It is our contention that the cancer scare was one of the best reasons for holding on to them and, if you did not have them, to buy, in the usual small amounts. Why? Because the cancer scare was compelling the tobacco companies to do a lot of pure research that they never would have done otherwise, just as wartime conditions bring about discoveries which either would have come about much later than normally or never would have been made. No one knows what by-products may result from this research. New divisions may be formed which some day may bring bigger profits than tobacco itself. Since no one can tell which tobacco company will have the good fortune to pick the research winner, here again I recommend a policy of diversification within the industry itself. Own a little of them all rather than too much of one.

While we are on the subject of unexpected, I remember one year when former President Charles Diefendorf of Marine Midland Corporation, the great New York holding company, told me at lunch after the Annual Meeting that all of his friends had been horrified years ago when he accepted a directorship in International Salt. At the time the stock was low in price and everyone thought that salt was on the way out. Since then we all know, of course, how the demand for salt in the chemical industry has increased and it is because of this increase in demand that we have done well with our International Salt stock over the past decade.

Shareholder Self-Education

After the adoption and practice of the principles I have just mentioned, the shareholder must improve his education in order to become a well informed corporate voter and owner. He must take an active interest in the affairs of the corporation in which he owns stock. There are three important documents with which he must be familiar.

The most important of these is the **proxy statement** of the company. To become well informed the owner must read the proxy statement. There are many things to look for in the soliciting material. I shall mention only a few of the subject which we consider the most important, when looking over the proxy statements of the several corporations in which we own stock.

First of all, if we find a dividend has been reduced or passed because of business problems, we feel we have the right to expect that top executive compensation also be reduced, so that the management shares with the stockholders in the period of austerity. There are many reasons why a corporation may need to husband its funds, but there is no reason why the management should not be willing to share in the cost of such an operation.

One of the most important series of questions asked at any Annual Meeting is that dealing with the auditing area. Ownership of stock is a business risk. Losses due to bad auditing policies should not be among these risks. Therefore, we believe that independent auditors should be elected by the stockholders so that they are responsible to each and every owner for adequate disclosure at all times in the annual report. This the proxy statement should be scrutinized to see if the auditors are so elected. Remember, auditors have no right to be present at an Annual Meeting as a matter of law. It is only through election or ratification by the stockholders that owners can be assured of their presence.

The proxy statement should also be read to see if the management is asking for options, which will dilute stockholder equity, or if the management is asking the owners to give up the protection of the pre-emptive right.

Cumulative voting is another important feature to look for. Many states now make cumulative voting mandatory at corporations which they charter. North Carolina is the latest state to do so. Incidentally, I might mention here that a renewed attempt will be made in the next session of Congress to eliminate mandatory cumulative voting at National Banks. I urge all of you to let your Congressman know that you are opposed to this provision of the Financial Institutions Act. Tell him you want this investor protection continued.

Importance of Director Holdings

Note if the directors own stock in the company, and how much they own. See if their holdings have increased or decreased over the prior year. If there are among them directors who do not hold stock, and do not wish to own a part of the company, owners have a right to demand that they get off the Board.

Lastly, when reading the proxy statement, be sure to ascertain whether or not there are any independent proxy resolutions being presented to the stockholders for their action. In most cases you will find that such independent resolutions seek to provide for one of the investor protections I have just mentioned.

The Annual Report

The second important document to be studied is the **Annual Report.** As a stockholder, you have the right to question management on the content of the annual report at the Annual Meeting. If you do not find sufficient information in the annual report, ask your question. Pertinent and proper questions include: How much money was spent on advertising last year, or which divisions are operating at a loss? You'll find that Mrs. Soss and I will be asking these questions at 1958 Annual Meetings as we have in the past. The battle for full disclosure will be fought at more and more Annual Meetings of American corporations over the years ahead as the stockholder movement grows by leaps and bounds.

The third and final important source of information is the **Post-Meeting Report.** If the owner is unable to attend the meeting in person he should want to know what went on at that meeting. The post-meeting report should include the following: the vote for and against proposals made by management or stockholders, what the arguments were for and against these proposals, who asked questions, what the questions were and what answers were given. It should also include criticisms and suggestions made from the floor of the meeting by interested owners. The more these suggestions are adopted by management, the less the chance of a proxy fight. If the company in which you own stock does not send out a post-meeting report, make the management aware of the fact that you want one.

*A speech by Mr. Gilbert before the Public Foundation for Economic Education of Women, and the Federation of Women Shareholders in American Business, New York City, Nov. 6, 1957.

Join Reynolds & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Cyril H. Heusner and Thomas F. Slack have become affiliated with Reynolds & Co., 425 Montgomery Street. Both were formerly with Walston & Co. Inc.

With Walston & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Gerald G. Elmore has joined the staff of Walston & Co., Inc., 265 Montgomery Street. He was formerly with Bailey & Company.

With Henry Montor

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Ivan L. Schwartz is now connected with Henry Montor Associates, Inc., 134 South La Salle Street. He was previously with Harris, Upham & Co.

Keller Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ernest W. Fraser has joined the staff of Keller & Co., 31 State Street. He was formerly with Paine, Webber, Jackson & Curtis.

LETTER TO THE EDITOR:

The Greeks Had a Word for It

***Chronicle* reader, who is a teacher of Greek, finds error in use of the term "Mega Opolis". Mr. Narveson believes the correct word Mr. Dickhuth should have used in his *Chronicle*, Nov. 14 article on impact of urbanization is "Megalopolis."**

Editor, Commercial and Financial Chronicle:

I read the "*Commercial and Financial Chronicle*" with interest even as a petty investor and as a Greek teacher. I was struck by the title of H. Eugene Dickhuth's article [*Chronicle*, Nov. 14] entitled "Economic Impact of Mega Opolis" and have this comment to make: The Greek adjective for "great" is megas, megale, megan for masculine, feminine and neuter, respectively. Also, the base of the adjective is megal. The combination which, I believe, the author aims to produce should have been "Megalopolis." In a similar coining process we can call the greatest city in the world "Necropolis," the city of the dead.

B. H. NARVESON

Northfield, Minn.
Nov. 18, 1957.

New York Port Authority's Problems and Progress

By AUSTIN J. TOBIN*

Executive Director, The Port of New York Authority

New York Port Authority head condemns what he terms an "artificial advantage in differentially lower rail rates on export-import cargoes" permitted for competitor ports. Mr. Tobin recapitulates what has been done to make New York Port Authority self-supporting at rental yields running from 6½% to 8% of total investment, to improve dependability of port's labor force and to promote use of the port, and declares "the real tough nut" that still must be cracked is to check slow cargo drain by eliminating discriminatory rail rate differentials. Cites Pennsylvania's opposable views and points out that other competitive rail lines "are actually seeking to lower their . . . rates. . . ." Is willing to accept the St. Lawrence Seaway, having lost the fight, but not the double penalty of a nonself-supporting seaway toll structure.

Over the past three years great progress has been made in the physical reconstruction of the Port of New York. Obsolete and inadequate piers are being torn down and replaced by modern structures designed to speed the turn-around of new and faster cargo ships and provide better working conditions. New port areas are being developed to meet the demands of new cargo handling techniques and the continued trend to truck deliveries. Terminals are being constructed to meet the requirements of the new ships, new handling equipment, container services and the many other new combinations of truck and rail and ship services.

Austin J. Tobin

This comprehensive program includes the construction of an entirely new and completely modern pier system along the two miles of the Brooklyn waterfront from the Brooklyn Bridge to Erie Basin and the construction of new piers, docks and terminals along the Jersey Shore — Hoboken, Newark and Elizabeth. The pace of this program is reflected in the fact that the Port Authority has spent or actually committed $51,000,000 on it since our meeting here in May, 1954. Over-all, the Authority has spent or committed itself to a port reconstruction program—piers, waterfront terminals, utilities, rails, roads, dredging, fill and channels—which will total $150,000,000, of which $109,000,000 has already been spent or committed. This entire program of the port's reconstruction will be completed by 1963.

Now, too, the City of New York has begun to implement its plans by the announcement of the construction of a new pier in Brooklyn for the Mitsui Line and the new Holland-America pier here on the West Side.

Nothing is more encouraging to the future of our port than the improvement of terminal operations and cargo handling efficiency which is being achieved by our new piers and waterfront terminals. Our new piers in Hoboken are handling over 510,000 tons annually, an increase of 168% over 1954, the last year the old piers were in constant use. And the American Export Line, which operates these piers, reports that the efficiency of their cargo handling operations has been improved by at least 25%. These are the kind of savings that can hold our commerce and encourage the flow of new tonnage through the Port of New York. The Port of New York may be assured therefore that we will have waterfront terminals which can meet the demands of the new and faster ships and of improved cargo handling equipment.

*From a talk by Mr. Tobin before the New York Chamber of Commerce, Nov. 7, 1957.

Self-Supporting Rental Yields

The encouraging thing is that all of this Port Authority construction is proceeding on the basis of rental policies that make the facilities completely self-supporting. Port Authority facilities must pay their own way. We cannot dump our losses back into the laps of the taxpayers. Our new facilities are rented at rates which yield rentals running from 6½ to 8% of our total investment. And by total investment I mean every last item of cost, engineering, administration, financing and overhead that you would have to include in any sound business accounting of your own production or service costs. In the case of the Brooklyn piers this includes also the full amount of taxes which the City was receiving on this property prior to its acquisition by the Port Authority—some $620,000 a year which the Port Authority voluntarily pays to the City.

A look at operating results of this self-supporting rental policy will show that for the nine months ending Sept. 30 our Port Authority marine terminals had net operating revenues of $3,387,000. After amortization and interest charges of $1,686,000 they had net revenues of $1,705,000, on a total Port Authority marine terminal investment of $81,600,000.

This is to be contrasted with the operation of piers by the Department of Marine and Aviation where the record will show that the City is today subsidizing a current loss on its pier system of $3½ to $4 million a year, to say nothing of its prospective losses on such deals as the recent Holland-America lease, to which I previously referred. This lease reflects the new City rental policy inaugurated by Commissioner Vincent A. G. O'Connor of constructing public piers on a give-away basis by putting a ceiling on his rental formula which will limit the rental to 6½% of his current cost estimates, rather than 6½% of actual cost. Under this new policy, which now replaces the sound rent formula used, the taxpayers of the City of New York will be underwriting the terminal operations here of the Holland-America Line to the tune of about half-a-million dollars a year. That such a deal should be made in the face of the uniformly self-supporting rents which have been obtained for the Port Authority's facilities is a mark of its imprudence and its public irresponsibility. The history of municipal pier construction here in New York and in other cities up and down the coast demonstrates that the public will not continue to support deficit pier operations. The monuments of such a policy are to be seen in the obsolete and dilapidated piers that clutter the waterfronts of improvident cities.

Labor Force Improvements

The tangible progress that is being made in improving the welfare and dependability of our labor force in New York and in modernizing the port's physical plant has cleared the way again for the promotion of the commerce of the port and the development of its trade. This work of port promotion and protection—the active selling of the advantages of shipping through New York and the struggle against rate structures that discriminate against us —was one of the Port Authority's assignments when it was created by the two States in 1921. In 1957 our Commissioners budgeted for an expenditure of nearly $800,000 for this work and our expenditures for these purposes in 1958 will amount to over $900,000.

The promotional part of these activities are designed to attract commerce to the port by assisting shippers, brokers and forwarders with their problems and by encouraging them to ship via the Port of New York. We cannot do this work alone. It must be a joint effort and it is encouraging to see other civic and private agencies, such as the recently formed Joint Committee for the Promotion of the Port of New York, take their proper place in this program.

The rivalry for port trade, the wooing of potential shipping customers and the pulling and hauling between competing ports along the Atlantic and Gulf coasts has become a heavily competitive business. The Madison Avenue agencies, plugging the virtues of automobiles, soap and cigarettes are no more aggressive than those of us who try to persuade the machinery manufacturer in Ohio and the cereal company in Minnesota to ship via the Port of New York rather than through Baltimore or New Orleans—and vice versa. Meetings with traffic clubs, special bulletins, motion pictures, monthly magazines and intensive personal sales efforts are all part of the job. Last year the Chairman of the Port Authority, Donald V. Lowe, accompanied by members of our Port Development staff, made an extensive trade soliciting trip through Brazil, Venezuela and Colombia. Their tour, which was aimed at attracting the trade of those countries to the Port of New York, brought them in contact with government officials, business leaders and shipping representatives and received a great deal of favorable South American publicity for the port.

Field Offices Here and Abroad

Here in this country our field offices in Cleveland and Chicago have redoubled their efforts to promote the Port of New York in an effort to offset the new competition which we may expect from the St. Lawrence Seaway.

New York's import and export trade to and from Western Europe amounted in 1956 to approximately 37% of the port's exports and 24% of our imports. We have therefore established two European trade development offices, one in London, which will cover the British Isles, Scandinavia, Spain and Portugal, and the other in Zurich, which will be responsible for our trade contacts throughout the other Western European countries. New York's representatives in both of these offices have been selected and the offices will be opened about the first of the year.

The necessity for these efforts and expenditures in this highly competitive field of the flow of American commerce through our eastern and southern ports is evident in the steady decline of New York's share of America's foreign trade. Last year, general cargo tonnage handled through the Port

Continued on page 29

From Washington Ahead of the News

By CARLISLE BARGERON

Admitting that we are in a scientific age, having apparently survived the age of the economists which came in with Franklin D. Roosevelt, the Great, and about the survival of which I have some doubts — it is apparent that along with the scientific age we are in an age of press agentry. The two of them, like the two Sputniks, are going hand in hand. This is not so good.

Carlisle Bargeron

These are serious times, moneywise more than anything else, and your correspondent has a deep interest in what every scientist thinks. I wish it were possible for me to talk with every one of them, really get at what is going through his mind. I have come reluctantly to figure they are on top among the men aspiring for leadership, the men seeking dominance.

But it is difficult for me to find out what they really think, what is really going through their minds because of the profession of press agentry. Whenever I hear a scientist on Meet the Press or Youth Wants to Know, Face the Nation, or read him in a newspaper interview or a magazine article, I am not quite clear that he is speaking his mind or is doing something shocking in accordance with what his press agent has advised.

There are some public relations men, as opposed to press agents, who advise keeping your mouth shut. But mostly the gentry, both public relations men and press agents, thrive upon getting their client's name in print.

Now it so happens that the "age of science" having broken suddenly upon our scientists, they have been besought by a hoard of publicity men telling them the great parade of scientists is on and that they had better get in on it, at a fee of $100 a week or so, whatever the traffic will bear.

Getting in on it, attracting attention, getting ones named into the newspapers, is an inviting proposition. Heretofore, the scientists worked quietly among themselves. They had their academies, their awards. They got their recognition from their fellows. They were quite satisfied to be acknowledged by them. Their fellow scientists knew their accomplishment, passed them by word of mouth.

This was a very satisfactory way of living: to be looked up to by one's associates in a particular endeavor, medicine, for example.

But comes the "scientific age" bursting in upon these fellows. They see Professor Quixote making statements to the press and being interviewed, for a couple of hundred dollars, on a news TV or radio program. And then they have the ever alert press agents, whom I am frequently inclined to think are more numerous than any other segment of the population, running up to them and saying "Are you going to let Teller and Bush get ahead of you? You studied science in school didn't you? Here, sign on the dotted line and I will make you famous."

It is a sales talk with almost impossible resistance. The result is that we are bound to get a lot of alarmist talk from the scientists—talk designed to hit the headlines and not infrequently having no relation to what the particular scientist thinks.

It worries me because when I hear a scientist say that we are five years behind the Russians I wonder whether that is the particular scientist talking or whether it is words put into his mouth by a press agent.

I remember the great Einstein, a very retiring fellow. A few years before he died he was commenting on all the various phases of our life, whether the Republicans or the Democrats should be elected, whether our Congressional investigations of communists were witch-hunting or served a needy purpose. The old man was completely out of his sphere.

The answer was that a radio commentator who had enjoyed tremendous influence, had suddenly gone sour with the public and lost his sponsor. He attached himself to Einstein as a press agent and in the full knowledge of Einstein's gullibility about public affairs, proceeded to use him as a vehicle for his own views. There are two groups of press agents. One is concerned only with making money and to that extent he will persuade his client to say anything which will attract attention and get his name recognized. In the other group are those who want to yield influence and not having the standing to do it directly, like to work through some gullible fellow who through trick or fate has attained the standing.

What we need these days is the truth from scientists, now that they are being given so much attention, what they really think, not just headline catching phrases supplied by press agents.

Symmes Elected By Hackley Trustees

The election of Laurence M. Symmes as President of the Board of Trustees of Hackley School, Tarrytown, N. Y., has been announced. Mr. Symmes has been a Trustee of Hackley since 1941. Founded in 1899, Hackley is the only non-sectarian perparatory school for boys in the Westchester area.

Laurence M. Symmes

A graduate of Dartmouth College, Mr. Symmes has served in various capacities in the Dartmouth Alumni Association, including the post of President of the group. He is currently Treasurer of the First Unitarian Church of Brooklyn, N. Y.; has been Vice-President, Treasurer and director of the investment firm of P. W. Brooks & Company, Incorporated for many years, and has been director and officer of a number of companies financed by the P. W. Brooks organization.

Sutro Bros. Branch

MIAMI BEACH, Fla. — Sutro Bros. & Co. have opened a branch at 1048 Kane Concourse Bay Harbour Islands under the direction of Irving Wolf.

Now Sam Watson Co.

LITTLE ROCK, Ark. — Sam Watson, Hall Building, is continuing his investment business as Sam Watson Company, Inc.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market's promising rally bumped into a new Presidential illness this week that, in short order, cut prices back sharply in a subdued version of the 1955 "heart attack" break. The difference this time was that short-covering and bargain-hunting produced an immediate rebound that undid most of the damage.

* * *

While the initial shock wasn't quite as severe as that two years ago, it did serve to throw a cloud over the future just when hopes were starting to arise that the year-end rally was about to get underway.

* * *

Basically, the economic scene hardly depends on a single individual. Nevertheless, this is the fourth time the President's illness has brought emotional selling into the stock market and this time the economic picture is more dour than it was on any of the earlier occasions.

Further Testing Ahead

The new pressure could advance materially the date when the industrials will test their October low since it is widely accepted that such a testing is more or less inevitable. It hadn't been expected until early next year in view of the fact that the rebound from a shade below 420 had carried well into the 440 band. The market now is wide open for any type of action.

* * *

As happens so frequently in market declines, even issues favored for days, such as Lorillard which was a repeater in posting new highs, are cut back hard along with the general run. U. S. Tobacco and R. J. Reynolds, which have only lately joined Lorillard in good action, were able to fight the trend a bit more successfully, which makes the tobaccos something of a favored group for the first time in a long while.

Diversified Oil Issue

Oils were also in occasional demand for another new note, particularly Phillips Petroleum which benefited from several recommendations. Part of the allure in the case of Phillips is that in addition to its giant stature in the petroleum field, it also is prominent in atomic research, uranium processing and exotic fuels. All this and, at recent lows, a yield that approaches 5% make it one of the more attractive in its division.

* * *

General Dynamics which covers a wide variety of interests from nuclear submarines to ICBM work is one of the rare issues around where sales for the first three quarters of this year already have eclipsed the total figure for all of 1956. But the good news is tempered by rumors of new financing which has kept the stock restrained, and hence one of the better values in the "aircraft" section. The plane shares generally were fully vulnerable to pressure when selling occurred. This is another illustration of what happens when emotion takes over, since the nation's defense needs aren't going to evaporate overnight.

* * *

Some of the well deflated issues were able to settle for minor losses in rough market periods since they had been under pressure for so long. Anaconda, usually grouped in the "copper" section with the rest, is one of the more diversified of the metal operations, including a promising new venture in iron ore in Canada. It was able to stand its ground well, having fallen from a peak of above 70 earlier this year to the low 40's and apparently discounting much of the bad news the copper firms have had to digest.

* * *

A bit of attention was being directed at the neglected items in major groups such as Sunbeam in the electrical appliance line. Its yield is around 4% against the low 3% bracket returns of Westinghouse and General Electric. Its growth over the years has been steady. In fact, as one study points out, 100 shares as recently as 1944 today would represent 1,650 shares. The issue has only carved out a range of around 15 points for all of this year, lately hovering near the low, since earnings for the fiscal half year were down slightly. The decline, however, was not because of dwindling business but from heavy expenses in starting up a new line of clocks which, in time, will both add to sales and profits.

Interesting Food Issues

The food stocks have also been neglected by and large, Best Foods holding in a four-point range all year. The company has been holding its business level comfortably high and is expected to show a moderate improvement for the fiscal year over the preceding period. Its yield of 6½% is one of the better around on a dividend that is well covered and is in no jeopardy at the moment.

* * *

United Biscuit is another in the food line that has an above-average yield of more than 5½% and the payment is well covered by profits. Where the other biscuit leaders are selling at a 10 to 12-times-earnings basis, United is only around 7-times, mostly because its profit margins haven't been as favorable as National and Sunshine. But United has been working rapidly to "automate" its operations like its competitors and bring the profit picture into line. The biscuit companies generally fare well when overall business declines and are definitely among the defensive sections when stock market going is rough.

Store Issues Favored

Stores stocks were also being favored in recent markets, First National and American Stores no strangers to the new highs list. W. T. Grant in this section is both a deflated item as well as an above-average one in the yield bracket. At recent prices its return was nearly 7% and the issue has been available at a more than a one-third trim from its high of the last couple of years. Sales are expected to increase this year over last and earnings are projected at a moderate increase. The financial picture is strong and the dividend record is now past half a-century of uninterrupted payments.

* * *

Meat packing shares haven't had any sustained market play in a decade and are also eligible for inclusion in the "neglected" category, a position that contributes to the better than 7% yield in Swift & Co. The stock lately has been available at nearly half of its 1956 peak despite good chances for improved earnings results for the current fiscal year.

[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.]

With Daniel Reeves & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John G. Finch is now affiliated with Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. Mr. Finch was formerly with Bennett-Gladstone-Manning Co.

Wm. Staats Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William J. Gosline has been added to the staff of William R. Staats & Co., 640 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

Benjamin Lewis Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Edward Barnardi is now associated with Benjamin Lewis & Co., 135 South La Salle Street.

Joins Union Security

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Royal H. Peterson has become affiliated with Union Security Company, 29 South La Salle Street. He was formerly with Baker, Walsh & Company.

NSTA Notes

N. S. T. A. NOMINATING COMMITTEE FOR 1958

The correct membership for the Nominating Committee of the National Security Traders Association for 1958 is:

Edward R. Adams, Clement A. Evans & Company, Inc., Atlanta, Ga.
Edgar A. Christian, Suplee, Yeatman, Mosley Co., Incorporated, Philadelphia.
Ralph C. Deppe, Edward D. Jones & Co., St. Louis.
Elmer W. Hammell, First Securities Company of Chicago.
John C. Hecht, Jr., Dempsey-Tegeler & Co., Los Angeles.
Alfred F. Tisch, Fitzgerald & Company, New York.

BOSTON SECURITIES TRADERS ASSOCIATION

BOSTON, Mass.—The Annual Meeting of the Boston Securities Traders Association will be held on Thursday, Dec. 5, 1957 in the Harvard Room of Purcell's Restaurant. The business meeting and election of officers will start at 5:15 p.m.


Alexander W. Moore


Wilfred G. Conary


F. V. McVey

The Nominating Committee has submitted the following list of officers to serve for the coming year:

President, Alexander W. Moore, New York Hanseatic Corporation.
Vice-President, Wilfred G. Conary, G. H. Walker & Company.
Treasurer, Frederick V. McVey, Childs, Jeffries & Thorndike.
Rec. Secretary, Clive B. Fazioli, White, Weld & Company.
Corr. Secretary, Richard E. Murray, May & Gannon, Inc.
Governor, two years, Edward J. Opper, J. B. Maguire & Co., Inc.; Daniel L. Quinn, Schirmer, Atherton & Co.
Governor, one year, Albert Crosby, F. S. Moseley & Company; Leo F. Newman, American Securities Corp.

BOND TRADERS CLUB OF CHICAGO

The Bond Traders Club of Chicago will hold its 32nd Annual Midwinter Dinner at the Sheraton Hotel, 505 North Michigan Avenue, Monday, Jan. 27, 1958.

NASD District No. 2 Elects New Officials

LOS ANGELES, Calif. — Announcement has been made of the election of Curtis H. Bingham, President, Bingham, Walter & Hurry, Inc., Los Angeles, as a member of the Board of Governors of NASD. He succeeds Jo M. French, Vice-President, Blyth & Co., Inc., Los Angeles.


Curtis H. Bingham

Elected as members of NASD's District Committee No. 2 were: A. Norman Bennett, partner, Stern, Frank, Meyer & Fox, Los Angeles; Charles B. Harkins, Vice-President, Blyth & Co., Inc., San Francisco; Verdon C. Smith, partner, Lester, Ryons & Co., Los Angeles, and Van S. Trefethen, partner, Shuman, Agnew & Co., San Francisco.

Form Counselors Mgmt.

LOS ANGELES, Calif.—Counselors Management Co. has been formed with offices at 606 South Hill Street to engage in a securities business. Partners are Stephen Titus, George C. Good, and Waller Taylor II. Mr. Titus was formerly with Witherspoon & Company.

Henry Milner V.-P. of R. S. Dickson & Co.

The election of Henry Milner as Vice-President of the investment firm of R. S. Dickson & Company Incorporated has been announced. Mr. Milner makes his headquarters in the firm's New York office, 30 Broad Street.

Duggan Inv. Co. Opens

(Special to THE FINANCIAL CHRONICLE)

ALAMEDA, Calif.—Duggan Investment Company has been formed with offices at 1516 Oak Street to conduct a securities business. Officers are Lowell H. Duggan, President; David K. Gilmore, Vice-President; Merl Prince, Secretary; and Hugh H. Tebault, Treasurer.

F. T. Pen Dell Opens

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Frederick T. Pen Dell is conducting a securities business from offices at 5053 Harbor Drive. He was formerly with Mutual Fund Associates Incorporated.

Form Standa Loan & Inv.

(Special to THE FINANCIAL CHRONICLE)

SAN LEANDRO, Calif.—Standa Loan & Investment Corp. has been formed with offices at 640 Bancroft Avenue to engage in a securities business. Officers are Stanley M. Davis, President and Treasurer; Merl Prince, Vice-President.

Our Secret Weapon Is Trade and Investment

By BENJAMIN F. FAIRLESS*

Chairman, National Foreign Trade Convention Committee
President, American Iron and Steel Institute, New York, N. Y.

Mr. Fairless avers we have a secret weapon to win the cold war; to wit, competitive trade, accompanied by capital investment and technical aid. The former U. S. Steel head points out: (1) our "prosperity cannot endure in a world where hundreds of millions live in poverty"; (2) collective security costs are not temporary, and (3) that our private capital can, through private American corporations, play a major role in winning the cold war struggle. Business is urged, through its foreign contacts, to tell our story overseas, and suggestions are made on how to facilitate capital out-flow.

This is a critical time in history—a time of crisis for the Free World. Leaders in government, education and international trade, are well equipped to discuss the serious problems that face us. Out of their deliberation will come views and recommendations which should profoundly affect the course of world commerce in the crucial months ahead. Let us examine briefly the balance sheet of the Free World. In recent weeks, it has taken on some heavy liabilities. Whatever the full military significance of the Soviet Sputniks may be, I have no doubt that they have done damage to the prestige of the United States throughout the world.

Benjamin F. Fairless

On the asset side of the ledger, however, are two developments: We have been jolted out of our complacency, and the nations of the Free World have been drawn together more closely in a spirit of common defense.

These were essential developments. For, to catch up with the Soviets (and catch up we must!), we must abandon any smugness, born of superiority, and we must join more actively with the free nations in a concerted effort.

Moreover, the Russian people have seen in the booting out of the popular Marshal Zhukov, that behind the locked doors of the Kremlin the same old shell-game —the same old naked struggle for power—is going on.

Catching up and holding our own, in the arms race with the Soviets is necessary as a deterrent to war. For, if the Communists were to get the lead in arms, they would use it to freighten small nations into slavery and to club big nations into submission. It is unthinkable that the free nations would allow this to happen. We can support and applaud every move our President is making to accelerate our defense measures.

A stalemate in arms most likely will have the effect of outmoding a hot war between great powers. In the age of missiles and the hydrogen bomb, to start a war is to commit suicide. Even the masters in the Kremlin profess to realize this fact.

But a standoff in arms will only spur the Communists to greater efforts in the cold war by which they have said they hope to conquer the world without firing a shot.

There is no denying that they have made great advances in the cold war. In 1937 the number of people dominated by the Communists was 170 million or 8% of the world's population. Today the number has swollen to one billion or 37% of the world's total. But I am convinced that we can win the cold war by means of a secret weapon all our own.

Our Secret Weapon Is Trade

That secret weapon is trade—trade under our system of capitalism and competitive enterprise—accompanied by capital investment and technical aid in undeveloped countries.

Foreign trade may hold the key to the future of the Free World.

Some months ago I had the privilege of acting as Coordinator of a Committee of Citizen Advisers to the President on the Mutual Security Program.

On a trip taken by the Committee to 18 countries I became convinced that there is a great surging desire among the peoples of the world to improve their own economic situation. There is nothing we need to do to stimulate that desire. It is an innate urge.

What we must do is to help increase their productivity, and thus raise their standard of living.

And it is essential, of course, that we buy from the overseas countries increasing amounts of goods and services. If we do not, these countries will be unable to buy from us and be forced to buy elsewhere. International trade must be a two-way street.

Economic development can be ranked with military might in assuring the security of the Free World.

We must prove to the neutral nations that American and capitalism do not seek to **enslave** nor **exploit**, but to **preserve** their freedoms and to **enrich** their lives.

There is but one way to improve the standard of living in the nations less industrialized than ours. That is to get more tools and machinery into more hands and the training of more people to use them. This calls for capital and we should find ways to supply as much of it as possible without going broke in the process.

Collective Security Must Go On

I am convinced that the United States must abandon the hope that collective security costs are temporary. They must go on.

But it is necessary for the health of our economy to keep government aid within bounds, and to supplement it to the fullest extent possible with the investment of private capital abroad.

The time has come, I think, to recognize that the greatest potential force for economic development in the world today is American private industry and the creative power of free enterprise.

America has grown to its great industrial stature because in applying the principle of dynamic capitalism, industry has plowed back a substantial part of its profits into the business. Out of this has come research, improvements in methods and products, new products, expanded plants, and the highest standard of living on earth. Even the proudest boast of Mr. Khrushchev is that the Communists can bring Russian industrial production up to that of the United States in 15 years.

World's Poverty Threatens Our Prosperity

What is needed now, I believe, is to find more ways to export the American productive system to the political and economic advantage of the Free World. America's prosperity cannot endure in a world where hundreds of millions live in poverty.

We are already exporting the American productive system, in a measure. For example, I know of an American company which invested $75,000,000 in developing an industrial facility in a Far Eastern country in the expectation of recovering its capital investment in from three to five years.

This company's calculation in that respect proved correct, but in the meantime it invested an additional $100,000,000 in expanding and improving the original facility. Everyone benefited—the country, the company, its employees in the U. S. A. and the thousands of nationals who gained jobs. That country has experienced the tangible results of American capitalism at work. Surely this is the way to win over the uncommitted peoples.

The American corporation is the best device we have yet found for channeling investment abroad. American business has a large stake in the outcome of the cold war struggle and it can play a major role in partnership with our government in winning that war.

The job calls for the tools and skills common to free enterprise and for the benefits it provides: greater productivity, better working and living conditions and greater individual opportunities, and the plowing back of a reasonable part of the profits as is the practice in our own business.

This force already has been at work in the world. In the past fiscal year, in contrast to the total of $7.9 billion spent by our government on collective security, American private trade, investment, and business activities abroad provided a total of $20.4 billion.

No one knows better than those in foreign trade that we should—in our own interests—seek to expand this mutually profitable and beneficial trade. It is in tune with our long-range foreign policy objectives and immediate economic goals.

Desirability of Private Investment

But, it is in the productivity generated by foreign investment of private capital that American business enterprise can make its most effective contribution to building economic strength in the Free World. Private investment wherever feasible is far more desirable than government aid.

Private investment carries with it the competitive spirit of individuals which so energizes our economy.

In addition, private American capital can join more readily with private capital in other countries than can government investment. And, of course, private capital investment does not increase the load on the American taxpayers' shoulders. Indeed, to the extent that we can extend the flow of private capital, the burden on the American taxpayer can be reduced.

We may as well recognize that there are barriers in the way of expanding the flow of private investment abroad. These can only be overcome if government and business each will accept its part in a long-range effort.

Foreign areas also must recognize and accept us for what we are, a country in which the greatest pool of industrial ability, skills as well as capital, is not in government but private hands. Thus, it is in their self-interests to improve their climate for private investment.

Barriers to Capital-Flow

I believe also that our government should move promptly to increase the incentives for private investment abroad by providing more equitable taxation of foreign business income.

Moreover, our government should provide guarantees, loans to private investors with a sharing of any loss, and I feel that joint investment of private and public capital should be tried in selected areas abroad.

In all of these things where American business can help we must continue to remind the non-Communist nations that investments by American business are of direct benefit to the individual citizen and the national economy.

We can in all conscience tell the world that investment by American business in any foreign country is never made for the purpose of influencing religious, political or social customs — a claim the Kremlin cannot support.

What I am proposing is that in addition to increasing investment as an arm of our diplomacy, we also send over to the undeveloped nations of the world more Ambassadors of Business—men and women who carry with them the skills and managerial techniques to promote and conduct modern business.

Person to Person Contact

Today, some 50,000 Americans are directly engaged in foreign trade, all with common aims, hopes and aspirations. I'm sure that they have been doing what they can to tell our story overseas to your contacts. But, I urge them to do more.

If each of them will make it a point to write letters and talk to their customers and friends about American hopes and aspirations—think of the impact on the world! The support your personal explanations and letters can give will win more supporters than tons of propaganda from the Kremlin.

To the fullest extent possible nationals should be brought into American corporate operations abroad. By this means they will be accorded an opportunity to observe at firsthand the workings of our system.

In this way, American business can join in partnership with government, yet without either invading the province of the other, and contribute to building not only the economic strength but the real wealth of free nations. I mean, a wealth that cannot be bestowed, only earned by determined self-action.

Such nations can then stand strongly beside us in collective defiance of any aggressor. They can, with self-determination of their own future courses of progress, share our hopes and plans for a peaceful world with justice where moral law prevails.

*An address by Mr. Fairless before the 44th National Foreign Trade Convention, New York City, Nov. 18, 1957.

Hayden, Stone Co. 25-Year Club Elects

William J. Wehrheim was elected President of the 25-Year Club of Hayden, Stone & Co. just prior to the organization's 11th annual dinner held Nov. 21 at the Antlers Restaurant.

Other officers are: Alexander Hogg, Vice-President; John P. Rouse, Treasurer; Winifred Michel, Secretary.

The club now includes 43 members, three of whom—Herbert G. Bell, a Partner, Charles Finkler and William Harrington—have been with Hayden, Stone for over 50 years.

Boettcher Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — William F. Scott has been added to the staff of Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange. He was formerly with the Denver National Bank.

G. T. Tranter, V. P. Of Rockwell-Gould

ELMIRA, N. Y. — G. Thomas Tranter has recently been ap-

G. Thomas Tranter

pointed Vice-President of Rockwell-Gould Company, Incorporated, 159-167 Lake Street. Mr. Tranter was formerly associated with the Midwest Stock Exchange in Chicago. He is a graduate of the University of Notre Dame.

IBA Announces Convention Speakers

WASHINGTON, D. C. — The 46th Annual Convention of the Investment Bankers Association of America will be held Dec. 1-6 at the Hollywood Beach Hotel, Hollywood, Fla.

In addition to the address by Robert H. Craft, President, The Chase International Investment Corporation, wholly-owned foreign financing subsidiary of the Chase Manhattan Bank, N. Y., President of the Association, and the inaugural address by W. C. (Decker) Jackson, Jr., First Southwest Company, Dallas, incoming President, the following guest speakers will participate in the program:

The Honorable Donald M. Fleming, Minister of Finance for Canada, Ottawa;

John H. Stambaugh, Special Consultant to President Eisenhower; Vice-Chancellor, Vanderbilt University, Nashville;

Richard S. Reynolds, Jr., President, Reynolds Metals Company, Richmond;

George S. Trimble, Jr., Vice-President-Engineering, The Martin Company, Baltimore.

Chairmen of national IBA committees will present their annual reports.

A Municipal Forum will open the Convention on Sunday afternoon, Dec. 1, and there will be Convention sessions each morning, Monday through Thursday.

New officers will be installed on Thursday, Dec. 5, and the incoming Board of Governors will meet on Friday.

Thomas Cramblet Now With W. E. Hutton Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio—Thomas E. Cramblet has become associated with W. E. Hutton & Co., 50 East Broad Street. He was formerly a Vice-President of American Funds Distributors, Inc.

Ray C. Dottore With Murch & Co. Inc.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Raymond C. Dottore has become associated with Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange. Mr. Dottore was formerly in the trading department of J. N. Russell & Co.

Albert E. Aigeltinger

Albert E. Aigeltinger passed away at the age of 73 on Nov. 20. Prior to his retirement he was an officer of Bonbright & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The directors of **J. Henry Schroder Banking Corporation, New York** and **Schroder Trust Company, New York,** announced


W. Donald Brown


Sherman Gray


Prestley E. McCaskie


John J. Schmid

on Nov. 21 the appointment of John J. Schmid, W. Donald Brown, Sherman Gray and Prestley E. McCaskie as Vice-Presidents.

It was also announced that John I. Howell, Vice-President of the banks, has been appointed to the additional office of Secretary of the two banks and that Joseph J. Granahan, Assistant Vice-President of the banks, has been appointed Trust Officer of Schroder Trust Company.

It was also announced that Max Stolz, John L. Lynch, Philip H. Stroh and James Madden have been appointed Assistant Vice-Presidents; Charles Woodard, Richard Kerrigan and Erik Larssen, Assistant Secretaries; and Burgis Coates, Assistant Treasurer.

* * *

J. Stewart Baker, Chairman of the Executive Committee of the **Chase Manhattan Bank, New York,** announced on Nov. 22 that he would retire at the end of the year as an officer of the bank, but would continue as a member of the Board of Directors.

The announcement came as a message to the staff in the first issue of Chase Manhattan News, the bank's new staff newspaper.

"You may be sure," Mr. Baker said, "this decision has not been reached without a genuine feeling of regret that I am terminating, after 38 years, my official duties with our bank. It is, of course, not easy to discontinue such a long and active association. However, the future of the bank today, both in terms of its management and staff, rests so firmly in competent and able hands that it is with a feeling of complete assurance I shall relinquish my day-to-day responsibilities. I am entirely confident that the bank will grow and prosper and increase its sphere of influence and usefulness in the years ahead."

Mr. Baker has been a member of Chase Manhattan's senior management group since the merger of **Bank of the Manhattan Company** and the **Chase National Bank** in 1955. With the merger, Mr. Baker, who had been Bank of Manhattan Chairman, became Chairman of the Executive Committee and President of the new institution. He relinquished the duties of the presidency as of Jan. 1, 1957, continuing as Chairman of the Executive Committee.

John J. McCloy, Chairman of the Board; George Champion, who succeeded Mr. Baker as President; and David Rockefeller, Vice-Chairman of the Board, continue as Chase Manhattan's senior officers.

Mr. Baker began his banking career in 1915 with **Bankers Trust.** After World War I service, he joined Bank of Manhattan in 1919 as an Assistant Cashier. He was appointed Vice-President in 1920, President in 1927 and elected Board Chairman in 1932, continuing in that capacity until the Chase Manhattan merger in 1955.

* * *

The First National City Bank of New York opened a new office at Park Avenue and 52nd Street on Nov. 25. It is the bank's 76th office in Greater New York and the second to be opened in the rapidly expanding Grand Central area in the past year and a half.

All types of banking and trust services will be provided.

Managing the new office will be Serge J. Hill, Assistant Vice-President, Randolph S. Merrill, Assistant Cashier, and Charles W. Seibert, Assistant Cashier.

* * *

Meredith Wood has been elected Chairman of the Times Square Advisory Board of **Chemical Corn Exchange Bank, New York,** Harold H. Helm, Chairman of the bank, announced on Nov. 26. Mr. Wood succeeds Adolph Zukor, who will continue as a member of the Board.

Mr. Wood became associated with the credit department of Chemical Bank in 1919. He opened the bank's Time Square Office in 1927 and became Vice-President. In 1929, he resigned as Vice-President of the bank, continuing, however, as a member of the bank's Advisory Board.

* * *

Henry B. Sargent, President of American & Foreign Power Company, Inc., has been elected a Director of **Manufacturers Trust Company, New York,** it was announced Nov. 27 by Horace C. Flanigan, Chairman of the Board.

Mr. Sargent has been active in the electric power industry for the past 30 years.

* * *

The board of directors of the **Commercial State Bank and Trust Company of New York** has declared an extra cash dividend of 75 cents per share on the capital stock, a 50% increase over the 50 cents extra cash dividend voted in 1956, it was announced by Jacob Leichtman, President. The dividend is payable on Jan. 2, 1958, to stockholders of record at the close of business Dec. 12, 1957.

The extra cash dividend is in addition to a regular semi-annual dividend in stock of 2% (or one share on every 50 shares held) on the capital stock, payable on Jan. 2, 1958, to stockholders of record at the close of business Dec. 13, 1957.

Fractional shares will not be issued, but arrangements have been made to sell them for the stockholders or to buy for them additional fractions to make up a whole share, at $58 per share.

* * *

Assets of the 98-year-old bank passed the $1,000,000,000 mark on Nov. 25 as a result of a deposit made by Mrs. John L. Douglas in **The Dime Savings Bank of Brooklyn, N. Y.**

The Dime of Brooklyn thus became the only savings bank in the borough, or the other three Long Islnd counties, to hold $1,000,000,000 in assets. In fact it is the only corporaton of any kind with headquarters in any of the four Long Island counties to have attained the billion-dollar stature.

For more than two hours prior to receipt of the deposit, a close tally had been kept of the bank's asset totals.

Immediately after the deposit was made, George C. Johnson, President of "The Dime," presented the depositor with a sterling silver tea and coffee service and a bouquet of American Beauty Roses.

"This is an historic occasion and deserves all possible recognition," Mr. Johnson said.

"It is very gratifying that this year The Dime will pay to its 404,000 depositors $27,000,000 in dividends compared to $7,000,000 paid to 302,000 depositors in 1946. These figures demonstrate how effectively The Dime has performed its functions of safeguarding the funds of its depositors, paying them the highest return, while using the money for the benefit of the community."

The Dime of Brooklyn has been paying dividends to depositors at a rate of 3¼% a year, compounded quarterly, since last April 1. Since the bank was opened June 1, 1859, a total of $324,629,000 has been paid in dividends to depositors.

* * *

John W. Hooper, President of **The Lincoln Savings Bank, Brooklyn, N. Y.,** announced that ground was broken on Nov. 21 for The Lincoln's newest banking office, to be erected at the southeast corner of Avenue X and West 2nd Street, Brooklyn, N. Y. "With this new addition," Mr. Hooper said, "the bank wil be operating six 'Savings Servicentres.'"

Construction of the new branch office will begin in the very near future, and completion is scheduled for early 1958.

The Lincoln, founded in 1866, is the seventh largest savings bank in the United States, with resources of over $570,000,000.

* * *

The Canandaigua National Bank and Trust Company, Canandaigua, New York, with common stock of $500,000; and **State Bank of Victor, Victor, New York,** with common stock of $60,000 merged, effective as of Nov. 13. The consolidation was effected under the charter and title of **"The Canandaigua National Bank and Trust Company."**

At the effective date of consolidation the consolidated bank will have capital stock of $560,000, divided into 5,600 shares of common stock at the par value of $100 each; surplus of $560,000; and undivided profits of not less than $552,220.

* * *

The Fitchburg Office of the **Worcester County Trust Company, Fitchburg, Mass.,** has just completed the largest renovation job to take place in northern Worcester County while open to the public. On Nov. 23, the completely modernized and enlarged building was dedicated with the cutting of a paper ribbon by Mayor Hedley Bray.

* * *

Stockholders of the **National Bank of Washington, D. C.,** and **Liberty National Bank, Washington, D. C.,** approved plans for a merger. Former article appeared in these columns Oct. 17, page 20.

W. T. Vandoren, President of the Liberty National Bank has been elected an Executive Vice-President of the National Bank of Washington.

* * *

The Board of Directors of **The National State Bank of Newark, N. J.,** announced following the regular meeting, that Eli J. Loranger, Jr. was elected a Vice-President.


Eli J. Loranger, Jr.

Mr. Loranger joined the bank in 1946. He was elected Assistant Cashier in 1948 and Assistant Vice-President in 1952.

He is currently Second Vice-President of The Essex County Bankers Association and a member of the Financial Public Relations Association.

* * *

By the sale of new stock **The First National Bank of Milford, N. J.,** increased its common capital stock from $100,000 to $200,000 effective Nov. 14 (number of shares outstanding—2,000 shares, par value $100).

* * *

Roy E. Reed a Vice-President of the **National Bank of New Jersey, New Brunswick, N. J.,** died Nov. 19 at the age of 57. Mr. Reed has been with the bank for almost 41 years, was in charge of the loans department.

* * *

Edwin G. Siner has been appointed to be Assistant Manager of the **Girard Trust Corn Exchange Bank, Philadelphia, Pa.,** office on 22nd Street near Indiana Avenue. The office is scheduled to open in November.

Mr. Siner joined the bank as an Assistant Manager trainee last January. He was with the **First National Bank of Philadelphia,** where he worked in the transit department and the commercial and collateral loan department.

* * *

Shareholders of **Ohio Citizens Trust Company, Toledo, Ohio,** approved an increase in the shares outstanding as recommended by the directors, who in a subsequent meeting declared a 10% stock dividend and the regular quarterly dividend of 40 cents per share.

The dividends will be payable Dec. 2 to shareholders of record as of Nov. 22.

The shareholders voted to increase the number of outstanding $20 par value shares from 75,000 to 82,500 and will increase the bank's capital stock from $1,500,000 to $1,650,000.

The directors also authorized a transfer of $250,000 from undivided profits into surplus which will increase the total of capital stock and surplus to $3,900,000.

The 40 cent cash dividend is the bank's 70th consecutive dividend while the stock dividend is the fourth since the bank's founding nearly 26 years ago.

* * *

The Cleveland Trust Company, Cleveland, Ohio, established a branch at Shaker Heights, Ohio, to be known as Warrensville-Farnsleigh Branch.

* * *

The First National Bank and Trust Company in Steubenville, Steubenville, Ohio is offering to shareholders the right to purchase additional common stocks on the basis of three shares for each eight shares of the $10 par value stock held. The subscription price is $20 per share and 37,500 shares of common stock with a par value of $10 per share are being offered. Unsubscribed shares may later be available for public offering. The proceeds received from the sale will be used to increase the bank's capital stock and surplus accounts.

* * *

Fidelity Bank & Trust Company, Indianapolis, Ind., and the **Oaklandon State Bank, Oklandon, Inc.,** and **Southport State Bank, Southport, Ind.,** merged under charter and title of Fidelity Bank & Trust Company. The former main offices of the discontinued banks and the branch formerly operated by Oaklandon State Bank, Oaklandon, will be operated as branches by the continuing bank.

* * *

The Northern Trust Co., Chicago, Ill., elected E. Norman Staub Vice-President.

* * *

Des Plaines National Bank, Des Plaines, Ill., was issued a charter by the office of the Comptroller of the Currency. Ben F. Eidamiller is President of the bank and Harold F. Glandt is Cashier. The bank has a capital of $350,000 and a surplus of $200,000.

* * *

Industrial National Bank of Miami, Fla., increased its common capital stock from $1,207,500 to $1,350,000 by the sale of new stock effective Nov. 14 (number of shares outstanding — 135,000 shares, par value $10).

* * *

A charter was issued to the **First National Bank in Port Lavaca, Port Lavaca, Tex.,** by the office of the Comptroller of the Currency. President is Howard S. Motley and Cashier is A. L. Pinkston. The bank has a capital of $100,000 and a surplus of $200,000.

* * *

Shareholders at a special meeting of the **Republic National Bank of Dallas, Texas,** on Nov. 25 voted approval of an increase in total capitalization of the bank, including contingency reserves, to approximately $102,000,000, it was announced jointly by Karl Hoblitzelle, Chairman of the Board; Fred F. Florence, Chairman, Executive Committee, and James W. Aston, President.

Warrants representing subscription rights were being mailed to shareholders Nov. 25, and provide for expiration date of Dec. 11. Issuance of the stock dividend and completion of the increase in capital stock will be effective upon formal approval by the Comptroller of the Currency.

The proposal for the increased capitalization was given in the Nov. 21 issue of the "Chronicle" on page 2233.

* * *

John C. Macleod who recently resigned as Cashier of the **Casper National Bank,** was appointed Cashier of **The American National Bank of Denver, Colo.**

In making the announcement, Charles W. Wadell, President of The American National pointed to Mr. Macleod's 18 years association with the Casper Bank.

* * *

By a stock dividend **The First Security Bank of Idaho, National Association, Boise, Idaho,** increased its common capital stock from $5,159,000 to $5,500,000 effective Nov. 12 (number of shares outstanding — 55,000 shares, par value $100).

* * *

The Board of Directors of the **Bank of America N. T. & S. A., San Francisco, Calif.,** have elected Harry M. Bardt as Executive Vice-President with offices here at the bank's Los Angeles headquarters.

The advancement of Mr. Bardt to this new post took place at the Board's regular monthly meeting held here in Los Angeles, Nov. 19, and he will transfer here from San Francisco to assume his new duties shortly after the first of the year.

S. Clark Beise, President of the bank, said, "Mr. Bardt will be closely associated with the Chairman of the Board of Directors, Jesse W. Tapp, and with Executive Vice-President Walter J.

Braunschweiger here at our Southern California headquarters.

Since 1951 a member of the Managing Committee of the bank and of the Advisory Council to the Board of Directors, Mr. Bardt has served as a member of various senior administrative committees of the bank.

Since 1947 Mr. Bardt has also headed the bank's statewide trust activities as Vice-President and Senior Trust Officer. He will retain his membership on the Directors General Trust Committee, and on the Trust Investment Committee.

He originally joined the Bank of America in 1928, moving to Los Angeles in 1934; in 1937 promoted to Vice-President and Trust Officer and in 1941 placed in charge of the Trust Department for the bank's Southern Division.

Bank of America Vice-President J. R. Johnson, also has been named Senior Trust Officer to head the bank's statewide Trust Department activities, with Vice-President Francis M. Smith succeeding him as Trust Officer for Southern California. In his new post, Mr. Johnson succeeds Harry M. Bardt, recently advanced to Executive Vice-President.

The Bank of America changes will take place shortly after the first of the year, with Mr. Bardt moving to Los Angeles to assume his new post, Mr. Johnson moving to the bank's head offices in San Francisco, and Mr. Smith assuming his new duties in Southern California at that time.

Since 1947 Mr. Johnson has been Vice-President and Trust Officer in charge of the Trust Department for the bank's Southern California Division.

Mr. Johnson began his career with the Bank of America in San Francisco in 1924 and transferred to Los Angeles in 1935.

Joining the Bank of America in 1936, Mr. Smith had charge of the Trust Department of the Beverly Hills office from 1951 to 1955; when he moved to an executive position in the Los Angeles headquarters.

* * *

D. Porter Dunlap, Vice-President of the **Bank of America, San Francisco, Calif.**, and Manager of a local branch died Nov. 22 at the age of 62. He started his banking career with the **National City Bank of America.** Mr. Dunlap joined the Bank of America in 1929.

* * *

E. L. Stone, Vice-President of **California Bank, Los Angeles, Calif.**, has been designated officer in charge of the bank's Main Office, Frank L. King, President, has announced. Mr. Stone was formerly assigned to the staff of the Out-of-Town Division.

* * *

Lee Brown was elected Senior Vice-President to head a newly-created management division of the **Security-First National Bank of Los Angeles, Calif.**, headquartered in Fresno. Other elections were: Thomas Roodhouse, Controller, Theodore H. Ballmer, Auditor and O. Raymond Garvin Vice-President in charge of insurance, retirement funds and other employe benefits.

* * *

Directors of **The Toronto-Dominion Bank** have approved an increase in the quarterly dividend rate from 32½ cents per share to 35 cents per share, payable Feb. 1, to shareholders of record Dec. 31. An extra payment of 20 cents was distributed with the Nov. 1, 1957 dividend. On the basis of the bank's practice during the last three years of declaring the extra dividend of 20 cents per share, the indicated distribution for 1958 would be $1.60 per share, it was stated.

Investments Require Trade And Other Essentials

By A. N. LILLEY*

Vice-President and Director,
The Texas Company, New York City

The crucial relationship between freer trade and growing profitable foreign investment opportunities is delineated by Mr. Lilley in outlining the advantages of—and in underlying essential conditions needed for—increased foreign investments to further development abroad. The Texas Company official warns that encouraging moves towards freer trade by foreign countries may have only limited value unless we do our part, too. Otherwise, he says, we will have a "revolving door" policy instead of our "open door" policy.

Never before has private enterprise been counted upon so heavily to improve the economic position of hundreds of millions of people throughout the world. This expectation, and the problems involved in its fulfillment, have been the subject of an enormous amount of comment in recent months. The Conference on International Industrial Development in San Francisco alone produced a shelf of reports and speeches by experts from virtually every part of the globe.

A. N. Lilley

It seems to me, however, that when you take a close look at these observations, they can be boiled down to a few essential points—a few fundamental conditions needed to insure the continued and increasing flow of foreign capital investment.

As I see it, there are five such essentials:

Profits Encourage Investments

The first is more widespread recognition of what successful foreign investment can do in building up a nation's economy and its standard of living. There must be an understanding and appreciation, not only of the revenues which a country receives from a capital investment, but of the other economic benefits accruing from such investment. Of course, there must also be full recognition of the importance of profits to the investor.

I sometimes feel that we in business have fallen into the habit of pussyfooting about this subject of profits. I don't now why we should be shy about the fact that private capital can flow only into countries which recognize that private capital has to earn profit.

The amount of capital available for investment is limited and there are many competing alternatives as to where it can and should be put to use. From the investor's point of view, the security of the investment and the prospects for profit are—as they should be—the primary concern. This concern offers the best guarantee that whatever investment capital is available will be allocated carefully.

While profit is of utmost importance to the investor, it may be only a small part of the total benefits to the economic welfare of the country in which the investment is made. I say this even though today, in many cases, profit is split about evenly between local governments and investors—and in some cases the split accounts for a major portion of governmental revenues. In Saudi Arabia, for example, the oil industry accounts for about four-fifths of that Kingdom's total state revenues.

But there are other economic effects more important to the country than governmental revenues generated by private investment. Most important, of course, is the additional economic activity and development of resources resulting from the investment. And often, too, foreign capital develops additional industries which generate large foreign currency sources. This can be through added exports, or through reducing import requirements.

Less measurable, but of very great long-run importance, are the beneficial results of the training of substantial numbers of people—from office workers to those requiring considerable technical skill. When a private investor goes into an underdeveloped country, he usually trains local workers to meet his own operating needs. Not only are such people able to make a valuable contribution to the specific projects involved, but they often move on to set up their own businesses. For the people themselves and for their countries, the long-run benefits thus obtained are enormous.

Governmental Attitude

The second essential is the need for consistent governmental policies toward foreign investors. Investment is a long-term proposition, requiring in most cases the commitment—not only of money—but of time, energy, know-how, and manpower. Under the best circumstances, it is a risk business. Understandably, there is hesitation to invest when confidence is lacking about the policies a local government will be pursuing toward foreign investment several years hence.

I do not believe that we of the capital exporting countries can afford to be unrealistic about this. Any nation—particularly one that has but recently won its sovereignty—is inevitably made up of a number of conflicting groups and viewpoints. On the other hand, I doubt that governments fully appreciate the great damage that can be done by policies toward the foreign investor which are characterized by vacillation and about-face. Steps toward the greatest possible stability in treatment of the foreign investor—regardless of shifts in the internal political winds—will add greatly to the free flow of capital abroad. Most particularly, no change in political climate can ever justify the breaching of a contract freely entered into in good faith between a private investor and a government.

Colonialism has given way to nationalism as a primary factor in world affairs. This historic change has been accompanied by a great desire on the part of the young, less developed countries to achieve economic maturity rapidly, and for this purpose to attract outside capital. It must be realized, however, that the private investor needs assurance that a satisfactory degree of stability has been achieved under the new system.

Uniform Law

The third requirement for an expansion of foreign capital investment is adequate and effective legal recourse for investors and governments alike to settle honest differences of opinion. This is a complicated and highly technical problem, but I believe some progress in solving it can, and should, be made.

In some areas of the world as things stand today, the investor is vulnerable to expropriation, confiscation and other acts which clearly violate his rights. He has little recourse when this happens. There is no international court to which he can directly and effectively appeal for justice.

Generally, I have three things in mind which might be done to improve this situation:

(1) Development of uniform rules of international law, applicable in all cases of disputes between a government and a foreign investor.

(2) A recognized international tribunal to which an investor can turn for legal recourse in such cases.

(3) A procedure for carrying out this tribunal's decision when an award is rendered.

I fully realize this is an extremely involved field and I do not pretend to have all the answers. But, from the businessman's standpoint, it does seem to me that something alone these lines could and should be accomplished.

Private-Public Capital Duplication

The fourth essential is the elimination of overlapping effort by private and public capital. Each is capable of doing certain things better than the other. The demand for capital is such that there is plenty of room for both.

At the recent San Francisco conference, Eugene Black said: "I am as impatient with those theologians of capitalism who preach that private capital can meet all the world's development needs as I am with those theologians of socialism who preach that only state enterprise can satisfy demands."

It should be clear by now what kinds of undertakings can be handled most effectively by private capital and what kinds can best be handled by public capital. Basic services such as sanitation, health, education and the road and postal systems are certainly the responsibility of government. Private capital neither wants to do, nor should do, the job in these fields.

Conflict arises, however, when governments try to spread public capital into activities which private capital is able and willing to handle. The inevitable result is competition between public and private enterprises, and discrimination against the latter. Under these circumstances, private capital cannot do its job and public capital is wasted in activities in which it is not effective.

I believe most of these problems can be worked out if costs and benefits are analyzed realistically. Basic economic objectives must be kept in mind.

Reduce Trade Barriers

The fifth fundamental to the expanded flow of capital abroad, as I see it, is the continuing reduction of trade barriers. Investment and trade go hand-in-hand; they are the axle and the wheel of world commerce.

In Western Europe, the Common Market and the Free Trade Area—both of which are nearing realization — are attempts to achieve this objective. In Scandinavia and in Latin America, also, similar plans are under consideration.

While these are encouraging signs, such moves by other countries in the direction of freer trade can have only limited value unless the United States does its part. If we do not, our foreign friends may begin to believe that our open door policy is in some danger of developing into a revolving door policy.

Recognition of this need was evident in Vice-President Nixon's speech in San Francisco last month. As you know, among other things, he asked for a five year extension of the Reciprocal Trade Agreements, the foundation of United States trade relations with 36 nations. Extension of these Agreements would be a firm indication that the United States is prepared to assume the initiative in the field of trade liberalization.

The relation between trade and investment permeates the whole financial relationship among nations. A continual rise in America's investment stake abroad implies a growing return flow of profit. Obviously, the soundest way to finance this is to provide easier access to American markets.

In short, the United States must consistently work toward liberalization of its foreign trade if the expanding flow of investment we have been talking about is to proceed on a sound basis.

Private capital is being called upon today to carry the brunt of world economic development. It **cannot** do the whole job; it **can** do a big part of the job. But everyone should understand the conditions under which it can operate most effectively. I believe that business people themselves have an obligation to be more aggressive in stating these conditions and in providing leadership toward their achievement.

*An address by Mr. Lilley before the National Foreign Trade Council Convention, New York City, Nov. 19, 1957.

NASD District No. 8 Elects Governors

CHICAGO, Ill.—James G. Dern, resident partner, Smith, Barney & Co., Chicago, and J. Gordon Hill, partner, Watling, Lerchen & Co., Detroit, were elected as members of the NASD board of governors.

James G. Dern

J. Gordon Hill

Mr. Dern succeeds Lee H. Ostrander, partner, William Blair & Company, Chicago, while Mr. Hill succeeds Frank L. Reissner, President, Indianapolis Bond & Share Corp., who is retiring this year as chairman of the NASD board of governors.

The following were elected as members of District Committee No. 8: Carl F. Thiel, Vice-President, Berrien Securities, Inc., Benton Harbor, Mich.; A. Jackson Goodwin, Jr., Vice-President, Lee Higginson Corp., Chicago; James A. Swoboda, partner, Paine, Webber, Jackson & Curtis, Milwaukee; and Claude G. Porter, Vice-President, Baker, Simonds & Co., Detroit.

Francis X. Keaney With G. H. Walker & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Francis X. Keaney has become associated with G. H. Walker & Co., 503 Locust Street, members of the New York Stock Exchange. Mr. Keaney was formerly Assistant Vice-President of Stifel, Nicolaus & Company, Incorporated.

Harold F. A. Ludewig

Harold F. A. Ludewig passed away Nov. 17 at the age of 58. He was formerly a partner in the New York Stock Exchange firm of Frederick Ludewig & Co.

Courageous Credit Engineering

By HERBERT R. SILVERMAN*
Chairman of the Board,
National Commercial Finance Conference, Inc.
Executive Vice-President, James Talcott, Inc.

Mr. Silverman states monetary policy for controlling inflation and economic stabilization should be aimed at achieving a fourth postwar readjustment without any inexcusable slump in output and employment. This view by commercial financier is based on the favorable long-run forces said to be at work, and our ability to meet even our serious problems with timely and flexible action so that our present situation would be but a temporary halt, a breather for continuing the climb to higher levels of activity. Suggests how successful monetary-credit policies be adopted for those sectors of business suffering from deflationary tendencies, and offers advice to firms on rectifying their unprofitable positions.

In inviting your attention to the state of business, I am conscious of the fact that the eyes of all America are turned elsewhere at the present moment. They are trained on our efforts to restore peace in the Middle East and to keep the Soviet Union from unleashing the third world war. They are focused upon the skies, where the tests of satellites, rockets and missiles have demonstrated that we are at the dawn of the space age.

Herbert R. Silverman

But our economic problems are of a piece with our political and defense problems. If we cope with the political and military issues and neglect our economic defenses, we will lose the contest with the Soviet sphere as surely as if we had neglected our political and military defenses.

Indeed, the first battles of the war of nerves with the Soviet sphere may be won on the military and political fields. But the last battles—the ones that clinch the final victory—will be waged in the economies of the contestants. As Arthur F. Burns, that wise economic counselor, has pointed out:

"The struggle between the western democracies and Communism is basically ideological, and we must not allow its military aspect to obscure that fact."

Let us then turn our gaze from the skies and their shooting stars and orbiting satellites to the more mundane tasks imposed by the need to keep our feet on the ground of mother earth. The fact that America has had high levels of employment and output and high standards of living at a time when mass unemployment and undernourishment have afflicted the Soviet sphere was not lost on the Polish workers. They jested that the Russians' Sputnik carried a banner reading "I chose freedom."

That was an ideological victory of the first magnitude. We must preserve that advantage. We can only do it by tackling and solving the problems that confront the business community.

Must we have a business slump—even a slight one—in 1958? Can we lick the problems that beset American business after the long postwar boom? Can we take steps now that will get rid of the blanket of doubt, the pall of uncertainty, that shrouds business planning for the coming year?

In the face of all the favorable long-run forces at work, I think even a temporary slide-off in business activity generally is inexcusable. If it comes, it will be, I think, because business, labor and government refuse to face the facts of economic life.

We have problems, some of them serious ones. But I believe we can steps to meet them. And I believe, too, that the right steps will make our present situation only a temporary halt in our economic growth, a breather for continuing the climb to higher levels of activity.

Commercial financing can help in vital ways to meet many of the problems of American business. On the account, it is important that we, as an industry, in our annual meeting, make a hard-boiled evaluation of these problems and take a long, hard look at the policies required to cope with them.

Just what is our present situation? The second world war and reconstruction policy after it unleashed powerful inflationary forces which are not yet completely spent. It also laid the foundations for a consumption boom which has evolved into an investment boom. To hold the boom in check, lest it lead to an old-fashioned bust, we adopted credit, monetary and fiscal policies to restrict credit and to restrain capital investment.

We took powerful medicine. As a result, in some lines, demand has slackened, prices softened, expansion plans have been cut back a little—a situation that is not *inflationary* but definitely *deflationary*. To meet this in homebuilding, we relaxed the restrictions and restraints. But we relaxed them only a little, lest we revive the inflationary forces. Thus we achieved only partial recovery in the rate of home construction and that industry is teetering between inflation and deflation.

That illustrates, in some degree, the situation of all industry. Restriction and restraint are keeping powerful inflationary pressures under control. But they are loosing, in various sectors, potential deflationary tendencies that must be dealt with. Naturally this leads to doubt and uncertainty, especially when the situation is not fully understood.

What we can expect in the period ahead is fairly clear. Generally, month to month, we can expect the climate of business opinion to shift to and fro between the opposite poles of optimism and pessimism. We can expect the economy's over-riding concern to shift, month to month, from inflation to deflation and back. In particular industries, however, I think there will be more concern over deflationary tendencies than inflationary pressures.

This is a very mixed outlook. One can say that the credit squeeze is going to pinch even further. In the face of it, one might be justified in hoping for no more than the maintenance of our present rate of output during the first half of 1958.

But we must not forget that what may be true of the economy as a whole, is not necessarily true for a particular company. Caution and realism must not blind us to undeniable opportunities.

Commercial financing faces a challenge in the period ahead. The whole financial industry of which we are a part is going to be put on its mettle.

It will be the task of business finance to direct the flow of credit the way vast hydro systems direct the flow of water.

Primarily we must see to it that the flow reaches spots where it will put out the fires of deflation. On the other hand, at the same time government and many sections of business and labor will be engaged in broader efforts to control inflationary situations—situations where threatened rises in the prices of labor, materials or final products may conflict with over-all policy. All financial institutions including the commercial finance industry will be expected to play a significant role in that coordinated campaign.

These are concerns of the moment. Above and beyond them, the commercial finance industry has its normal role to fulfill. We must make certain that economically justified needs for our funds are met.

In a word, we are asked to combine economic statesmanship with the caution that characterizes financial institutions.

This is not a new task for us. Throughout the postwar boom, our industry has been vigilant that the uses of our funds would serve the interests of the economy as a whole. We made certain that our funds would not be used for speculation in inventory and other forms of risk-taking that contribute to excesses which produce instability in the economy. Now we have to make doubly sure that we do not participate in financial plants that tend toward overcommitment by the borrower.

Developments in 1957 made clear that the outstanding need of our economy is stability. To achieve it, we have to reach a new picture of strength that is a neat balance between inflationary and deflationary tendencies.

For three years there has been reliance on monetary and fiscal devices for restoring economy stability. Those three years have demonstrated that monetary measures alone cannot achieve and maintain stable progress. All segments of the economy have responsibilities for contributing toward that stability.

The lessons of those years are clear. We must not barter stability for blind and perhaps malignant growth. Yet we must not sacrifice progress. Progress and stability must be made compatible goals of economic policy.

No group is more conscious of its responsibilities than ours, the commercial finance industry. Difficult though it is to balance between boom and slump, to struggle for sound progress and workable stability, we have done so and we will continue to do so.

The course we have set for ourselves will take courage. But it is only the timid and the pessimistic who interpret the halt in the growth of production that set in earlier this year as leading necessarily to a recession.

Behind the performance totals one sees some lines and some companies continuing to expand output and sales volumes although others are marking time and still others contracting. This varied experience proves that now is a time of opportunity.

That challenge to business is one with which it has had little time to cope amidst the hectic pressures of the postwar boom. It is a challenge to apply tested knowledge and the ingenuity of enterprising management so that profitability can be restored by recovering efficiency of operation.

Essentially, management is challenged to take an engineering approach to its operating problems. The commercial finance industry, for the past several years, has encouraged alert managements to face that challenge.

Most of our companies—perhaps all of them—have taken part in financial plans that helped some companies to do so. That experience will be valuable in the year ahead. For the slackening of efficiency which is a characteristic of an inflationary boom is still much too general.

The credit squeeze is not intended to brake the activity of business generally. The statements of the monetary authorities imply that there are some companies which should not be squeezed. It was not intended to restrain or curtail the activities of companies that meet certain standards of responsible performance.

These are companies that have not tolerated speculative excesses in pricing or inventory, although a competitor may have done so. Companies which have not permitted efficiency to slacken, even though a rival's tax situation may have made it less circumspect about costs. Companies which have been adding facilities for which there is demonstrable long-run need and which are managing expansion without overstraining their resources.

But a credit squeeze, maintained even when production and employment in some lines is weakening, is powerful policy. It has raised serious doubts in the minds of some business leaders. Will the temporary halt in our economy's forward movement lead to a reverse? Will it produce a spiral of deflation? Or will it prove the purgative the economy needs to restore stability as an important step toward resuming the rate of progress that held in 1955?

The answers depend, I think, on how we manage the policy and how we time needed changes in it. But this I believe. The credit squeeze will not work as a stabilizing measure without the cooperation of all segments of labor and of business, especially the financial industry including our sector of it, commercial finance.

And this I believe too. If the credit squeeze, as some in our industry fear, produces undesirable effects, they can be mitigated to a very significant extent by the operations of the commercial finance industry.

We cannot sweep back the sea. But we can serve as a break-water to moderate the destructive impact of its enormous waves.

It will take coordinated policy to deal with the problems that will arise in the period just ahead. There are clear indications that we will get it. The commercial finance industry, quite properly, is expected to carry a significant part of the load.

Can we do it? Can we face up to the challenge? I have every confidence that we can. For us, as I have indicated, the task is basically one of credit engineering.

In the present situation what is needed is greater output, or output of a higher quality or with more associated services, from the same input or even from greater economy of input.

This is primarily a task of management, fortified by all the imagination, drive, genius and pathbreaking of administrative enterprise.

But to fulfill it management needs all the help it can get from staff specialists, consultants and the line organization. And it needs credit and short-term capital from suppliers of funds equipped to advise on financing needs involved in a practical operating plan. From suppliers trained and experienced and staffed to match operating plans with financial plans that do much to assure their successful performance.

Much of the confusion about the business outlook arises because we tend to apply obsolete formulas to situations in which they do not apply.

Now I do not deny that the Thirties have many lessons for us. But the most profitable one for our day is the one most often overlooked. It is that a time of stress in business is the time when it makes its greatest long-run advances.

In the boom of the late Twenties, American business became a creaky, squeaky vehicle, one ever more costly to operate. We gave that machine a complete overhaul and in the Forties it triumphed in the world's most gruelling economy run.

We did that under the pressure of distress — stress multiplied to its highest power. That was the hard way—no one wants to take it again.

But there is an easier way to make stability the normal characteristic of our economy. That way is to make the most of the periods of stress that develop even when we have high levels of employment and output.

In 1956 we achieved still further growth in real output—measured in constant prices, not inflated ones—at our average yearly rate of growth over the last 75 years, between 2 and 3%. This year, even though our strength was sapped by general price inflation accompanied by output declines in certain lines, we have just about held that higher level.

The significant advances were in wages and prices, not in physical output. Hence we scored no significant gain in real purchasing power.

Checking into this, some economists described it as a cost-push inflation. But the problem goes deeper, into cost relationships and cost-price relationships. If we had achieved greater physical output from the same input as in 1955, the added goods and services would have offset the increase in money supply, relieved the pressure on limited resources and scored real gains in purchasing power.

This is seen more clearly if you look at the less successful business enterprises through the process of business failure. The changes in the number of business failures tell us little because they respond to so many diverse influences.

But the figures on the liabilities of business failures move in cycles that frequently lead general business. Hence they are one of a group of useful instruments for detecting bad economic weather ahead. Two Federal Reserve economists, Simpson and Anderson, recently reported a very significant study of this barometer.

They found that the less prosperous companies, including those that wound up as failures, experienced trouble with their profit margins before there was downturn in their sales volumes. This loss of profitability, and not any loss of sales, was the critical factor in determining their profit-and-loss positions. With the more prosperous companies, of course, the ebb and flow of sales was the critical factor in their fortunes.

We in commercial financing know that it is not the more prosperous companies alone that account for sound economic growth. Some of the less prosperous have their contributions to make.

But once their operations lose profitability, their growth is effectively checked. When the profit squeeze is accompanied by a credit squeeze, it sometimes cuts back even sound growth.

As the earnings reports show, in 1957 many companies were in or near this situation. For many, it is this that has made credit restriction difficult to live with.

What is the solution? Clearly to recover profitability of operations. To restore profit margins. Then some higher costs can be absorbed while they are otherwise dealt with. Then market expansion can be a realistic goal of sales policy. Then the product line and the level of quality can be unfrozen. Then the ratio of overhead and

*An address by Mr. Silverman before the 13th Annual Convention of the Commercial Finance Industry sponsored by The National Finance Conference, New York City, Oct. 28, 1957.

fixed costs to total costs becomes subject to management control.

To give the solution is easier said than done. So much easier, in fact, that I would have hesitated about bringing it up if it were not for one thing. You know and I know that some companies have taken this course and have carried it through successfully. We've helped some do it. We can help others.

Such greater efficiency in production and distribution does not come from tinkering with company policy. It comes from a new operating plan integrated, with a new financial plan. Plans engineered to achieve a result beneficial to the individual company and to the economy as a whole.

The possibilities for resuming our normal rate of growth in the first half of 1958 seem limited. But, with the right policies correctly timed, we can hold high levels of output and employment. I do not believe that the proper way to check price inflation is to induce a recession, a slump in the rate of output that will leave some resources underemployed.

It is true that inflationary pressures are always present when the rate of output presses upon the limits of available resources and when the supply of money and its substitutes is high and rising. But this is only true for some given level of efficiency.

All of us know from the industrial mobilization studies that with greater efficiency in the use of present resources we can make available almost overnight the resources that would go into twenty to thirty billion dollars of final products.

In my view, national policy should be aimed at achieving a fourth postwar readjustment with no significant slump in real levels of output and employment. Where we fix our sights determines to an important extent where we will hit the target.

In such a program, there would be no room for some of the proposals we have heard recently, such as the one that price inflation be checked by bringing about a downward "adjustment" of most prices.

We need to check rising prices, whether they advance from a pressure to improve profit margins or extend them. For profit margins can best be improved by cutting costs and changing cost relationships. But to maintain output we must maintain sales and for high sales volumes we need stable prices, not falling prices.

There is no blinking the fact that some prices of labor, materials and final products are out of line with the general level of prices. These must, of course, be brought back into line. But they must be dealt with situation by situation by careful planning.

When labor prices are out of line, the demand for labor can be curtailed somewhat by the introduction of labor-saving equipment. Automation is sometimes justified when it makes for a more productive work force by eliminating operations that induce excessive fatigue. It pays for itself, however, where labor is permanently in short supply or for some similar reason is available only at high cost.

Similarly out-of-line materials prices can be dealt with by using substitute materials even when they require equipment changes, or by employing materials handling equipment.

In the same way inventory costs can be brought under control. It is axiomatic that the level of sales pays for a balanced, adequate inventory. But there are some broad generalizations about inventory that have been going the rounds that will not bear analysis.

Some factory inventories have run a bit high this year. But at the same time wholesale and retail inventories have been running rather low for the level of sales. Yet consumer demand has held at record levels.

Those that think that inventories present a serious problem should ask themselves what one ought to expect to happen in inventories when rigid credit controls distort the picture. Clearly, in many cases, the burden of carrying inventory in the face of restricted credit has been passed back in the supply line.

This is not always necessarily a good thing, as those of us who have pleaded for greater flexibility in money and credit policy have anticipated. The distributor who is dependent on his supplier's credit becomes less price conscious. Credit at one level may be more expensive than it is further down the supply line. We must be careful that regulation does not saddle business with extra-economic costs.

We in commercial finance do not countenance hoarding inventory, speculating in inventory or over-commitment in inventory. Inventory, we believe, should be adequate for maintaining the volume of business that can be transacted.

If some lines can economize on inventory, as they have done, this is all to the good so long as the customer is served. Once the level is a disservice to the consumer and loses sales—which means that it is ultimately a disservice to the company—it should be corrected. Goods extinguish purchasing power at the point of final purchase.

When a company has squeezed the water out of its costs, prices and profits, it is in a position to make and sell its products on an efficient basis. It can then set about expanding its market. As it achieves a permanently larger market, it outgrows its facilities. It then proceeds to strengthen its financial situation so that, as its finances permit, it is in a position to enlarge its facilities.

On this basis, objective economic forces select the companies that are to expand. The projects which get through such rigid screening are those which are certain to add permanent strength to our economy and strong support for the effort of the authorities to control it.

An overall policy that would check that kind of sound expansion simply because other companies might commit themselves beyond their resources makes no sense to me. Sound policy would permit the one and restrain the other.

Since the emission of purchasing power during the war created pent-up demand, the prime task of our economy has been to match purchasing power with goods. There are many companies, small and medium-sized, that can lay the basis for sound expansion or carry it through.

Let me cite one or two case histories.

A mid-west company manufactures a particular type of motor. It doubled its sales but could not finance its expansion on the then available line of bank credit.

A commercial finance company was called in. It provided the necessary credit. It also recommended cost, collection and inventory analyses that corrected disparities in pricing, improved accounts receivable turnover, reduced the size of inventory and thus produced a balanced inventory adequate for a further increase in business. Management went further and achieved economies in materials handling and production costs.

In a little more than two years the commercial finance company's loan was repaid out of a substantial profit.

Or take another case, a company that produced a metallic chemical and its compounds for the government during the war. When the war ended it lost its principal customer, had a heavy burden of debt due in one year and a small operating loss.

A commercial finance company was called in to finance improved processing equipment. It found that the company had a reasonably efficient operation, a dependable source of ore and a background of research that promised broad demand from industry. It made an equipment loan. Two years later it began making advances on accounts receivable that permitted the chemical company to expand sales fifteen times.

At that point the company became eligible for loans from other financial institutions for an expansion program that doubled and then quadrupled its sales. In 1945, when the finance company entered the picture, sales were around $25,000. In 1956 they were $12 million.

These are spectacular cases, so spectacular that our industry points to them as examples of modern financing. But practically every case in commercial finance company files has a spectacular story to tell of retrogression corrected or of sound growth being achieved.

That is the kind of management enterprise which, backed by engineered financing, can overcome the halt in our economic growth in 1957. The kind that can put the economy back on the road of stable progress, of 3 to 5% of sound growth.

Without such a goal and coordinated policy for achieving it, we will mark time in 1958 or more likely slip back a little.

Our political leaders tell us that this is a time for statesmanship by business. I think that they can count on our industry to act with responsibility.

And business, by the same token, might well point out that this is a time for economic statesmanship by government. That means, for example, that if economy in government expenditure is substantial enough both for reduction of Federal borrowing and the existing debt and for a Federal tax cut for all taxpayers, we may have both. But if it isn't, those savings should be used to ease conditions in the capital markets even though a tax cut would be better politics in an election year.

And this is a time for economic statesmanship in the management of money and credit policy. An example of it was given in the implicit pledge of the chairman of the board of government of the Federal Reserve System on June 14, 1957 that there would be relaxation in efforts to curb inflationary pressures if a basic weakening appeared.

We asked for that pledge last year. It was slow in coming but the delay makes it no less welcome. Our plea for flexible policy was also heeded in the case of home construction. But as we feared, the authorities were off in their timing and recovery in this field has only been partial. Would we be captious to emphasize that timing is as important as the content of financial policy?

Our industry will respond to the appeal of our political leaders by acting in a responsible, statesmanlike manner in all its undertakings. But at the same time we will set our compasses to steer our ships on a straight, forward course.

It takes courage to demand progress in a time of stress, but we will settle for no less. Without direction our efforts will circle in confusion.

"The compass of a ship," Norman Angell once pointed out, "is an instrument of very small power. But it determines the direction in which the engines, which have great power, shall drive the ship: onto the rocks, or away from them."

By courageous credit engineering in the year ahead, we can help management to restore and improve profitability and we can help them prepare for and in some cases undertake sound expansion.

If, through coordinated policy, this becomes widespread and an influence in all our country's business operations, we may yet, in 1958 start to climb the heights beyond the present plateau of business activity.

Rupert King Joins Eastman Dillon Firm

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Rupert C. King has become associated with Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. Mr. King was formerly Los Angeles manager for Shearson, Hammill & Co.

Also associated with Eastman Dillon, Union Securities & Co. are H. W. Smith and John D. Mackey. Mr. Smith was previously with Shearson, Hammill & Co.; Mr. Mackey was with First California Company.

Customers Brokers to Hold Christmas Dinner

The Association of Customers' Brokers will hold their quarterly meeting and annual Christmas dinner on Monday Dec. 16 at Whyte's Restaurant. The meeting will be at 4:15 p.m. to be followed by cocktails at 5:15 and dinner at 6. Tariff is eight dollars.

Reservations may be made with Albert Frank, Landenburg, Thalmann & Co.

Max O. Whiting

Max O. Whiting, limited partner in F. S. Moseley & Co., passed away Nov. 16.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

It is the opinion of nearly all money market specialists that the change in policy of the monetary authorities towards credit and interest rates means that there is now a bull market in all fixed-income bearing obligations. The fact that Government securities as well as non-Treasury issues have reacted very favorably to the reduction in the discount rate, indicates there is a very different attitude now towards these obligations than was true a fortnight ago. The very successful new money raising (heavy oversubscription and small allotments) and refunding operation of the Treasury adds substance to the opinions that interest rates will continue to soften and credit will ease.

To be sure, there was a sizable amount of "free riding" in the new money raising issues, but this did not deter investors from paying up for these obligations in order to get the securities they need. This is a usual development, when there has been a turn for the better, which is the situation now.

All New Issues Record Premiums

The reaction of the money market to the signs of a change in monetary policy has been very enthusiastic to say the least. In the first place the new money raising and refunding operation of the Treasury was given a rousing reception, with the various obligations that were used in this venture being very well received. The 17-year 3⅞% bond was in very big demand, with a premium of more than two points above the offering price of 100 being registered for this obligation. The 5-year 3¾% note was likewise in demand, with a premium of over a point above the issue price being registered for this security. The one-year 3¾% certificate, which was used to refund the maturing 3⅝%, was also well received, with a small premium being shown for this issue. It is evident from the results of this operation of the Treasury that the change in attitude of investors towards the money market was responsible for the sizable premiums that were paid for the new money securities which were just put on the market.

Non-Government Bonds Also Strong

The improvement in the bond market has not been confined to Treasury obligations alone. The change in sentiment towards the money market caused by the lowering of the discount rate has created a good demand for corporate and tax-exempt bonds as well. Prior to the decrease in the Central Bank rate there were several stale syndicates in both corporates and the tax exempt obligations, and indications were that it would be sometime before they would be cleaned up. For that matter, it is expected that the issue prices would have to be broken. However, with the change in the money market policy of the powers that be, there was an ample enough supply of money around to purchase not only the slow moving new issues but also the general run of the mill bonds that had been on the market for quite some time.

Entire Government Market Rejuvenated

It is reported that the buying in all Government securities has improved very much, not only in quantity but also in quality. It is evident that funds which were on the side lines because of the tight money policy of the Federal Reserve Board, and the uncertain action of the equity market, did not hesitate to go to work immediately in Treasury issues with the lowering of the Central Bank rate. There is a very definite lengthening of maturities in many of the purchases which are being currently made in Government securities. Switches are also being made in greater size than was true not so long ago, because of the limited scope of the Treasury market. Again, in these exchanges the trend is towards the extending of maturities.

New 3⅞% Bond Investor Favorite

The new 3⅞% bond appears to be the favored issue in many of these switches, while at the same time new money purchases of the recently offered Government bond is reported to be very sizable. The indications are that the 3⅞s of 1974 are moving into strong hands, with the "free riders" allotments having been taken very much in stride. It is reported that savings banks, commercial banks, with sizable amounts of time deposits, pension funds, charitable organizations and small insurance companies have been the leading buyers of the new 3⅞% bond.

The 3¾% note, according to advices, has been well taken by certain of the out-of-town commercial banks. This is in addition to purchases they have also made in the 17-year bond. Equity money as well as foreign funds reportedly have been invested in the 3¾% notes.

American Gold Buying Price Is a Bulwark Against Inflation

By PAUL EINZIG

Dr. Einzig arrives at the conclusion of the advisability of gold price fixity because present conditions are basically inflationary and "the American buying price is looked upon as one of the few remaining bulwarks against runaway inflation." Refers to growing conviction that it would be the lesser of evils to maintain $35 mint price, even despite the threat of a substantial recession, and explains how devaluation would abet inflationary pressures and provide U. S. S. R. with a free gift.

LONDON, Eng: There has been during recent weeks a noteworthy revival of demand for gold. The flight from the French franc, resulting from the political and economic difficulties of France, was the most obvious cause of the increase in gold hoarding. The Paris market price of gold underwent a sharp rise, and the premium on gold coins over their bullion value widened considerably. Gold smuggling into France, especially from Switzerland, has increased considerably. But the revival of demand was not confined to France, nor was it entirely on private account. Several governments deemed it advisable to convert into gold part of their foreign exchange holdings.

Paul Einzig

The reason why this demand did not result in a more pronounced rise in the London market price of gold—which is still a shade under the U. S. official buying price of $35 per ounce—lies largely in the resumption of the export of Soviet gold. The reappearance of bars marked with hammer and sickle during the closing months of the year seems to have become an annual event in the bullion market. It seems to be connected with the Soviet Government's policy of increasing the supply of consumer goods without having unduly to curtail the production of capital goods required for military and industrial purposes.

Doubts U. S. A. Change

The revival of official and private demand for gold may be explained to some extent on the ground of the decline in world commodity prices and other symptoms of a business recession. The view is widely held in London and elsewhere that in face of the threat of a really serious recession the United States authorities may be inclined to reconsider their refusal to increase the official price of gold. Beyond doubt, an increase of that price would go a long way towards bringing about a revival of business and a recovery of commodity prices. Even so, it seems most unlikely that the official American attitude would change on this matter.

For one thing, the threat of a substantial recession is not sufficiently grave to call for such a drastic measure. There are ample supplies of weapons in the armory of United States monetary policy which could be employed long before the Administration and Congress could be persuaded to change the official price of gold. That act has a disadvantage compared with other devices: it is virtually irreversible. Most other measures could be reversed at short notice as and when recession fears become once more overshadowed by inflation fears. But it would not be easy to restore the price of gold to $35 after it has been raised.

The reappearance of Soviet gold in Western Europe is another reason why an increase of the American price is unlikely. To raise the price of gold at a moment when the U. S. S. R. is exporting some of its output would amount to a free gift by the U. S. A. to the U. S. S. R. And it would take quite a considerable improvement of American-Russian relations before such a gift would become conceivable.

Tend to Generate Inflation

Over and above all, inflation fears are sufficiently strong to discourage a move that is bound to increase inflationary pressure. Many British quarters which were until quite recently strongly in favor of an increase in the official American buying price of gold have now reconsidered their attitude, owing to the realization that any change that would make it easier to inflate with comparative impunity should be avoided at all costs. And there can be no doubt that a higher U. S. gold price would facilitate inflation.

In the first instance, such a change would expand the potential basis of credit in the United States. Even if a corresponding change in reserve requirements and other monetary devices could neutralize the effect of the increase in the bookkeeping value of gold on the volume of credit, the expansion of the potential basis of inflation would produce a considerable psychological effect. Assuming that an increase in the American price of gold would be accompanied by an all-round increase in the official prices of all Bretton Woods countries, it would mean that the gold reserve position would become easier everywhere. But the removal of one of the few remaining barriers to inflation in the United States would be of particular significance, owing to the important part played by the United States in world economy. Anything that makes for inflation in the United States makes for inflation in the whole free world.

Moreover, in the case of Britain a revaluation of the gold reserve and an increase in the dollar proceeds of gold exported by the gold producing countries of the Commonwealth would materially reduce pressure on sterling. This would mean that the Government would no longer have the same inducement to resist inflation. The chances are that it would be inclined to yield to pressure to relax its recent measures against inflation instead of reinforcing them.

The American price of $35 is one of the few remaining fixed points in our fluid post-war world. Most exchange parities have changed since 1945, and the domestic purchasing power of all currencies has depreciated. So long as the basic trend remains as inflationary as it is at present, the American buying price is looked upon as one of the few remaining bulwarks against runaway inflation. Although its maintenance inflicts unfair disadvantages on gold producing countries and inconveniences on countries with inadequate gold reserves, the choice is between alternative evils. The number of those experts who feel that in existing conditions the evils attached to the maintenance of the $35 price are smaller has increased under the influence of the unrelenting wage inflation of recent months.

NASD District No. 6 Elects J. F. Jacques Governor

DALLAS, Tex.—James F. Jacques, Vice-President and a director of First Southwest Co., Dallas, was elected a member of the NASD board of governors.

James F. Jacques

Elected as members of District Committee No. 6 were: A. Gordon Crockett of Crockett & Co., Houston; Landon A. Freear of William N. Edwards & Co., Fort Worth, and Creston A. King of Dewar Robertson & Pancoast, San Antonio.

Mr. Jacques is a former President of the Dallas Securities Dealers Association, 1948, and served in 1953 as chairman of NASD's District Committee No. 6. He is a director of Jackson & Co., and of Provident Oil Co.

Hemphill, Noyes Group Offers Ketchum Com. Stock at $8.50 a Share

An underwriting group headed by Hemphill, Noyes & Co. on Nov. 26 offered publicly 210,000 shares of $1 par value common stock of Ketchum & Co., Inc., fourth largest wholesale drug firm in the country. The stock was priced at $8.50 per share.

Of the shares offered, 167,000 are being sold for the account of three stockholders who, heretofore, have been the sole stockholders. On completion of the offering and certain other transactions they will own approximately 55% of the 463,420 shares to be outstanding. Also outstanding will be $2,410,364 of sundry indebtedness of the company and subsidiaries along with 6,014 shares of $100 par value cumulative preferred stock, in two classes. The remaining 43,000 shares being offered are new stock, the proceeds of which will be added to general funds of the company.

Incorporated in 1919, Ketchum is the successor to a retail drug business established in 1898. The company, which operates as a full-line, service wholesale drug concern, entered the wholesale field shortly after 1900, principally in the New York metropolitan area. In 1948 a program of expansion was begun and by acquisition of similar businesses the company has extended its service area to New Jersey and Connecticut and parts of Ohio, Pennsylvania and Michigan.

Over the period 1952-56, net sales increased from $16,923,000 to $28,377,000 and net income applicable to common stock rose from $205,000 to $525,000. In the six months ended June 30, 1957, sales were $15,594,000 and net income $249,000, compared to sales of $13,711,000 and net income of $183,000 for the similar 1956 period.

Edwin S. Webster Jr.

Edwin Sibley Webster, Jr., partner in Kidder, Peabody & Co., has passed away.

Continued from page 6

Are Administered Price or Wages Responsible for Price Inflation?

15.1 to 20.0% for products with concentration ratios in every category except under 10%. Similarly, 5.1 to 10.0% price increases were recorded in every category except concentration ratios of between 81 and 90%.

To make sure that these results did not reflect the accidental location of unimportant products, the location of the 25 most important categories of products was examined. It was found that they were spread throughout the scatter. The 75 most important products yielded a similar pattern.

It must be repeated that there are very preliminary findings based upon a rough matching of data which are difficult to compare. Nevertheless, one is encouraged to give these findings serious consideration because they are similar to the results obtained in the studies for the 'Thirties noted earlier.

It would be a major statistical undertaking to prepare a similar analysis for all of the products included in the Census of Manufactures, to examine the experience over longer periods of time, to check further the comparisons presented in this pilot survey, and to prepare the combined weighted price index which should be used to improve the comparison. Nevertheless, the preliminary results suggest that this is a project which must be undertaken if the facts on concentration and price changes are not to be made a political football.

Profit Margins

The test as to whether industrial prices have been increased more than costs is found in the relationship between profits and sales. When price rises outstrip cost increases, the profit margin widens; when prices lag behind sales, the profit margin narrows. What has been the experience during the recent price rise? The changes recorded in the Federal Trade Commission-Securities and Exchange Commission data for profit margins have been as follows:

PROFITS BEFORE AND AFTER TAXES AS PERCENT OF SALES

	All Manufacturing Corporations	
1955	Before Taxes	After Taxes
1st	9.9	5.1
2nd	10.6	5.5
3rd	10.2	5.4
4th	10.3	5.6
1956		
1st	10.3	5.4
*1st	10.2	5.3
2nd	10.3	5.5
3rd	9.0	4.9
4th	9.3	5.2
1957		
1st	9.7	5.1
2nd	9.4	5.0

*New series introduced.

SOURCE: Federal Trade Commission-Securities and Exchange Commission, **Quarterly Financial Report for Manufacturing Corporations.**

Since the second quarter of 1955, when the rise in wholesale prices got under way, the profit margin before and after taxes for all manufacturing industries has been declining. All asset groups have shown a similar experience. This narrowing of profit margins is particularly significant since it took place during a period of sharply expanding volume which normally would be accompanied by wider margins.

Data compiled by the First National City Bank of New York confirm this picture of narrowing profit margins. In the first half of 1957, the bank's data for leading manufacturing corporations showed the profit margin declining for eight industries, unchanged for four, and rising for only three. The composite experience for the 15 industries was a decline from 7.5% in the first half of 1956 to 7.2% in the same period in 1957.[9]

These data do not support the allegations frequently heard in Congressional and in labor circles that irresponsible pricing has led to excessive profits. (Parenthetically, it may be noted that Wall Street apparently hasn't discovered these excessive profits if one is to judge by the major decline in stock prices in the past few months.) Narrowing profit margins during a period of expanding volume mean that American industry has failed to increase prices as much as costs have risen. These data confirm the fact that administered pricing has not been used to extort huge profits.

Administered Wages

Certainly, one of the outstanding characteristics of the last two years—and of the entire war and postwar period — has been the dramatic rise in wage rates and in other fringe benefits. Prices are determined by many factors including costs. Under many conditions, changes in prices have little relationship to changes in costs. However, increases in unit labor costs of the magnitude experienced in recent years have created irresistible pressures for price rises.

Wages and Productivity: Increases in wages and other labor costs have exceeded by a very wide margin the increases in productivity in all manufacturing industries and for the entire economy. Thus, average hourly earnings in manufacturing industries rose by 214% from 1939 to 1956. Inclusive of various fringe benefits, the increase is even larger. During the same period, output per manhour increased 48.8%. As a result, unit labor costs more than doubled. One estimate of total compensation of all employees per unit of output in all manufacturing industries recorded a rise of 130% from 1939 to 1956. During the same period, the wholesale prices of finished goods advanced 109%.[10]

Output per manhour rose 2.7% in all manufacturing industries in 1956 as compared with the rise of 5.3% in average hourly earnings exclusive of fringe benefits. The index of unit labor costs rose 2.9% and the index of finished goods prices advanced 2.8% in 1956. For the entire private nonagricultural economy, productivity recorded no change in 1956 and unit labor costs rose 4.5%.[11]

These trends continued in 1957. In the first eight months of 1957, average hourly earnings in manufacturing industries rose 4.0% above the 1956 level with further increases scheduled later this year. It appears that labor costs again will rise in excess of 5%. Although data are not yet available for productivity, it seems probable that it will rise less than labor costs and thus unit labor costs continue to rise.

The increase in wages in excess of the gains in productivity with the accompanying rise in unit labor costs appropriately has been identified as wage inflation.[12] Martin R. Gainsbrugh, Chief Economist of the National Industrial Conference Board, appropriately has described the ex-

9 First National City Bank "Monthly Letter," *Business and Economic Conditions*, August 1957, p. 89.

10 Joint Economic Committee, *Productivity, Prices, and Incomes*, U. S. Government Printing Office, Washington, D. C., 1957, pp. 144, 148.

11 *Ibid.*, p. 280

12 For a discussion of the nature of this problem by eleven economists, see *Wage Inflation*, National Industrial Conference Board Economic Forum, "Studies in Business Economics Number 56," New York, 1957, 74 pages.

cessive increases in wages as the "focal point of infection."[13]

Wage Costs to Total Sales

Relative Wages and Prices: The direct impact of wage inflation upon specific prices is determined by the relative importance of wage costs to total sales. Thus, for example, a 5% rise in unit labor costs will have a greater impact upon railroad rates (with a 50% direct labor cost) than it would have for cigarette prices (with a direct wage cost of 6%).

It would be valuable to examine the changes in prices since the Spring of 1955 in relationship to the relative level of wage costs. However, detailed data are not available for each product. Hence, only illustrations of the tendencies can be offered. The 10 products with the largest price rises are, with two exceptions (petroleum and metal containers), among the industries with the highest relative wage costs. Iron and steel, coal, and coke, three prices in this group, have labor costs in excess of one-third of their sales. Four of the products were in the machinery and equipment category. The 1956 labor costs for several companies producing these items were:

	% of Sales
General Electric Co.	37.4
Babcock & Wilcox	41.1
Blaw-Knox	48.1
Bucyrus-Erie	37.6

The average was 35.2% for industrial machinery companies, and 36.4% for electrical products companies according to one survey.[14]

The relative importance of labor costs was lower than one-third of sales for many products with no change in price or a reported decline.[15] Illustrations include:

	% of Sales
Plywood	29.6
Mixed fertilizer	27.4
Cereal and bakery products	23.6
Canned and frozen fruits and vegetables	15.0
Cigarettes	6.3

Relative labor costs alone do not determine whether prices should increase or the amount of the increase. The economic position of the industry is also a significant factor. Where the high labor cost is found in industries which were most influenced by the boom, the price rise has been greatest. Industries which did not participate fully in the boom could not pass on all of the increase in labor costs. That American industry generally has not been able to pass on fully the higher unit labor costs is indicated by the declining profit margins cited earlier.

This rise in unit labor costs also helps to explain the apparent paradox of declining raw material prices and rising finished goods prices. Instead of consumers receiving the benefit of these declining raw material prices, they have been more than absorbed by rising labor costs.

Impact on Services

Labor Costs and the Consumer Price Index: The impact of higher labor costs is most apparent in connection with the prices of services. Thus, for personal care, medical care, automobile repairs, and various household repairs (e. g. painting, electrical work, and repairs for electrical appliances), the cost is primarily wages. For these services, productivity increases are not available out of which to absorb higher labor costs. Thus, they are transmitted directly to the consumer in higher price. Since March 1955, the prices of services have risen more than the retail prices of goods as the following tabulation shows:

	March 1955	August 1957	Per Cent Increase
	—1947-49 = 100—		
Goods	108.8	114.3	5.1
Services	130.4	141.1	8.2

The disparity between increases in prices of goods and services is even wider if we go back to 1951. Since that year, goods prices have risen only 3.6% while services have risen 23.1%. If the comparison is made since 1949 to overcome the greater impact of the Korean War on the prices of goods, the increases have been 13.6% and 34.1% respectively. While part of this greater rise in the prices of services has reflected their lag during the war and early postwar inflation, the persistent rise also reflects the steady increase in labor costs.

Clearly, the excessive increases in administered wages have contributed significantly to the inflation in prices. This excessive rise in wages has reflected the pressure of giant labor monopolies in our basic industries. After they have succeeded in obtaining increases in excess of the gains in productivity, the new pattern becomes the basis for collective bargaining throughout the economy. When these excessive wage increases are inevitably reflected in rising prices, many workers in basic industries are protected against a reduction in real earnings by escalator clauses which automatically raise their money wages in line with consumer price increases every three or six months. This engine of inflation is fine for the protected workers. But this protection is at the expense of other workers and fixed income recipients who find their real earnings reduced when consumer prices rise.

Professor Sumner Slichter recently emphasized the major contribution of excessive wage increases to inflation when he suggested: "We could stop inflation by insisting very strongly that no employer except in unusual circumstances grant *wage and fringe benefit* increases of more than about 2.5% a year—about half the wage increases of the last year."[16] (italics added) While it is difficult to see how such a policy could be implemented, the suggestion does serve to highlight the importance of wage inflation as a force in our economy.

Summary and Conclusion

The recent price inflation has not been caused by the monetary and fiscal pressures which have played so important a role in past inflations. Rather, this price rise has reflected the uneven impact of the boom and the consequences of the wage inflation which has been present in recent years. The diversity of behavior of administered prices and the narrowing profit margins despite the boom indicate that these price rises have not represented "a seeking of large profits" as some groups alleged. It is also quite clear that the fact of administration *per se* proves nothing about price behavior. Since the Spring of 1955, many administered prices have declined or recorded only small advances while others have advanced quite sharply. Market prices also have recorded both advances and declines. While the evidence is still incomplete, it also seems probable that administered prices for products subject to high concentration of control have not acted differently than prices of products with low concentration.

A much more significant factor in the price rise has been the excessive increases in administered wages and other labor costs. Unit labor costs rise as labor costs outstrip increases in productivity. It defies common sense to expect that labor costs can continue to rise much more than productivity without forcing up prices, curtailing profits, creating unemployment, or some combination of these developments. Up to this time, the results have been mainly higher prices and some curbing of profit margins. These results have reflected in large measure the fact that we have been in a boom. As the boom subsides, it is likely that the consequences of a continuation of wage inflation will be still narrower profit margins and growing unemployment rather than a rise in the general price level.

13 See his address, "Employee Benefits and Wages — Inflationary Tendencies," before the Council on Employee Benefit Plans, Oct. 11, 1957.

14 Standard and Poor's Corporation, *The Outlook*, July 22, 1957, p. 714.

15 U. S. Department of Commerce, Bureau of the Census, *1954 Census of Manufactures* (Industry Bulletins). In some instances the labor cost data cover a somewhat different product class than the price data. However, it is believed that there is sufficient similarity in the data to make the comparison of interest.

16 *The Commercial and Financial Chronicle*, Oct. 10, 1957, p. 34.

TABLE I

Relationship Between Concentration Ratios in 1954 (The Big Four) and Changes in Wholesale Prices, May 1955 to May 1957

Concentration Ratio (per cent)	Price Change (per cent): Greater than —10.0	—5.0 to —9.9	—4.9 to 0	0.1 to +5.0	5.1 to 10.0	10.1 to 15.0	15.1 to 20.0	20.1 to 25.0	25 and over	Total
0- 10					1					1
11- 20					1		1	3	1	6
21- 30		2		2	1	5	4	2	2	18
31- 40			2	2	7	2	1	1	1	16
41- 50	1	1	2	3	4	1	6	6	2	26
41- 60		1	2	3	3	3	3	4		19
61- 70	1		1	2	3	8	2			17
71- 80	1		1	1	1	3	3	1	3	14
81- 90	1			2			1	2		6
91-100		1		1	4	3	2	1	1	13
Total	4	5	8	16	25	25	23	20	10	136

SOURCES: Jesse J. Friedman, **Concentration in American Industry**, Report of the Subcommittee on Antitrust and Monopoly to the Senate Committee on the Judiciary, Eighty-Fifth Congress, First Session, 1957, and U. S. Department of Labor, Bureau of Labor Statistics.

NASD District 13 Elects Sheets Gov.

Ralph C. Sheets, Vice-President, Blyth & Co., Inc., New York, has been elected to serve as a member of the board of governors of the National Association of Securities Dealers. He succeeds Earl K. Bassett, partner, W. E. Hutton & Co., New York.

Ralph C. Sheets

Elected as members of District Committee No. 13, which comprises the states of New York, New Jersey and Connecticut, were the following: J. William Roos, partner, W. A. Gardner & Company, Newark, N. J.; Thomas H. Choate, partner, White, Weld & Co., New York, N. Y.; John J. Gurian, partner, Merrill Lynch, Pierce, Fenner & Beane, New York, N. Y.; Hudson B. Lemkau, partner, Morgan Stanley & Co., New York, N. Y.; Gustave L. Levy, partner, Goldman, Sachs & Co., New York, N. Y.; David J. Lewis, resident partner, Paine, Webber, Jackson & Curtis, New York, N. Y.

CORRECTION

Owing to a typographical error, the firm name of Trainer, Wortham & Co., Inc., Investment Counselors, 515 Madison Ave., New York 22, N. Y. was incorrectly spelled in the footnote accompanying the article by Professor John V. Lintner which appeared on the cover page in the "Chronicle" of Nov. 14. We sincerely regret this error.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

There is some speculation about the effect that the lowering of the discount rate by the Federal Reserve banks may have. And now an official of that institution has "hinted" that further steps might be taken to ease money.

In the first place, this is the season of the year when the Reserve is most likely to ease money if anything at all is done, for funds must be available for the moving of agricultural crops, for carrying the large inventories that the consumer goods section of the economy must stock for the holiday trade, and for the expansion of pocket cash that accompanies the high spending rate around the holidays.

The two Federal moves (lowering the discount rate, and the hint of open market operations) were well enough received by the stock-market at first flush, but the effect was not lasting, probably mainly because we appear to be in a bear market of a sort—maybe intermediate, maybe more fundamental.

But it is to be doubted that there will be any momentous change in money rates, short of a serious depression, which most authorities discount. The markets for new issues are still in fairly high gear. The American Telephone & Telegraph Company have just announced a new issue of $720 million in convertible debentures on top of another new issue just gotten out of the syndicate's hands. Most commentators, while conceding that the moves of the Federal Reserve are likely to provide a little braking to the inflationary trend, do not believe they are likely to do much beyond that.

It was only a matter of a few days prior to the change in the discount rate that Chairman Martin of the Federal Reserve System announced his purpose to keep the inflation trend firmly in hand, so that the two positions appear more-or-less to balance out each other, and it is possible that the money authorities really have more to fear from deflation than from the modest rate of inflation we have been experiencing of late. This rate has been far slower than that which was encouraged by the Washington Administration between the end of World War II and Korea.

Contrary to much of the expressed opinion, money has not been "tight," nor, historically, have rates been high. One would have to make a long search beyond the early 1930's to find as low a prime rate as that which now rules, 4½%. And as for the availability of funds, anybody with a correctly bankable proposal has had no difficulty in obtaining funds.

It is true that some would-be borrowers were turned away at the banks, but it was because their ideas of fair rates were at variance with those of the bankers, or because the bankers saw a reasonable doubt about repayment at maturity. It is well to remember in this connection that in loaning funds a banker credits the borrower with an amount that is chiefly his depositors' funds.

A loaning officer of a bank is primarily a trustee. For every dollar of the stockholder's money that is loaned, ten or more dollars of the depositors' funds are included in a loan. Further, the loaning officer is only too well aware that there are examiners to check up on him; and bank examiners are concerned with the depositors' well being, not the stockholders'.

So it is that loans may be refused to some would-be borrowers that, to the latter may seem reasonable and safe, but to the highly trained bank official and the supervisory authority fall short of constituting an equitable deal for the man whose money is being put out on loan.

To return, over the months when the discount rate was being increased there were only minor flurries in the market action of the bank stocks, with the net effect of no great importance. Now there seems to be little point in looking for much change in the action of these shares as a result of the news. One thing that would give them a decided fillip would be a lowering of reserve requirements on deposits, for here we would see a sizable volume of funds made available to the banks for lending and investing, funds that at present are sterile. However, it is this department's prediction that this action will not be taken; there seems to be something sacred in the reserve requirement.

FIC Banks Place Debs.

The Federal Intermediate Credit Banks on Nov. 21 offered a new issue of approximately $136,000,000 4⅛% nine-month debentures, dated Dec. 2, 1957 and maturing Sept. 2, 1958. Priced at par, the debentures were offered through John T. Knox, fiscal agent, and a nation-wide selling group of securities dealers.

It was also announced that of outstanding maturities $12,000,000 of 3.90% debentures maturing Feb. 3, 1958 and $8,000,000 4% debentures maturing March 3, 1958 were sold and privately placed.

Proceeds from the financing will be used to refund $170,000,000 of 3.70% and 3.90% debentures maturing Dec. 2, 1957, and for lending operations.

Leonard J. Smith Joins Lester, Ryons & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Leonard J. Smith has become associated with Lester, Ryons & Co., 623 South Hope Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Smith was formerly with Shearson, Hammill & Co. and prior thereto was Vice-President of Stern, Douglass & Co., Inc., in San Francisco.

Continued from first page

As We See It

the factors taken into account when the Federal Reserve authorities decided on the recent reduction in the discount rate.

A Medley of Muddled Thinking

Now that something in the nature of a cycle in this price business may have come to a close, some observations are in order about the medley of muddled thinking apparently always in progress on this subject of prices and price increases commonly termed inflation. There is a very substantial body of economists and near-economists who are convinced that a little inflation is a good thing, in fact that continued prosperity requires a moderate but continued rise in prices. The idea seems to be of a piece with the notion that a more or less constant rate of growth in what is known as money supply is an essential of sustained growth and prosperity. Yet when prices begin a persistent rise, uneasiness soon appears, and there is a good deal of talk about the need of "stability." Of course, a persistent upward movement in the price structure anywhere must sooner or later reflect itself in consumers prices which soon strike home to almost everybody. Personal experience then tends to push economic theories out of the spotlight.

Of course, it is nonsense or worse to say that continued price increases are necessary for economic progress or continued prosperity. What solid economic progress requires and what enduring prosperity must rest upon is stability in average values, and only such changes in the internal structure of prices as the irresistible natural economic forces compel us to accept. To suppose that constantly higher prices are required either to spur business to produce or the consumer to take the products of our factories is, to place a low estimate upon the energy and initiative of the businessman and to suppose that the consumer will or can be eternally buying in order to get goods "before they are higher." Neither supposition is in the least warranted by the facts.

The truth is nothing that would rob all those with a fixed income, particularly those with small fixed incomes, of substantial parts, indeed progressively larger parts of their income and their spending power could be expected to stimulate growth in the economy. It was John Maynard Keynes who spoke rather unfeelingly about the "euthanasia of the rentier." Most of those nowadays who seem to think that a little but persistent inflation would be a good thing appear not to give the salaried man, the widow living on the income of a small estate, or the growing army of pensioners a thought. When prices at the grocer's, the butcher shop, the dry-goods store and all the rest begin to pinch the protests from the great rank and file tends to drown out such economic balderdash as that preached by the inflation advocate, but it does not permanently put an end to it.

About as unfortunate as the advocates of inflation is the school of thought which insists that, like it or not, we shall have more or less permanent inflation from this time forward. It may be true that we could have perpetual inflation (that is price increases) if we want it—although we must confess some doubt about even that—but there is not the slightest reason to think that we must accept it whether we want it or not. Yet something very close to a belief that inflation is to foist itself upon us continually in the future is heard again and again and again. There are those who firmly believe that "built-in" cyclical "snubbers" will henceforth prevent any really serious depression, and markedly tend to keep all recessions within narrow limits.

Why Higher Prices

These same factors are now often cited as equally likely to keep prices rising. Large government expenditures, huge pension payments, unemployment insurance, population growth, various probable activities on the part of the National Government to implement the Full Employment Act should depression threaten, and the ebullient behavior of the public in the presence of oft-repeated prophecies of inflation to come, are some of the factors frequently mentioned. It is said also that the Federal Treasury has a controlling incentive to keep money cheap since it is so large a borrower—although recent events seem to have cut a good deal of the ground out from under this observation.

Most of these factors are cited as supplying purchasing power and hence demand for goods. Very few take the trouble to explain how any of these do anything of the sort. Pension funds would put money in the hands of individuals who might otherwise not have so much to spend—but these funds have to come from somewhere. Unless we are to embark upon an endless round of arbitrary money creation somebody, somewhere, must surrender the purchasing power that is thus put in the hands of the pensioners. Essentially the same is true of the other devices thought likely to enlarge purchasing power and demand for goods. It is true that large government expenditures add to the demand for goods and distribute money to those who supply them. But the government, too, has to get its funds somewhere. Unless it is to engage in fiat creation of money, somebody, somewhere, must surrender purchasing power to place it in the hands of government.

Prices may move higher in the future. There is a good deal of the dynamite of war inflation left in the economic system. Prices may keep right on rising, but if they do it will be our own fault, and we shall not remain happy about it very long.

Continued from page 9

Timber and Forest Products— An Investment in the Future

timber in turn has become more in demand and more valuable. Whereas a few years ago the yardstick of the value and utility of timber was based almost entirely on how much it could produce in the way of flooring, 2 x 4's or boards—today it has a new set of values. Today the price of timber is determined by the amount of peeler logs it will produce; the saw logs it will produce; and finally the amount of chips it will yield for hardboard, particle board, pulp and paper.

Several years ago Dr. Charles Ross, of the Econometric Institute, conducted a study for a client on timber values. Digging back into all available records, he found some data going back as far as 1742, a little over 200 years ago, and these he brought up to date by 20-year periods. He could not use the dollar as a basis of comparison because the dollar has fluctuated in purchasing power. Instead, he used as a measuring stick 12 other commodities, such as wheat, corn, cotton, iron ore, and coal. His study disclosed that, in each 20-year period over the 200-year record, timber was worth more than it was the preceding 20 years. In other words, it took more bushels of wheat or more tons of coal to buy a thousand feet of standing timber in any given 20-year period than it did in the preceding 20-year period.

It is hard to believe that timber that sold for $5 to $8 per M in 1940 is now commanding prices up to $60 or even $70 per M. In the face of a decline in the price of lumber and plywood of nearly 20% in the past 12 months, it is interesting to note that the price of standing timber has decreased very little, and the price of logs about 5%. The reason for this considerable floor under timber values is its basic inherent value as part of greater growth industries, and the increasing scarcity of good, desirable timber. As a result, timber seldom is thrown on the market—it is sold in an orderly way at Government auctions or privately negotiated sales.

This increase in timber values is the basic cause for stability in the forest products industries because it has meant that valuable trees could no longer be wasted and means had to be invented to utilize every bit of the usable wood fibre that is in the tree efficiently and effectively.

Perpetual Supply

Now let's consider for a moment the fourth factor, which is the permanence of the industry. Those who have been in the Northwest since the late 20s will recall the old philosophy of "cut out and get out." Ruthless timbering practices combined with antiquated fire-fighting methods were rapidly decimating the priceless heritage of our fine forests and fire was doing almost as good a job as cutting. There has been a complete change-around in regulating fires in our forests with a fine system of access roads, fire breaks, and modern fire fighting methods, which have almost eliminated the dread spectre of forest fires. But the big revolution has been by development of perpetual yield units — a combination of large blocks of good timber plus large land holdings and modern reforestation facilities to provide a continuous crop of trees, thereby guaranteeing a perpetual supply of wood for the integrated manufacturing units.

You simply can't afford to invest around $50 million in a complete integrated unit without being sure of your hole card, which is the continuous supply of raw material.

Our own company is a good example of how this trend comes about. Up until 1950 Georgia-Pacific was largely a log buying operation. However, by that time it became increasingly apparent to our Directors that the future lay in ownership of timber due to its constantly increasing values, and because we had found that during years of economic swings the selling price of the products would decline, but the purchase price of logs and timber would not. Through a combination of circumstances and events we have been able to put together over the past 5 or 6 years one of the finest timber holdings anywhere consisting of over 12 billion feet, largely of prime old-growth timber, strategically located principally in Oregon and California, at a cost of about $125,000,000. Through sustained-yield forestry management, and taking into consideration the long-term annual growth, this reserve will increase in value, and will provide a perpetual supply of raw material, with a substantial cash flow each year from the planned harvest.

Timber is the Green Gold among our natural resources. It is the only living natural resource that reproduces itself and adds growth and volume each year. It is the only natural resource you can see, touch and count what you actually own. Is it any wonder then that people are beginning to realize its great value and that there is such a demand for it.

The Small Fellow

We have dwelt to some degree in considering the impact of these developments on the large operator, but you might ask, "What about the small fellow—what is going to become of him?" There will always be a place for the small operator. He's far from ruled out of the picture and never will be because individual ingenuity and hard work on the part of the small operator more than overbalances what he might lack in capital and size. In the lumber field particularly is this true, and we find that in the state of Oregon, as a good example, out of 1,201 operators 824, or 70%, produce less than 20,000' per day—less than a carload a day. These are largely log buying mills, but they are small and efficient. The small modern mills can utilize logs which years ago were left in the woods and they produce fine structural lumber that readily finds its way into the markets through hundreds of wholesalers and commission men.

Sees Increasing Demand

Now what about our fifth factor—future demand? People say to me, "Aren't you worried about the decline in housing starts from 1,300,000 in 1955 to 1,100,000 in 1956, and probably 1,000,000 in 1957?" No — we're not worried about it because we have an actual shortage of four of five million homes in this country and a real demand to take care of the increase in family formations, obsolescence, fire and demolition of around 1,200,000 homes per year. Each year that these are not built at current population figures, the pent-up demand grows. Have any of you tried to rent a home recently? If you have, you know how difficult it is. Why? Because the vacancy rate of homes available for living is less than 2%.

Expects Housing Boom in 1960

What I am saying is that although the lumber and plywood industry has suffered in this decline in home construction, those markets are not lost, and we expect to profit from the resumption of high level home building. When will this come about? That's hard to say. We have witnessed a slight upturn in home building this fall so that starts should come very near to the 1,000,000 mark for 1957. 1958 will be slightly better—about 1,100,000 starts and they will be larger units. Few two-bedroom houses—three- and four-bedrooms to take care of America's increasing families. But the big boom in housing will start around 1960, and that's simply a matter of arithmetic. Consider population figures—the total population in the United States in 1917 was 100,000,000; in 1947—141,000,000; in 1957—170,000,000; and in 1975 an estimated 221,000,000. Due to new family formations alone, we must begin to build at the rate of 1,500,000 homes in 1960; 1,700,000 in 1965, and up to 2,000,000 per year by 1976, so when it comes to housing booms, you haven't seen anything yet.

Then consider the remodeling and repair market which takes almost 15% of all the lumber produced and nearly 30% of all the plywood produced. This is a booming market, thanks to the Do-It-Yourselfers and the ease with which plywood is used and installed.

Research also will play a large part in developing new markets for these products of the tree. For one thing, homes will be built more efficiently and cheaper. You're going to hear a lot about "component parts" in home building, in school building in the future. These are sandwiches built of combinations of wood, lumber, plywood and insulation board, and in some cases paper in the new Honeycomb panels. By reducing waste and inefficiency on the job, they also reduce the cost. Plywood will be more used for exterior, factory finished to eliminate painting and you will see a complete new roof development where plywood is painted with new Neoprene plastics which completely coat the panels, finally being surfaced with a paint preparation called Hypolite and guaranteed for 20 years.

Fast Paper-Pulp Growth

As home building grows so does the furniture industry, with its great consumption of hardboard and the new particle boards. And then comes pulp and paper. This is the third fastest growing industry with over one thousand pulp and paper mills and with a property investment of $8 billion and sales, which in 1957 will approximate $11 billion. In Kraft paper alone each man, woman and child in the United States uses 192 pounds per year in shipping containers, bags and wrapping paper, to say noting of the countless new products that are being devised of Kraft paper.

I am told that there is no department in the banking industry that deals so much in the future as do the Trust Departments. They are investing with an eye to the future every year. It is not, therefore, unusual for you to forecast into 1976, and the Stanford Research Institute studies indicate that our plywood and paper production must double by 1976 to keep pace with mounting consumer demands. This in turn places an increasing premium on timber ownership. America has been having it relatively easy up to now digging into its rich stands of timber, but the industry is now having to scramble to make the timber supplies go around, and thereby lies the challenge to make more profitable use of its timber and hoard it through reforestation, so that despite this tremendous demand on timber supplies, we will continue to have perpetual stands of good merchantable timber. It has been estimated that the increased utilization of our timber by using chips from waste and salvage that was formerly burned, is equal to the cutting of 1,250,000,000' of timber every year. If this can be achieved in a period of a little more than 10 years, it is obvious that with greater research in the application of even more efficient methods of manufacture that much greater productivity can result with less proportionate cutting of present timber stands.

We have hundreds of thousands of acres not under efficient tree farm reforestation in the Northwest today. Extensive reforestation is being carried on and will be carried on even more extensively to accelerate and promote regrowth so that although harvesting of the timber will be stepped up, a perpetual cycle of regrowth will continue to furnish all the logs necessary to perpetuate the tremendous investments of capital that are necessary to operate these highly specialized and integrated units. Take in our own company's case, although our own timber reserves are enormous, we feel a sense of responsibility, both to our stockholders and to the public interest, to see that they are perpetuated, efficiently harvested, and everything possible done to promote regrowth on these hundreds of thousands of acres we now control. It is a responsibility which we accept and which we hope to capably discharge.

Only One Problem

By this time you are probaly saying to yourself, "That certainly is a rosy picture, but it can't be all milk and honey." And you're right—the future of the forest products industry is a bright one, but there is one cloud, and only one, on the horizon—overproduction. There is an economic law that has never been amended or repealed and that is the law of supply and demand. In the paper segment of the industry the individual plants pretty well tailor production with their sales. Unfortunately, the lumber and plywood segments do not appear to have matured sufficiently to recognize the important economic fact that the two must balance and you can't pour five quarts in a four quart bucket without causing trouble.

Plywood is a good example. The profit structure in this growth industry is threatened from time to time because unfortunately, producers fail to recognize that there are periods during the year when demand will not support five-day three-shift production. We have witnessed this economic tragedy during the past several months. The demand factor has been the greatest in history running from 100 MM' to 105 MM' per week (double that of about five years ago), but producers keep on making from 110 MM' to 115 MM' per week. The resulting surpluses are slight, but when dumped on the market, prices react unfavorably and result in loss of profits. Bankers know this situation well since everyone of the 116 plywood plants in the industry borrows money from time to time from the banks that you represent. It's very easy to manufacture an excess of plywood, but it's a lot more difficult to sell it without dumping it. It is estimated that a balancing of production with orders in the plywood industry would have resulted in added net profits before taxes in 1957 of approximately $50 million per year without increasing prices beyond their 1955-1956 average. It's as simple as that.

The future in the Forest Products Industry is limitless. The flexibility and adaptability of products from the trees guarantees a continuing change, and it is apparent that the golden age of American forest industries has just begun. Not only are our forests a living and self-replenishing resource, but fortunately through modern research and science, the horizons have been greatly widened through improved efficient low cost products that have great mass appeal and tremendous primary use. The Forest Products Industry is going to write a thrilling chapter in the coming industrial history of America and the custodians of our country's timber are fully conscious of their responsibility. The challenge is great and there are many new fields to conquer.

Railroad Securities

New York, Chicago & St. Louis Railroad

Earnings of New York, Chicago and St. Louis (Nickel Plate) Railroad so far this year have held up better than those of the majority of the carriers serving the Eastern industrial section of the country.

For the month of October, net income after taxes and charges aggregated $1,815,066 as compared with net of $1,923,946 in the like 1956 month. For the first ten months of this year, net income totaled $12,474,085, equal to $3.03 a common share as compared with $13,514,165 or $3.29 a common share in the like 1956 period. These earnings were based on 4,119,084 shares outstanding at the end of the 1957 period and 4,102,620 shares in 1956.

Nickel Plate always has shown good control over expenses. Its transportation ratio in the 10-month period was 36.6% as compared with 36.3% in the same period last year. These expenditures were maintained under control despite higher wages this year as compared with last. Total operating expenses also were held down as is demonstrated by an operating ratio of 70.9% this year as compared with 69.6% in the corresponding 1956 period.

The road has proceeded rather slowly with its dieselization program, although its passenger service is fully dieselized. Recently, the Nickel Plate placed orders covering the next few years which should bring about complete dieselization with further resulting savings. One of the main reasons for this deferred action is the fact it had a number of new and highly efficient steam locomotives in service and now is running out their useful life. It would not have been economical to have junked these locomotives sooner and incur additional debt in financing the acquisition of new power before the steam facilities were depreciated to a greater extent.

As of Aug. 31, 1957, cash amounted to $7,798,162, temporary cash investments were $23,235,176 and special deposits, $811,667. This compared with cash of $7,106,078, temporary cash investments of $24,145,267 and special deposits of $759,874 at the end of August, 1956. Net current assets were $24,156,282 as compared with $24,177,209 in the 1956 period. Debt due within one year, mainly equipment trust certificates, registered a slight drop, amounting to $4,239,520 as compared with $4,442,520 a year ago.

The new equipment program is of a considerable nature and probably will be financed through the sale of equipment trust certificates and conditional sales contracts. Current plans are for the expenditure of about $30 million over the next five years, with delivery of the new diesel locomotives scheduled to begin in 1958.

Another important efficiency factor has been the installation of Centralized Traffic Control. This expedites the movement of trains, providing better service to the shippers and reduces per diem charges. All single track between Buffalo, N. Y. and Chicago, Ill., is operated under C. T. C. Nickel Plate over the past few years has spent large sums in improving its physical property. This has included the building of additional passing tracks and rehabilitation of bridges and grade crossings. All of these factors are reflected in better control over expenses despite constantly increased wages and other costs.

The road also has been active in increasing the industrial development of its territory. Since 1948 a total of more than 336 new permanent industries have been located on the carrier's lines. The new plants are in a variety of businesses which gives the Nickel Plate well diversified traffic.

Nickel Plate has a relatively conservative capitalization: Its 6% preferred stock was redeemed in April, 1955, and at the end of last year debt, including the Wheeling & Lake Erie minority interest, amounted to 46% of its capitalization and common stock and surplus 54%. The debenture $4\frac{1}{2}$s sold to finance the call of the preferred stock have a sinking fund, which if earned, provides for the full retirement of the issue by maturity in 1989.

George J. Russ Opens

(Special to The Financial Chronicle)

POWAY, Calif.—George J. Russ is conducting a securities business from offices at Poway and Oak Knoll Road.

Sheldon S. Leighton Opens

Sheldon S. Leighton is engaging in a securities business from offices at 90 Broad Street, New York City. Mr. Leighton was previously with Merrill Lynch, Pierce, Fenner & Beane, and Cornelis de Vroedt, Inc.

Securities Salesman's Corner

By JOHN DUTTON

Leads Can Be Secured Now

There are two ways to view the presently existing lack of confidence among investors. You can sit back and wait for the investment climate to become more favorable which may take quite a while. This entails the possibilities of not only losing some present clients through neglect but also impairs the efficiency and ability of your entire sales organization. It is a passive and negative approach to the situation.

Or you can take the positive approach and set out to keep your sales organization working on constructive activities, which in the long run will help you to keep the good-will of your customers so that when confidence revives you can continue to do business with them. You can also obtain some new accounts which will be a source of additional income now and in the future.

Some Areas for Prospecting

There are many individuals in the middle income brackets who have sufficient surplus funds and yet have not participated in an investment program. These people are not interested in trading. They are conservative and only want the soundest type of investment. The current revaluation of many dependable securities has improved yields to a point where a very attractive program can be provided that will produce income of $100 to $200 per month on a total investment of $20,000 and $40,000 respectively. This figures a 6% rate of current return.

If your research department desires to do a bit of checking, it should not be difficult today to come up with a diversified list of attractive and thoroughly solid dividend payers that will produce checks every month in the year that will augment materially the income that can be derived from that portion of resources kept in fixed dollar assets. I am not suggesting here that savings accounts do not have their place in every investment program, nor that every person should use even a portion of their savings for investments. I have in mind those who can well afford to invest a portion of their assets and thereby attain MORE income. Show such investors in your community where they can obtain an income of $200 per month on a $40,000 portfolio of good stocks and you should create some interest.

* * *

Still another method of building a clientele is by directing your advertising to the advantages of tax-free bonds—show what equivalent yields can mean to the investor in the 20%, and upward income tax bracket. If you can write a short booklet describing tax-free bonds and offer it to investors this, too, should bring in some leads that are worth following.

* * *

There are Mutual Funds with long unbroken dividend records, there are undervalued stocks that have been hammered down to 50% of their 1956-1957 highs, there are special situations right in your own home community that are of interest to investors, but these must be brought to their attention. My point in this week's piece is that in order to motivate both your sales organization and the investors in your community first select an IDEA THAT YOU WISH TO BRING TO THEIR ATTENTION and obtain the cooperation and agreement of your salesmen before going ahead with it. Many times the men who do the selling and the following of the leads created by the firm's advertising and research department are not fully sold first. They should be consulted and they should be asked for their opinions and help in putting over such a campaign.

You can create business by motivating your salesmen through a sound advertising campaign which is directed toward leads that can be productive. This is not the time to sit down and watch the flies on the wall, while the Dow Jones ticker sputters and stops. There are millions of people in this country today, with millions of dollars at their disposal, who should be informed of the value of an investment program. And isn't this a better time to open some new accounts than when the D. J. Industrials were 520?

NASD District 5 Elects Milburn Gov.

WICHITA, Kans. — Announcement has been made of the election of Glenn L. Milburn, Executive Vice-President, Small-Milburn Co., Wichita, as a member of the NASD board of governors.

Glenn L. Milburn

Elected as members of NASD's District Committee No. 5 were: Edward G. Mader, partner, B. C. Christopher, Kansas City, Mo., and War O. Brooks, partner, Brooks & Co., Wichita.

Named to Committee By NASD District 12

Announcement has been made of the election of the following as members of NASD's District Committee No. 12: James C. Chaplin, III, of Chaplin & Co., Pittsburgh; Harry J. Steele of Fauset, Steele & Co., Pittsburgh; George E. Nehrbas of Parrish & Co., Philadelphia; and Alfred Rauch of Kidder, Peabody & Co., Philadelphia.

Two With First Southern

(Special to The Financial Chronicle)

ATLANTA, Ga.—Joe E. Brown and John A. Rilovick are now with The First Southern Corp., Peachtree at Ponce de Leon.

Joins White Co. Staff

(Special to The Financial Chronicle)

BLOOMINGTON, Ill. — Charles E. Baxter is now affiliated with White & Company, 216 West Washington Street.

With Copley & Co.

(Special to The Financial Chronicle)

COLORADO SPRINGS, Colo.—Warren A. Bostrom is now with Copley and Company, Independence Building.

Joins Columbine Secs.

(Special to The Financial Chronicle)

DENVER, Colo. — Bernard L. Roberts has joined the staff of Columbine Securities Corp., 1575 Sherman.

Public Utility Securities

By OWEN ELY

California Electric Power Company

California Electric Power supplies electricity to a population of 350,000 in parts of southwestern California and Nevada, with Riverside and San Bernardino Counties contributing nearly three-quarters of the company's business. Service areas vary from the urban sections in these counties to the desert and mountain regions in Inyo, Mono and Kern Counties.

The northern desert areas include important industrial sections, while other regions include a number of important resort areas. Principal cities served include San Bernardino (which is served jointly with Southern California Edison Company), Palm Springs, Hemet, Corona, Blythe, Victorville and Barstow. A Mexican subsidiary, Industrial Electrica Mexicana, supplies service to the rich Mexican delta of the Colorado River, which has enjoyed extremely rapid growth. Mexicali, the principal city in this area, now has a population of over 125,000.

The company's history dates from 1905 when it began to bring hydro power to the boom mining camps of Tonopah and Goldfield in Nevada. By 1910 it became evident that this area, like all the famous camps in the West, would eventually decline. Accordingly, in 1912 the company built transmission lines from its plants, located in the High Sierra, south to San Bernardino. Some small local power agencies were acquired and the company's growth about kept pace with that of the United States.

At the end of World War II the area developed into one of the most rapidly growing sections in the United States in population, farming, industrial development, military bases, etc. During 1930-56 the population of the San Bernardino-Riverside area increased 222% while the population of California gained 146% and the population of the United States only 35%. During the past decade the company's revenues have increased at the annual rate of nearly 12% compounded.

The company has made rapid strides in increasing efficiency. Payroll cost is now only 14% of revenues compared with 22% in 1948. System losses of electricity are now about 11% compared with 18% in 1947, due to locating new generation in load centers and using higher voltages. The operating ratio reached nearly 85% in 1951 but last year was less than 78%.

Up to 1952 the company was basically a hydro system, which probably accounted for the irregularity of earnings. Moreover, the company had to buy large amounts of power from neighboring agencies. The first modern steam units were placed in service in 1952 and the company now has five steam units in operation, two under construction and two on the order board. Total steam capacity is now 228,000 kw, including a 66,000 kw unit which went into operation last June (a similar unit is scheduled for completion in June 1958). Ten hydro plants have a total capacity of 52,000 kw with average water conditions and the company has available about 45,000 kw at Hoover Dam under normal conditions.

The company's rapid growth is expected to continue and a recent study indicated that kwh sales should increase at the rate of 11% annually over the next five years, so that 1962 sales should be 87% larger than in 1956. The construction program approximated $23 million in 1957 and is estimated at $24 million in each of the years 1958 and 1959. The amount will then taper off, the total for the five years 1958-62 being about $100 million. The company is currently building two steam generating units at once, so that construction is running above normal.

During the five years they expect to generate up to $25 million cash internally, and obtain about $75 million from the money markets. The equity ratio should be maintained in a range of 30-35% (the present ratio is 34%).

Earnings for the 12 months ended Sept. 30 were 97 cents per share compared with 94 cents for the previous period. The company has asked the Public Utilities Commission for a higher rate of return (about 6.4%) to offset increased fuel and operating costs and higher money rates. The increase, if granted, would increase earnings about 10 cents a share. Other favorable factors are a rate increase received by the Mexican subsidiary, and the improved hydro situation. The company's full quota of firm power is now available from Hoover Dam, after about four years of deficient stream flow in the Colorado River, and there may also be a fair amount of interruptible power available in 1958.

Earnings for 1958 are estimated by President Ernst in the neighborhood of $1.10 on the present number of shares. It is possible that some additional shares may be issued next year—they have not determined their financing program as yet.

California Electric Power's common stock record is shown in the table below. The stock has been selling recently on the American Stock Exchange around 13 (range this year 14¾-12¾) and is paying 76 cents to yield 5.8%. The price-earnings ratio based on recent earnings is 13.4 and based on the estimate for next year would be 11.8.

California Electric Power
—Common Stock Record—

Year	Revenues (Mill.)	Earned	Paid	Approx. Range
1956	$21	97c	73c	15-14
1955	19	91	65	15-12
1954	17	73	60	13-10
1953	18	88	60	11-9
1952	16	89	60	11-8
1951	13	54	60	8-7
1950	12	68	60	9-7
1949	11	92	60	9-7
1948	10	74	60	8-7
1947	9	77	60	10-6
1946	8	75	.60	14-9

With J. F. Lynam

(Special to The Financial Chronicle)

ST. LOUIS, Mo.—Doris S. Lynam has joined the staff of J. F. Lynam & Co., Inc., 111 South Meramec Avenue.

Banker vs. Politician

"We gave an apparently straightforward, clear signal that we saw some change in the business situation.

"In order to control both inflation and deflation, we felt it necessary to take some action."


W. McC. Martin, Jr.


Hon. Wright Patman

* * *

"I see nothing to get excited about in the picture." — Chairman Martin, Board of Governors of the Federal Reserve System, referring to recent increase in the discount rate.

* * *

"I want to urge you to do something about it," (a serious recession that the Congressman says has hit us) "and do it quickly. We need positive action, definite and quick action to restore things before they go so low you can't restore it."—Representative Wright Patman to Chairman Martin.

And so many there are who seem to think that the Full Employment Act [of 1946] will work!

Continued from page 3

Three Critical Issues On the Business Scene

guilty in some measure. And perhaps most of the different explanations we have heard contain some elements of truth.

But even without posing as a pundit on the subject of inflation, one can make some accurate observations about it. As businessmen, we have had enough experience with it so far to be able to forewarn ourselves of certain dangers. I would like to mention three points of danger, as I see them.

The first is the danger that we in America will relax our efforts to combat inflation before we really have it whipped. Even as I stand here, some of you may be thinking that the inflation problem has already been licked. There are indeed signs that perhaps the counter-measures of the past year are taking effect and that the economy may face a period of price stability, or even mild "disinflation."

If, at long last, inflation has been checked, wonderful! But inflation is not a candle that, once snuffed out, can safely be forgotten. Like a subdued forest fire, the danger of new outbreaks is ever present. And we must remember, too, that the national objective is not just price stability, but stability **with growth.**

To keep the problem in perspective, bear in mind that in the years ahead there will be great pressures on world resources. Nations presently industrialized will seek to elevate their levels of living while nations not yet industrialized hasten to catch up. In the United States, we face a period of rapid population growth, greatly expanded markets and, for the next several years, a relative shortage of labor in proportion to the size of the total population. We also face the fact of tremendous union power, about which I shall say more presently. The burden of continued high levels of defense spending appears inescapable for the United States and for many other nations of the world.

In the light of such considerations as these, it seems to me that we must expect continuous inflationary pressures to exert their influence upon the economy for years ahead. Temporary success, if it is achieved, in halting the decline in the value of money must not put the nation off guard.

As long as world conditions remain as they are, inflation is likely to continue to be our most serious long-run economic problem. Whatever the short-run trend proves to be, I suggest we bear this constantly in mind as we make business decisions in our own organizations and as we take positions on proposed policies and programs, national, state, and local.

Dependence on Inflation

The second danger that I would like to stress is the danger that people might come to regard inflation as a comforting friend rather than a deadly foe. Lest you think I am unduly alarmed, I ask you to think back over the past few months and recall the number of times you have heard someone say or imply that a little inflation is a good thing.

I do not wish to argue the point here as to whether or not Professor Sumner Slichter was correct when he said that the dangers of creeping inflation have been "greatly exaggerated." Professor Slichter's arguments are, in my judgment, grounded in realism and have much to be said for them. They have also been much disputed. But those who side with him should recognize the danger of going beyond his position — which is that for the near term a gradual rise in the price level is probably inevitable — and asserting, which he does not, that a slow but steady rise in prices, as such, is a good thing.

If chronic inflation were ever to become, stated or otherwise, the national policy, the consequences would be grave indeed. Speculate for a moment on what you think might happen to saving habits, interest rates, business contracts, and the cost of carrying the national debt if the United States were to put the world on notice that it no longer chose to regard its currency as a stable unit of account, no longer respected it as a standard of deferred payments, no longer prized it as a store of value, but intended that it be nothing more than a scrip for use as a current medium of exchange.

I think I can tell you in one sentence what it would mean if we Americans were to declare that we had adopted a policy of creeping inflation. It would mean the destruction of faith in the fairness and integrity of our institutions and the beginning of the end for our present way of life.

Wage-Push Inflation

The third danger has to do with the manner in which industry deals with the most serious threat to price stability now in sight. I refer, of course, to the 1958 wage settlements which several unions have already begun to negotiate in the newspapers.

Even though there is no precise agreement regarding all the causes of inflation, no thoughtful and objective person can doubt that wage increases unmatched by corresponding increases in productivity are a major contributor to inflationary pressures.

Professor Slichter, if I may refer to him again, writes: "Among the principal influences making for inflation must be included the growing strength of trade unions." He then documents that statement by pointing out that, in the five years 1951 to 1956, the average hourly compensation of employees in private industry outside of agriculture increased approximately 20%, but output per man-hour in private industry outside of agriculture increased only 10%—or half as much. In these circumstances, with wage costs per unit of output rising steadily and substantially, prices could go in one direction only—up; and so they did. But prices did not rise enough, Professor Slichter noted, to offset the rise in wage costs. A part of that rise was taken out of profits.

I seem to sense among managers throughout American industry a determination to be resolute in meeting their responsibilities with respect to next year's wage settlements. Their responsibilities certainly include the exercise of enough restraint to see that unit wage earners, than keeping in- through unearned pay increases. I commend their resolute attitude, because I deeply and sincerely believe that few things are more important to the future well-being of the American people, including wage earners, than keeping inflationary pressures in check.

As I have indicated, there is a close connection between the problem of inflation and the growth of union power. But inflation is only one of the evils to which the growth of union power has contributed.

For instance, union power today includes monopoly power over entry into many fields of work. Through the device of the union shop, unions are permitted by the law to extract what amounts to tribute from involuntary members who must sign up in order to earn their daily bread.

In some areas, unions have shown that they can commit acts of violence with impunity, to win through fear what cannot be won through right. They have acquired enormous economic power, subject to little, if any, regulation.

Unions also have great political power resulting not so much from their ability to deliver their members' votes, as from their huge financial resources and the development of large staffs trained in political action and dedicated to the acquisition of still greater power and economic advantage through political channels.

There are increasing efforts by certain union leaders to take over the management of the companies they are negotiating with. We read of their efforts to tell management what prices ought to be charged, how profits ought to be utilized, and whether or not particular parts should be purchased from outside suppliers or manufactured on the premises. Often they seek to make political capital out of their attempts to invade the management area.

Rank and File Control

Concomitant with the growth of union power and the shift in emphasis from economic bargaining to political maneuvering has come a third development. This is the loss of control of their unions by the rank and file. As Mr. George Brooks, Research Director of the International Brotherhood of Pulp, Sulphite, and Paper Mill Workers, has put it: "The great change in American labor unions during the past 20 years has been a general shift in power and control from the members to the leaders."

Experts in this field say that the union shop and the closed shop—in other words, compulsory unionism—have been mainly responsible for the fact that in many instances the rank and file have lost control of their own unions. When men are not free to withdraw their union membership and financial support without giving up their livelihood, their leaders feel little need to be responsive to their wishes. They can, if they wish, act without regard for democratic procedures and employ their power for purposes unrelated to the interests of their membership.

Of course, not all unions are undemocratic, and not all union officials abuse their positions. There are good and honorable men in the union movement, men who deserve the respect their members and their communities accord them. But, true though that is, it is really beside the point.

The point is that the position of unions under our laws makes possible—one might almost say "invites"—the misuse of power in ways that offer little or no redress to those wronged. It opens the way to exploitation of union members by unworthy union officials. It attracts criminals who seek to screen their racketeering behind the special privileges granted unions. It sometimes leads to the frustration of constitutional rights of individuals and the denial of democratic processes within the unions.

For such reasons as these, many people have concluded that the time has now come to withdraw some of the special privileges enjoyed by unions and to establish a legal framework which will make unions more accountable to their members and the public welfare.

If undertaken in the right spirit, legislation to this end could be of great social benefit. The spirit must be constructive. It must represent a sincere attempt to help employees improve their collective bargaining agencies. "Union-busting," and so-called "anti-labor" tactics have no place here.

Senator Karl Mundt recently expressed this thought in these words:

"We want legislation which is not punitive in design and which is not conceived to punish people. But we need legislation which I am confident the rank and file of labor will enthusiastically support along with the responsible leaders of labor, and which will restore the balance of power between the dues-paying member and his labor leaders and between the employer and the employee as equally important segments of our great and growing industrial economy."

General Electric's Philosophy

We in General Electric sincerely believe in the employees' right to establish strong, responsible, representative unions. We believe just as sincerely that such unions can neither be created nor maintained on the basis of compulsory membership. And we also believe that it is our duty as good corporate citizens to express our views, and the reasons we hold them, on this and other matters bearing on the business climate in which we live and work.

America's priceless economic system — which more and more, and correctly, we are coming to describe as People's Capitalism—is based on freedom, not compulsion: Freedom to buy where one will, to work and live where one will; freedom to compete; freedom, indeed, to be right or wrong, to win or to lose.

These things most Americans have heard at school or elsewhere and they understand them in the abstract. Too few, however, use and apply these concepts in their own thinking and voting with respect to the day-to-day affairs of their community, state and nation.

Somehow we must bring theory and practice into closer alignment. We in business, managers and other employees, must participate more actively in the civic and political affairs of our communities and country. We must first of all be good citizens, and then we must speak out for the things and for the people in which we believe.

Our record on this front is a dismal one, albeit there are today definite and encouraging signs that business management is taking off the blinders and beginning to act and to communicate as a good corporate citizen should. Down this road lies the best hope of achieving widespread understanding of the kind of economic and social climate that will produce a stronger, happier, more prosperous America.

This brings me to the final subject, about which I shall give only a brief word—the subject of corporate size.

Corporate Size

In talking about the issue of corporate size, I know I am on ground that is familiar to the oil industry. It is out in front when it comes to size. In a listing of America's 100 largest manufacturing corporations by total assets, petroleum leads all other industries with 21 companies among the first 100, including the largest company of all.

In the second place, your industry is constantly engaged in defending itself against legislative investigations and proposals that typify the offensive against large companies. The bills in the last Congress to destroy your present system of service station operation, and to require you to blend costly grain alcohol with your gasoline, are the sort of things I have in mind.

You are not alone. Any industry which has served the public well and successfully enough to become large seems to attract political attack. Yet, despite all that I have read about the attacks on big companies, despite my having had repeatedly to defend my own company from unfounded charges, I still cannot quite believe that there are responsible Americans who really want to see the great companies of our country made smaller. The reason I cannot is that it seems so perfectly clear to me that without the large-scale enterprises, America could not maintain either her level of living or an adequate national defense.

No one questions the importance of having big companies to handle big jobs in time of war. Why is it not just as apparent that they are equally important in helping to provide for and make secure the blessings of peace?

Take just one type of activity as an example—research and development. Most people recognize that the brightest hope for a better world tomorrow lies in the promise of further technological advance.

They recognize, too, that the state of technology in our country is an index of the strength of our defenses. In other words, it is vitally important that research and development work gets done.

Who Does the Research?

And who is doing the research in America? The most authoritative report on the subject, issued by the National Science Foundation, shows that—in the year studied, fiscal 1954 — industry performed 72% of the nation's total research and development. Government agencies did 18%, universities did 9%, and institutions did 1%. Thus, industry is doing nearly three-quarters of the nation's research and development work. Of this industry effort, 38% is performed under government contract, mainly on defense projects directed by the government.

A further study of the industry figures shows, significantly, that more than two-thirds of the industrial research and development is done by the larger companies, those with more than 5,000 employees. The results of this large-scale industrial research are quickly shared by all companies interested in it. Those small and medium-sized companies which incur no expense for research and development soon become a party to the commercial opportunities opened by scientific advance.

In this discussion, I do not wish to under-value the scientific work of the smaller companies, the government laboratories, the universities, and the institutes. Each makes its own distinctive contribution. The importance of the universities, with their strong emphasis on basic research, may well be understated by the fact that, on a dollar basis, they do only 9% of the total. What I do say is that these proportions appear to reflect the actual, existing capacities for scientific and technical work in the United States, and, in that picture, the capacities of the large companies represent an invaluable scientific "force in being," as they say in military circles.

Satellites and Rockets

The Russian satellites and rockets, which are frequently out of sight but never out of mind these days, suggest that whatever may be said about the inadequacy of U. S. postwar research and development in this field, an intensified and coordinated effort must now be undertaken. And it goes without saying that the research facilities and scientific manpower of private industry stand ready to step up their already considerable efforts in this area to whatever extent is necessary.

That industry, and particularly large industry, is in a position to do this, and to do it on short notice, is no accident. Private industrial research involves long-term risks and substantial investment. Large companies are best able to afford the risk and make the necessary long-term investment in laboratories and skilled staffs.

The General Electric Company, for example, represents more than a disorganized bundle of assets and a random assortment of people. In the 57 years since the company established its research laboratory in Schenectady, it has carefully constructed an integrated, nationwide network of facilities and technical personnel that now includes 98 laboratories and more than 20,000 scientists and engineers. Along with the growth of facilities and staff has come experience in managing technical effort, so that the resources of the organization can be coordinated and concentrated on virtually any technical tasks that need to be done. The techincal capacities of other large companies have been constructed with equal patience and skill.

Why anyone would want to cripple or break up such national assets, or tax away the profits that make them possible, is beyond my comprehension. Perhaps the people who advocate such measures against the large companies have become so obsessed with their own preconceptions that they have completely lost sight of reality. The reality of American business is a complex structure of four and a half million competitive yet interdependent enterprises of all sizes that has grown in response to the needs of the people and the times. If the future demands that America take on even greater tasks, to lift the levels of living of the people and defend the free world against a ruthless and daring tyranny, then the major companies must be encouraged, not frustrated, as they accept their share of the responsibilities.

In the beginning of this paper, I commented on the growing influence of political affairs on our business life. The political implications of inflation, union power, and the attack on large-scale enterprise illustrate, but by no means exhaust, the range of politically-oriented issues that demand the attention of the businessman. The plain fact is that profit results today are influenced by ideological forces, no less than market forces. To fulfill his responsibilities to the business and to the society in which it operates, the manager must be willing to enter the arena of public opinion and make his ideas known.

As you well know in the oil industry, such efforts are not always met with success. Yet what alternative have we, as Americans? To live and work in a democracy is to be committed, heart and soul, to the thrilling struggle of ideas which is the only way that man knows of discovering truth.

But men's ideas, unless they are known, have little power, or even none. "When genuine debate is lacking," says Walter Lippman, "freedom of speech does not work as it is meant to work." For when some men's ideas go unchallenged by those with different views, he says, "by a kind of Gresham's law the more rational is overcome by the less rational, and the opinions that will prevail will be those which are held most ardently by those with the most passionate will."

When we in business learn to represent ourselves more effectively before the public and in dealing with government, we will regain some of the influence we have lost in the formation of sound national policies. But more important, we will have increased our potential for contributing constructively to the prosperity and security of our country and the free world. And that, I submit, is an objective worthy of our complete and untiring devotion.

NASD District No. 9 Elects to Committee

Announcement has been made of the election of the following as members of NASD's District Committee No. 9: Frank A. Chisholm, Executive Vice-President, Varnedoe, Chisholm & Co., Savannah, Ga.; Mortimer A. Cohen, resident partner, Sterne, Agee & Leach, Montgomery, Ala.; and Edward S. Lewis, Jr., partner, Lewis & Co., Jackson, Miss.

W. S. Schaeffer Opens

LOCUST VALLEY, N. Y.—William E. Schaeffer, Jr. has opened offices at 74 Birch Hill Road to engage in a securities business. He was previously with First Investors Corporation.

With Bennett-Gladstone

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Helen Kilgor and Stanley E. Henslee have joined the staff of Bennett-Gladstone-Manning Company, 8417 Beverly Boulevard.

Blyth Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Douglas Owens is now affiliated with Blyth & Co., Inc., 215 West Sixth Street. He was formerly with Hill Richards & Co.

E. F. Hutton Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas C. Shaw has been added to the staff of E. H. Hutton & Co., 623 South Spring Street. He was formerly with J. A. Hogle & Co.

Walston Co. Adds

(Special to THE FINANCIAL CHRONICLE)

SAN MATEO, Calif.—Robert R. Birr has become associated with Walston & Co., Inc., 329 South Ellsworth Avenue. He was previously with First California Co.

Fourth Quarter Business Prospects

Cleveland Trust notes fourth quarter possesses minus signs with little more force than those on the plus side. Examines such possible offsets as: military orders, public's reception to 1958 autos, and consumer spending.

Doubtful whether industrial production this quarter will equal that of the third quarter, the Cleveland Trust Company "Business Bulletin" of Nov. 18 reviews principal economic forces determining the outlook.

The "Bulletin" notes that the "third quarter output of factories and mines remained within the narrow range which has existed for a year or more. The Federal Reserve index of the physical volume of industrial production (1947-1949=100) averaged 144.3 for the past quarter. This compares with 144.5 for the first half of 1957, and 146.3 in the fourth quarter of 1956. For the month of September the preliminary index was 144, the same as a year earlier but one point below August. Output of the nondurable or soft goods industries as a whole has been steadier in recent months than that of the durables.

"As to the fourth quarter, the minus signs seem to have a little more force than those on the plus side. Therefore it is questionable whether industrial production will equal that of the third quarter, after allowance for seasonal fluctuations. Weekly figures for October, including those on steel operations, do not indicate any general upturn. Manufacturers' unfilled orders have been declining since last December, and new orders have also slipped. Factory employment is slightly below its midyear level, after seasonal adjustment. Residential building, as measured by the number of new homes started, turned down in September following a rise of several months. The wave of business spending for new plant and equipment has reached its crest."

Possible Offsets

"As possible offsets, three factors are receiving close attention. One is the volume of military orders, which has been relatively low and is expected to increase. Another is the public's reception of 1958-model automobiles. It is too soon to draw any final conclusions about that one. Production is being stepped up considerably now that the changeover period is completed. Dealers' sales in September, when 1957 cars were being offered on attractive terms, exceeded those of a year earlier by a wide margin. But the test of the new models will continue for some time ahead.

"A third factor is consumer spending in general, which has held up well so far in 1957. Preliminary estimates for the third quarter put personal consumption expenditures at a new peak of \$283.2 billion (annual rate), or 5½% above the same 1956 period. Part, but not all, of the gain is due to higher prices. Total personal income has also run ahead of last year, though it leveled off in August and September."

Continued from first page

Responding to the Challenge With Trade and Development

people, we may be sure that we will not stay the course of Soviet world domination, no matter what our military power may be.

That is the reason why President Eisenhower and Prime Minister Macmillan, in their Declaration of Common Purpose issued in Washington last month, have stated that "We recognize that our collective security efforts must be supported and reinforced by cooperative economic action."

Next year, when Congress convenes, the people of the United States will again have the opportunity to consider what "cooperative economic action"—to use the words of the President and Prime Minister—they will in fact authorize the Government of the United States to support. The Congress will decide this issue in the light of the debates which will then take place. I should like to mention some of the key problems in foreign economic policy as we see them from within the Executive Branch of the Government and to suggest the kind of cooperative economic action which will be necessary if these problems are to be effectively attacked.

To begin with, let us look at the world economic situation as it appears today.

Today's Economic World

In Western Europe economic growth has been rapid since the completion, some five years ago, of the Marshall Plan program for recovery from the devastation of World War II. Last year, as we know, there was a temporary setback resulting from the closing of Suez and subsequent currency speculation. One of the significant aspects of this economic emergency was that it was overcome very largely through normal trade and financial measures. Support for the pound sterling from the International Monetary Fund and the Export-Import Bank, accompanied by appropriate internal policies in Western Europe, prevented the kind of balance-of-payments crisis and widespread economic controls which would have characterized European reaction a few years ago.

Today the governments of Western Europe have staked their future economic growth on sound economic policies, both internal and external. They have placed their faith in the competitive enterprise system. They are trying to cope with inflationary movements by appropriate financial and monetary policies. At the same time they are seeking to expand the basis of their economic life through wider international trade: on a European basis through the European Common Market and Free Trade Area, and on a world basis through the General Agreement on Tariffs and Trade.

The collective security system embodied in NATO is heavily dependent on the success of these efforts.

Japan, also, has emerged from the shadow of World War II. The period of emergency help from the United States has drawn to a close. Japanese economic life has regained its industrial vigor. The great need of Japan today is for a broader world market for her goods and services.

Excessive restrictions by the rest of the world against Japanese trade can have no other effect than to strait jacket the Japanese economy, reduce the Japanese standard of living, and thereby breed conditions which could become politically explosive.

Latin America, almost alone among the developing areas, has achieved a very high rate of growth over the past several years—higher in fact than that of the United States or of Western Europe.

A short time ago I had the opportunity of visiting several of the Latin American countries, and of talking with their governmental leaders, on the occasion of the Buenos Aires Economic Conference where I served as Acting Chairman of the United States Delegation. I can only confirm what many American businessmen and officials acquainted with Latin America have been telling us: It is an area where the human drive for economic development, backed by great natural resources, is producing a tremendous upsurge in economic activity.

Here again we have an area of the world of great importance to the United States where normal measures of international economic cooperation — private investment, public lending through the Export-Import and World Banks, and the reduction of barriers to international trade—are helping to produce conditions of economic progress. We should intensify all these measures of cooperation with our Latin American neighbors.

When we turn to the developing countries in Asia, the Near East and Africa, we find a sharply different situation. These are countries with the lowest standards of living in the world—some 700 million people whose per capita income is little more than $100 per year.

Moreover, the economic growth of these countries is barely keeping pace with the increase in population, with the result that many of their peoples see ahead of them little but seemingly permanent stagnation.

Former Methods Found Inadequate

With respect to these countries, traditional methods of financial and trade cooperation, while important, are not enough. These countries are going through a rough period when they need exceptional help from the outside if they are to get over the early developmental stages. After that, there is reason to hope that they can move forward faster on the basis of their own resources.

The leaders of International Communism are acutely aware of the opportunities open to them in the less developed countries of Asia, the Near East and Africa, many of which are on the rim of the Communist bloc. The people of those countries are insistent that their conditions of life be improved. The central plank in the political platform of every government in the area is economic development, and more economic development. If the free governments in these countries cannot deliver on their economic promises to the people, they will be in constant danger of being replaced by some form of totalitarianism.

It is on this economic issue that Communist propaganda is most dangerously effective. For the Communists point to the great increases in national economic growth which they themselves have achieved, while concealing the terrible sacrifice in lives, liberty and living standards which made those increases possible.

It is no accident that the Soviet programs of foreign trade and foreign loans, which are being conducted on a much greater scale today than a few years ago, are concentrated in these areas of the free world where living standards are the lowest.

Since 1954 the Soviet bloc has extended credits totaling $1.1 billion to underdeveloped countries in Asia, the Near East and Africa. About two-thirds of this amount has consisted of loans for development purposes. Soviet loans are making possible the construction in these areas of such projects as steel mills, manufacturing plants for heavy machinery and optical glass, power stations, irrigation systems and mining industries, to mention a few.

These Soviet offers of financial assistance are intended to serve the political purposes of International Communism. They are accepted by the recipient countries because these countries are desperately searching for more capital to speed their economic development.

It is clearly in the national interest of the United States to do what it can to hasten the processes of economic development in these areas, thus helping them to resist the forces of Communist penetration. For if the Communists were to be successful in winning these peoples to their cause, the whole of the free world would be gravely endangered.

The world economic setting of today, which I have attempted to sketch very briefly, demands positive, forward-looking programs by the United States in the foreign economic field. What we need at this juncture of world events are not "crash" programs of an emergency character, but sustained long-term programs directed to the basic economic problems I have described.

Freer Trade

First, we must strengthen normal trade and financial relationships among all areas of the free world through the reduction of trade barriers and currency restrictions, the promotion of private investment, and the stimulation of supplementary public lending through the Export-Import Bank, the World Bank and the International Finance Corporation. The vigorous pursuit of these objectives over the next several years is especially important to continued economic growth in Western Europe, Japan, Latin America and large parts of the British Commonwealth. It is also important to the health of our own economy, which is increasingly interdependent with the rest of the world. And, finally, it is essential to the economic and political cohesion of the international system of free societies of which we are a part.

It has always seemed to me that American business has an especially important stake in the success of our efforts to free trade and stimulate development—over and above the increased volume of business that this would bring. Unless trade is freed from restrictions, and unless countries develop, American business will find it impossible to operate abroad in the free, competitive manner which has become the American tradition. Rather, it will find itself faced with government enterprises and state trading organizations, which will change the whole nature of international business as we know it and as we want it. Our trade and investment programs are vitally important to American business in the context of its own future.

Long-Term Aid

Second, we must supplement our normal trade and financial programs with special help to those countries whose standards of living are very low, particularly in Asia, the Near East and parts of Africa. Traditional trade and financial measures, larded with sporadic applications of short-term grant aid, will not work. What we need is a long-term program geared on a businesslike basis to the realities of economic life in these areas.

These two objectives are not put forward as an idealistic blueprint for the future. On the contrary, they are practical objectives which are rooted in the world economic situation facing us at this moment. We must pursue them now if we are to exercise leadership in the period immediately ahead.

Each of these objectives will be tested next year in the fires of Congressional and public debate when two major legislative proposals will come before the Congress for consideration. These are the reciprocal trade agreements legislation, which is essential to the first of the two objectives I have outlined, and the appropriation for the Development Loan Fund, which is essential to the second. I should like to give you my views on each of these legislative proposals.

Trade-Agreements Legislation

There is no instrument of American foreign economic policy which has been more influential over a longer period of time in advancing the interests of the United States than the authority given to the President to enter into trade agreements with foreign governments. The trade-agreements program has in truth been a cornerstone of American foreign economic policy as well as a powerful aid to the growth of the American economy. Helped by trade agreements, our exports have expanded to record levels.

The President's authority to participate in new tariff and trade-agreement negotiations will automatically terminate on June 30 of next year unless Congress takes the necessary action to extend it. Some people propose that the trade-agreements legislation should now be allowed to die. I suspect, however, that this would be generally recognized as an extremist, viewpoint. There is unquestionably broad public support for the program as a whole, based on its undoubted successes. And while there has been intense opposition in some quarters, I would doubt that its opponents really believe that the program should be killed outright. It is much more likely that the real debate will be centered not on whether to extend the program or to discontinue it, but on such questions as the length of time for which the program should be extended, the extent to which the President should be authorized to reduce tariffs, and the operations of the escape clause which gives protection to American industry.

These of course are fundamental issues. If, for example, the legislation is extended for too short a period, or if the authority granted is too small, then, even though the Trade Agreements Act may still be on the books, it would be a dead letter. It would be of no help in meeting the economic challenge which now faces the United States and the rest of the free world.

Five-Year Trade Extension

The Trade Agreements Act should, I believe, be extended for at least five years if it is to be effectively used.

The trade-agreements law, which was originally enacted in 1934, has now been extended by Congress on 10 separate occasions, usually for a three-year period but sometimes for only one or two years. The tradition of a three-year extension was established back in the depression years of the 1930's when trade agreements were concluded on a bilateral basis. Now, as we approach the 1960's, the principal instrumentality for making the trade-agreements authority effective is no longer a series of bilateral trade agreements, but a single multilateral mechanism, the General Agreement on Tariffs and Trade. The General Agreement began with negotiations among 23 countries 10 years ago; but it has now grown to include 37 nations. Today, therefore, tariff negotiations are conducted simultaneously among a large number of countries. Accordingly, they require more time and more preparation than in earlier days. The tradition of the 1930's for a three-year extension of the trade-agreements legislation is, in short, not well suited to today's situation.

Next year there will also be a special and very important reason for extending the trade-agreements authority for at least five years.

In January the Treaty establishing the European Economic Community will come into force. Germany, France, Italy, Belgium, The Netherlands and Luxembourg, the six governments which have signed the Treaty, will then be committed to establish a European common market leading to the full integration of their economic systems. This is a truly revolutionary step toward European unity to which the United States has given its full support.

Economic adjustments, however, will be inevitable as the European Community comes into being. It is essential that these adjustments take place in a way which will help the Community to become an outward-looking organization, in accordance with the declared objectives of the six governments, rather than an inward-looking and restrictive group which closes the doors of trade with the rest of the world. In the General Agreement on Tariffs and Trade we have established general principles designed to make sure that arrangements such as the European common market will not result in higher barriers to world trade than existed before. But the actual establishment of the common tariff by the European Economic Community is a complex matter which will take some years to achieve. In order to keep this common tariff as low as possible a series of tariff negotiations will be necessary between the Common Market countries and all the other countries belonging to the General Agreement on Tariffs and Trade, including the United States.

These negotiations cannot be arranged for and carried through to completion in less than five years. It is our strong conviction that the Trade Agreements Act should, therefore, be extended for at least this period.

I am not going to speculate on whether the Presidential authority to reduce duties should be X, Y or Z percent. I will only say that the degree of authority to reduce our tariffs should be adequate to enable the United States to conduct meaningful negotiations which will result in useful tariff concessions for the benefit of American exports. A bare minimum of authority will not be enough to accomplish this purpose. Tariff reductions should, however, be gradual, and they must, of course, be decided upon with great care in the light of the situation of particular domestic industries.

Join OTC

In addition to extending the power of the President to enter into effective trade-agreement negotiations, it is important that the Congress should now approve the legislation which has been before it since 1955 to authorize participation by the United States in the Organization for Trade Cooperation. The OTC would not affect American tariff and trade regulations. There is no need for any domestic industry to be apprehensive on this score. On the other hand OTC would enhance the effectiveness of the trade arrangements already agreed upon in the General Agreement on Tariffs and Trade. This would benefit our export trade. Our failure to approve OTC would deny to American industries the use of improved administrative machinery to make certain that they obtain benefits previously negotiated by the United States on their behalf.

Development Loan Fund

The second major piece of legislation in the foreign economic field which will be considered by Congress next year is the appropriation for the Development Loan Fund. In establishing the Fund last summer the Congress recognized the need for new concepts and new techniques in extending economic assistance to the less developed areas of the free world. The Fund was set up, with a small initial appropriation, after a thorough-going and critical re-examination of the Mutual Security Program conducted by numerous public and private agencies, including the Executive Branch, two committees of the Congress and several universities, business groups and private research institutions.

Out of this re-examination a number of important conclusions emerged, which I shall summarize briefly:

Conclusions

First, the United States has a vital foreign policy interest in the economic development of the low standard-of-living areas of the free world.

Second, special financial assistance by the United States in a form which will reinforce private investment and normal public lending without interfering with either, is required for this purpose and will be required for some time to come.

Third, such special assistance should be long-term rather than short-term if true development is to be promoted; should be in the form of loans rather than grants if economic incentives are to be preserved in the developing countries and should be extended on an individual project basis rather than on an overall country basis if technically and economically sound development is to be realized.

Fourth, economic assistance for development purposes should be labeled as such. It should not be confused with or concealed under defense support, military aid or other types of assistance provided for in the Mutual Security Program. This is essential to public understanding and confidence as well as to governmental accountability.

Fifth, such assistance should be administered on a businesslike basis through a banking mechanism such as a development fund rather than in a manner which would require Congress each year to authorize and appropriate funds on the basis of tentative plans.

The Development Loan Fund is now being organized. The legislation provides for a Loan Committee, consisting of myself, the President of the Export-Import Bank and the Director of the International Cooperation Administration, to establish basic terms and conditions for the Fund's operations. Loan inquiries and proposals are beginning to come in and are being reviewed in the light of the Fund's objectives. The Fund's operations will not be confined geographically, but countries with the lowest living standards will have a priority call. All of us who are concerned with the management of the Fund will cooperate fully with private investors and established lending institutions to make sure that the Fund will in no way compete with them but will, on the contrary, stimulate their overseas activities as much as possible.

However, the future of the Development Loan Fund is not yet secure. For in authorizing the Fund the Congress appropriated only a portion of the resources needed to make the Fund a continuing and effective institution. Congress appropriated only $300 million for the fiscal year 1958. It also authorized the appropriation of $625 million for the fiscal year 1959. If the Fund is to be something more than the old Mutual Security program under another name it will have to be given enough capital resources, free of annual appropriation requirements, to enable it to establish the confidence necessary to its long-term purposes. As a minimum Congress should now appropriate the full amount of $625 million already authorized, thus bringing the Fund's capital resources to $925 million. Although this is short of the full requirement, it should be enough to establish the Fund on a firm footing.

The two programs I have described—a strengthened trade-agreements program and an adequate Development Loan Fund—do not add up to the whole of our foreign economic policy, which embraces many other economic activities ranging from investment treaties to civil aviation. But these two programs are fundamental. Without them, little else that we can do will serve to protect our vital national interest in strengthening, as we must, the economic and political institutions of the free world.

Continued from page 15

New York Port Authority's Problems and Progress

of New York—that is, packaged cargo, other than bulk—came to nearly 13,000,000 long tons, balanced almost evenly between exports and imports. This is an increase of about 9% over 1953 and continues to reverse the downward trend of the past ten years. However, in terms of our competitive share of United States general cargo, it represents the lowest competitive level in the port's history. This decline in New York's share of our foreign commerce is partially attributable to the growth of new industries in the south and southwest. But it also reflects the fact that our recovery in terms of absolute tonnage is lagging behind the increases at competing ports. Compared with the 1947-1953 average, New York's competitive share of the flow of general cargo through the ports of the United States has declined from 34.5% of the total United States general cargo tonnage to 25.9% today.

Unfair Rail Rate Differentials

Despite all of New York's attractions in superior service, despite all of our efforts in promoting the commerce of the port, we cannot escape the economic consequence of the fact that our competitor ports have a built-in, artificial advantage in differentially lower rail rates on export-import cargoes that is slowly diverting larger and larger percentages of the country's tonnages away from New York. If these artificial railroad rate handicaps were removed, the competitive position of the ports, particularly Baltimore, Philadelphia and New York, would be equalized and we would each be able to solicit cargo on the basis of our respective port advantages in services and facilities for the handling of overseas cargo.

The elimination of these differentials is, in our opinion, the real nut that New York must crack to check the slow drain of cargo away from us. Success in this effort will go far to assure the continued prosperity of this port. If, however, the ports and the railroads which are opposing us are successful in maintaining these rate differentials, they will continue to whittle down our port's pre-eminence and prosperity. I regret to say that one of the leaders in this fight against the Port of New York, of this effort to divert our cargo, discourage our shippers, bleed away our traffic, is the Pennsylvania Railroad.

For the past 35 years the Port Authority has been fighting for New York's position in rate cases before the ICC and other regulatory tribunals. For a much longer period than that, the N. Y. Chamber of Commerce has taken a vigorous part in these proceedings. Yet, I dare say that neither of us has ever been involved in a case that meant more to the course of the port's continued prosperity than this pending export-import rate equalization case. In this effort to obtain port equalization the railroads whose real interest is in this City, the New York Central, Erie, Lackawanna and Lehigh Valley, have published tariffs which would reduce all export and import rates between the Port of New York and Pittsburgh, Buffalo and points west, to exactly the same level of rates as apply through the Port of Baltimore. At present, as you know, Baltimore enjoys an arbitrary rate advantage over the Port of New York of 60c a ton on all export and import commodities moving to and from the west, and the Port of Philadelphia enjoys a 40c a ton advantage over New York. These differentials were established in 1877 because at that time the ocean shipping rates through New York were cheaper than shipping charges through Philadelphia and Baltimore. They represented an effort therefore, under those conditions, to equalize the opportunities of the three ports to solicit freight. About 1935 however, all ocean shipping charges were equalized through the three ports, so that the only excuse for these differentials has been wiped out. Nevertheless, the differential in export-import rail rates against New York has persisted and the Pennsylvania Railroad has discouraged and opposed any effort to correct their injustice.

Hearing to Be Held

The continued magnet of these cheaper rail rates through Philadelphia and Baltimore and the steady diversion of freight from New York has finally forced the railroads whose interest and future are centered in the Port of New York to publish new rail tariffs, bringing the New York rate into line with the rates available through Philadelphia and Baltimore. The Pennsylvania Railroad and the Baltimore & Ohio immediately retaliated against the Port of New York and against its efforts to obtain a fair and equal rate structure by counter-filing new rates which would in effect maintain the differentials which favor Baltimore and Philadelphia. As a result the ICC has suspended all published rates and will conduct hearings on this critical issue in the near future.

Pennsylvania's Attitude

The Pennsylvania has now filed extensive testimony which attack this port, and have the calculated effect urging all shippers who can do so to ship through our competitor ports. A few months ago when our people were pleading with the Pennsylvania not to attack the Port of New York in this manner, one of the principal officers of the Pennsylvania said that if he had his way, not another ton of freight would be moved into New York City. We have argued with the Pennsylvania that it has much more to lose by its effort to divert cargo from New York than it has to gain. They are not only the nation's largest rail carrier, they also handle the largest amount of rail tonnage moving through the Port of New York. If they succeed in pulling the props out from under the continued prosperity of this port and encouraging our manufacturers and shippers to move to other areas, it would seem obvious that they are going to suffer with everyone else. Their reply is an allegation that it costs too much to do business in New York and that they would prefer to divert their tonnages to Philadelphia or Baltimore.

Even if this were true it would seem to have little relation to the issues in an export-import differential which, as I have indicated, originally arose out of a differential in ocean shipping charges which favored New York. As a matter of fact the statistics which the Pennsylvania has now filed to support its allegation of the high cost of handling freight through New York indicate only that for some reason or other the Pennsylvania finds the cost of doing business here a terrible burden to it. But it is significant that four major New York rail lines which are engaged in the same freight handling activities at this port, are actually seeking to lower their export-import rates in order to achieve equalization with the rates at Baltimore.

I am happy to say that a host of New York and New Jersey port interests have intervened in this case in support of the railroads which recognize that their interests and those of the Port of New York are interdependent. This Chamber, of course, was among the first to support our New York railroads in this fight.

I am confident too that the manufacturers and shippers of the port area of New York and northern New Jersey will support the New York railroads in this effort to equalize New York's rates with those of their competing manufacturers and shippers in the cities which are favored by the Pennsylvania Railroad. For that railroad itself has three great port customers—the Port of Philadelphia, the Port of Baltimore and the Port of New York. If they choose to support a policy which, in their own words, has as its objective the diversion of cargo from New York, they must be prepared to accept the consequences. And they certainly must be prepared for the inevitable reaction to such a policy of our public officials, our banks, our industries and all of us who have a stake in this port.

St. Lawrence Seaway

There is one final port problem which demands our consideration and that is the issue which has been raised about the toll structure on the St. Lawrence Seaway. The Seaway will begin operation as a competitor of this port area in 1959. Because of its utterly unsound economics, many fought long and hard to block the Seaway. The President of the N. Y. Chamber, Mr. Perry Shoemaker was a leader in that fight. As I have said, having lost the fight, we can only be philosophical about the public expenditure of the largest amount of money per ton of freight to be moved that has ever been spent by any government anywhere. But we can't be philosophical to the extent of accepting a double penalty in having to bear the tax burden of paying for the waterway and at the same time losing even greater quantities of foreign trade through bargain tolls and still heavier subsidies.

The New York Chamber, the Port Authority and more than thirty other business, trade and governmental groups have organized in a joint effort to assure the self-supporting toll structure that all of its supporters promised and which induced the votes in Congress that finally made it possible to put the Seaway over. It is gratifying to note that the Administrator of the Seaway Corporation and his Canadian counterparts have repeatedly affirmed their support of this principle and recognize their obligation under the statutes to establish compensatory tolls. Nevertheless, the heaviest pressures are being brought to bear by the user groups on the Seaway Corporation itself and on both the Executive and Legislative branches of the Federal government. If the powerful ore and steel interests which obtained Administration and Congressional support for the Seaway in 1953 are successful again, and can ship cargo along the Seaway at give-away rates, the diversion of tonnage from this port will be most serious.

The welfare and continued pre-eminence of the Port of New York are, and always have been, enmeshed in a never ending series of problems, crises, progressions and triumphs. The members of N. Y. Chamber who live with these problems and from time to time rejoice in the port's progress will, I know, be as determined as ever, that this port will continue to be the nation's pre-eminent gateway. And the exports and imports that pass through the gateway of the Port of New York, our exchange of goods and services with other nations, will continue to be a measure of the nation's economic and military strength and of the strength of the Western World.

With Carr & Thompson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Sherman Rossiter has become connected with Carr & Thompson, Inc., 31 Milk Street. He formerly with Adams, Mudge & Co.

With Lee Higginson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Gilbert J. Bouley is now connected with Lee Higginson Corporation, 50 Federal Street. He was formerly with Nelson S. Burbank Company.

Lister Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—Arthur W. Edwards, Sr. is now affiliated with Leward M. Lister & Co., 80 Federal Street.

With J. C. Flax Co.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass. — Harold J. Bill is now with J. Clayton Flax & Co., 1562 Main Street.

Continued from first page

Dire Consequences of More Currency Debasement

uation in one form or another, no matter what the monetary standard in use may have been. The main cause has been war, and the sudden and extreme shifts in economic activity and fiscal requirements which war commands. Lesser or secondary causes have been budgetary mismanagement, monetary mistakes, international imbalances, and mass speculative movements which made a virtue of easy spending and the accumulation of debt, and made thrift an attribute of saps and suckers.

Business Cycles

In the shorter run, however, the purchasing power of currencies has tended to fluctuate with the ups and downs of business, not as a cause but as an effect or as one part of a complex of intermingled cause and effect. And these price movements have been consistent with an uneven but progressive growth in real per capita income generated by increases in productivity.

Business fluctuations, and the short-run fluctuations in the purchasing power of the currency unit, were accepted in the past as natural phenomena, arising out of the vagaries of human nature and the imperfections of human foresight and planning. We were always expecting to do better as our knowledge of economic matters increased, so that we could exert greater control over our economic destiny by public and private means. But we didn't expect to abolish these fluctuations, and we didn't expect excesses and errors of judgment in the public or private domain to go unpunished.

While these older concepts ruled, Wesley Mitchell, who was one of our greatest students of the business cycle, could write a brilliant chapter in his pioneer work on this subject, suggesting the way in which prosperity breeds crises and depressions. He wrote of the slow accumulation of stresses in our dynamic economy as prosperity brought about a gradual rise in the cost of doing business, reflecting and reflected in a rise in prices of goods and services: of the continued use of less efficient plants, equipment and labor; of the increased business tolerance of waste; and of the developing tension or tightness in the money and capital markets.

Eventually these stresses and strains reached the breaking point of the weaker members of the business structure, and their difficulties were communicated, both actually and psychologically, to the rest of the economy . . . wage earners were discharged, past savings were exhausted, consumer demand for end products declined, a decrease in business demand for raw materials followed, and a still more severe shrinkage in the aggregate demand for capital goods gave prosperity its mortal thrust.

Then, over time, the process was reversed. There were reductions in the cost of doing business, in prices and in wages; the efficiency of management and labor increased as profits and jobs were less readily come by; weak enterprises were weeded out: bad debts were charged off: depreciated properties were written down; accumulated stocks were reduced, loans were refunded at lower rates; profits finally began to rise and pessimism again gave way to optimism.

Controlling the Cycle

Now, we have some reason to believe that we can do a better job than this early summary of business cycle behavior would suggest. We have developed certain shock absorbers in our economy which, by placing the strain of periodic adjustments partly on the whole community instead of almost wholly on the affected industries, areas or individuals, have eased the strain of these adjustments and assisted in maintaining our forward momentum.

It may be that we have also developed a somewhat different attitude toward capital investment than that which prevailed in the past, although this is now going to be put to the test. In the past the uneven rate of new investment was a principal cause of economic fluctuations. Investment projects for the expansion of capacity and the utilization of new equipment and techniques showed a decided bunching tendency. In recent years, however, business men more and more appear to have had their sights fixed on the long-term growth of the economy rather than on the short-term swings. It has become more and more accepted that, to keep abreast of technical advances, to combat rising costs, to maintain a competitive position which will assure maximum participation in the expanding markets of the future, requires continuing research and a continuing high rate of capital investment. If this be so, concern about what may happen in the last quarter of 1957 or the first half of 1958 would dim but not obliterate the view of the years beyond.

The great mass of consumers, too, with high current income, with ready access to consumer credit (although it is not always wisely administered and used), with substantial liquid savings, and with knowledge of the provisions which have been made for temporary easing of individual economic distress, should not be so subject to fears and apprehensions as they have been in the past. Although consumer behavior is the least predictable of economic forces, and although the expansion of the range of consumer choice, whether to spend or save, is a hazard as well as a blessing, perhaps we may cautiously place some reliance on the insistent desire of our people for better living as a contribution to the avoidance of severe and extended economic adjustments.

Growth of Rigidities

The gains we have made, however, have not been without risk. The greatest of these risks, perhaps, is that we have and are increasing the rigidities within the economy to the point where it may not retain enough flexibility to make relatively small periodic adjustments; to make the almost continuous corrections which are an inseparable part of dynamic growth with reasonable stability. Partly as a result of our desire for individual security, and partly as a result of the trend of our economic and political development, we have increased the rigidities within the economic system, and may ultimately find that we can break but cannot bend.

Four of these rigidities are of particular importance, I think:

(1) The one-way flexibility of most wages and other "compensations" of labor, to some extent regardless of the productivity factor.

(2) The tendency of prices in some industries to accommodate too slowly to changes in demand and in production methods.

(3) So-called parity prices for certain agricultural products, which tend to withhold from the whole economy the benefits of technical advances in agriculture.

(4) The relatively high absolute level of taxation, and the heavy drain of taxation on national income.

Each of these four factors is an important element in costs and prices. As costs become rigid, and prices attempt to follow costs, necessary adjustments are impeded. Eventually that could threaten wider fluctuations in output and employment than we are willing to contemplate, or willing to suffer without rushing to try to shore up the weak spots before essential cost and price adjustments have been made.

Wrong Prescription

These are intractable problems. Their very intractability has led some to the fatalistic belief that inflation—continuing debasement of the currency — is inevitable, whether it be good or bad. It has led others to try to find some paste which would cover the cracks which these intractable problems may cause in the economic structure; to the elaboration of the theory that, on the whole, a little inflation is a salutary thing. Either way it is assumed that if continuous high level production and employment and stability of the purchasing power of the dollar appear to be incompatible, a divorce will be arranged and "full" employment will get the community property while stable currency will be given custody of the offspring.

Acceptance of such beliefs, of the inevitability of inflation, may be the right prescription for the more agile members of the community for awhile, but if we all become inflationists there will be no one to pay the piper, and the dance will be over. Everybody, or almost everybody is already trying directly or indirectly to hedge against inflation. Escalator clauses in labor contracts are one example. Variable life annuities to be issued by insurance companies are another. The remarkable growth of mutual funds which cater to small investors is a third. I have even read that in one foreign country, where admittedly inflation is in a more advanced stage than here, a form of bank deposit has been created which increases or decreases in amount as the purchasing power of the local currency fluctuates.

It is easy to see that if everybody could protect themselves from inflation by these or other devices, we would really have changed nothing by debasing the counters we use as money, except as our international position was compromised. The financially nimble and the organized power groups can disregard this possibility, only because it is likely that a considerable part of the population—the economically weak—never will be able to protect itself completely from the hazards of inflation. This would not seem to be the kind of a situation which we want or which can be embraced openly and officially and wisely by either political or economic leaders.

An Unproved Assumption

More insidious in our economic climate, which I do not think lends itself readily to run-away inflation, is the idea that a little bit of inflation—a decline in the purchasing power of the dollar of say 2 or 3% a year—is a sort of economic tranquilizer which we can take regularly without harm. Or maybe I should compare it with the "divine mushroom" recently made famous by that avid reader of the "Daily Worker" and Vice-President of J. P. Morgan & Co., Gordon Wasson: a mushroom, which, when eaten, produces an almost godly state of well being.

The assumption here is, of course, that without more or less continuous homeopathic doses of inflation we can't have more or less continuous high level production and employment, which is now the main guide of economic policy. This is an assumption which is yet to be proved. I would not want monetary policy to embrace creeping inflation in order to attempt the proof. I would not want monetary policy debauched by using it to try to cover up the defects of other parts of our economic program. Those who seek to promote maximum production and employment by creeping inflation, induced or aided by credit policy, are trying to correct structural maladjustments by debasing the savings of the people and undermining the system of democratic capitalism which we have done so much to develop.

If their advocacy of this course is motivated by concern for the wage earner, the small business man and the "little fellow," they should explain to the holders of savings bonds, saving deposits, building and loan shares, life insurance policies, pension rights and social security privileges, just why and how a rise in prices of, say, 3% compounded annually is a small price to pay for an unsecured promise of high level production and employment. It sounds like swapping a pleasant few years in youth for a long, dreary period of old age.

State of Long-Term Contracts

Above and beyond this debatable swap, is the question of what eventually will happen to our system of long-term contracts, on which so much of our economic activity depends, if it is to be decreed in advance that repayment of long-term debt will surely be in badly depreciated coin. Maybe that is the way it has worked out, at times in the past, but I don't think we can or should make it official. We had better try to improve our performance under the present system or devise a new system.

These are reasons why I would not want our monetary authorities to accept the questionable dictum that high level production and employment, and reasonable stability of the purchasing power of the dollar, are incompatible and that, therefore, the purchasing power of the dollar must be progressively reduced in order to keep our economy in an upward trend. The evils of inflation are too serious, as experience here and abroad has borne witness time and again, to counsel embracing progressive debasement of the currency as an economic way of life. To fail to deny ourselves the stimulation of an increased use of credit, when more credit will no longer stimulate increased production, but will dissipate itself in higher prices, would promote unhealthy speculation and accentuate the basic causes of instability in our economy.

Having said all this, I would not be frank if I did not admit that the odds still appear to be in favor of inflation—in favor of debasement of the currency—over time. For the moment the danger may have diminished. The next several months present themselves as a period of uncertainty in our economic affairs. It is fairly clear that we are not now straining the seams of our economic britches as we were, say a year ago, and that some indigo has washed into the rosy expectations of what the last quarter of this year and the first half of next year may bring forth.

In the longer run, however, the rigidities which we have introduced into our economy, and the attitudes which we have developed toward production, employment and stability of the currency, have created or strengthened an inflationary bias, which has been further accentuated by the difficulties of controlling the Federal budget, and taxation at all levels, in this era of uneasy peace or suppressed war.

Advises Monetary Authorities

This is no reason for the monetary authorities to relax their efforts to protect the purchasing power of the dollar, and to gear the availability of credit to the productive needs of the economy. Quite the reverse. But it does emphasize the need on the part of all of us for a fuller and broader understanding of how our economy operates, and of how our financial institutions and practices fit into their present environment. Monetary policy cannot save us from ourselves, and probably will not be permitted to try to do so indefinitely.

We need the information, the facts if they can be ascertained, which will enable us to make a fundamental choice. We can plump for an economy which we try to prop up with perpetual inflation. That may well keep us going at a high level of production and employment for some time. But in my view, that choice would lead us to economic precipice and an eventual crash; a crash that might jeopardize not only our standard of living but our political institutions. The other choice is that of an economy which emphasizes increased productivity, accepting some related ups and downs with concern but without dismay, and which fits into place those economic and social improvements which the rate of growth in productivity permits. It is an economy which provides great incentives, and which asks value received from management and labor, from farmer and industrial worker; it is a competitive economy which implies a certain degree of difficulty in making a profit or holding a job.

To fulfill the potentialities of this better choice, we shall have to struggle with intractable problems, such as those I have mentioned, and with all of the various causes of instability in our economic life. This prescription may seem complex and extremely difficult. It is. But I am afraid that we can make real and sustained progress in no other way.

Certainly we should not abandon the dollar to continuous erosion, in default or more strenuous efforts, better to direct our economic destiny. Despite my admission that I think that the odds are in favor of inflation, over time, I have not given up hope that we shall make the effort necessary to change the odds.

This is a Good Time

This would be a good time to start. If the present wave of capital expenditures has passed its crest, as seems likely, and if the plants we have been building and the new equipment we have been installing are yet to reach their maximum production of civilian goods, as must be so, the bases for further increases in productivity and a more competitive economy have been laid. It will be a propitious time for us to try to reverse the trend toward economic rigidity. And it will be a propitious time for us to begin to do a better job of dividing up the rewards of our performance, so that the consumer—that is all of us—will get a break, and so that strategically placed power groups will not be able to preempt all, or too large a part, of what should be a community dividend.

The monetary authorities would still have an important job to do, of course, in this "better world of tomorrow." Let me add a word, therefore, concerning a step which recommends itself particularly to me because of my past associations. It is a step in the general direction of seeking a better outcome of our economic efforts through a better understanding of our economic environment and processes. I am an unabashed advocate of an intensive study to explore and explain the ways in which our public and private financial institutions can make their best contribution to the achievement of the economic and social objectives of our society, followed by action to equip these institutions better to perform their tasks.

This will not be accomplished, or accomplished only poorly, by exposing officials of government charged with responsibility for fiscal policies, debt management and credit control, to the heckling of a group of Senators seemingly more interested in discrediting the past actions of these officials, for political purposes, than in exploring the difficult questions which are the heart of the problem and which must determine our future course. It will not be accomplished by setting up an informal high command, composed of officials of government already heavily burdened with the duties of their offices, and somewhat circumscribed by the responsibility of office in their informal discussions of overlapping problems, although this could be a move toward better administrative procedure and inter-agency coordination.

Objective Study

The job to be done, as I see it, initially should have the undivided attention of a board of inquiry selected solely for this purpose. The first step would be a broad survey of the whole financial terrain by such a board, made up of competent, objective citizens, divorced from partisan public and special private interests, and shielded as far as possible from the pressures and noise of what may be current controversy. This would not only serve to illuminate some dark corners for the executive and the Congress; it would also be a part of the educational process which could create the breadth of public understanding and acceptance which will be necessary if changes of magnitude and range in our financial institutions and practices prove to be desirable.

The second step would be the sifting of the reports and findings of this board or commission by the executive and legislative branches of the government, and the consideration of possible legislation by the appropriate committees of the Congress.

The third step would be action by the Congress on whatever proposals grow out of this study and sifting. The final responsibility, of course, would rest with the Congress, although supplemental action by organized private groups might also be necessary or desirable. There is no real question of prerogatives or jurisdiction here. The real question is how best to get the job done in the public interest.

I have made these statements before. I do not apologize for repeating them now. Continued debasement of the currency, as an acceptable and accepted policy is a calculated debauchery of our economic life, but it is what we are likely to get, eventually, if we do not attack the problem of the powers and limitations of the monetary authorities with more force and wider purpose than we have been able to muster since the passage of the Federal Reserve Act in 1913. In the words of Woodrow Wilson, in whose administration that Act was passed, the problem should be attacked "in the spirit of those who question their own wisdom and seek counsel and knowledge, not shallow self satisfaction or the excitement of excursions whither they cannot tell."

Max Angstreich Opens

Max Angstreich is engaging in a securities business from offices at 60 John Street, New York City. He was previously with First Investors Corporation.

With Courts Co.

(Special to The Financial Chronicle)

ROME, Ga.—Harold F. Hunter Jr. is now with Courts & Co., 213 East First Street.

Continued from page 4

The State of Trade and Industry

from the September figure of $44,690,851 and was less than half the 1956 volume of $72,251,619.

In the automotive industry the past week "Ward's Automotive Reports" noted that although currently turning out vehicles at the fastest rate of the year, United States assembly plants are expected to fall 5% short of car and truck schedules for the month of November.

Continuing, it stated that original programs of 615,000 cars and 95,000 trucks will not be fulfilled, since estimates have been adjusted downward to 585,000 cars and 90,000 trucks.

Encountering the most troublesome production snags, said "Ward's," are Ford Motor Company, Chrysler Corporation and Studebaker-Packard. General Motors and American Motors were reported as "right on target."

Ford's Louisville, Ky., assembly plant has been idled by a strike since Nov. 5, it pointed out, while Mercury's Metuchen, N. J. factory was down earlier this month. Chrysler's Los Angeles plant was closed briefly this month because of a strike, while its Detroit shops have been threatened with closedowns since mid-month. Up to 1,100 workers faced layoffs in a Studebaker cutback.

"Ward's" added that all Chrysler, American Motors and Studebaker plants scheduled five work days the past week. Adding Saturday to their programs are 12 of 15 Ford Division plants, all but one of Chevrolet's 11 assembly sites, Pontiac's Michigan unit, Cadillac in Detroit and several Buick-Oldsmobile-Pontiac points throughout the nation.

Planned last week were 153,917 cars and 23,373 trucks, making gains of 8% and 3%, respectively, over the preceding week's totals of 141,902 cars and 22,666 trucks. Output in the corresponding week last year was 118,949 cars and 17,296 trucks.

The present week's Thanksgiving Day holiday will reduce production by almost 20%, "Ward's" declared, even though some plants will resume operations on Friday.

New business incorporations rose to 11,251 in October, Dun & Bradstreet, Inc., reported. Although this was up 6.9% above the 10,526 for the previous month, it was 2.6% below the 11,546 for October 1956.

The number of new company formations for the first 10 months of 1957 was 116,852. This was 2.8% less than the 120,238 new firms listed last year and a drop of 0.9% from the 117,955 concerns chartered in the comparable period two years ago.

Steel Market Holds to a Narrow Trend in Latest Week

Automobile production is substantially ahead of what it was a year ago, but automotive buying has not increased enough to give strength to the steel market, "Steel" magazine stated on Monday of the current week.

On the whole, it observed, steel consumers are still cutting inventories, buying largely against needs in sight and requesting prompt shipments, which are readily available in all products except heavy plates and structurals.

Lowering of the Federal Reserve discount rate at several points is encouraging the hope that finished goods buying will be stimulated, which will expand forward demand for steel products, it added.

There is increasing evidence that consumption of finished steel is outstripping buying by a substantial margin. Indications are that consumption this year will set an all-time record at around 85,000,000 net tons. Shipments from the mills will not exceed 84,000,000 tons.

Mill shipments for the first three quarters of this year totaled 62,589,328 net tons, with construction rivaling the automotive industry as the top consumer.

Ordinarily, the automotive industry orders more steel than any other consumer and twice as much as the construction industry. In the first nine months of this year, the pattern shifted. Mill shipments of finished steel to the automotive industry came to 10,392,996 net tons. Construction took 9,637,526 tons, a record for the nine-month period. It has seldom used that much in previous 12-month periods.

The national steel ingot rate fell one point to 76.5% in the week ended Nov. 24, with the output at 1,960,000 net tons.

Scrap quotations appear to be leveling out after a long decline, according to "Steel" magazine with composite on No. 1 heavy melting steel last week remaining unchanged at $33.17 a gross ton. The market tone, however, continues soft with consumers disinterested in acquiring tonnage.

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 73.6% of capacity for the week beginning Nov. 25, 1957, equivalent to 1,884,000 tons of ingot and steel for castings, as compared with an actual rate of 76.0% of capacity, and 1,945,000 tons a week ago.

As a consequence of this expected drop in the steel output rate, steel operations may reach a 15 month low level.

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 79.7% and production 2,041,000 tons. A year ago the actual weekly production was placed at 2,489,000 tons or 101.1%.

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 Extends Its Advance of Previous Weeks

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 23, 1957, was estimated at 12,136,000,000 kwh., according to the Edison Electric Institute. Output the past week advanced for the fifth straight week.

The past week's output rose 183,000,000 kwh. above that of the previous week and advanced by 697,000,000 kwh., or 6.1% above that of the comparable 1956 week and 1,409,000,000 kwh. over the week ended Nov. 26, 1955.

Car Loadings Dipped 4.1% in Latest Week and Dropped 15.3% Below the 1956 Period

Loadings of revenue freight for the week ended Nov. 16, 1957, were 27,975 cars or 4.1% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Nov. 16, 1957, totaled 647,298 cars, a decrease of 116,600 cars, or 15.3% below the corresponding 1956 week and a decrease of 118,918 cars, or 15.5% below the corresponding week in 1955.

Passenger Car Output in Past Week Hit Fastest Rate During 1957

Passenger car production for the latest week ended Nov. 22, 1957, according to "Ward's Automotive Reports," was currently turning out vehicles at the fastest rate of the year.

Last week's car output totaled 153,917 units and compared with 141,902 (revised) in the previous week. The past week's production total of cars and trucks amounted to 117,290 units, or an increase of 12,722 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 12,015 cars, while truck output advanced by 707 vehicles during the week. In the corresponding week last year 118,949 cars and 17,296 trucks were assembled.

Last week the agency reported there were 23,373 trucks made in the United States. This compared with 22,666 in the previous week and 17,296 a year ago.

Canadian output last week was placed at 7,435 cars and 1,516 trucks. In the previous week Dominion plants built 7,419 cars and 1,395 trucks and for the comparable 1956 week 8,575 cars and 2,171 trucks.

Lumber Shipments 6.1% Below Output in Week Ended Nov. 16th

Lumber shipments of 479 reporting mills in the week ended Nov. 16, 1957, were 6.1% below production, according to the National Lumber Trade Barometer. In the same period, new orders were 8.7% below production. Unfilled orders amounted to 26% of stocks. Production was 1.4% above; shipments 3.7% below and new orders were 3.4% below the previous week and 3.4% below production for the like week of 1956.

Business Failures Rose the Past Week and Were 49% Above Similar Period in 1956

Commercial and industrial failures edged to 308 in the week ended Nov. 21 from 306 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were up sharply, 49%, from the 207 in the comparable week a year ago and from the 205 in 1955. Also, more concerns succumbed than in prewar 1939 when 252 were recorded in the similar week.

Failures involving liabilities of $5,000 or more increased slightly to 274 from 269 in the previous week, and exceeded considerably the 192 of this size last year. While small casualties with liabilities under $5,000, dipped to 34 from 37, they remained well above their total of 15 in the similar week of 1956. Liabilities in excess of $100,000 were incurred by 32 of the week's failures as compared with 27 in the preceding week.

Retail casualties remained unchanged at 149, while manufacturing rose slightly to 58 from 54 a week ago and wholesaling edged to 30 from 26. In contrast, mild declines brought the construction total down to 49 from 51 and commercial service to 22 from 26. More businesses failed than last year in all industry and trade groups. The smallest rise from 1956 occurred in construction, whereas casualties among retailers and wholesalers were half again as numerous as a year ago.

Five of the nine major geographic regions reported slight increases during the week. In the East North Central States, failures edged to 47 from 43, in the South Atlantic to 29 from 25 and in the West South Central to 26 from 24. Meanwhile, casualties dipped a little in four regions, including the Middle Atlantic States, off to 87 from 92 and in the Pacific States, down to 82 from 83. Failures exceeded 1956 levels in all regions except the East South Central and Mountain States. The most noticeable year-to-year uptrends centered in the South Atlantic, West South Central and Pacific Regions.

Wholesale Food Price Index Last Week Registered a Gain of 3.0% Above Like Period in 1956

After rising for four successive weeks (from $6.11 on Oct. 15 to $6.29 on Nov. 12), the wholesale food price index, compiled by Dun & Bradstreet, Inc., turned slightly lower the past week to stand at $6.28 on Nov. 19. This compares with $6.10 on the corresponding date a year ago, or an increase of 3.0%.

Higher in wholesale cost during the week were corn, rye, oats, bellies, cottonseed oil, cocoa, currants and hogs. Lower in price were flour, wheat, hams, lard, butter, eggs, potatoes, steers and lambs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Level Showed Moderate Gains in Latest Week

The general commodity price level, as measured by the Dun & Bradstreet daily wholesale commodity price index, advanced moderately last week from the recent two-year low, aided by higher prices for livestock, corn, cocoa, coffee, cotton and steel scrap. The index registered 277.33 on Nov. 18, as compared with 276.51 on Nov. 12 and the two-year low of 275.69 on Nov. 8. At this time last year it stood at 297.69.

Grain markets were irregular with most grains showing slight losses for the week. Wheat strengthened early on reports of substantial flour sales and some export business, but declined later under the bearish influence of the high surplus of grain stocks. Oats prices held within narrow limits with trading moderate. The barley market was inactive with prices off slightly for the week. Corn quotations finished higher, reflecting improved de-

Continued on page 32

Continued from page 31

The State of Trade and Industry

mand resulting from wet weather, limited country offerings and strength in the cash markets. Soybeans reversed the recent uptrend and declined steadily despite sharply reduced carlot marketings and primary receipts.

The flour market was quiet and prices worked slightly downward as buyers remained cautious and continued to display resistance to bookings beyond necessary commitments for immediate and nearby. Many buyers were said to be holding sufficient balances to carry to the end of the year and beyond.

Domestic and export demand for rice remained excellent. Offerings were limited as many growers showed a disposition to hold back shipments in hopes of realizing better prices later. The rice harvest was reported about completed in the main belt. Quality and mill yield of late harvested rice in Texas, Louisiana and Arkansas was said to be poor due to unfavorable weather.

Activity in the spot coffee market during the week was largely based on the unfavorable stock position of the roasters. In the cocoa market, prices moved steadily forward except for a sharp technical reaction last Thursday. The market continued to be influenced by reports of light crops in Africa. The spot Accra grade rose sharply to 44.1 cents a pound, the highest level since early in 1955. Warehouse stocks of cocoa at New York totaled 172,886 bags, down from 194,051 a week ago and 323,239 bags on the corresponding date a year ago.

Cottonseed oil advanced sharply in price during the week, with trading influenced by unfavorable weather in the cotton and soybean belts. On the other hand, lard quotations registered a sharp decline for the period. Hog prices were steady to strong. Swine receipts two weeks ago were the second largest since January, but this was balanced by broad demand from all interests and by a sharp rise in prices of some fresh pork cuts. Slaughter steer prices held fairly steady as receipts rose slightly above the preceding week.

In fairly active trading, cotton prices continued to move upward to establish new highs for the season. The rise was attributed mainly to reports of further unfavorable weather over large portions of the belt, indicating further deterioration in quality and yield and growing concern over availability of desired grades of white cotton. The cotton gray goods market developed a firmer price trend as the result of higher raw cotton costs. Substantial business was reported placed for deliveries extending through the second quarter of next year.

Trade Volume in Latest Week Declined Somewhat Below Level of Like Period in 1956

Following two weeks of increasing volume, retail trade the past week slackened and fell somewhat below that of a year ago. There were moderate declines in sales of apparel and major appliances, while volume in furniture and floor coverings was close to that of a week earlier. Spot reports indicate that purchases of new passenger cars rose again and dealer inventories were slightly reduced.

The total dollar volume of retail trade in the period ended on Wednesday of last week was from 4% below to unchanged from a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: East North Central, West North Central, West South Central and Mountain States —3 to +1%; Middle Atlantic, South Atlantic and East South Central —4 to 0; Pacific Coast —6 to —2 and New England States —7 to —3%.

Apparel retailers reported moderate declines from both the prior week and a year ago in the buying of women's sportwear, coats and suits, but interest in fashion accessories, millinery and shoes was steady. Warm weather discouraged purchases of men's topcoats and suits, while the call for furnishings rose fractionally. Over-all volume in men's apparel was slightly below a year ago.

Although the call for automatic dishwashers, refrigerators and television sets fell moderately, the buying of lamps, lighting fixtures and housewares improved. Volume in upholstered furniture, bedding and case goods was unchanged from a week earlier. A slight decline in interest in draperies and linens occurred.

There was a slight gain in food buying last week as shoppers anticipated the forthcoming Thanksgiving holiday. Interest centered primarily on canned goods, frozen foods and some dairy products. Sales of fresh produce, fresh meat and poultry were sustained at a high level.

Activity in the major textile markets was sluggish again last week. Except for some scattered orders for print cloths, transactions in cotton gray goods lagged. Bookings in woolens, worsteds and carpet wool fell below those of the preceding week. Dyeing and finishing plants in New England reported no improvement in new orders.

While buyers stepped up their purchases of fresh meat and eggs during the week, interest in poultry, butter and cheese sagged. Moderate gains were reported in the buying of baked goods, frozen foods and canned goods.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 16, 1957 declined 5% from the like period last year. In the preceding week, Nov. 9, 1957 a decrease of 1% was reported. For the four weeks ended Nov. 16, 1957 a decline of 2% was reported. For the period Jan. 1, 1957 to Nov. 16, 1957 an increase of 1% was registered above that of 1956.

Retail trade sales volume in New York City last week advanced about 10% above volume of the comparable but shorter period a year ago, trade observers estimated.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 16, 1957 decreased 1% below that of the like period last year. In the preceding week, Nov. 9, 1957 an increase of 1% was reported. For the four weeks ending Nov. 16, 1957 an increase of 2% was registered. For the period of Jan. 1, 1957 to Nov. 16, 1957 the index registered an increase of 2% above that of the corresponding period of 1956.

CED to Conduct Independent Monetary Inquiry

With the assistance of an initial Ford Foundation $500,000 grant, CED creates committee to select 9 to 18 man commission to conduct a three-year full inquiry into our monetary and credit policies. Commission said to be, when appointed, independent of CED, Ford Foundation and the Government.

A national Commission on Money and Credit to conduct a broad three-year inquiry into the public and private monetary and credit policies of the United States, was announced Nov. 21 by the Committee for Economic Development (CED). It was emphasized that this will be a non-governmental commission.

The announcement was made at the 15th Anniversary meeting of the CED Board of Trustees by its Chairman, Donald K. David. He said that CED, a non-partisan organization of 150 businessmen and educators, had been given an initial grant of $500,000 by The Ford Foundation to finance the commission.

Membership on the 9- to 18-man commission will be determined without consideration of politics to assure objectivity in the body's findings and recommendations, Mr. David stated.

It will be the first full-scale inquiry into monetary policies since the Aldrich Committee of Congress began its 3-year study in 1908.

A distinguished group of economists from the nation's leading universities and research organizations will assist the commission to explore ways in which the functioning of public and private banking and non-banking credit institutions can make a greater contribution to the country's economic well-being.

Mr. David said that CED would organize the commission to assure its independence and perform administrative functions for the commission.

Stresses Independence

Mr. David, who is a former Dean of the Harvard Graduate School of Business Administration, emphasized that the commission will do its work independently of CED, The Ford Foundation, or the Government.

Members of the commission will be selected from the ranks of business, labor, agriculture, education, and from the fields of research and administration by a special Selection Committee comprising heads of educational, research and philanthropic organizations.

Mr. David announced membership of the Selection Committee as follows: Arthur F. Burns, President, National Bureau of Economic Research; Robert D. Calkins, President, The Brookings Institution; Everett Needham Case, President, Colgate University; Charles W. Cole, President, Amherst College; Morris A. Copeland, Professor of Economics, Cornell University; August Heckscher, director, The Twentieth Century Fund; Pendleton Herring, President, Social Science Research Council; J. E. Wallace Sterling, President, Stanford University; H. Christian Sonne, Chairman, National Planning Association; and Herman Wells, President, Indiana University.

Creation of the commission, which was first suggested by CED in a national policy statement published in December 1948, was endorsed by the CED board of Trustees at today's 15th Anniversary meeting. They also adopted by-laws designed to assure that the commission's research will be "thoroughly objective in character" and will be done "from the standpoint of the general welfare and not from that of any special political or economic group." The by-laws are based on those of CED's Research and Policy Committee, which has been widely commended for its objective analyses of economic problems.

Mr. David stressed that the commission's major purpose would be to provide a broad, factual and analytical basis to assist Congressional and other committees and agencies which have the primary responsibility for monetary policy and legislation.

Aimed at no specific legislation, the commission is not expected to issue its final report for three years. It may, however, issue interim reports, and publish research studies by economic experts and staff research memoranda.

The commission, independently of CED, will appoint its own research director and research staff.

Continued from page 10

The Future of Natural Gas And Direct Industrial Sales

mately 233 trillion cubic feet, enough to supply the use in 1956 for 22 years. This fact, combined with the continued discoveries of large new reserves, assures we are going to be in business for a long, long time.

On the sales front the picture is equally bright. Natural gas is truly a premium fuel, particularly for space heating and for many industrial uses. In most areas, and particularly in the Midwest, the gas industry is selling the best fuel at the lowest price. This is the primary reason why there is a continually mounting demand for more and more gas for home heating.

In industry and commerce, gas is used extensively for heat processing to manufacture a wide variety of products and for preparing food for wholesale and retail consumption. Gas also is widely used for heating factories and commercial installations.

Indeed, the expansion in the industrial and commercial use of gas has exceeded the rate of the nation's business growth. In the past 10 years these gas sales have increased 250% while industrial activity has increased 50%.

An interesting new source of expanded sales has recently appeared. The air conditioning of buildings by gas is gaining recognition as a very promising way of filling in the summer valley in gas send-out.

Gas Air Conditioning

The sale of gas for air conditioning large buildings offers tremendous possibilities. Wherever steam costs are reasonable — as they are for gas-generated steam in many areas — absorption air conditioning equipment is economical to install and operate. This type of system can be used in any commercial and industrial building to provide summer cooling where steam is used for winter heating. Many air conditioning installations of this type have already been installed in southern cities. In some of these, the summer gas sales nearly equal winter sales.

I advert elsewhere to the importance of the interruptible industrial gas sale, where properly used, in providing benefits to the pipe line, the local gas distributor and the consumer alike. A factor here, or course, is the availability of efficient and reliable standby facilities installed and maintained by the customer. In many instances, these take the form of L.P. gas storage and burning facilities.

Under our present economic set up there is every reason to expect that the gap between the low cost of gas and the higher cost of other fuels will continue to widen. And the demand for gas will continue to grow. The American Gas Association confidently forecasts great increases in all aspects of our service. You are familiar with the tremendous growth — actual and potential—of our industry and I will not labor the matter with statistics.

Improved Public Relations

There is one more aspect of our business that I would like to comment upon in closing. That is public relations. So dependent as we are upon public opinion in getting necessary rate increases and other important authorizations from public bodies, I am happy to note that in the field of public relations—as in the development of appliances—great progress has been made.

To illustrate I would like to recount an interesting item which has come to attention in the pages of "Consolidated Gas Company of New York, A History." The author reprints an article from the New York "Times" in *1884*. The title of the article is "Gas Gods." I quote:

"The plan of training small dogs to bite all persons apparently bent upon examining gas meters was originated in this city some years ago by an enterprising dog fancier. He made it his business to breed and train what he called 'gas dogs,' and was equally successful with rough-haired terriers, bull terriers and Spitz dogs.

"Excellent results have been attained by the use of gas dogs. An amiable Christian lady residing on Thirty-fifth Street, in this city, has no less than forty-three samples of trousers collected by her gas dog in the course of five years. There are now employed, either permanently or for three days in each month, fully five thousand gas dogs above the region of Bleecker Street, and we shall be safe in assuming that at least four thousand five hundred gas inspectors are bitten either in the legs or the trousers every month.

"It need hardly be said that gas dogs are wonderfully soothing to the householder's mind. There are householders who make it a point to remain at home all day on the day when the gas inspector is expected merely to enjoy the yell of the inspector when the gas dog's teeth go in his calf, or to listen to the inspector's language as a fresh hole is made in his trousers.

"Hundreds of our leading citizens, including clergymen and professional philanthropists, who own or employ gas dogs, have testified that they can now pay their gas bills with comparative equanimity, cheered by the recollections of the legs and trousers that the faithful dogs have sampled."

It must be a source of considerable satisfaction to know that customer relations have come such a long way since 1884.

But as we look back, let us also look forward, I personally see a most attractive vista.

Two With Baron, Black

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Ruth S. Stanley and Jordan L. Uttal have become associated with Baron, Black, Kolb and Lawrence Incorporated, 253 North Canon Drive. Mr. Uttal was previously with Daniel Reeves & Co.

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)	Dec. 1	§73.6	*76.0	79.7	101.1
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 1	§1,884,000	*1,945,000	2,041,000	2,489,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 15	6,831,020	6,796,220	6,746,750	7,164,750
Crude runs to stills—daily average (bbls.)	Nov. 15	†7,797,000	7,540,000	7,861,000	7,965,000
Gasoline output (bbls.)	Nov. 15	26,853,000	26,224,000	27,736,000	26,483,000
Kerosene output (bbls.)	Nov. 15	2,026,000	1,934,000	1,794,000	2,619,000
Distillate fuel oil output (bbls.)	Nov. 15	12,074,000	11,870,000	12,101,000	12,163,000
Residual fuel oil output (bbls.)	Nov. 15	8,218,000	7,151,000	7,513,000	7,891,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 15	182,178,000	180,805,000	179,263,000	172,739,000
Kerosene (bbls.) at	Nov. 15	33,503,000	34,177,000	35,012,000	35,978,000
Distillate fuel oil (bbls.) at	Nov. 15	171,511,000	173,963,000	173,785,000	160,460,000
Residual fuel oil (bbls.) at	Nov. 15	59,867,000	59,338,000	58,823,000	46,768,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 16	647,298	675,273	726,812	763,898
Revenue freight received from connections (no. of cars)	Nov. 16	570,575	586,246	600,672	650,204
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 21	$332,274,000	$372,988,000	$359,558,000	$357,600,000
Private construction	Nov. 21	165,063,000	152,699,000	213,612,000	249,851,000
Public construction	Nov. 21	167,211,000	220,289,000	145,946,000	107,749,000
State and municipal	Nov. 21	143,624,000	166,675,000	129,548,000	90,228,000
Federal	Nov. 21	23,587,000	53,614,000	16,398,000	17,521,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 16	9,120,000	9,400,000	9,830,000	10,327,000
Pennsylvania anthracite (tons)	Nov. 16	446,000	458,000	504,000	647,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 16	143	*135	129	151
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 23	12,136,000	11,953,000	11,787,000	11,439,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 21	308	306	281	207
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 19	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Nov. 19	$66.42	$66.42	$66.42	$63.04
Scrap steel (per gross ton)	Nov. 19	$32.67	$33.00	$35.33	$61.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 20	26.600c	26.475c	26.475c	35.700c
Export refinery at	Nov. 20	22.900c	23.975c	22.700c	34.250c
Lead (New York) at	Nov. 20	13.500c	13.500c	13.500c	16.000c
Lead (St. Louis) at	Nov. 20	13.300c	13.300c	13.300c	15.800c
‡Zinc (delivered) at	Nov. 20	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Nov. 20	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Nov. 20	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Nov. 20	89.125c	90.125c	91.750c	111.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Nov. 26	90.36	89.61	86.36	89.36
Average corporate	Nov. 26	89.23	88.95	89.23	97.16
Aaa	Nov. 26	95.77	94.86	94.26	100.65
Aa	Nov. 26	91.91	91.62	91.91	99.20
A	Nov. 26	88.95	88.95	89.23	97.16
Baa	Nov. 26	81.17	81.29	82.15	91.91
Railroad Group	Nov. 26	86.65	86.65	87.72	95.01
Public Utilities Group	Nov. 26	89.37	89.09	88.95	98.09
Industrials Group	Nov. 26	91.62	91.19	90.91	98.25
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S Government Bonds	Nov. 26	3.29	3.39	3.71	3.37
Average corporate	Nov. 26	4.47	4.49	4.47	3.93
Aaa	Nov. 26	4.02	4.08	4.12	3.71
Aa	Nov. 26	4.28	4.30	4.28	3.80
A	Nov. 26	4.49	4.49	4.47	3.93
Baa	Nov. 26	5.09	5.08	5.01	4.28
Railroad Group	Nov. 26	4.66	4.66	4.58	4.07
Public Utilities Group	Nov. 26	4.46	4.48	4.49	3.87
Industrials Group	Nov. 26	4.30	4.33	4.35	3.86
MOODY'S COMMODITY INDEX	Nov. 26	388.1	387.9	387.6	432.2
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 16	240,710	281,322	254,914	231,330
Production (tons)	Nov. 16	290,265	287,763	308,059	278,966
Percentage of activity	Nov. 16	94	94	98	94
Unfilled orders (tons) at end of period	Nov. 16	433,323	485,309	467,232	428,989
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 22	109.76	109.60	109.66	109.60
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 2	1,340,820	2,821,550	1,079,850	1,601,160
Short sales	Nov. 2	358,650	739,680	250,190	297,610
Other sales	Nov. 2	984,480	2,410,820	860,450	1,414,970
Total sales	Nov. 2	1,343,130	3,150,500	1,110,640	1,712,580
Other transactions initiated on the floor—					
Total purchases	Nov. 2	269,070	517,580	202,890	353,150
Short sales	Nov. 2	55,600	125,100	42,400	45,500
Other sales	Nov. 2	201,500	477,350	202,490	399,360
Total sales	Nov. 2	257,100	602,450	244,890	444,860
Other transactions initiated off the floor—					
Total purchases	Nov. 2	471,192	904,030	345,490	458,885
Short sales	Nov. 2	127,320	165,630	59,750	87,480
Other sales	Nov. 2	390,795	744,345	367,950	570,979
Total sales	Nov. 2	518,115	909,975	427,700	658,459
Total round-lot transactions for account of members—					
Total purchases	Nov. 2	2,081,082	4,243,160	1,628,230	2,413,195
Short sales	Nov. 2	541,570	1,030,410	352,340	430,590
Other sales	Nov. 2	1,576,775	3,632,515	1,430,890	2,385,309
Total sales	Nov. 2	2,118,345	4,662,925	1,783,230	2,815,899
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	Nov. 2	1,264,557	2,657,011	1,169,208	1,333,750
Dollar value	Nov. 2	$52,566,539	$110,724,130	$51,682,100	$70,848,894
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 2	851,266	1,645,299	771,129	904,997
Customers' short sales	Nov. 2	27,829	46,347	10,159	5,575
Customers' other sales	Nov. 2	823,437	1,598,952	760,970	899,422
Dollar value	Nov. 2	$36,366,778	$71,874,869	$34,748,451	$45,119,535
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 2	180,480	298,590	153,070	216,350
Short sales	Nov. 2				
Other sales	Nov. 2	180,480	298,590	153,070	216,350
Round-lot purchases by dealers—					
Number of shares	Nov. 2	591,780	1,298,350	545,380	640,970
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	Nov. 2	880,800	1,566,810	535,110	531,320
Other sales	Nov. 2	9,667,900	20,634,830	8,002,150	10,505,330
Total sales	Nov. 2	10,548,700	22,201,640	8,537,260	11,036,650
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Nov. 19	117.8	117.8	117.7	115.7
Farm products	Nov. 19	92.2	*91.8	91.7	87.6
Processed foods	Nov. 19	105.7	*106.3	105.6	103.1
Meats	Nov. 19	90.5	93.2	89.8	79.2
All commodities other than farm and foods	Nov. 19	125.6	125.6	125.6	124.0

*Revised figure. †Includes 1,012,000 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
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of October:			
Manufacturing number	214	182	193
Wholesale number	99	96	112
Retail number	544	535	584
Construction number	176	164	182
Commercial service number	89	94	82
Total number	1,122	1,071	1,158
Manufacturers' liabilities	$11,601,000	$13,901,000	$17,345,000
Wholesale liabilities	7,691,000	7,690,000	5,517,000
Retail liabilities	16,947,000	13,657,000	12,368,000
Construction liabilities	7,994,000	5,618,000	11,145,000
Commercial service liabilities	3,195,000	4,554,000	3,629,000
Total liabilities	$47,428,000	$45,420,000	$50,004,000
COTTON GINNING (DEPT. OF COMMERCE)—			
To Nov. 1 (running bales)	5,594,454	------	9,718,448
COTTON PRODUCTION — U. S. DEPT. OF AGRICULTURE—1957 crop as of Nov. 1:			
Production 500-lb. gross bales	11,738,000	------	13,309,827
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of October:			
Weekly earnings—			
All manufacturing	$82.16	$83.20	$82.21
Durable goods	88.36	*89.47	89.01
Nondurable goods	74.29	*75.21	72.63
Hours—			
All manufacturing	39.5	40.0	40.7
Durable goods	39.8	40.3	41.4
Nondurable goods	39.1	*39.6	39.7
Hourly earnings—			
All manufacturing	$2.08	$2.08	$2.02
Durable goods	2.22	*2.22	2.15
Nondurable goods	1.90	*1.90	1.83
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of Oct.:			
Seasonally adjusted	142	144	143
Unadjusted	147	*145	151
METAL PRICES (E. & M. J. QUOTATIONS)—October:			
Copper—			
Domestic refinery (per pound)	26.335c	26.435c	38.623c
Export refinery (per pound)	22.931c	23.926c	35.431c
††LONDON, prompt (per long ton)	£85.905	£193.935	£281.946
††Three months, London (per long ton)	£86.505	£197.256	£281.326
Lead—			
Common, New York (per pound)	13 692c	14.000c	16.000c
Common, East St. Louis (per pound)	13.492c	13.800c	15.800c
††Prompt, London (per long ton)	£85.905	£89.836	£115.457
††Three months, London (per long ton)	£86.505	£90.455	£113.712
Zinc (per pound)—East St. Louis	10.000c	10.000c	13.500c
§‡Zinc, Prime Western, delivered (per pound)	10 500c	10.500c	14.000c
††Zinc, London, prompt (per long ton)	£69.179	£73.086	£95.726
††Zinc, London, three months (per long ton)	£69.215	£73.372	£93.595
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.625c	90.602c	91.176c
Silver, London (per ounce)	78.739d	78.720d	79.935d
Sterling Exchange (check)	$2.79982	$2.78274	$2.78457
Tin, New York Straits	91.875c	93.385c	105.764c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$231.615	$244.750	$254.769
¶Antimony, New York boxed	36.590c	36.590c	36.470c
Antimony (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$84.000	$84.000	$104.000
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	28.100c	28.100c	27.100c
Aluminum, 99% grade primary pig	26.000c	26.000c	25.000c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of October	£50,280,000	£12,061,000	£51,033,000
RUBBER MANUFACTURERS ASSOCIATION, INC.—Month of September:			
Passenger Tires (Number of)—			
Shipments	6,564,375	8,626,747	5,758,068
Production	7,535,425	7,800,709	6,647,096
Inventory	16,310,462	15,348,234	14,468,133
Truck and Bus Tires (Number of)—			
Shipments	1,158,586	1,205,980	1,194,076
Production	1,105,175	1,116,750	1,152,968
Inventory	3,082,514	3,128,949	3,179,927
Tractor-Implement Tires (Number of)—			
Shipments	269,769	244,209	212,345
Production	251,135	246,099	197,425
Inventory	630,056	640,904	689,816
Passenger, Motorcycle, Truck and Bus Inner Tubes (Number of)—			
Shipments	3,483,330	3,682,817	2,777,050
Production	3,364,617	3,134,192	2,773,470
Inventory	6,173,745	5,965,804	6,056,035
Tread Rubber (Camelback)—			
Shipments (pounds)	39,009,000	44,456,000	35,948,000
Production (pounds)	40,430,000	41,055,000	37,433,000
Inventory (pounds)	27,190,000	25,115,000	27,705,000
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of September:			
Net sales	------	------	------
Net purchases	$10,330,300	$26,400,000	$8,437,350
U. S. GOVT. STATUTORY DEBT LIMITATION—as of Oct. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$278,000,000
Outstanding—			
Total gross public debt	274,067,350	274,411,983	275,282,774
Guaranteed obligations not owned by the Treasury	102,705	114,563	89,397
Total gross public debt and guaranteed obligations	$274,170,055	$274,526,547	$275,372,172
Deduct—other outstanding public debt obligations not subject to debt limitation	440,429	441,812	457,604
Grand total outstanding	$273,729,625	$274,084,734	$274,914,563
Balance face amount of obligations, issuable under above authority	1,270,374	915,265	3,085,432

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §‡Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average ...ly mean and bid and ask quotation at morning session of London Metal Exchange.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

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.

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. (12/9-13)**
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.

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. (12/3)**
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 Dec. 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 Jan. 2, 1958. **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.

★ **Brantly Helicopter Corp., Philadelphia, Pa.**
Nov. 25 (letter of notification) 21,818 shares of common stock (par 50 cents). **Price**—$13.75 per share. **Proceeds**—For equipment, supplies and working capital. **Offices**—24 Maplewood Ave., Philadelphia 44, Pa., and Frederick, Okla. **Underwriter**—None.

● **Brockton Edison Co. (11/29-12/2)**
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**—Kuhn, Loeb & Co., New York.

● **Brockton Edison Co. (12/10)**
Sept. 18 filed $3,000,000 first mortgage and collateral trust bonds due 1987. **Proceeds**—To repay bank loans and to acquire securities of Montaup Electric Co. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Stone & Webster Securities Corp.; Blair & Co. Incorporated. **Bids** — Expected to be received up to noon (EST) on Dec. 10 at 49 Federal St., Boston, Mass.

★ **Brooklyn Union Gas Co.**
Nov. 22 (letter of notification) 9,000 shares of common stock (par $10) to be offered for subscription by employees pursuant to Employee Stock Purchase Plan. **Price**—At market. **Proceeds**—None. **Office**—176 Remsen St., Brooklyn 1, N. Y. **Underwriter**—None.

★ **California Test Bureau, Los Angeles, Calif.**
Nov. 20 (letter of notification) 1,000 shares of class B common stock. **Price**—At par ($50 per share). **Proceeds**—For working capital. **Office** — c/o Ethel M. Clark, President, 7140 Mulholland Drive, Los Angeles 28, Calif. **Underwriter**—None.

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.

★ **Capital Cities Television Corp.**
Nov. 8 (letter of notification) 52,000 shares of common stock (par $1). **Price**—$5.75 per share. **Proceeds**—To retire a bank loan of $220,000 and for general corporate purposes. **Office**—North Greenbush, N. Y. **Underwriter**—Harold C. Shore & Co., New York.

● **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.

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.

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.

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. (12/11)**
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.

★ **Consolidated Water Power & Paper Co.**
Nov. 20 filed 100,000 shares of common stock to be offered under the company's Employees' Stock Option Plan.

● **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. Statement effective Nov. 19.

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.

★ **Dasco Mines Corp.**
Nov. 15 (letter of notification) 50,000 shares of capital stock. **Price** — At par ($1 per share). **Proceeds** — For mining expenses. **Office**—67 West 2nd St., Yuma, Ariz. **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.

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.

★ **Dogs of the World, Inc.**
Nov. 22 (letter of notification) 1,000 shares of class A common stock and 4,000 shares of class B common stock. **Price**—Both at par ($50 per share). **Proceeds**—For display and sale of dogs. **Office**—c/o Arthur P. Donahue, President, Owings Hill, Md. **Underwriter**—None.

★ **Dow Chemical Co.**
Nov. 25 filed 84,121 shares of common stock (par $5), issuable upon conversion of the $4,000,000 4% subordinated convertible debentures due June 1, 1980, originally issued by The Dobeckmun Co., the liability of which was assumed by Dow Chemical Co. as of Aug. 31, 1957. These debentures are held by three insurance companies.

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 Instruments, Inc., New York
Nov. 26 filed 150,000 shares of common stock (par $1), of which the company is selling 50,000 shares and 100,000 shares are being sold by present stockholders. **Price**—To be supplied by amendment. **Proceeds** — For new main plant construction, working capital and to retire short term indebtedness. **Underwriters**—Bear, Stearns & Co. and Paine, Webber, Jackson & Curtis, both of New York.

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.

★ Ex-Cell-O Corp., Detroit, Mich.
Nov. 25 filed 88,000 shares of common stock (par $3) to be offered in exchange for common stock of Bryant Chucking Grinder Co. of Springfield, Va., at rate of four-tenths of an Ex-Cell-O share for each full Bryant share. Offer will become effective upon acceptance by holders of not less than 209,000 shares (95%) of all common stock of Bryant outstanding. **Underwriter**—None.

★ Falcon Oil Co., Las Vegas, Nev.
Nov. 21 (letter of notification) 28,500 shares of class B common stock. **Price**—At par ($10 per share). **Proceeds**—For development of oil property. **Office** — 710 So. Fourth St., Las Vegas, Nev. **Underwriter**—Richard A. Steele, Manhattan Beach, Calif., President.

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.

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.

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.

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.

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.

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. (12/3)
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 being 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, which is conditioned upon its acceptance by holders of at least 85% of the 27,549 outstanding preferred shares, will expire on Dec. 20. **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. Statement effective Nov. 26.

Hartford Electric Light Co.
Oct. 8 filed $2,400,000 of 3% secured debentures, series A, due Aug. 1, 1961, 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.

★ Heppner (Philip), Inc., Boise, Idaho
Nov. 14 (letter of notification) $40,000 of two-year 8% unsecured promissory notes and 100 shares of class A common stock (par $100) to be offered in units of $400 of debentures and one share of stock. **Price**—$500 per unit. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

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.

★ Horlac Mines, Ltd.
Nov. 20 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay loan, to purchase equipment and machinery and for working capital. **Office**—1551-A Eglinton Ave. West, Toronto 10, Ont., Canada. **Underwriter**—D'Amico & Co., Inc., Buffalo, N. Y.

★ Hydra-Power Corp. (12/12)
Nov. 22 (letter of notification) 90,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To retire $100,000 of debentures and for general corporate purposes. **Office**—New Rochelle, N. Y. **Underwriters**—D. Gleich Co., Stanley Heller & Co., Aetna Securities Corp. and Michael G. Kletz & Co., Inc., all

Continued on page 36

NEW ISSUE CALENDAR

November 29 (Friday)

Brockton Edison Co.________Preferred
(Kuhn, Loeb & Co.) $3,000,000

December 2 (Monday)

Duraloy Co.________Common
(Mortimer B. Burnside & Co., Inc.) 69,000 shares

Gold Seal Dairy Products Corp.____Class A Common
(Amos Treat & Co., Inc.) 175,000 shares

Young (Donald W.) & Son, Inc.________Debentures
(Sherry Co.) $75,000

December 3 (Tuesday)

Artesian Water Co.________Class A common
(Offering to stockholders—underwritten by Laird, Bissell & Meeds) $102,120

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 [illegible] RR________Equip. Trust Ctfs.
(Bids noon EST) $3,435,000

Northern Natural Gas Co.________Debentures
(Blyth & Co., Inc.) $25,000,000

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)

American Israeli Paper Mills, Ltd.___Series B ord.
(Lee Higginson Corp.) $6,000,000

Chesapeake [illegible] Potomac Telephone Co. of Maryland________Debentures
([illegible] 11:30 a.m. EST) $30,000,000

Motel Co. of Roanoke, Inc.________Common
(Southeastern Securities Corp.) $300,000

Roach (H[illegible]uctions________Common
([illegible] Fuller & Co.) $1,125,000

December 10 (Tuesday)

Brockton Edison Co.________Bonds
(Bids noon EST) $3,000,000

Montreal (City of)________Debentures
(Bids to be invited) $18,000,000

December 11 (Wednesday)

Baltimore & Ohio RR.________Equip. Trust Ctfs.
(Bids to be invited) $3,435,000

Chicago & North Western Ry.____Equip. Trust Ctfs.
(Bids noon CST) $1,545,000

Commonwealth Oil Refining Co.________Debentures
(The First Boston Corp.) $20,000,000

Natural Gas Pipeline Co. of America________Bonds
(Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.) $40,000,000

Suburban Electric Co.________Bonds
(Bids 11 a.m. EST) $4,500,000

December 12 (Thursday)

Hydra-Power Corp.________Common
(D. Gleich Co.; Stanley Heller & Co.; Aetna Securities Corp.; Roman & Johnson; and Michael G. Kletz & Co.) $270,000

Permian Basin Pipeline Co.________Common
(Offering to stockholders—no underwriting) 826,500 shares

Southwestern States Telephone Co.________Preferred
(Dean Witter & Co.) $4,000,000

January 9, 1958 (Thursday)

Connecticut Light & Power Co.________Bonds
(Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co.) $30,000,000

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

Continued from page 35

of New York; and Roman & Johnson of Fort Lauderdale, Fla.

● 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. **Offering** — Temporarily suspended by SEC.

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.

★ Key Atomic Minerals Corp.
Nov. 13 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For mining expenses. **Office**—830 North Institute St., Colorado Springs, Colo. **Underwriter**—None.

★ Lance, Inc.
Nov. 14 (letter of notification) 1,648 shares of class A voting stock (par $5) and 2,472 shares of class B non-voting stock (par $5) to be offered to employees of the company under the provisions of the "Lance Employee Stock Plan." **Price** — $11.50 per share. **Proceeds** — For working capital. **Office**—1300 South Boulevard, Charlotte, N. C. **Underwriter**—None.

★ Lehigh Portland Cement Co.
Nov. 22 filed 20,000 shares of common stock (par $15) to be offered pursuant to company's Employees' Stock Participation Plan.

★ Libbey-Owens-Ford Glass Co., Toledo, Ohio
Nov. 22 filed 21,725 shares of common stock (par $10) to be offered to employees holding series M options granted pursuant to the company's Employee Stock Option Plan. **Price**—$79 per share.

★ Litecraft Industries Ltd., Passaic, N. J.
Nov. 22 filed $500,000 of 6½% sinking fund debentures due 1977 (with warrants attached) and 50,000 shares of common stock (par $1). **Price**—Of debentures, 100% and accrued interest; and of stock, $5 per share. **Proceeds**—To retire mortgage and other indebtedness; to purchase machinery; and for working capital. **Business**—Manufacture of incandescent and fluorescent lighting fixtures. **Underwriter**—P. W. Brooks & Co., Inc., New York.

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.

★ Mascot Film Productions
Nov. 18 (letter of notification) 125,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For production of films. **Office**—Room 202, 5339 Lankershim Blvd., North Hollywood, Calif. **Underwriter**—None.

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.

★ Medallion Pictures Corp.
Nov. 21 (letter of notification) 75,000 shares of common stock (par 10 cents). **Price**—At market. **Proceeds**—To five selling stockholders. **Office** — 200 West 57th St., New York. **Underwriter**—None.

★ Medical Illustrations, Inc.
Nov. 25 (letter of notification) 24,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds** — For equipment, supplies and working capital. **Office**—4912 Cordell Ave., Bethesda, Md. **Underwriter**—None.

★ Mercantile Acceptance Corp. of California
Nov. 18 (letter of notification) $65,000 of 6% 15-year debentures. **Price** — At par. **Proceeds** — For working capital. **Office** — 333 Montgomery St., San Francisco, Calif. **Underwriter** — Guardian Securities Corp., San Francisco, Calif.

★ Miller & Miller, Inc.
Nov. 14 (letter of notification) $166,000 of 8% convertible debentures, series A, and $83,000 of 8% debentures, series A, to be offered in units of $200 of convertible debentures and $100 of non-convertible debentures. **Price** — $300 per unit. **Proceeds** — For construction, equipment and for working capital. **Office**—136 Marietta St., N. W., Atlanta, Ga. **Underwriter**—None.

★ Mobile Credit Corp.
Nov. 19 (letter of notification) 5,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office**—11746 Appleton Ave., Detroit 39, Mich. **Underwriter**—None.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

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.

★ Motel Co. of Roanoke, Inc., Roanoke, Va. (12/9)
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

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 (12/11)
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 by subscription by minority 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.

★ Northern Natural Gas Co. (12/5)
Nov. 20 filed $25,000,000 of sinking fund debentures due Nov. 1, 1977. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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.

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. Statement effective Nov. 13.

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.

★ Pennsalt Chemicals Corp.
Oct. 21 (letter of notification) an undeterminable amount of shares of common stock (par $10) to be offered under an Employee Stock Purchase Plan. **Price**—At 95% of average price on the New York Stock Exchange between Aug. 1, 1957, through Oct. 31, 1957, or the closing price on the New York Stock Exchange Oct. 31, 1957, whichever is lower. **Proceeds**—None. **Address**—Three Penn Center Plaza. **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.

★ Permian Basin Pipeline Co., Omaha, Neb. (12/12)
Nov. 22 filed 826,500 shares of common stock (par $1) to be offered for subscription by common stockholders at rate of one new share for each two shares held of record Dec. 12, 1957. **Price**—To be supplied by amendment. **Proceeds**—Together with other funds, to repay advances from Northern Natural Gas Co., the parent, and for construction program. **Underwriter**—None.

★ Piasecki Aircraft Corp.
Oct. 18 (letter of notification) not to exceed 5,000 shares of common stock to be offered under Employees Stock Purchase Plan. **Price**—At market on American Stock Exchange. **Proceeds**—None. **Address**—Island Road, International Airport, Philadelphia 42, Pa. **Underwriter**—None.

★ Piasecki Aircraft Corp., Philadelphia, Pa.
Nov. 26 filed 100 participations in the company's Stock Participation Plan for Employees, together with 6,000 shares of common stock which may be purchased under the plan.

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 pur-

chase 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.

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 (12/9)**
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**—Gulver City, Calif. **Underwriter**—S. D. Fuller & Co., New York. Statement effective Nov. 14.

★ **Rocky Mountain Quarter Racing Association**
Oct. 31 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstnding indebtedness. **Office** — Littleton, Colo. **Underwriter**—R. B. Ford Co.

★ **Rohr Aircraft Corp.**
Nov. 21 filed 93,600 shares of common stock (par $1) to be issued under the company's Restricted Stock Option Plan for officers and key employees.

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. Statement effective Nov. 20.

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.

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 as of Nov. 26 1957; rights to expire on Dec. 13, 1957. **Price**—100% of principal amount. **Proceeds**—Together with funds from private sale of $1,500,000 5⅝% 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.

● **Southwestern States Telephone Co. (12/12-13)**
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.

★ **Sovereign Resources, Inc.**
Nov. 19 (letter of notification) 1,500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For construction, payment of promissory note and working capital. **Office**—3309 Winthrop St., Fort Worth, Tex. **Underwriter**—Reilly, Hoffman & Sweeney, Inc., New York, N. Y.

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.

★ **Thermoid Co., Trenton, N. J.**
Nov. 22 filed $840,000 of Memberships in company's Employees' Thrift Bonus Plan 1958 Trust, together with 100,000 shares of common stock (par $1) and 25,000 shares of $2.50 cumulative convertible preferred stock (par $50) which may be purchased under said plan.

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.

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 Merchants & Manufacturers, Inc.**
Nov. 21 filed $500,000 of interests in company's Employees Stock Purchase Plan for 1958, together with 75,000 shares of common stock for issuance pursuant to said plan, as well as 124,386 shares of common stock to be issued under the company's Executive Employees Restricted Stock Option Plan.

United States Coconut Fiber Corp.
Sept. 30 filed 735,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For expansion program and other corporate purposes. **Office**—Washington, D. C. **Underwriter** — Southeastern Securities Corp., New York.

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.

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.

★ **Vanadium-Alloys Steel Co., Latrobe, Pa.**
Oct. 23 (letter of notification) 4,366 shares of common stock (par $5) to be offered under an Employees Stock Purchase Plan at a price equivalent to the last sales price on the American Stock Exchange on a day preceding the acceptance for offer. **Proceeds**—To reimburse the issuer for the cost of acquisition of stock. **Underwriter**—None.

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**—To be received up to 11 a.m. (EST) on Dec. 3, at 43 Exchange Place, New York, N. Y.

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.

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.

Continued on page 38

Continued from page 37

★ Westford Independent Telephone Co.
Nov. 18 (letter of notification) 454 shares of cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds** — For the installation and moving of new dial equipment. **Office**—Williamsfield, Ohio, c/o Margaret Lahti. **Underwriter**—None.

★ White Eagle Oil Co.
Nov. 14 (letter of notification) a maximum of 3,200 shares of capital stock (par 10 cents). **Price**—Mean between N. Y. bid and ask on Nov. 15, 1957 (estimated at $6.81¼ per share). **Proceeds**—For working capital. **Office**—First National Bldg., Tulsa, Okla. **Underwriter**—None.

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**—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.
Nov. 25 it was announced that company expects to issue and sell $22,000,000 of first mortgage bonds next April or May. **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); White, Weld & Co.

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.

★ Chicago & North Western Ry. (12/11)
Bids will be received by the company at 400 West Madison St., Chicago 6, Ill., up to noon (CST) on Dec. 11 for the purchase from it of $1,545,000 equipment trust certiifcates to be dated Jan. 1, 1958 and to mature in 15 equal annual instalments. This constitutes the first instalment of an aggregate of not exceeding $3,690,000 of these certificates. 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. (1/9)
Nov. 25 it was reported company plans to sell $30,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass. **Registration**—Planned for Dec. 20.

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.

★ First National Bank & Trust Co., Steubenville, O.
Nov. 26 it was announced Bank is offering first to its stockholders the privilege of subscribing for 37,500 additional shares of common stock (par $10) on the basis of three new shares for each eight shares held. **Price**—$20 per share. **Proceeds** — To increase capital and surplus. **Underwriter**—The Ohio Company, Columbus, O.

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).

★ Multnomah Canadian Fund, Ltd.
Nov. 25 it was announced company has applied to SEC for permission to issue and sell in the United States its class A common shares, of which there are authorized 1,000,000 shares (par $1) and 10,000 shares outstanding. **Office**—Vancouver, B. C., Canada.

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. 25 the company announced the proposed issuance of 456,813 additional shares of common stock (par $10), to be offered late in January 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 December 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
Nov. 26 it was announced that bank is offering 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; rights will expire on Dec. 11. **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, Texas.

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.

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.

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 Haughton 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.

Our Reporter's Report

Investment bankers and their distributing groups found themselves in the enviable position of having their shelves just about bare of unsold new securities when the news of President Eisenhower's latest illness struck earlier this week.

A few weeks ago the situation would have been different, for prior to the action of the several Federal Reserve Regional Banks in reducing their rediscount rates, the market was dragging and a goodly portion of underwriting firms' capital was tied up in new debt securities that were not moving too readily.

In the interval, however, the nature of the investment market has undergone a far reaching change. The cut in the bank rate, while it did not of itself increase the volume of banking credit available, did signal a definite change in the Reserve's attitude toward the money market.

And investment interests were quick to take their cue. Whereas even a yield of 4.95% seemed insufficient to attract buyers prior to that time, institutional investors did a quick "retake" of the situation and came into the market to obtain yields prevailing while they were available which proved to be not for long.

More than one syndicate which must have considered terminating its agreement and letting their commitments seek their own level, suddenly found buyers rushing in to take the bonds off their hands.

Sign of the Times

The response which developed to the Treasury's latest new offerings gave a pretty good insight into the changed situation. That was especially true in the case of the new 17-year 3⅞% bonds.

Offered in the amount of $500 million, this part of the overall operation drew subscriptions of more than $3.8 billion or almost eight times the aforementioned total. Naturally this called for sharply scaled-down allotments with institutions classed as "savings" units being allotted 24% and non-savings investors 10%.

So it appears that in spite of constant efforts to eliminate "free-riding" in these operations, the best that can be hoped for is to hold it to a minimum. Certainly, the foregoing figures suggest plenty of "padding" was in order.

Flattening Out

The seasoned investment market, after its recent sharp reversal, appears to have exhausted immediate investor demand. At any rate there has been some easing or, perhaps flattening out is a better term.

While institutions are reluctant to buy and thus bid prices up against themselves, neither are they disposed to take the selling side. As a consequence the market has turned quite dull again.

Consensus seems to be that with the money managers having decided to adopt a somewhat more liberal attitude, the prospect is for lower investment yields in the months ahead. But a return to abnormally low yields is not viewed as in the cards.

Another Light Week

Precedent calls for the corporate new issue market to slow down perceptibly through the balance of the year. If for no other reason, it should be noted that, from here on, major institutional investors will be more interested in adjusting their positions against the year-end than in taking on new commitments.

So it is not surprising to find only two corporate offerings of consequence on tap for next week. On Tuesday Virginia Electric & Power Co. is slated to open bids on $20 million of new bonds. And on Thursday Northern Natural Gas Co. plans to sell, via negotiation, $25,000,000 debentures, while Wisconsin Public Service Corp., has $7,000,000 of bonds on the auction block for bids.

The following Monday, Chesapeake & Potomac Tel. of Maryland will sell $30 million of debentures and Commonwealth Oil Refining is due to market $20 million of debentures. The City of Montreal opens bids for $18 million of debentures the following day and except for a few smaller prospects that just about closes out the current year in the new issue market.

Mutual Funds

By ROBERT R. RICH

Boston Fund Sold Stocks; Bought Bonds Before Market Break

Boston Fund, one of the largest mutual funds in the country, reports that it reduced its common stockholdings substantially prior to the late summer and fall decline in the stock market.

The fund's report to shareholders for the quarter ended Oct. 31, 1957 states in part: "Over the past two years, as stock prices continued to move upward in spite of a leveling out of business profits in some areas, our fund has been a substantial seller of equity securities on balance. The net reduction in common stockholdings has amounted to something over $24,000,000, which has had the effect of reducing the portion of our account invested in common stocks from about 73% to approximately 58%.

"In addition, during this period, approximately $6,500,000 of common stocks were sold and replaced with other stock issues which appeared, in the light of the unfolding business situation, to be priced more realistically in relation to earnings prospects.

"During the early part of our selling program, the money which went into the defensive part of the account was held largely in short-term obligations or in convertible issues which seemed to hold unusual promise. As a result, even though an increasing interest rate pattern caused a fairly substantial decline in the general bond market, our backlog securities gave a very good account of themselves. During recent months, as the bond market appeared to be approaching an attractive level and the threat of further interest rate increases seemed to have been largely dissipated, longer-term bonds have been purchased at what we feel will prove in the years ahead to have been very attractive prices.

"It is equally important to note that the changes which have taken place have quite sizably increased the income account of the fund. Dividends declared so far during our fiscal year are above last year's and our current rate of earnings has improved even over that of the last quarter."

The report shows that of the fund's investments on Oct. 31, bonds represented 25.7%, preferred stocks 15.7% and common stocks 58.6%. Total net assets on that date were $135,428,585, amounting to $14.57 per share. Adjusting for the capital gains distribution of 81 cents per share last Feb. 28, this is equivalent to $15.38 per share compared with $16.07 on Oct. 31 of last year, when net assets were $142,742,567. During the 12 months the number of shares outstanding increased from 8,885,244 to 9,298,108.

The decrease of 69 cents per share after adjustment for the capital gains distribution amounts to 4.5%, reflecting lower securities prices in recent months. This compares with a decline of 9.9% for the Standard and Poor's 500 Stock Average over the same 12 months.

American Fund Net Income At New High

Net income of American Mutual Fund, Inc. reached a new high of $2,044,948 in the fiscal year ended Oct. 31, 1957, and total net assets increased to $63,768,099 from $58,652,651 at the beginning of the year, Jonathan B. Lovelace, President, stated in his annual report to shareholders. The report also revealed that the number of shareholders had increased to 23,506 from 15,957 at Oct. 31, 1956, and shares outstanding had increased to 8,921,330 from 6,857,155.

American Mutual's net investment income of $2,044,948 in the latest fiscal year was equivalent to 25.6 cents per share on the average number of shares outstanding (7,977,900) during the year, as compared with $1,447,337, equivalent to 26.5 cents per share on the average number of shares outstanding (5,466,983), for the previous year, Mr. Lovelace said. Net asset value for each share outstanding at Oct. 31, 1957 was $7.15 as compared with the per share figure of $8.55 on the smaller number of shares a year earlier. Capital gain distributions during the year aggregated 73 cents per share.

During the year ended Oct. 31, 1957 the fund increased its holdings of cash and short-term governments from a low of 7% of total assets following the market decline last February, to a high of 20% in July, according to the report. On the subsequent decline in stock prices, the fund purchased selected stock issues in substantial volume and ended the year with a 9% cash and governments position, as compared with 12% a year earlier.

According to Mr. Lovelace, it is the view of the fund's management that (1) common stock prices have now gone a long way towards discounting the adverse factors in the near-term outlook noted at the beginning of the year, (2) substantial progress has been made in the readjustments in the economy which are necessary to create a sound foundation for the resumption of the upward trend in business and stock prices, (3) many common stocks have become reasonably priced in relation to near-term earnings probabilities and quite attractive for the long term, and (4) other buying opportunities will be presented during the remaining period of readjustment. This view is reflected in the company's increased holdings of common stocks, in the selection of stocks owned, and in the proportion of cash and governments held at Oct. 31, 1957.

New names appearing in the portfolio during the fourth quarter included Bankers Trust, California Packing, Continental Insurance, Fibreboard Paper Products, Inland Steel, International Nickel, and Parke-Davis. Increases were also made in the fund's holdings of Anaconda, Armco Steel, Libbey-Owens-Ford, Reyonier, Richfield Oil, Royal Dutch Petroleum, and Westinghouse Electric.

Major sales during the period included elimination of holdings in Commonwealth Edison, Douglas Aircraft, St. Regis Paper, and South American Gold & Platinum; and reductions of holdings in Bethlehem Steel.

Mt. States Adds Two

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Everett R. Anderson and Arthur A. Anderson have become affiliated with Mountain States Securities Corporation, Denver Club Building.

Investors Urged To Review Tax Position Now

The importance of reviewing your tax position before year-end is highlighted in "How to Make Your Tax Advantages Count" published by National Securities & Research Corporation.

The investment company, which sponsors the National Securities Series of mutual funds, stresses the theme that a "few well chosen steps now may result in the saving of money which would otherwise be lost." The publication outlines of the significant role which gifts can play in tax planning and particularly the opportunities presented by gifts to minors. Also featured is a discussion of how the capital gains tax can favor the individual taxpayer. Other topics covered are the dividend exclusion and dividends received credit, short term trusts and the charitable remainder.

Puritan Fund Assets Gain

In quarter ended Oct. 31, 1957, Puritan Fund, Inc., a mutual fund with primary emphasis on income, reported 9.1% increase in total net assets of $31,174,950 as compared with $28,508,533 on Oct. 31, 1956. Both number of shares outstanding and shareholders reached new highs. Number of shares outstanding increased to 5,690,665 from 4,405,807 a year ago and number of shareholders increased to 14,600 from 11,900 in same period.

On Oct. 31, 1957, 28.5% of Puritan Fund, Inc., assets were invested in bonds and preferred stocks; 69.6% in common stocks; and 1.9% in cash and receivables. Five largest common stock holdings were: American Chicle, Colgate-Palmolive, Family Finance, Kelsey-Hayes, Seaboard Airline Railroad.

Dividend of nine cents per share from investment income was paid by the fund on Oct. 25, 1957. Same amount was paid a year ago. On Sept. 3, 1957, the fund also made a distribution of six cents per share from net capital gains realized in the fiscal year ended July 31, 1957.

Three With Smith, La Hue

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — Alfred C. Gruendemann, Roland W. Kranz and Francis E. Malia have joined the staff of Smith, La Hue & Co., Pioneer Building.

New Hentz Branch

MIAMI BEACH, Fla.—H. Hentz & Co. has opened a branch office at 740 Forty-first Street under the management of Benjamin K. Schwedel, with Willard Marchand as associate manager.

Sloan, Rodetsky Admit

JERSEY CITY, N. J.—Elizabeth B. Sloan will become a limited partner in Sloan, Rodetsky & Co., 26 Journal Square, members of the New York Stock Exchange, on Dec. 5.

Coughlin Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — F. Donald Dunn has been added to the staff of Coughlin & Company, Inc., Security Building, members of the Midwest Stock Exchange.

With Walter Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert W. Hughes is now with Walter & Company, First National Bank Building. He was formerly with Amos C. Sudler & Co.

Long Issues New Booklet

A new statistic-studded "Fact Book for Investment Men," issued by Hugh W. Long & Co., is one of the first major productions under the SEC's amended "Statement of Policy" regulations.

The book delves into all phases of the record of Fundamental Investors, Inc.

Prior to Nov. 5, 1957 when the new Statement of Policy went into effect, mutual funds were allowed to give complete investment results for only the latest ten years.

Fundamental's big "Fact Book" gives full disclosure of results during practically every period of the fund's history now permissible under the amended Statement of Policy.

The study shows results of an assumed investment of $10,000 in shares of Fundamental Investors for 38 different periods since the fund began operations in 1933. For instance, assuming all dividends were reinvested and capital gains distributions were taken in shares:

$10,000 invested Jan. 1, 1947 would have been worth $38,586 on Dec. 31, 1956.

$10,000 invested Jan. 1, 1942 would have been worth $106,668 on Dec. 31, 1956.

$10,000 invested Jan. 1, 1937 would have been worth $71,297 on Dec. 31, 1956.

Any shareholder who had invested $10,000 in Fundamental Investors 24 years ago, when the fund began operations on Jan. 3, 1933, reinvesting all income dividends and taking capital gain distributions in additional shares, could have cashed in his certificates on the second day of this year for $189,536.

The "Fact Book" shows results for every ten-year period in the history of the fund, side-by-side with reminders of the economic and historical background prevailing at the time. It also shows results in periods of various lengths, from 24 years to one year.

The figures throughout the book are impressive, as are those supplied by Long Company statisticians to the effect that a minimum of 18,326 separate calculations were required in the preparation of the tables included in Fundamental's "Fact Book."

Joins Goodbody Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Harry N. Barnes, Jr. is with Goodbody & Co., Penobscot Building.

McDonnell Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Fred N. Parker has become associated with McDonnell & Co., Buhl Building.

Continued from page 5

Observations . . .

peak still ahead? How shall you relatively rate the forces stimulating and, on the other hand, those retarding, effective inflation?

The Stimuli

In the first "pro" category, that is, furthering inflation, we might list the following:

(1) The modern acceptance of the mandate politically motivated, to preserve the nation's activity through full employment policy and government interventionism.

(2) Labor union strength with its impact on spiraling prices along with wage increases and fringe benefits; and pressure by other politically strong groups.

(3) Increasing segments of the population getting on the inflation escalator through subsidies and otherwise, and liking it. That is, liking it for themselves.

(4) The national defense needs; with the seemingly permanent Cold War and international crises—via Sputnik and otherwise.

(5) The pervasive popularity of, and exhilaration from, a rise in prices.

Antidotes to Inflation

Now for some of the antidotes. In the de-flationary, or at least anti-inflationary category, we can list the following:

(1) The nation's great productive capacity, especially in peacetime, with overproduction particularly recurrent in some industries, as textiles.

(2) Recognition of expansion as a process wholly distinct from inflation.

(3) Uncertainties regarding government guarantees of activity in the way of pump-priming; as to their speed as well as effectiveness.

(4) The uncertainty, historically demonstrated, of cause and effect between monetary expansion and a rise in prices.

(5) Income taxation.

Two Over-Riding Questions

Above such cross-currents, these two major question persistently stand out:

(1) Do the guarantees of present day government interventionism, active and potential, actually constitute a new era of one-way inflation?

(2) Does the $38 billion defense bill establish an unassailable bulwark? On the other hand, might it in some way—some time—disappear through disarmament agreements or otherwise; or perhaps merely constitute a prop insuring the present rate of activity without raising it?

Two-Way Street

Now for the historical record! In actual practice, the quantitative manifestations of inflation itself, as reflected in the price level, have never traveled a one-way street, over either the long or short term. Over the long term, as is shown on the accompanying chart, only the incidence of successive war periods have countered the downward pressure on the price level.

And those of us blandly taking for granted the constancy of inflation—of the "creeping" or other variety—should also realize that after the 1920 price peak that followed the First World War, it took 21 years, after 1920, and another World War until the price level reattained that peak from the intervening decline. In other words, not until 1946 did we get back up to the 1921 level. Some commodities, despite the long-term inflation, are still priced below 1920 and even below 1937-38.

Midst France's great inflation, too, there were many drastic intervening price falls, namely monetary appreciation in 1920-22 and in 1930 to 1933. Similarly even during Germany's inflationary holocaust after the First World War, there was a de-flationary 50% rise in the mark's gold value from 1920 to 1922.

Let us fully realize the danger of taking it for granted that the future will always look like the present. In the 1920's we were told that we would never have another depression. In the 1930's, on the other hand, we were told that the economy would never pull itself out of stagnation without government help. And now, in the 1950's, we are told that the wage-price spiral will never stop spinning and that inflation will go on forever. Curiously, each of the first two forecasts was articulated and expressed in its present form very near to the very moment that it was proved wrong, and the same fate very well could befall the third forecast, that is, the present inflation expectation. The truth of the matter is that our economy is always changing and that no trend can continue indefinitely. The danger lies not in a reversal but in the excesses of optimism or pessimism, which result from assuming that "this time there will be no reversal.

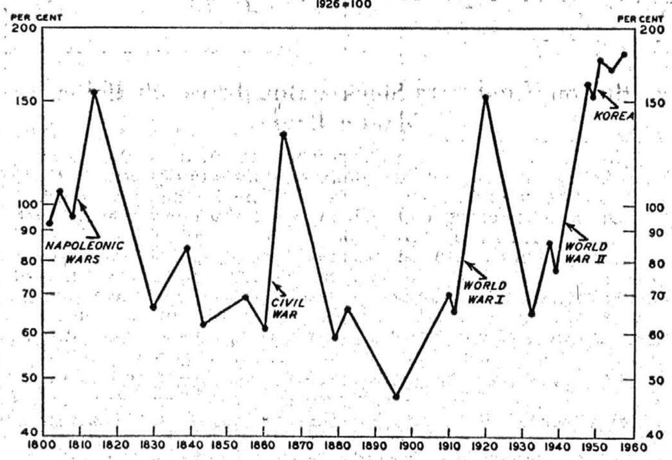
Inflation-Market Divergence

Compounding the investor's difficulties is the further unpredictability of stock price movements. The long worldwide record shows continued absence of correlation between the stock market and the general price level. In the First World War period, 1915 to 1920, in the United States the cost of living rose 107%, but industrial stocks at the same time were up by only 33%. Furthermore, there were *declines* in many stock groups; utilities down 30%, railroads 24%, lead and zinc issues 62%, and paper down 47%.

In France in 1948 and 1949, in contrast to the rise in the general price level, the stock market encountered 25% declines in each year.

The greatest stock market boom in our history, 1926-29, occurred midst stable to falling commodity prices. Conversely, in the U. S. from 1946 to 1949, while the price level was going up midst booming business, the Dow Jones Industrial Stock Average nevertheless declined by 15% net. In the interval from February 1946 to February 1951: on the one hand the cost of living rose 42%, but the Dow Jones Industrial Average rose merely 27%, and utilities gained only 7%. Thus, stocks again failed to serve as an adequate

WHOLESALE PRICES 1802–1957
B.L.S. ALL COMMODITIES
1926=100



inflation-hedge. On the other hand, from 1953-56 stocks doubled while the price level remained unchanged.

Overall Survey of the Market's Hedge Function

Now for more broad and timely evidence on stocks as inflation protection. The effectiveness of the stock market in providing an inflation hedge in various countries during the period surrounding the last hot and the continuing cold wars, up through September 1957, is shown in the accompanying tables.

From the record as thus demonstrated, we see that the rentier (that is, the bondholder) as usual fared worst, while the common stockholder usually gained some measure of protection in the inflation-riddled countries. (In France, moreover, the equity share afforded less protection than did land or gold. In Great Britain and the United States there was no useful flight in to any other medium.)

Additionally, the following conclusions are in order. First, there was great non-uniformity in the degree of inflation-offset provided by equities. Their inadequacy in the longer 1937-57 period was particularly marked in the Netherlands, United Kingdom, and Italy; while since 1948, in Spain, Australia and Chile, common stocks have likewise provided insufficient protection. In the Union of South Africa, moreover, while the cost of living was rising, gold mining share prices actually fell during both periods. Industrial share prices rose by only 21% from 1937-1957, and joined the gold issues with a decline of 44% in the 1948-1957 period.

Second, we note the importance of the particular period that is taken. We see this clearly in the record for the United States. It was not until the additional leg of the long bull market, with its price doubling starting in 1953, that the common share attained its full protection function. Before that latter period, as you see, it did not fulfill that hedge status.

Difficulty of Issue Selection

The difficulty of choosing the right particular issues also plagued the hedge-seeking stock buyer. During the First World War period of inflation in Europe, the wealthy capitalists sought protection through flight into common stocks backed by tangible assets, preferably in the form of physical goods. But the results showed great irregularity and proved their unpredictability. In Germany, for example, fire insurance and casualty companies in particular, as well as oil producers and textile issues, did well. But, unexpectedly—steel, shipbuilding, railroad, public utility, and bank issues fared badly.

* * * *

What Investor Policy Now?

In the light of the past record of performance and the prospects, what is the intelligent policy to be pursued by you, the investor? To the first of our initially posed specific questions, that is, how to choose between inflation-hedging and sound investment valuation: —fortunately, the valid rejoinder in this country presently is that no such mutually exclusive choice is necessary. There is no "either-or" problem; that is, of choosing between the real value and the inflation protection of an issue that is being considered. Even after the recent market rise, which has taken place in recent years, many stocks are still available at prices which are justified by the value standards which I spelled out in my previous lectures—wholly without taking into account the inflation threat. This contrasts with the situation confronting an investor in Britain and France, where dividend and earnings yields have been consistently lower than here. This is the consequence of the exaction of an inflation-hedging premium in those countries; while here you are getting the inflation hedge practically thrown in for nothing.

Hence in this country common stocks should never be held solely because of any inflation protection qualities. Inflation influences on business and the economy in general should be taken into account as merely one of many factors determining over-all portfolio policy and individual values.

The logical investor should now, and always, keep part of his capital in common stocks. These should be chosen according to value standards, and diversified among industries and companies to include issues supplying protection against both inflation as in the commodity stocks area, and also against deflation as in utility stocks, casualty insurance and gold-mining shares. Also, your assets should be basically diversified to include government bonds and perhaps other fixed interest securities as tax exempts. Remember, you will attain the maximum in meeting the inflation and deflation imponderables by diversifying among the various categories of investment, and also in the case of common stocks among individual issues as well as industry groups.

Continued from page 2

The Security I Like Best

gineering than aeronautical instruments.

Of the 100,000 shares authorized, approximately 85,000 are outstanding with management envisioning no further sale of stock at this time. Members of the Board of Directors control about 60,000 shares, leaving less than 25,000 shares in the hands of the public. There is no funded debt and no options, warrants or senior securities are outstanding.

Financing at this time is not anticipated, as the various licensees, per agreement, are required to underwrite any further developmental expenses. The opportunity for a profit squeeze is not present, as there are no manufacturing and only minor administrative costs to be borne.

Other licensees include Canadian Aviation Electronics and Arenco (subsidiary of the Swedish Match Co.). Arenco recently entered a Melchior instrument in a competition sponsored by the Swedish Government, with the result that this instrument is now the only Swedish Army atmospheric pressure measuring device which has met the unusually stringent specification. These specifications were submitted by Melchior Engineering and none of the other instruments entered by eight different nations approached the Melchior instrument in repeating accuracy.

The stock, at this writing, is quoted in Over-the-Counter Market at 6½-7½ and has had a range over the past two years of from 4¾ to 11. The market is extremely thin and the placing of market orders is not recommended.

Management consists of Frederick C. Melchoir, whose inventive genius has been responsible for the company's success to date. Mr. Melchoir has been associated with the fields of aviation instrumentation and engineering his entire adult life and is well aware of the potential problems which may befall a small business. Mr. Melchoir is a Major in the U. S. Air Force Reserve, and prior to World War II, was manager of the New York office of Junkers.

Melchoir Engineering is fortunate in having Lewis L. Clarke as Chairman of the Board. Mr. Clarke is a director of Shell Oil, Worthington Corp., American Locomotive and other concerns. Alfred C. Middlebrook, Vice-President of the East River Savings Bank, serves as a director, as does Roland C. Bergh of Republic Aviation.

The stated philosophy of management is long-term growth and diversification of product line. Monies received from royalties on one product will be applied to the development of other products and therefore, dividends will be of nominal nature. It might be noted that, Fred Melchoir, unlike many inventors, is only interested in developing products for which there is a current need and that will make money for his company.

In summation, I would like to make clear that this situation is speculative in the extreme and a commitment should be considered only by those willing and able to accept the risks inherent in such long-term endeavors. The rewards for taking this risk could be monumental.

With Coburn, Middlebrook

(Special to The Financial Chronicle)

WORCESTER, Mass. — Karl H. Volkhausen has joined the staff of Coburn & Middlebrook, Incorporated, 390 Main Street.

No Business Upturn in 4th Quarter Expected

Purchasing agents now report "*all* materials are in adequate supply" and that previous predictions regarding fourth-quarter business upturn have failed to materialize. They find production and new order positions remain at October level, inflation is slowing up, and expect wage increases in 1958 will be less than this year.

From the November reports of purchasing executives, who comprise the N.A.P.A. Business Survey Committee, whose Chairman is Chester F. Ogden, Vice-President, The Detroit Edison Company, Detroit, Michigan, it is evident that earlier predictions that fourth-quarter business might snap out of last Summer's doldrums so far have failed to materialize. Production and new order positions are practically unchanged from October. Production is better say 20%, while 29% report it is worse. New orders are reported as up by 24% and lower by 30%. For the first time since the beginning of World War II, purchasing executives state that *all* materials are in adequate supply.

Purchasing executives expect that the present slow-up in the inflation spiral will continue into 1958. In answer to our special question for this month, most believe that some wage increases will be granted in 1958. However, 71% predict that the amount will be less than in 1957, 27% think it will be the same, and only 2% believe bigger increases will be made.

Continued weaknesses in raw material markets dominate the commodity price picture. The prices of manufactured items are generally moving sidewise and, despite the fact that our members look for some increase in labor rates in 1958, there is little inclination on their part to buy now to avoid possible higher prices later.

Most purchasing executives are satisfied with their inventory levels, but a few are making further cuts. Committee members hasten to point out that the present adequate material supply situation makes inventory control easier and more accurate. As production schedules are revised, raw material inventories quickly follow suit.

Employment is again lower, with correspnding reductions in overtime and extra shifts.

Commodity Prices

Prices continue under pressure and manufacturers are finding it difficult to pass along increased costs to their customers. Only 17% of our reporting members say they are having to pay more for the items they buy. Not since 1954, have so few reported increases. While 74% say there has been no change, 9% say that, overall, they are paying less for the materials their companies use.

Inventories

The fact practically all materials are readily available is reflected in the inventory planning of purchasing executives. Deliveries are good, and this makes inventory control easier. There is no desire to increase stocks, but a great alertness to the need for cutting them, as production schedules are revised downward. Generally, however, Committee members state that they are satisfied with their present inventory situation.

Employment

Purchasing executives tell of a continuation in the downward trend of employment in their companies. This month, 41% report fewer workers, as compared to 35% so reporting in October, and 28% in September. Furthermore, there are many who state that overtime hours are being reduced or eliminated entirely. Skilled workers are again reported to be more plentiful than jobs.

Buying Policy

With the present adequacy in the supply situation of all items, purchasing executives again, in November, see little reason to change their forward buying policies on production or MRO items. On capital goods, some willingness to extend for longer periods is noticed.

Starting this month, a statistical breakdown on "Buying Policy" is presented as it may be more easily understood than past narrative presentations.

	Per Cent Reporting: Hand to Mouth	30 Days	60 Days	90 Days	6 Months to 1 Year
November—					
Production Materials	6	33	38	18	5
MRO Supplies	26	43	23	5	3
Capital Expenditures	11	4	14	21	50
October—					
Production Materials	5	33	38	20	4
MRO Supplies	26	42	24	6	2
Capital Expenditures	14	8	8	26	44

Specific Commodity Changes

On the upside are: Paper cartons and multiwall bags, ball bearings, some electrical equipment, and automobiles.

On the downside are: Scrap iron, tin, coal, rubber, mercury and aluminum chloride.

In short supply are: For the first time since World War II, there are not enough Committee members reporting any item in short supply to be statistically significant. Even most nickel users state that they are able to get all that they now need.

Corey-Nelson Adds

(Special to The Financial Chronicle)

DENVER, Colo. — Frank R. Dozier and William Grudis are now affiliated with Corey-Nelson Investment Co., 1575 Sherman.

Joins E. A. Hanifen

(Special to The Financial Chronicle)

DENVER, Colo. — Mrs. Marian N. Jones has joined the staff of E. A. Hanifen & Company, Security Building.

"Confidence in the Future"

"Science has played an important role in the rise of the United States from frontier land to world power. Indeed, the growth of our scientific effort parallels the growth of our strength as a nation. The physical means to conquer wilderness, control natural forces, increase the length and, hopefully, the enjoyment of life, achieve national security—these things have come largely from ideas which observation, measurement and other laboratory arts have developed into useful methods and machines at home and abroad.

"Our confidence in the future rests in no small measure on prospects for the continued and accelerated advancement of science." — The National Science Foundation.

"Our confidence in the future" must also rest upon the prospects for the type of social, political and economic philosophy and rules of conduct that have made it possible for us in the past to utilize our knowledge and our energy to the greatest advantage—something which apparently we can not take for granted.

DIVIDEND NOTICES

ANACONDA

DIVIDEND NO. 198

November 27, 1957

The Board of Directors of THE ANACONDA COMPANY has today declared a dividend of Seventy-five Cents ($.75) per share on its capital stock of the par value of $50 per share, payable December 23, 1957, to stockholders of record at the close of business on December 5, 1957.

C. EARLE MORAN
Secretary and Treasurer
25 Broadway, New York 4, N. Y.

AMERICAN MACHINE AND METALS, INC.

56th Dividend and Extra Dividend

The QUARTERLY DIVIDEND rate was raised from 60c to 70c. A fourth quarter dividend of 70c per share and an EXTRA DIVIDEND of 25c per share will be paid on December 20, 1957 to shareholders of record on December 6, 1957.

Robert G. Burns,
Treasurer

232nd CONSECUTIVE CASH DIVIDEND

A dividend of twenty-five cents ($.25) a share has been declared upon the stock of BURROUGHS CORPORATION, payable Jan. 20, 1958, to shareholders of record at the close of business Dec. 27, 1957.

SHELDON F. HALL,
Vice President
and Secretary

Detroit, Michigan
Nov. 20, 1957

Burroughs

Diamond Chemicals

3% Dividend on Common Stock

Regular Quarterly
Dividend on Common Stock

The Directors of Diamond Alkali Company have on Nov. 21, 1957, declared a 3% stock dividend payable Dec. 23, 1957, to holders of Common Stock of record Dec. 2, 1957; and a regular quarterly dividend of 45 cents per share, payable Dec. 12, 1957, to holders of Common Stock of record Dec. 2, 1957.

DONALD S. CARMICHAEL, Secretary
Cleveland, Ohio - Nov. 22, 1957

DIAMOND ALKALI COMPANY
Chemicals you live by

DIVIDEND NOTICES

Johns-Manville Corporation

DIVIDEND

The Board of Directors declared a quarterly dividend of 50c per share on the Common Stock payable December 13, 1957, to holders of record December 2, 1957.

ROGER HACKNEY, Treasurer

COSDEN petroleum corporation

DIVIDEND NOTICE

The Board of Directors has declared a regular quarterly dividend of 25¢ per share on the common stock of this Company, payable January 6, 1958, to stockholders of record at the close of business December 16, 1957.

R. L. TOLLETT,
President
Big Spring, Texas

ELECTRIC BOND AND SHARE COMPANY

NEW YORK, N. Y.

Notice of Dividend

The Board of Directors has declared a quarterly dividend of thirty-five cents (35¢) per share on the Common Stock, payable December 30, 1957, to shareholders of record at the close of business on December 9, 1957.

B. M. BETSCH,
Secretary and Treasurer

November 21, 1957.

SERVING HOME AND INDUSTRY WITH ESSENTIAL BASIC PRODUCTS

EASTERN GAS AND FUEL ASSOCIATES

DIVIDENDS

COMMON STOCK — A regular quarterly dividend of 40 cents a share, payable December 28, 1957 to shareholders of record December 6, 1957.

STOCK DIVIDEND — A regular semi-annual stock dividend of 2% on the common stock payable December 28, 1957 to shareholders of record December 6, 1957.

4½% CUMULATIVE PREFERRED STOCK — A regular quarterly dividend of $1.12½ a share, payable January 1, 1958 to shareholders of record December 6, 1957.

E. H. BIRD, President
250 Stuart St., Boston 16, Mass.
November 21, 1957

Our stock is now listed on the New York Stock Exchange. Symbol is EFU.

DIVIDEND NOTICES

J. I. Case Company

(Incorporated)

Racine, Wis., November 25, 1957

A dividend of $1.75 per share upon the outstanding 7% Preferred stock of this Company and 11.375 Cents per share on the 6½% Second Preferred Stock has been declared payable January 2, 1958 to holders of record at the close of business December 12, 1957. No dividend action was taken on the Common stock.

L. T. NEWMAN, Secretary.

MERCK & CO., INC.

RAHWAY, N. J.

Quarterly dividends of 30¢ a share on the common stock, 87½¢ a share on the $3.50 cumulative preferred stock, and $1.00 a share on the $4.00 convertible second preferred stock, have been declared, payable on January 2, 1958, to stockholders of record at the close of business on December 6, 1957.

An extra dividend of 20¢ a share on the common stock has also been declared, payable on December 23, 1957, to stockholders of record at the close of business on December 6, 1957.

CARL M. ANDERSON,
Secretary

November 26, 1957

Pullman Incorporated

361st Dividend and 91st Consecutive Year of Quarterly Cash Dividends

A regular quarterly dividend of seventy-five cents (75¢) per share will be paid on December 14, 1957, to stockholders of record December 2, 1957. An extra dividend of one dollar ($1.00) per share will be paid on January 6, 1958, to stockholders of record December 16, 1957.

CHAMP CARRY
President

PULLMAN-STANDARD CAR MANUFACTURING CO. — Built by Pullman Standard
M. W. KELLOGG
TRAILMOBILE

REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND

The regular quarterly dividend of fifty-nine and three-eighths cents (59⅜¢) a share on the outstanding Cumulative Preferred Stock, 4¾% Series A, has been declared for the quarter ending January 31, 1958, payable February 1, 1958, to holders of record at the close of business January 10, 1958.

COMMON DIVIDENDS

A dividend of twelve and one-half cents (12½¢) a share on the outstanding Common Stock has been declared, payable December 24, 1957, to holders of record at the close of business December 6, 1957.

A dividend of fifteen cents (15¢) a share on the outstanding Common Stock has been declared, payable January 3, 1958, to holders of record at the close of business December 6, 1957.

The Transfer Books will not be closed. Checks will be mailed by The Chase Manhattan Bank.

ALLYN DILLARD, Secretary
Dated, November 20, 1957

DIVIDEND NOTICES

CONSOL

The Board of Directors of
PITTSBURGH CONSOLIDATION COAL COMPANY

at a meeting held today, declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable on December 17, 1957, to shareholders of record at the close of business on December 6, 1957. Checks will be mailed.

JOHN CORCORAN,
Vice-President & Secretary

November 25, 1957.

ROBERTSHAW-FULTON CONTROLS COMPANY

Richmond, Va.

MR. CONTROLS ®

PREFERRED STOCK

A regular quarterly dividend of $0.34375 per share has been declared on the $25.00 par value 5½ per cent Cumulative Convertible Preferred Stock, payable December 20, 1957 to stockholders of record at the close of business December 10, 1957.

COMMON STOCK

A regular quarterly dividend of 37½c per share has been declared on the Common Stock payable December 20, 1957 to stockholders of record at the close of business December 10, 1957. The transfer books will not be closed.

WALTER H. STEFFLER
Secretary

November 20, 1957

SUNDSTRAND

SUNDSTRAND MACHINE TOOL CO.

DIVIDEND NOTICE

The Board of Directors declared a regular quarterly dividend of 25¢ per share on the common stock, payable December 20, 1957, to share holders of record December 10, 1957.

G. J. LANDSTROM
Vice President-Secretary

Rockford, Illinois
November 21, 1957

TC TENNESSEE CORPORATION

TENNESSEE CORPORATION

November 19, 1957

CASH DIVIDEND

A dividend of fifty-five (55¢) cents per share was declared payable December 19, 1957, to stockholders of record at the close of business December 3, 1957.

EXTRA CASH DIVIDEND

An extra dividend of twenty-five (25¢) cents per share was declared payable January 10, 1958, to stockholders of record at the close of business December 3, 1957.

JOHN G. GREENBURGH
Treasurer.
61 Broadway
New York 6, N. Y.

DIVIDEND NOTICES

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 25 cents per share on the 10,020,000 shares of the Company's capital stock outstanding and entitled to receive dividends, payable December 16, 1957, to stockholders of record at the close of business November 29, 1957.

E. F. VANDERSTUCKEN, JR.,
Secretary.

UNITED FRUIT COMPANY

234th Consecutive Quarterly Dividend

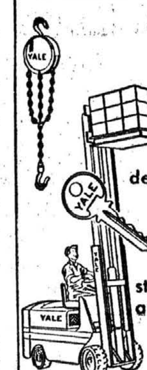
A dividend of seventy-five cents per share on the capital stock of this Company has been declared, payable January 15, 1958, to shareholders of record Dec. 6, 1957.

EMERY N. LEONARD
Secretary and Treasurer

Boston, Mass., November 18, 1957

YALE & TOWNE

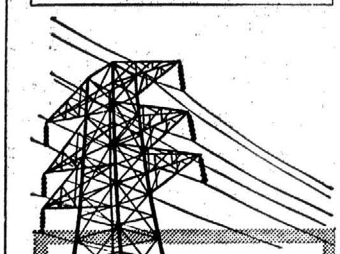
Declares 279th Dividend
37½¢ a Share



On Nov. 20, 1957, dividend No. 279 of thirty-seven and one-half cents per share was declared by the Board of Directors out of past earnings, payable on Jan. 2, 1958, to stockholders of record at the close of business Dec. 12, 1957.

Wm. H. MATHERS
Vice-President and Secretary

THE YALE & TOWNE MFG. CO.
Cash dividends paid in every year since 1899



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

ORIGINAL PREFERRED STOCK
Dividend No. 194
60 cents per share;

CUMULATIVE PREFERRED STOCK,
4.32% SERIES
Dividend No. 43
27 cents per share.

The above dividends are payable December 31, 1957, to stockholders of record December 5. *Checks will be mailed from the Company's office in Los Angeles, December 31.*

P. C. HALE, Treasurer

November 21, 1957

Edison

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—The executive branches of the Government are busy with 11th-hour budgetary matters that will be presented by President Eisenhower to Congress after Congress reconvenes Jan. 7. The second session of the 85th Congress promises to be an extremely busy one.

The approaching session at this distance has all of the political earmarks of a rough and tumble affair. The long session that ended Aug. 30, the longest since World War II, was no "pink tea" event.

It appears inevitable that week after week there will be a heavy serving of partisan politics, because 1958 is a national election year. President Eisenhower is no longer regarded as a political untouchable. Therefore, it seems certain that he will receive some verbal cuffings that would have been undreamed of a year ago.

Several pieces of major legislation will come up for consideration. Some committees will begin hearings shortly after the law-makers return to Washington. The last session was not an important one from the standpoint of enactment of major legislation.

Another "Emergency"

The second session obviously will be influenced by Red Russia's dramatic satellite program. Perhaps the United States will likewise try something dramatic in the satellite field, when it is feasible. It is apparent the missile program will get all the money that it will need. As a matter of fact there is no money shortage now, according to some members of Congress who have been critical of the U. S. getting "scooped."

As it has been pointed out here before, ever since World War II there has been some "emergency," real or theoretical, that is supposed to be the reason why the tax load on the American people has not been lessened. This year 1958 will be no exception. Perhaps in 1959 there will be still another.

Some other major proposals that will be considered, in addition to the red-hot missile program and the question of tax reduction, are to tighten and curb some of the powers of labor unions without restricting bargaining rights, liberalizing the social security laws, farm price supports, civil rights legislation (which may be expected year after year for another generation or more); Federal aid for school construction which the House sidetracked in 1957; foreign aid, postal rate increases and housing.

Also the question of expanding public power, increased interest rates on government loaned money, a natural gas bill, inflation, and bills affecting the accelerated highway program, which is behind schedule in some sections and ahead in other states.

More Housing Legislation, et al.

Ever since World War II Congress, regardless of which party has been in power, has passed housing legislation. The 1958 session probably will be no exception. Congress will also consider the fate of small business. Many small businesses are having a rough time because of the tax load. Several bills are pending before the House Ways and Means Committee on depletion allowance.

The House Labor Standards subcommittee, headed by Rep. James Roosevelt, Democrat of California, is expected to recommend extending the minimum wage that would cover many retail store outlets. Congress is also expected to vote a salary increase for classified government workers postal employees. The President vetoed a House and Senate-passed salary increase bill this year.

Should Congress seriously consider a tax reduction, which it could and would if the people really demanded it, preference would be given to individuals with small business second in line. The economy drive that got off to a fast start in the 1957 session only to finish comparatively weak, will come up again.

Right-to-Work Legislation?

Congressional committee disclosures of racketeering by some of the labor higherups apparently will result in some legislation. Safeguards for pensions and welfare funds, involving hundreds of millions of dollars, appear likely to pass. Still another measure would require unions to disclose their financial reports which they are now required to file with the Department of Labor. Apparently this would not evoke any major controversy.

However, a Federal right-to-work law, which labor leaders call a union-busting law, would create a storm. Senator John L. McClellan of Arkansas, Chairman of the Senate Select Committee on labor and management misdeeds, has expressed confidence that Congress will consider a right-to-work law. Another controversial labor proposal that is expected to come up is to make labor subject to the anti-monopoly laws, like management is subjected.

Nuclear Power Progress

The Nation's future demand for electricity is enormous. For this reason, among others, official Washington will be on hand to watch the beginning of a new chapter in power in 1958 at Shippingsport, Pa. There the Nation's first big atomic energy plant will begin operation. With a capacity of 60,000 kilowatts, it will be large enough to serve a city of 250,000 people.

Other commercial nuclear power plants are under construction near New York, Chicago and Detroit. The experts predict that the country's demand for power will just about triple by 1975. The Atomic Energy Commission estimates that by 1962 the United States will have more than 1,000,000 kilowatts of atomic power capacity; by 1967, a total of 7,500,000 and by 1977, about 133,000,000.

Spotlight on Meyner

Here in the Nation's Capital, where politics is a daily diet of many people, it was recalled that Woodrow Wilson went from the New Jersey Capital at Trenton to the White House. For that reason, among others, politicians are contending that Gov. Robert B. Meyner of New Jersey will be watched with marked interest the next two years.

The White House and the whole Republican party suffered a jolt by Meyner's reelection. He won by more than 200,000 votes despite the all-out endorsement of his rival, State Senator Malcolm S. Forbes, by President Eisenhower, the stump speeches of Vice-President Nixon and Meade Alcorn, Chairman of the Republican National Committee.

Scientists in Great Numbers

The Army is employing 20,600 scientists and engineers. Of this total 11,000 are working on the missiles program. Meantime, Representative James G. Davis, Chairman of the House Manpower subcommittee, for the second time within a year has called on the Defense Department to better utilize its skilled personnel.

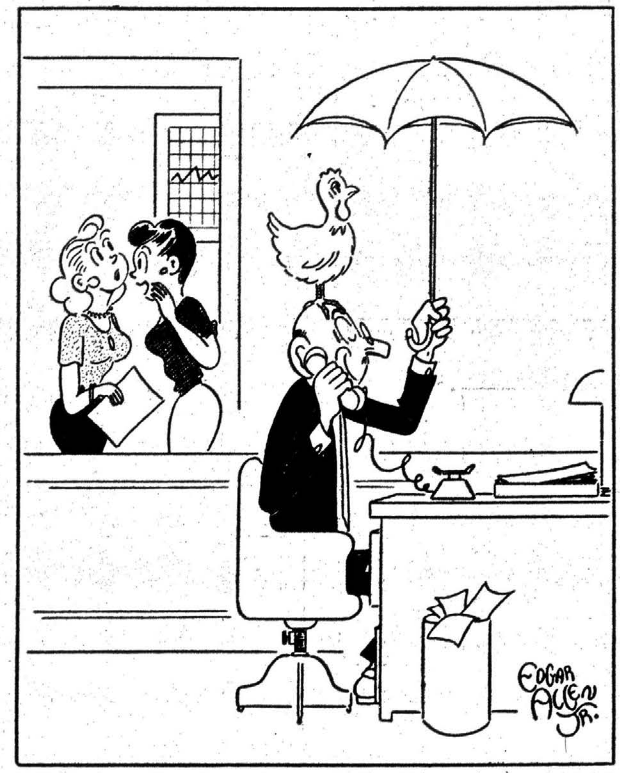
For many months there was evidence that various departments of the government were pirating skilled personnel. Representative Davis reiterates there remains too much competition between governmental departments to employ scientists and engineers.

Meanwhile, because of the stepped up missile program, which has been the "hottest thing" in the Defense Department for nearly two years, the Civil Service Commission is planning on raising the salaries of scientists and engineers to the highest salaries of their respective grades. They will also receive other benefits that go with Federal Government employment including long vacations, sick leave and retirement pay.

Most engineers and scientists who will be needed by 1965 in this country are either in high school or will be entering next fall. Therefore, Under Secretary of Labor Millard Cass admonishes: "If we do not see that these young people take the high school courses necessary for future training in colleges, apprenticeship programs, or industrial courses, we shall have made it impossible for them to qualify for the further training required to attain the skills they and the nation need."

[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



"Oh he's a fine boss to work for if you can overlook a couple of eccentricities!"

With Robert J. Connell

(Special to The Financial Chronicle)

DENVER, Colo. — Leonard J. Citron is now affiliated with Robert J. Connell, Inc., 818 Seventeenth Street.

Joins Walston Staff

(Special to The Financial Chronicle)

DENVER, Colo.—Israel Zuckerman is now affiliated with Walston & Co., Inc., Mile High Center. He was formerly with A. G. Edwards & Sons in St. Louis.

Courts Adds to Staff

(Special to The Financial Chronicle)

ROME, Ga.—Harold F. Hunter, Jr., is now with Courts & Co., 213 East First Street.

Business Man's Bookshelf

Advanced Retail Management — Tobe Lecture Series, Harvard Graduate School of Business Administration—Fairchild Publications, Inc., New York 3, N. Y. —paper, $3; cloth, $5.

Boron, Calcium, Columbium and Zirconium in Iron and Steel — Vol. IV in monograph series Alloys of Iron Research — United Engineering Trustees, Inc.—John Wiley & Sons, 440 Fourth Avenue, New York 16, N. Y.—$14.

Concepts of Actuarial Soundness in Pension Plans — Dorrance C. Bronson—Richard D. Irwin, Inc., Homewood, Ill.—cloth—$5.

How to Make the Most of Your Sales Territory—Julius H. Katz —Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—cloth—$4.95.

Local Planning and Zoning—Revised manual—New York State Department of Commerce, 112 State Street, Albany 7, N. Y.—paper—on request.

Multiple Line Insurance — G. F. Michelbacher — McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 36, N. Y. —$8.75.

Policy for Commercial Agriculture: Its Relation to Economic Growth and Stability — Papers submitted by panelists appearing before the Subcommittee on Agricultural Policy — Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.—$2.25.

Questions and Answers on Modern Selling Techniques — Charles B. Roth — Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.—cloth—$4.95.

With Baker, Walsh

(Special to The Financial Chronicle)

CHICAGO, Ill.—Royal H. Peterson is now connected with Baker, Walsh & Co., 29 South La Salle Street. He was formerly with Barclay Investment Co.

With Blunt Ellis, Simmons

(Special to The Financial Chronicle)

CHICAGO, Ill.—Thos. P. Fleming is now with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges.

Joins Hemphill, Noyes Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—James N. Hambourger has become affiliated with Hemphill, Noyes & Co., 231 South La Salle Street. He was previously with Boettcher & Co.