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EDITORIAL

As We See It

It seems to be beyond question that the recent action of the Federal Reserve authorities has engendered a more optimistic feeling in a number of business quarters. This is, perhaps, particularly true of the stock market. Bonds, too, have fared better and prognosticators in several other quarters have of late developed a more cheerful tone. There have been a good many for a long while past who have been much inclined to put the blame on the Federal Reserve authorities for signs of business trouble they thought they saw ahead as well as for actual curtailment here and there. The action taken by the Reserve people and the words of the Chairman have led at least some of these observers to feel that we are now on our way back, as it were, or shall be in the not too distant future.

It may or may not be that such ground as has been lost in recent months or weeks will be regained and the boom resumed with vigor again comparable to that which existed in, say, 1956 within a relatively short time. We are neither a prophet nor the son of a prophet. We do not profess to know what is ahead during the next six months or the next year. We are quite certain in our own minds, however, that a great deal of too much power to make and unmake prosperity is assigned to the Federal Reserve authorities by the unthinking among the great rank and file—and, for that matter among all too many business men. For our part, we do not believe that anything really untoward that has been taking place during the past half-year or so may be laid at

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Tomorrow's Investment Portfolio Today

By RICHARD P. CHAPMAN*

President, Merchants Nat'l Bank of Boston, Boston, Mass.

The problems involved in carefully constructing a trust portfolio over a period of time are scrutinized by Mr. Chapman in discussing selection of securities and development of well balanced programs which "would offer future vindication of our present judgments." Finds that even in conservative trust circles trustees are not immune to extraneous influences and that all too many seem to regard the essence of Prudent-Man Rule as a "follow the leader" principle. Does not believe the time is propitious to be fully committed in stocks; suggests holding some liquid assets as a buying reserve; assumes booms and depressions will continue to be with us, and stresses need for selectivity in stocks as well as in bonds.

The trust business has been a full participant in the great forward strides that have taken place in investment work in modern times; both in our enlarged fields of knowledge and in our research techniques. Both the quality and quantity of investment work turned out in my own bank far surpass the accomplishments of my own active days, and of that I am extremely proud. Sometimes it almost seems that we have a surfeit of detailed knowledge to the extent that it can hamper our exercise of judgment, but this becomes really an administrative problem in selection. We encounter it elsewhere in life.

Richard P. Chapman

The key question is to what extent does the availability of a mass of detailed information about leading companies and of careful appraisals of investment values by experienced analysts actually reduce or change the risk

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*An address by Mr. Chapman before the 26th Mid Continent Trust Conference of American Bankers Association, New Orleans, La., Nov. 21, 1957.

What Can Monetary Policy Do in Our Economic Climate?

By CHAS. N. SHEPARDSON*

Member, Board of Governors, Federal Reserve System

Federal Reserve spokesman admonishes those who view signs of credit restraint relaxation "as a signal for a resurgence of a spending spree." Pointing to growing erroneous opinion that the Fed can "manage" the economy and would not allow a recession to become serious, and to previous instances of inflation following credit ease, Mr. Shepardson fears that this overly-optimistic confidence in monetary-fiscal power contributes to misdirection and over-expansion of credit based on the "view that it is 'safe' to go ahead because the risk of loss from cyclical reactions has been greatly reduced." Denies economic stability objective jeopardizes growth and full employment goals.

Two years ago inflationary pressures in the economy were very strong following rapid recovery from the mild reversal experienced in late 1953 and early 1954. Wholesale price averages had been rising since midyear although farm prices were still tending downward. Consumer prices were not yet advancing, but there were developing pressures in retail markets. Production had surpassed the 1953 peak although defense spending had been greatly reduced. Utilization of our industrial capacity and man-power resources was high, and there were shortages of some materials. Demands for credit and capital were strong and expanding. Interest rates were rising as borrowing demands were outrunning the supply of savings being generated in the economy. Values of capital assets, such as farm and urban real estate and common stocks, were increasing

Gov. C. N. Shepardson

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*An address by Mr. Shepardson before the Sixth Annual National Agricultural Credit Conference of the American Bankers Association, Chicago, Nov. 21, 1957.

PICTURES IN THIS ISSUE—Candid photos taken at Annual Beefsteak Dinner of the Security Traders Association of New York, and Fifth Annual Dinner Dance of the Investment Traders Association of Philadelphia, appear in today's Pictorial Section.

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.)

CHARLES J. COLLINS
Chairman, Investment Letters, Inc.
Detroit, Mich.

McLouth Steel Corporation

McLouth Steel Corporation, formed in 1943, now ranks as a major producer of hot and cold rolled carbon and stainless sheet and strip. This is of interests, but it is not our reason for recommending the stock. Instead, there are certain factors peculiar to the Company alone that give it a unique position in the industry. For one thing, McLouth is located in the Detroit area and, along with Great Lakes Steel (a subsidiary of National Steel), is one of the two integrated steel companies operating in the territory that serves the large steel-consuming automobile industry. The strategic value of such location is important since motor manufacturers, when cutting back orders for steel, are more inclined to shave the more distant sources of supply and to rely on contiguous firms for quick delivery.


Charles J. Collins

Second, General Mortors Corporation is one of the principal stockholders of McLouth Steel. Seeking a second basic source of near-by supply, General Motors, through purchase of $25 million of participating preferred stock, assisted McLouth in its 1953-56 expansion program. Until May 31, 1967, or until all long-term debt incurred in connection with that $105 million expansion program is repaid, General Motors has not only guaranteed to take annually 5% of its total steel requirements from McLouth, but holds options through May 31, 1967, or so long as it owns any of McLouth's participating preferred, to purchase in even larger quantities. Recently, General Motors accounted for around 35% of McLouth's total gross dollar sales, with no other customer accounting for as much as 6% except for a fabricator of oil-country pipe, who took 12½%.

Third, the McLouth management has not lacked aggressiveness or astuteness in its policies and programs, as evidenced in its accomplishments, to date. The 1953-56 expansion program, for instance, short cut the time honored open-hearth furnaces and adopted the revolutionary and largely untried oxygen process. At mid-year 1957, the result was McLouth putting down its oxygen steel tonnage at a cost of $110 a ton as against a cost of $240 a ton at the time for integrated producers using orthodox methods. More recently, Dominion Foundries & Steel in Canada, and Jones & Laughlin and Kaiser Steel in the U. S., have followed McLouth's oxygen lead.

Currently, McLouth is engaged in another expansion program, to be completed in 1958, involving expenditure of $34 million, that is designed both to reduce production costs and to increase steel producing capacity. At completion McLouth will have an annual rated capacity of 1,812,000 net tons of steel ingots. The program will incorporate the Dravo-Lurgi sintering plant, placing McLouth among the first of the American steel companies to utilize this promising improvement in steel-making technique. At completion of the 1957-58 expansion program, the company, since 1948, will have spent approximately $100 per common share on new additions to plant and equipment. In addition to a 50% interest in leases on properties in Wisconsin believed to contain upwards of 160,000,000 tons of crude iron ore bearing over 28% iron content, McLouth also has contracts for iron ore from U. S. Steel and Cleveland Cliffs and for other raw materials from U. S. Steel and Allied Chemical.

Capitalization consists of $86.4 million of long-term debt (including $12.7 million to be "taken down" in June, 1958), $32.2 million of participating and convertible preferred stocks, and somewhat over $60 million of common, represented by 1,487,000 shares having a year-end book value of $40.97 each. Net sales of $11.9 million in 1946 had grown to $50 million in 1950, to $96 million in 1953, and were around $164 million last year. Earnings, after adjusting for stock dividends of 25% each in 1953 and 1956 and 100% in 1950 and a 2-for-1 split in 1948, ran at $0.50 a share in 1946, were $3.87 in 1950, $3.53 in 1953, and $5.01 in 1956. For the first nine months of the current year sales and earnings per share ran at $136.9 million and $4.38, respectively, compared with $117.5 million and $3.57 for the similar period of 1956.

Earnings for the full-year 1957 are estimated by me at $6.00 a share or better, with cash earnings at $15 a share. Taking into account the cost savings from the current expansion program and assuming no large general business setback, further earnings increases are anticipated in 1957 and 1958, with $10 a share or above not an improbable figure by the early 1960's. In keeping with past practice, McLouth will continue to plow back a substantial proportion of earnings into the business, including a program of debt reduction. Because of the desire to cancel debt, we question any early cash dividends on the common, although, as debt is reduced, further stock dividends are not improbable.

McLouth common, which sold earlier this year at 43⅜, is currently quoted at around 30, or under five times estimated 1957 earnings and under two times estimated cash earnings. Because of its unique position, as discussed above, including anticipated earnings increase on the basis of the cost reduction program, the issue has appeal for long-range enhancement. For those needing income, the 5% ($100 par) convertible preferred stock, selling at around 90, to yield 5.5%, could be substituted. This stock ranks equally with the participating preferred; is redeemable at $105 a share through June 30, 1962, and lowering prices thereafter; and is convertible into common at $46 per common share. Both the common and convertible preferred are traded in the Over-the-Counter Market and large purchases should be entered after a check on bid and ask quotations rather than be placed "at the market."

The common stock of the above company is suitable for large investors who are primarily interested in price appreciation or capital gain rather than income. The convertible preferred stock also mentioned in the article may be termed a businessman's investment, that is, a security carrying only moderate risk.

WILLIAM J. HOLBROOK
McDonnell & Co., New York City

Corn Products Refining

Corn Products is a growing company with a long record of profitability which provides a liberal dividend income. An upgrading of the company's product line into higher-margined non-corn items has poised Corn Products for a new growth phase. While the company is the largest factor in the production of corn based products, its progress is no longer chained to corn prices. Its fortunes have benefited from the success of its high profit, branded food products.


Wm. J. Holbrook

The stock market has not fully evaluated Corn Products' transformation and the common stock is an attractive investment at current prices. At a price of $30 a share Corn Products is an investment in a well managed and soundly financed company which is enjoying a new growth.

Company Operations

Corn Products has launched a program to increase its output of consumer specialty items which return the highest profit to the company. It is pursuing this program by (1) internal research into new products, (2) the improvement of existing ones, and by (3) the acquisition of companies whose products fit into Corn Products scheme of operations. Emphasis is put on acquiring branded products, such as Bosco, which are well known to the consumer and have market acceptance. Thus, the promotional and advertising expenses usually incurred when a new product is introduced into the consumer market are lower.

Successful integration of both the Bosco chocolate flavor line and the Kasco dog food line has confirmed the company's faith in a well-conceived acquisition program. The company is alert to opportunities to acquire and integrate suitable attractive products that fit into its pattern of manufacturing and marketing experience. In March, 1957, the company acquired the assets of Refined Syrups and Sugars, Inc. of Yonkers, N. Y.

This company in addition to manufacturing a line of liquid and granulated cane sugars for Corn Products, provides Corn Products with an eastern industrial site. Considerable savings in freight costs are thus realized. The site also provides Corn Products with a desirable location for the warehousing, packaging, and distribution of its products. The company has not neglected its standard product line in its quest

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Do Rights Offerings Cause Dilution?

By RALPH L. NELSON

Assistant Professor of Finance, School of Business, Northwestern University

Prof. Nelson cites recent offering of new shares to stockholders by IBM as demonstrating the reverse. Holds that common stock financing may actually enhance rather than dilute per share value. Maintains IBM's financing exemplifies counterbalancing of possible dilution of earnings by expansion of sales and net income within year of issue. Urges careful analysis of each case pointed to comparison of new funds' contribution to that previously existing behind each share.

A widespread and often unquestioning attitude among investors is that the offering of rights to purchase stock at a price substantially below market will dilute the investment of the existing common stockholders. The recent one-for-ten offering of new shares by International Business Machines illustrates vividly how, aside from a fleeting market price adjustment, common stock financing may actually enhance rather than dilute per share value. This privileged subscription offering of 1,050,000 shares at $220 per share represented a record figure for a stock issue, second only to General Motors' mammoth issue in 1955.

Ralph L. Nelson

A Common Myth

If one adopted the myth common in the market that every additional issue of common dilutes, a measure might be had in the amount by which the offering price falls short of the market price. In this instance the market range was from $288 to $337 during the subscription period. The rights ranged in value from $6¾ to $10. This value was enough to make it worthwhile for even the smallest holder to sell any unexercised rights. Actually only 2,035 (or 0.2 of 1%) of the shares offered were unsubscribed when the subscription period ended. For the holder who sold, the rights at the lowest figure of $6¾ represented a tax-favored "melon" equivalent to three years of normal dividends at the current rate of $2 cash. However, whether the rights were exercised or sold, we shall show that the effect of this timely equity financing would be more likely to enhance than dilute the investment of the IBM shareholder.[1]

A subscription price at a fairly substantial discount from market price was indicated by the situation: The price of the stock, aided by a 2-for-1 split on May 7, 1957, had risen sharply from a 1956 low of 149¼ to a 1957 high of 345, in the week before the offering. An adverse turn in the market might have endangered the financing. Even a price of $220 per share was ample from the point of view of avoiding genuine long-run dilution. It compared with a book value of $32.20 per share as of the preceding year-end. And the sum of $220 should be able to develop earning power of considerably more than the $6.76 per share reported for 1956.

Equity Financing Called For

More basic, however, was the fact that the company had reached a point where equity financing was indicated as a base for its expanding debt. By the 1956 year-end, long-run indebtedness had mounted to a total of $330,000,000 as compared with a common stock equity of $331,662,189. The company was further obligated to the Prudential Insurance Company to borrow an additional $150,000,000 in 3⅞% notes from time to time not later than Dec. 31, 1959. If an even balance were to be maintained between equity and debt, common stock financing in addition to retained earnings was essential. By increasing the shares outstanding by 10%, the company was to add more than $221,000,000 or 66.7% to book equity, even under the assumption of maximum underwriting commissions to the syndicate headed by Morgan Stanley and Company.

Expansion Problem

In early 1957 IBM found itself with a major problem of expansion. Sales had increased five-fold since 1947, at the substantial average annual rate of 20% compounded. The 1955-1956 increase was an impressive 33%, and first quarter sales in 1957 were up a whopping 38% from the corresponding 1956 period. The company spent $208 million on new plant and equipment in 1956, equal to 51% of net plant at the end of 1955 and resulting in a 23% increase in net plant after retirements and depreciation allowances. Further capital spending for 1957 was expected to exceed that of 1956 by a substantial amount. The rapid sales expansion imposed heavy additional working capital needs, which needs were not being met from internal sources. In 1956 working capital, far from growing in pace with sales, actually declined by $7 million. Clearly any dilution of earnings caused by the new issue increasing shares outstanding by 10% would almost certainly be more than counter-balanced by expansion of sales and net income within the year of issue.

Return on Capital Constant

The effects of the rapid expansion may be seen in the accom-

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[1] For a concise summary of the dilution problem see A. Wilfred May, "Realism About Rights," *Commercial and Financial Chronicle*, April 4, 1957.

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Babcock and Wilcox: Expanded Profits from Steam Generating

By DR. IRA U. COBLEIGH

Enterprise Economist

An honored name in boilers and tubes takes on new luster, as sales and profits rise.

The growth of Babcock and Wilcox to its present eminence has virtually paralleled the growth of the electric power industry. BAW paid its first dividend in 1881 and has maintained this ingratiating custom throughout the years since. It is now the largest manufacturer of steam generating equipment in the world.

Ira U. Cobleigh

Its chief customer, for these goods, is the electric utility trade and fortunately the demand here is not, at this juncture, tired and downsloping (as in a number of other areas of our economy). On the contrary, the capital investment outlay of public utilities has been moving sharply ahead from $3.8 billion in 1956, to $4.65 billion this year, and a still larger figure indicated for 1958. In all these figures, the money spent for addition to, or improvement of, power generating capacity looms large. Seventy-five per cent of the electric power produced in the United States is steam-generated and, since boiler room equipment in a power plant comprises 35% of its total cost, when Babcock and Wilcox gets an order it isn't for peanuts! Steam generating equipment sales of BAW should total around $140 million for this year. (The specific items include not only boilers, but fuel burners, superheaters, heat exchangers and pulverizers.)

An even larger segment of BAW business is in tubular products, welded and seamless, made of carbon, alloy and stainless steel. This tubing it uses itself in the installations it sells and for sale to a wide assortment of industries.

A third major component of company sales is found in insulating fire brick, and other refractory items to cope with, and contain, very high furnace temperatures encountered not only in steam power generation, but cement mills, foundries, etc.

A great deal of the romance in BAW has stemmed from its pioneer position in atomic power. After sub-contracting in this field for a decade, it entered production on its own in 1953. BAW turned out the reactor vessel and related equipment for the "Nautilus," the first nuclear powered submarine. It is now at work on the $[illegible]0 million nuclear steam generating plant for the Consolidated Edison Co. at Indian Point, N. Y. For years BAW has been a principal manufacturer of oil and coal burners for both the United States Navy and our merchant marine. It aims to continue a leader in that business and in April of this year was awarded a $10 million contract by the Atomic Energy Commission to design, develop, engineer, and produce a water reactor and propulsion elements for the first nuclear powered merchant ship.

Dr. Edward Teller, one of our most eminent nuclear scientists, and inventor of the H-bomb, recently stated: "I would guess that the main industrial energy source in the year 2000 will be nuclear fission and not fusion." If the good doctor is right, then we can expect a very bright future for Babcock and Wilcox, not only because of its head start in this field, but because of the important money the company has been expending in recent years on research and development in atomic energy.

Any stock singled out for consideration by investors in our present timid market (in which the Dow slumped over the moon), should have to demonstrate a pronounced forward look in both the gross and net departments. Well, BAW does a pretty good job there. Sales in the past 10 years rose from $57.7 million in 1946 to $281.5 million in 1956—over 400%. The rise in net earnings was even more dramatic—from $2 million in 1946 to $14 million in 1956. In the same period net per share rose from 38 cents to $2.74, and cash dividends from 23 cents to $1.

So much for a decade of history, but where is BAW headed today? Still up. There's no flat-top, or plateau, immediately in view. Some $70 million will be added to sales this year with a substantial further increase indicated for 1958, judging by the June 30 backlog of $429 million. Net profits are expected to reach an all-time high this year, and to push the per share figure from $2.74 (1956) to past $3. This is plenty of coverage for the present $1 dividend and suggests that same might be increased. For 1958 some analysts are already predicting a per share net of $3.50.

We've already mentioned research outlays as a propellent of higher profitability here. Prudent outlays for addition and improvement to plant are likewise prophetic of future profits. BAW has not been stingy in this regard. In the five year period 1952-56 the company spent $50 million on capital assets and will have spent an additional $35 million in the 1957-58 period. These monies make significant improvement in plant efficiency, lowered costs, and higher margins of profit. Yet the company has not impoverished itself by giving this quite substantial financial hostage to the future.

Five hundred and thirty-five thousand shares of common were sold in 1957 bringing the capitalization up to 5,886,638 shares of common, listed on N.Y.S.E., preceded only by $32 million in debt. Net working capital at the 1957 mid-year was a fat $127 million arrived at by deducting $44 million in current liabilities from $171 million in current assets. Book value per share on the same date was conservatively expressed at $25.51. By most of the standard criteria by which mature equities are judged, BAW is an investment grade common making a logical appeal to those interested in shares which plow back more than they pay. (In addition to the $1 in cash, there has been a small distribution in stock.)

While there is expected to be a moderate decline in overall capital expenditures by industry in 1958, this is not expected to impede the forward motion of BAW for reasons cited above. Not only will public utility equipment requirements increase, but the petroleum, chemical, paper, and shipbuilding industries, plus municipalities, should continue to seek the automatic control systems, pressure vessels, and boiler equipment which BAW turns out in a tradition of quality workmanship established during the past 76 years.

After all the statistical elements favoring a given equity have been trundled out, there still remains, before any positive market action is taken, one final question to be answered. Is the stock cheap in today's market? Is it essentially undervalued at today's price? To resolve that point with respect to BAW, we can only say that the common is now selling at 11 times indicated 1957 earnings which is not any extravagant ratio for so seasoned a stock. Further, these shares at 34 are 13 points below the year's high and only five points above the low. And it's essentially a better stock today than it was six months ago. It has been a customary selection for lists designed to provide representation in atomic energy securities.

As a quite hopeful long term holding, and as a switch from less worthy equities you may have marked for disposition, for tax or other reasons (including disgust!), may we humbly suggest that BAW is not without merit.

The State of Trade and Industry

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

The past week over-all industrial production registered lower levels, due in part, to the general shutdown on the part of several industries because of the Thanksgiving Day Holiday. However, as "Ward's Automotive Reports" stated with respect to last week's automotive output, the decline "reflected more than the general shutdown for Thanksgiving Day on Thursday." A glance at the production figures for the previous week shows a sharp decline in the output of cars and trucks below the week before. Steel production this week is again scheduled to strike a three year low point and electric output the past week also registered a lower level. Retail trade for the country as a whole continued in the latest week slightly under the like period a year ago.

One piece of news this week of interest to business in general was the proposal of Richard J. Gray, President of the AFL-CIO Building and Construction Trades Department wherein he asked the construction workers to give up their fight for wage increases in 1958 to help combat the inflationary trend that held the country in its grip. The recommendation was made as the group's annual convention opened this week in Atlantic City. He further proposed the setting up of a committee to seek a voluntary moratorium on wage boosts in industries dependent on construction. The plan, it was reported, was coolly received by most labor leaders.

Unemployment rose during the autumn in most of the nation's major industrial centers, but the increases were generally "small to moderate," the United States Department of Labor reported.

Three-fifths of the 149 major production and employment areas showed increases in jobless totals, its Bureau of Employment Security added. Only 15 of the areas, however, had sufficient changes to warrant transfer to looser labor supply classifications, the Bureau declared.

Areas with large aircraft industry concentrations reported the most significant unemployment increase, due to defense procurement cutbacks. Machinery and primary metals industries also had significant increases. Seasonal curtailments in food processing, lumber and construction added to the supply.

Over-all autumn employment conditions, while less favorable than in September, generally had not been seriously affected by the greater numbers of unemployed, the Bureau said. Job totals remained at or near record highs, for the season in many areas, it noted.

Employers told the Bureau they expected employment losses to mid-January to be about the same as or a little more than usual.

The 15 areas transferred to groupings with higher unemployment levels than their previous classifications were: Hartford and Stamford-Norwalk, Conn.; Los Angeles-Long Beach and San Diego, Calif.; Bridgeport, Conn.; Wilmington, Del.; Peoria, Ill.; Wichita, Kan.; Minneapolis-St. Paul; Syracuse, N. Y.; Lorain-Elyria, Ohio; Salt Lake City, Utah; Seattle and Spokane, Wash., and Atlantic City, N. J.

The Flint, Mich., and Fall River, Mass., areas were reclassified because of reduced labor surpluses.

The steel market is a lot better than it seems, reports "The Iron Age," national metalworking weekly this week.

It points out that actual steel use will set an all-time record of 84,000,000 finished tons this year. This is often lost sight of in the face of steel's falling ingot rate.

No one in steel is trying to cover up the drop in new orders, says the metalworking magazine, adding that everyone agrees that steel users will go on living off their inventories until there is a definite reversal of the present trend. This may not come until the second quarter of 1958, or even later.

Steel, nonetheless, is being chewed up in metalworking plants at a terrific rate and unless there is a sharper downturn in the overall economy than appears in the cards, this rate of use will continue for some months.

What is hurting the steel business at the moment, declares this trade weekly, is that more steel is coming out of users' inventories and less from the mills themselves. This has caused one of the hottest competitive markets for most steel products of any time in recent years. But once these inventories have been cut back to "normal," steel output will move up into line with actual consumption, it continues.

"The Iron Age" reports that incoming steel orders have picked up slightly during the last week, but this is not considered a reversal of the downtrend. Orders in recent months have tended to be up one week, down the next, as users adjusted their stocks to avoid shortages of various sizes and gages.

Longer-than-usual holiday shutdowns of metalworking plants will depress the steel operating rate still further this month and next, it observes. Some appliance plants in the South Ohio River area are shutting down the remainder of the week after both Christmas and New Year's. This is resulting in reduced ordering for December delivery, or setbacks into January.

"The Iron Age" further reports that steel users also are holding down year-end orders for tax reasons. Some local governments impose a tax on inventory on hand at the end of the year. This has prompted many smaller companies to cut inventories to the bone, while larger outfits have at least been discouraged against rebuilding inventories.

In the automotive industry, bright "comebacks" by General Motors Corp. and American Motors Corp., are highlighting production and sales, "Ward's Automotive Reports" declared on Friday last.

American Motors Corp. since October has been operating at a 13,000 to 14,000-unit monthly production rate, its best level since early 1956, while General Motors Corp. in November garnered

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Observations . . .

By A. WILFRED MAY

YOUR ESTATE AND INHERITANCE PROBLEMS*

I will devote some time to talking about estate planning and family financial problems, with the accompanying tax incidence; with the warning to you of the vital need for realism about your tax-saving—or attempted tax-saving—activities.

A. Wilfred May

In estate planning, first let me ask you to bear in mind that here, as throughout the entire financial world, personal foibles midst a run of psychological influences constitute a major factor to be reckoned with. For example, there are the serious psychological interferences with the adequate advance measures to be taken by parents in transferring money to children. These may take the form of a feared threat to parental authority with undermining of the parent's emotional security; or perhaps his aversion to facing the subject of death—all preventing the parent from acting in a logical, sensible way in making plans for the disposal of his estate. And then the legatee too, harbors psychological potentials, as those bound up with the sudden acquisition of unaccustomed wealth.

"Bite" Technique

For both the psychological and procedural reasons, the transfer of wealth to your inexperienced wife or child should be safeguarded with the installment, or as I call it "bite," technique. Besides reducing the emotional aberrations for sudden acquisition of wealth, this offers the opportunity to the tyro to experiment in investing operations tentatively and on a reduced scale. And it can provide the medium for your legatee's getting his or her feet wet under your supervision while you are still around. Your legatee's activities, during your lifetime, should be pursued under your guidance, but not control. You, the knowledgeable parent, should merely maintain the status of availability for advice if and when it is requested.

Tax Advantages of Early Transfers

This early transfer procedure also entails tax advantages, as in the living trust and in the making of gifts. The husband and wife, together, can annually give tax free to any number of individuals, $6,000 *each*. It can be the husband's money with the wife merely giving formal assent. Additionally, the individual or the couple can make a so-called once-and-for-all gift. That is, once in a lifetime, up to $60,000—all of which is tax-free. The individual spouse can give one-half of the above, that is, $3,000 a year, to any number of individuals, plus $30,000 once in a lifetime—all tax-free. Incidentally, on any gift from husband to wife should you feel inclined in that direction, only one-half is subject to tax.

You will find below the comparative gift and estate rates of tax; showing the amounts in each bracket that you save by giving instead of transferring via death. This is all apart from what you give away free of tax, as we have just spelled it out.

Comparative Rates of Tax on Estate and Gifts
(after exemptions)

Taxable Amounts	Estate tax (After Exemption)	Gift Tax
$50,000	$4,800	$5,250
100,000	20,700	15,525
250,000	65,700	49,275
500,000	145,700	109,275
1,000,000	325,700	244,275

At approximately $100,000 or more of gross estate the taxpayer secures a tax advantage in disposing of his property by gift. A single individual with an estate of $200,000 saves 30% through the gift device; a married donor of this amount saves 11%.

Gifts may be made in trust for minors, and qualify for the annual gift tax exclusion (that is, exemption). The trust must provide that the trust property and the income shall be expended by or for the benefit of the minor before reaching the age of 21. But the trust must be irrevocable and any principal not expended must be turned over to the minor at 21. This type of trust has the advantages of tax reduction by transferring the taxable income to lower brackets; and removes the property from the donor's taxable estate. From estate-planning considerations it provides a medium for building up a multi-purpose fund for a minor.

The Trust Instrumentality

A major way of transferring your assets is through the *trust* method, in many variations. And remember that a trust can have flexibility. It may well make provisions for payments from principal in cases of emergencies, with varying degrees of discretion, which can be definitely prescribed. A trust with income payable to a child and principal ultimately going to grandchildren, provides a safeguard against later confiscatory double taxation which may excessively burden your gross estate when re-distributed by your direct heirs later on.

On the other hand, there is great danger in your trying to foresee a generation ahead, as thus entailed in making a second-generation trust to save one set of taxes.

Flexibility Indispensable

Now, another major principle I want to lay down for you is provision for investing flexibility in your estate and trust provisions. Over the years, there is ever-growing proof of its desirability. As you get along in years you will realize the imponderables and unpredictability of events affecting investment which make it unwise and impossible to set down any rigid rules in advance. I know in my own case when I first made a will, and in my earlier years, since I was an investment expert I thought I was called on to lay down all kinds of rules for my trustees and executives. But as time goes on and you realize the rules change, you also realize the mistake in throwing away discretion in advance. Under the so-called new *Prudent-Man* legislation, which is being adopted ever more widely, there is broadened permission given to trustees to invest in common stocks. But this still leaves the need for provision in wills affirming permission to buy unlimited amounts of common stocks, or rather, as in New York State, over 35% in common stocks. You might do well in making trust provisions, to split your funds between Government Bonds on the one hand, and common stocks; and if the estate is big enough, as part of your bond portfolio, you should include Tax Exempts.

Advice on Tax Exempts

Just another word on Tax Exempts. In your tax exempts, which incidentally are dealt in a difficult professional market, stick to general obligations, and not revenue bonds, that is, bonds depending on income. If you want to worry about, or figure, income which depends on toll roads and things like that, then buy a common stock. Your Tax Exempt bonds should be confined to the best risks, best security and free of all worry. Confine your worrying to common stocks!

Common Stock Management

The advantage in stocks is, of course, that they offer partial and convenient protection against long-term monetary depreciation, and also provide for growth. For the latter, that is in the common stock end of your portfolio, the investment company of the open- or closed-end variety, is a useful medium. This is so, even where there are expert Trustees for it will prevent delays in investing, bickering between the Trustees, and backscratching. The investing company solves the difficulty that is in the way of getting into a permanent Investment Portfolio, once and for all.

What About Insurance?

"What about life insurance?" you may ask. Insurance should be bought for the *protection* it affords to those who need that—not for any investment attributes. Because of numerous inherent management characteristics, including operational expenses, the mutual fund would seem to afford a better and more balanced investing medium—including provision for protection against long-term inflation.

Exemption Via Death

Now, while I don't want to get into the tax end of this session, I just want to say one word about the capital gains tax provisions. Usually it is the cost of a stock, that is, the price paid at time of purchase, which is your tax base. But in the case of a stock received by bequest or inheritance, its cost-basis is the market price at the time of the donor's death. This avoidance of the tax on accrued capital gains at death is an important consideration for older people having large accrued, but unrealized, profits. In other words, for older people holding an issue with a large un-cashed gain, which of course everybody has had, at least up until a couple of months ago, it is a consideration whether they should sell the stock, pay the tax and get into something cheaper; or avoid the tax by waiting until death.

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

Unrealistic Profit Reporting And the Stock Market

By LEONARD SPACEK*
Managing Partner, Arthur Anderson & Co., Chicago, Ill.

The public accounting profession is taken to task by Mr. Spacek for using outmoded and inconsistent methods resulting in profit overstatement which is said to have whetted the appetite of labor, speculators and investors and, in turn, to have significantly created inflation and stock market debacle. The author reports on such practices as: (1) failure to show leasebacks as a long-range liability, and to depreciate property on a current price-level basis; (2) improper usage of LIFO, and (3) legislation of needless and discriminatory tax laws. Calls upon the profession to act upon the problem of price inflation which it recognized ten years ago, but failed to do anything about it, and to place accounting on a stewardship basis to replace proprietorship accounting.

The situation today necessitates comment on the connection between unrealistic profits and the stock market fluctuations experienced in the last 30 days. These have been accentuated by the tremendous gloom that has appeared within recent months, which I believe is a reflection on the intelligence of our business world. It is true that things are not as rosy as many of us thought—primarily because we refused to look at the facts. We thought that if we kept our rose-colored glasses on long enough everything would change to that color. Yet, two years ago any reasonable computations of the reported financial positions of companies, adjusted for what wasn't in the reports, but which should have been, would have produced much different profit pictures from those reported to stockholders. Therefore, conditions have not changed as much as our current reports would lead us to believe. It is our state of mind that has changed.

Leonard Spacek

In March of 1956 a calculation was made which showed that the income reported for six different types of companies following the orthodox method of accounting, overstated the real earnings by from one-sixth to one-third. On the basis of the real price-earnings ratio, the stock, by any fair criterion, was selling at 25% to 50% over its actual worth. The dividends paid out were from 45% to 85% of earnings rather than 30% to 65% as reported. The excess of market over book values had already discounted future earnings by periods of from 8 to 28 years. In other words, it would take from 8 to 28 years to put into a business the value of the capital the market said the stock was worth. We were discounting non-existent earnings labeled as "growth" so far in the future that some realism had to be brought to bear sooner or later.

We in the accounting field have the habit of stressing technical and theoretical procedures but not keeping our eye on and evaluating the real influence of accounting reports on our economy. Most of our generally accepted accounting principles are based upon stewardship accounting—the same principles that apply to an expense report prepared by an employee who goes on a business trip. This accounting does not concern itself with the basic values for which the money was spent—it is solely an accounting of how it was spent. This was a proper principle of accounting years ago when businesses were small and owned by one family or individual, just a few people, or people who had a close association with the financial side of the business. This was accountability by a bookkeeper to an owner. It was a concept of reporting which was sufficient 50 years ago but not today.

Accounting has failed to keep pace with our economic system in its perspective. No general statement, of course, including this one, is ever entirely true. Accounting has, to a certain extent, tried to recognize certain economic factors that have changed during this period, but it has not recognized them according to their importance in our system of finances and government responsibility as they exist today. I would say at least one important over-all factor has been omitted from consideration. I believe this has resulted in the public's being greatly misled by corporate financial reports generally. This is the effect of price-level changes which are not recognized in our financial reporting.

I can't say that this accounting has misled the astute investor because he has known the conditions under which accounting reports were prepared. However, even he could not possibly have determined the extent to which reported earnings overstated the actual results of operation. Even

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*An address by Mr. Spacek before the 25th annual meeting of the National Paperboard Association, New York City, Nov. 12, 1957.

The Challenge to Private Enterprise

By SIDNEY J. WEINBERG*

Senior Partner, Goldman, Sachs & Co., New York City

Prominent investment banker and public servant, noting Khrushchev's challenges, warns of strategically devious efforts by our own socialists to destroy private enterprise. Condemns abuse when perpetrated by management as well as labor, maintaining that irresponsibility on the part of business will bring the roof down on its head. Strongly urges businessmen to serve their government, warning that the people get the kind of government they deserve, and that the price good men pay for neglect of politics is to be governed by their inferiors.

No informed man today believes that he can pursue his narrow business objectives without regard for what is happening in the world around him.

Sidney J. Weinberg

We have learned that the strength of our companies is drawn from the strength of the nation as a whole. When there are anti-social occurrences, all of us are hurt and we must all help to cure the bad effects. When our way of life is attacked, we must rally to the defense. The businessman, like all other Americans, must accept the full duties of citizenship.

This has always been true, but never more so than now. For our private enterprise system, our whole democratic way of life, has been challenged. We are living in very dangerous times. Those Russian moons that have been spinning around the world night after night, often out of sight but never out of mind, are symbols of an advance which we must surpass—and I am sure we will. What is ahead is not, I believe, a struggle of war and destruction. It is a struggle between two ways of life, where our own thoughtlessness can be as much of an enemy as the passionate conviction of the Communists.

Krushchev in His Cups and Sober

Mr. Krushchev, in his cups, has said, "You capitalists, I will bury you!" He has said, cold sober, on American television, "Your grandchildren will all be Socialists." More recently he said, "The next war would be fought on the American continent."

Mr. Krushchev has shown that he is usually right in his own country, where might makes right. But about this country, he is wrong. He underestimates the strength of democracy and freedom. We have a faith. We believe in the dignity of man, the child of God. And this faith makes the difference.

As to the private enterprise system, it has provided its underlying strength and its staying power as well as its astonishing productivity. Even the dictator Stalin grudgingly admitted that American productivity won World War II.

As Charlie Wilson has indicated, I have spent 50 years in Wall Street. In these 50 years I have seen two world wars, several national emergencies, depressions and panics. Yet after all the crises and the changes that have resulted from these upheavals, our economic system is still a free private enterprise system.

A People's Capitalism

It is true that the government is more active in many of our affairs than it used to be, and will continue to be increasingly active whenever there are persistent anti-social abuses. It is true that the structure of ownership of American industry has changed—for the better—so that practically everybody in the country is a part owner of industry, through insurance, pensions, savings, investment trusts, or stocks and bonds. It is also true that the benefits as well as the responsibilities of our economic system are so widely shared that it has become a People's Capitalism. It is still capitalism, a system of free, competitive enterprise.

The point I want to make this evening is that we can never take this private enterprise system for granted. Just because it has survived severe crises in the past, and come out stronger and more productive than ever, does not mean that it will automatically survive in the future.

The American people have shown, over and over again, that they prefer private enterprise to any form of a state-controlled economy. So opponents of private enterprise rarely admit opposition to it. Instead, they claim to be strengthening private enterprise by regulating and taxing away its vitality, distorting it with subsidies for particular groups, and erecting obstacles to its normal operation and growth.

Let us make distinctions. Not every criticism of business is an attack on the free enterprise system. Not every change in the laws affecting business is a step toward socialism; many have been necessary and in the public interest. We must distinguish between those changes that are normal evolutions of a free society, and those changes which tend to destroy the foundations of liberty. Sometimes the attacks are obvious and more often they are not.

Danger From Within

The defense of the basic principles of our economic system is inseparable from the defense of the whole American concept of liberty, and yet the greatest danger does not come from those who attack the principles of private enterprise, for their cause is basically a weak cause. A more deep-seated peril is in the possibility of weakness within the system itself. Any signs of narrow selfishness and irresponsibility in business, particularly among the leaders of the business world, will weaken the people's faith in the integrity of the whole business system. The public will take drastic steps to correct abuse, as we have seen many times in the history of our country. Some of their correctives are sound improvements, but too much tinkering with so-called correctives could destroy the whole system. This is what we must guard against.

Devious Socialist Attacks

We have our native socialists who actually prefer government operation of business rather than private enterprise. The struggle between public and private electric power is a struggle between socialist and capitalist convictions, no matter how the opponents describe themselves. And that same battle is now underway in the new atomic power industry.

Some people, realizing that the power to tax is the power to destroy, are willing and anxious to use this power against the business system. The proposal to introduce a system of graduated income taxes on corporations is made to look like a harmless effort to help small business. The real effect of this proposal would be to starve the profit system and force into the hands of the government the responsibility for raising and distributing capital. If this tax proposal is sold to the American people, it will be a major blow to our country's security as well as its business system.

Another example: it is foolish and dangerous to attempt to break up the country's leading corporations because of their size. Without these large-scale organizations, the United States would be a second-rate power, with a much lower standard of living and a much, much weaker defense against aggression. Yet if any of these companies tries to throw its weight around, the people will show no patience. The people have the power, at the market-place and at the voting booth, to bring any company to its knees. This sobering fact is well appreciated in the managements of most large corporations today. But the danger here is that any irresponsibility in a few high places will bring the roof down on all companies large and small, even though most of them show a sense of integrity and public responsibility.

A Plague on Both Labor and Corporate Abuse

Sometimes it is just the symbols of irresponsibility that can anger the public and can make it doubt whether any businessman can be trusted. Recently at the McClellan Senate Committee hearings, some unusual labor practices by a few important companies were disclosed, as well as some very bad and criminal actions by some labor unions. Neither can be condoned. Also before another Senate Committee the question of excessively high corporate salaries and bonuses was brought out — salaries and bonuses which really gave the recipients very little additional take-home pay after taxes. In the light of these incidents, is it any wonder that politicians find support for more controls over corporate management when some few companies show such a lack of judgment and restraint? Being a member of the board of directors of several companies, I am a strong believer in financial incentives, such as stock options and profit incentive plans for management, plans that are for the over-all good of the company, its customers, its employees, and its stockholders. These plans are necessary modern tools of management because they are a way of attracting and keeping outstanding men. But all such plans must be fair and reasonable.

The High Obligation of Government Service

It is the duty of the business leader to give some share of his time and talent to the public service, both before and after retirement, at the national, state, or local level. It is also one of the most satisfying experiences a man can know. In my opinion, public service is the highest form of citizenship.

Let me emphasize that last point. I have served as a full-time bureaucrat in Washington, and I have also been on many civic committees in my home town of Scarsdale. These local assignments do not have the scope of the national assignments, but they

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*Remarks by Mr. Weinberg in accepting the 1957 Public Service Award from the Advertising Council at the Annual Dinner of the Council, New York City, Dec. 2, 1957.

Changing Patterns in The Automobile Market

By BYRON J. NICHOLS*

General Manager, Group Marketing
Chrysler Corporation, Detroit, Mich.

Chrysler official contends American public wants ever bigger and plushier automobiles despite rising sales of small foreign cars. Commenting on current upgrading lower-priced cars into medium-priced cars, Mr. Nichols notes this is being countered by intensified selling of lower-priced models in virtually all medium-priced lines. Heavy new demands upon financing is found to require need for wholesale credit, and a better understanding of financing by dealers in order to change business failure into success.

It is, of course, unnecessary for me to discuss how important finance people are to all of us who are associated with the automobile industry.

Byron J. Nichols

Our business has grown to its present place in the economy of this country and in the economy of the world through a dynamic combination of volume production, volume selling and volume financing. Proper financing gives us a chance to help keep that combination in good working order. We can do so by reporting on conditions and problems as we see them from our respective points of view. In this way we can all know better where we stand and where we are headed.

I am going to discuss a few major trends in the automobile business as I see them from the Detroit point of view. This will include some remarks on consumer finance. And finally, I will take a quick look at potential future markets.

Rapid Changes

In giving my views, I have no special formula to sell. My only message is this—the automobile business has been changing very fast in virtually every phase of its activity—and it will, of course, go right on changing. This means that all of us are going to have to be fast on our feet to adapt our plans and tactics to changing patterns of activity. But right along with the problems that are sure to come with the changes, we can also look forward to a big and steady overall expansion in the size of the business and all its associated activities.

When automobile men talk about changing trends in the automobile market, one of the subjects they bring up most frequently concerns the existence of the spring selling peak. Is it still there or not? And if not, why not?

Even as recently as last spring many people were still definitely waiting for that big traditional April bulge to show. And in 1956 some of the most experienced men in the business attributed at least some of the decline from the 1955 level of activity to a late spring. There is very strong evidence, however, to show that the April peak—as well as the traditional let-down in the third quarter — have been virtually eliminated.

What seems to have happened is this:

(1) The April peak, which was a consistent feature of the prewar market, has virtually disappeared. Our studies show that in the last 10 postwar years, 1948 through 1957 — despite the diversity of conditions, including Korea, controls, recession, and boom—there is no year in which April sales have been appreciably higher than those of March.

(2) The second important change concerns sales in the third quarter. In the prewar years, the third quarter sagged definitely below the second quarter. But in the postwar years the third quarter has strengthened and tended to approximate the levels of the second quarter. In the nine years for which we have data, 1948 through 1956, in only one year, 1952, did third-quarter sales sag so as to follow the prewar pattern.

(3) In effect, the typical pattern for the sales year now seems to be set in March, and from then on through to the introduction of new models there appears to be no major dip in sales. Even then, there is no appreciable sag until January.

It may be premature to say that the April peak and the third-quarter let-down have definitely disappeared for good. It could easily happen, for instance, that exceptionally bad weather in the first three months, combined with unusually good weather in April, could create an April peak in a single year that would look like a return to the old pattern. By and large, however, it does seem clear that the industry has gone a long way toward taking the seasonality out of its operations. This has brought benefits to just about everyone associated with the business. That includes employees, who have steadier work; dealers, who can get away from the feast-or-famine type of market they once knew; suppliers, who can schedule production on a more level year-'round basis; and you people in the financial community, who find the demand for your resources and services relatively consistent from season to season. In short, it has meant greater efficiency from one end of the business to the other.

It is worth mentioning that this result did not come about by chance.

We know that it was achieved through the development of the all-season closed car and the all-season use of streets and highways; through the switch of new-car introductions from January to the fall months; and through an increased emphasis on selling in the third quarter. Any way you look at it, this is a great accomplishment, and one we can be proud of. Now maybe something can be done about that sag in January and February. It looks as if that job will have to be done by the marketers, if it's done at all. We aren't making any promises, but I can assure you the problem is very much on our minds.

Adding Equipment

Another change that has been taking place in the automobile market is the trend toward the purchase of cars with an increasing number of power assists and other premium features. This trend affects the whole business profoundly. It affects in a very important way the retail prices of

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*An address by Mr. Nichols before the American Finance Conference, Washington, D. C.

Toward Budget Balancing With Flexibility

By HON. ROBERT B. ANDERSON*
Secretary of the Treasury

Secretary Anderson strongly endorses budget balancing, but with flexibility, including prudent expenditure in order of priorities and freedom from doctrinaire preconceptions. Maintains strong defense depends on healthy economy. States capital formation is crucially important; and cites great contribution of our recent rises in aggregate of savings, domestic investment, and capital growth to the enormous expansion of our free American economy. Hails popularity of Savings Bonds, particularly in the small denominations, as vitally important in the Treasury's debt management task.

This period in history is a major opportunity that we as individuals have to contribute to the improvement of man's well-being. In our time we may well help to determine for many generations to come the form in which people can best be governed.

Robert B. Anderson

This truly is an age of responsibility.

One key to the success of our nation, in its government and in its economic life, has been the willingness and ability of the American people to accept self-discipline and responsibility. Our generation can be no exception.

We in America do not accept the alien philosophy which places the source of power in a dictator or in a monolithic state. Here, each new generation grows up in the knowledge that the power to govern and to act rests with our millions of free individual citizens.

Freedom Entails Responsibilities

This is freedom—at a far end of the scale from the regimented existence of a dictatorship. But with this freedom go heavy responsibilities, resting on each one of us individually and on every group participating in our national life. It rests upon businessmen, workers, farmers, investors, housewives —and government. All of us must rise above the transient and trivial to follow a course of action designed to provide necessary security as well as to better the lot of all of our people.

Such a course is not easy. It demands living with facts as they are. We cannot subscribe completely to the cliche that "history repeats itself." Such a doctrine has its limitations. We must make hard choices based on a multitude of complexities, none of which can be pushed aside or considered apart from the others.

There is much discussion these days about such things as the course of our Government in meeting its many responsibilities and financing them. I believe we must be governed by sensible flexibility. First, we must be realists. We must not operate from pat or doctrinaire positions. We must judge our problems in the light of conditions as they exist. Decisions will have to be based upon the best collective judgment that can be brought to bear upon our problems in view of all the information available at the time we have to decide.

Maintaining a balanced budget is of great importance to our national welfare. So also is keeping our expenditures within reasonable and prudent limits. We must do everything we can to continue to achieve a budgetary balance and to insure that expenditures are in order of priority for our national good and within the framework of a sound economy. But we cannot indulge in prejudgment of the collective determinations of the executive departments and the Congress nor adhere to absolute rigidity. Ours is the more difficult task of using judgment and reason. We must try to fathom the future needs of our country, the course of our economy, and try to be practical and objective in the multitude of separate decisions we make.

I want to make it quite clear that we at the Treasury are never going to take any positions which are inimicable to the defense of our country as such defense is determined by the people responsible in that field. But, in the same breath, I would say that a strong defense can only be maintained over an unknowable period of time by a strong economy.

Our military and our economic strength are inseparable. The Communist world would welcome the neglect by us of either.

What's Ahead?

What are the prospects for our economy remaining strong in the months and years ahead?

We all spend a good deal of our time looking at the various items which go into the plus and minus side of the ledger of our economic health. It is generally agreed that some phases of our economy are going through a period of readjustment. But we have made great readjustments in our economy in recent years without serious impact on our total economy.

I am confident that today we have the basic ingredients for a healthy and growing economy which can continue to provide not only security but an improving standard of living for future generations of our people.

I think times like these demand that both the Government and individuals of our nation use disciplined reason.

I repeat, I am confident that this nation will continue to exercise that measure of prudence, discipline, and enlightened judgment which will assure us both a strong and adequate defense and a strong and virile economy for the imponderable future.

Instinctively we know this: as a nation we have lived with the responsibilities of self-government for nearly 200 years. We have met the challenge of war and of an uneasy peace. We have faced up to the problems of civil strife, of economic insecurity, of technological change and a host of others, as they have developed.

At times, events have permitted us to act slowly. Mistakes could be corrected from time to time.

But we are not living in such a period today. The relatively quiet years which ushered in the present century seem almost as remote in 1957 as the classic age of Greece and Rome.

What then is the basic reason why today we must—each of us—exercise high responsibility?

It is this.

Both Military and Economic Necessary

In our modern age of international tension and rapid technological change, we must have the responsibility to see to it that our two basic strengths—military and economic — flourish side by side. An adequate military posture must be backed up by a production mechanism which is not only basically strong, but is also quickly adaptable to each new scientific advance. We must keep our windows open on the world—to paraphrase Peter the Great's remark about the West.

Our world today is one of progress and change. Our competitive system encourages innovation—a constant seeking to find better techniques, to use new processes, to probe new frontiers of knowledge. The spur of competition is one of our most precious assets, and it is one which no directed economy can duplicate. But to match the results of ruthless, state-controlled planning, we must put our hearts and souls into developing the full potential of our free economy.

A singular aspect of a competitive and dynamic economy results from the willingness of free people to save and invest a part of their earnings.

Let us look at savings, first historically and then to gauge some measure of its importance to our productive system and to our way of life.

In the beginning, in fact up until about 1850, muscle power of animals and humans accounted for almost two-thirds of the work done in the American economy. Inanimate sources, such as steam, wind and falling water, accounted for the remainder.

Today the need for actual muscle power of either humans or animals has been drastically curtailed. Almost all of the actual productive work energy of the country comes from machines under the management and watchful care of skilled people. Yet even with this substantially decreased need for actual human work energy, our citizens are incomparably better off in both working conditions and living standards than they were a century ago.

Enormous Increase in Productive Machinery

Our productive machinery was largely built from savings. They came first from Europe. Then they were set aside out of hard-won earnings along our Eastern seaboard and helped finance the West. Now every area in this country is a source of investment funds and most families are making enough money to set aside some part of it in savings. The average family income today is well over $5,000.

A quick look at some of the figures on capital growth in this country points up clearly the vital position of savings in our free American economy.

Estimates have been made—very rough estimates, for the early years—of the gross capital investment of private businesses and individuals in this country beginning with the period just after the Civil War. In the total span of 90 years covered by these estimates, gross private domestic investment amounted to about $1,075 billion — more than one trillion dollars!

A third of this total—about $375 billion—was invested in the period up through 1929. The 'thirties and World War II, together, added another $125 billion.

But some measure of the tremendous expansion of our industrial potential in the years since World War II can be gained from the fact that over half of our total gross private investment since the Civil War—about $575 billion—occurred in the 12 years 1946-1957. Higher costs and prices, to be sure, have played a part. But in these same 12 years, the physical volume of production went up 65% and total civilian employment increased by about one quarter.

Of this total investment of $575 billion, over $340 billion went into business plant and equipment and more than $45 billion went into improving our farms—more farm structures, more mechanical equipment, improved production processes. A record $135 billion, approximately, went into residential construction—and the dollar amounts here, of course, tell only a small part of the story of improved living conditions.

These figures on the growth of our economy during the past century, and in recent years, are often taken more or less for granted. We tend to forget that this phenomenal expansion had to be financed primarily from savings—by diverting part of the business and personal income stream from current spending into savings and investment channels. In the 12 postwar years which I previously mentioned—1946 through 1957—almost one-third of the total flow of savings—about $175 billion—represented personal savings alone. The millions of individual decisions to save and invest which lie behind this total constitute a basic source of our economic power.

The product of saving is by no means exclusive to the field of materialistic productivity. It is translatable as well into all forms of better living.

Increase in Home Ownership

As a further result of personal savings, home ownership has increased tremendously in the past decade, and non-farm ownership has increased by almost 17% in just the past four years. Last year, 60% of the total dwelling units in use were owner-occupied. Three-fourths of all families—or technically speaking, spending units—surveyed by the Federal Reserve this spring had accumulated liquid assets or marketable securities. These assets mean increased security for families and individuals.

Savings mean opportunities for better education. They provide for increased travel and for leisure time. As man learns to work more efficiently, to utilize new and expanding sources of energy, to create better machines for produc-

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*Remarks by Secretary Anderson before Annual Dinner of the Advertising Council, New York City, Dec. 2, 1957.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy and Uranium—Report—Leason & Co. Inc., 39 South La Salle Street, Chicago 3, Ill.

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.

Bull Market in Bonds—Discussion—Park, Ryan, Inc., 70 Pine Street, 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.**

Buy, Sell or Hold—List of suggestions—Bache & Co., 36 Wall Street, New York 5, N. Y.

Cash Dividends Every Three Months up to 93 years—Pamphlet—New York Stock Exchange, New York 5, N. Y.

Executive Mutual Fund Program for possible capital growth—Kidder, Peabody & Co., 10 East 45th Street, New York 17, N. Y.

Investing in the Drug Industry—Analytical brochure—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Standard Brands, Inc.**

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 Stocks—Pamphlet—John C. Legg & Company, 22 Light Street, Baltimore 3, Md.

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

Municipal Bonds for the Individual—Discussion—New York Hanseatic Corporation, 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.

Rails vs. Industrials—Discussion in current issue of "Market Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same issue is a discussion of **Investment vs. Speculation** and several "buy recommendations."

Recommended Procedures in Writing Up Stock Sales—Pamphlet—U. S. Stock Transfer Corporation, Boston Building, Denver 2, Colo.

Securities Outlook for the investor and business executive—Analysis—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Southern California—Summary of business conditions—Security-First National Bank, Box 2097, Terminal Annex, Los Angeles 54, Calif.

Stocks for Christmas—Some package suggestions—In current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

Tax Saving Strategy for Investors by the J. K. Lasser Tax Institute—American Visuals Corp., 460 Fourth Avenue, New York 16, N. Y. 25c per copy.

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Abbott Laboratories—Bulletin—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Air Products Inc.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Air Reduction Company—Discussion in market letter—McDonnell & Co., 120 Broadway, New York 5, N. Y. Also in the same letter are discussions of **Texas Instruments, Inc., Union Bag Camp Paper Corp., Corn Products Refining Company,** and **Fansteel Metallurgical Corp.**

American Cyanamid Company—Data—Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Lehn & Fink Products Corporation, Mississippi River Fuel Corp., Pure Oil Company** and **F. W. Woolworth Company.**

Champlin Oil & Refining Co.—Analysis—Purcell & Co., 50 Broadway, New York 4, N. Y.

Federated Department Stores, Inc.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **Standard Oil of California.**

Food Machinery & Chemical—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

I T E Circuit Breaker Company—Analysis—Amott, Baker & Co., Inc., 150 Broadway, New York 38, N. Y. Also in the same bulletin are brief analyses of **American Tobacco Co., Safeway Stores, Inc., Pennroad Corporation, Public Service Co. of New Mexico** and **Bausch & Lomb Optical Co.**

Lone Star Trust Company—Report—Peterson & Company, 3511 Main Street, Houston 2, Tex.

Louisiana Land & Exploration Co.—Memorandum—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Louisville & Nashville Railroad Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

J. Ray McDermott & Co., Inc.—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **Collins Radio Company.**

Pioneer Natural Gas Co.—Memorandum—Rauscher, Pierce & Co., Mercantile Bank Building, Dallas 1, Tex.

Polaroid Corporation—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Pubco Petroleum Corporation—Analysis—Taylor, Rogers & Tracy, Inc., 105 South La Salle Street, Chicago 3, Ill.

Steel Company of Canada Ltd.—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg and Royal Bank Building, Toronto, Canada. Also available are studies of **Canadian Nickel Stocks, Canadian Life Insurance Companies,** and **Canadian Iron Industry.**

Yuba Consolidated Industries, Inc.—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Business Man's Bookshelf

Airline Traffic and Financial Data—Quarterly review—Air Transport Association of America, 1107 Sixteenth Street, N. W., Washington, D. C. (paper).

Good News for Stroke Victims—Elizabeth Ogg—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper) 25c.

Precision Equipment Manual—Pamphlet—Precision Equipment Co., 4411 D Ravenswood Avenue, Chicago 40, Ill. (paper).

Where and When of California Fruit and Nut Crops—Maps and calendars showing production areas and harvest seasons—manual 20—University of California, Agricultural Publications, 22 Giannin Hall, Berkeley 4, Calif.—$1.00.

Some Economic Problems of Public Enterprises in India—Parmanand Prasad—H. E. Stenfert Kroese N. V., 38 Pieterskerkhof, Leiden, Holland (cloth) f.14.50 (Dutch guilders).

Tax Saving Strategy for Investors—J. K. Lasser Tax Institute—American Visuals Corp., 460 Fourth Avenue, New York 16, N. Y. (paper) 25c (quantity prices on request).

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 midwinter 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.

Nobody Seems to Want Preferred Stocks

By CURTIS V. ter KUILE*

The neglect of good quality preferred stocks at this time mystifies Mr. ter Kuile who sees excellent opportunities and advantages in such investments for those desiring to conserve capital, reduce hazard of future dividend cuts, and, yet, have flexibility, diversification, marketability, and opportunity for capital gains. The author accounts for occurrence of high yields, and offers criteria to guide selection of preferred stock.

Nobody, but nobody, wishes to buy preferred stocks today, and that may possibly be the best reason why preferred stocks appear to offer such excellent investment opportunities. Trading in this class of security is hardly worth mentioning and most of the new 1957 lows each day are registered among the preferred stocks. Even if they are convertible, they do not escape unless the conversion price is close to the market.

Curtis V. ter Kuile

The preferred stock offers a neat balance between the extremes of common stock volatility and high grade bond stability. It should ordinarily yield less than the common stock of the same corporation, because it is considerably safer, particularly when equipped with a cumulative dividend. Moreover, even the best common stocks can conceivably cut their dividend rate; if a high grade preferred stock does so, it not only ought to be ashamed of itself, but also has to make it up later or face all sorts of trouble. In fact most well managed corporations, if obliged to cut the preferred dividend, hasten to pay off the difference as soon as possible. An example of this procedure may be offered with regard to United States Steel 7% preferred stock. The company was obliged to reduce the quarterly dividend from $1.75 to 50c in February, 1933, but re-established the regular rate in 1936 and had paid off the arrears by Aug. 31, 1937. On the other hand certain corporations have been known to cut off the preferred dividend and let years go by without making any move to restore it, although it was being covered by a good margin. That is why it is not generally good business to buy non-cumulative preferred stocks or those with no clause in their Charter permitting holders to elect a certain number of their own choice of directors in case of chronic failure to make dividend payments.

Accounts for High Yields

One important reason why both bonds and preferred stocks are selling at such relatively high yields today is, of course, tight money. A second reason is that so many persons believe that the monetary situation in our country is inflationary and they wish to invest in growth stocks; oils, metals and other things that might keep pace with inflation. The third reason for high preferred stock yields is that one of the principal class of customers for that type of security, namely the fire and casualty insurance companies, have no free money for the purpose. Their business losses have been too high. Fire losses during the first half of 1957 amounted to $550,155,000, a record high, and up 6.3% from the first six months of 1956. Conditions in that industry are terrible and reports are circulating that the only reason the number of business failures is not much higher than published figures show is because of this "heavy smoking," with the thought that more money may be rescued from a poor business venture by having a fire than a bankruptcy.

The casualty people are harassed by all of those automobilists running into each other and over pedestrians. It has gotten so that a good Fourth of July or New Year's celebration can cost them a million dollars. They claim that the cost of new automobiles and their repair bills has grown all out of proportion to the rates they can legally charge to insure them. So they have no money. It is a sad state of affairs for the preferred stocks. Many of them have a feature whereby 85% of their dividend is tax-exempt to corporations. An individual holder does not qualify for this and a charitable institution pension fund does not need it. Corporate bonds have no such feature. Therefore, there should be an excellent demand for industrial preferred stocks and those of utility companies that have the 85% tax feature. But there is not, because the most probable buyers have no money to invest.

*The writer is a graduate mechanical engineer, Cornell University. He has been engaged in engineering and the investment business for many years and is a member of the Cornell Engineering Society and the New York Society of Security Analysts.

Rating*			Market 11/29/57	Current Yield	Difference
Aaa	Consumers Power	1st 2⅞%__1975	86	3.34%	
A	" "	$4.50 Pfd. _____	91	4.94%	1.60%
A	Atch. Top. S. F.	Adj. 4%___1995	92⅛	4.34%	
BBB	" "	5% Pfd. ______	9	5.56%	1.22%
Aaa	Balt. Gas & El.	1st 3¼%__1990	81	4.00%	
A	" "	4½% Pfd.______	92	4.89%	.89%
Aa	Aluminum Co.	Deb. 4¼% 1982	100	4.25%	
A	" "	3.75% Pfd. ____	82½	4.44%	.19%
Aaa	Cincinnati G & E	1st 4⅛%__1987	97	4.25%	
A	" "	4% Pfd. ______	87	4.60%	.35%
Aa	Dayton Pr. & Lt.	1st 2¾% __1975	84½	3.25%	
BBB	" "	3.75% Pfd. "A"	75	5.00%	1.75%
Aaa	General Motors	Deb. 3¼% 1979	92½	3.51%	
A	" "	$5.00 Pfd. _____	196½	4.69%	1.18%
Aa	Pacific Gas & E.	Ref. 4½% 1986	100½	4.48%	
BBB	" "	4½% Pfd. ____	21¾	5.1 %	.68%
Aaa	Philadelphia El.	Ref. 2¾%-1974	85	3.24%	
A	" "	4.68% Pfd. ____	96	4. %	1.63%
A	Sylvania Elec.	Deb. 4% __1978	93	4.30%	
BB	" "	$4.00 Pfd. ____	73¾	5.42%	1.12%
Aa	Union Electric	Coll. 3⅞% 1971	92	4.20%	
BBB	" "	$4.50 Pfd. _____	88¼	5.09%	.89%
Aa	Virginia Elec.	Ref. 2¾%_1975	85	3.23%	
BB	" "	$5.00 Pfd. _____	101	4.95%	1.72%
A	Flintkote	Deb. 4⅜%_1977	100	4.37%	
BBB	" "	$4.00 Pfd. _____	84	4.76%	.39%
Aaa	Atlantic Refg.	Deb. 3¼% 1979	93	3.49%	
A	" "	3.75% Pfd. ____	81½	4.59%	1.10%
Aaa	Kansas City P & L	1st 2¾%__1976	83½	3.29%	
A	" "	4½% Pfd. ____	92	4.89%	1.60%
Aa	Union Pacific RR.	Deb. 2⅞% 1976	81½	3.52%	
A	" "	4% Pfd. ______	7⅞	5.07%	1.55%
Aa	Virginian Ry.	Ref. 3%___1995	78⅜	3.81%	
A	" "	6% Pfd._______	10¾	5.56%	1.75%
A	Southern Ry.	Cons. 5%__1994	105	4.76%	
BB	" "	5% Pfd. ______	16⅛	5.56%	.85%

*Moody rating for bonds; Fitch rating for stocks.

Predictions Made

Now that the bond and preferred stock market has been slipping for so long, predictions constantly are heard of lower prices and higher yields to no end. This seems to border on the ridiculous, since some of the very institutions that were buying Consolidated Edison 2¾s of 1972 at 102 in 1947 and Cincinnati Gas & Electric 4% preferred stock at 106 in 1946, now will tell you that the bottom of the market for such securities has nowhere nearly been reached. They point out that Fourth Liberty 4¼s sold at 98 3/32 in 1932 and they were tax exempt then at that.

One famous financier, who sometimes sits on park benches in Washington to watch the course of economic and political events, is quoted as saying that the principal reason he attributes to his success is his having had the ability and courage to purchase good securities when nobody seemed to want them, and to sell them when he figured he had a good profit, and not at what he thought to be the top of the market.

The present market for preferred stocks is at a comparatively low level. It is possible to obtain yields from 4.44% to 5.56% in preferreds and still not jeopardize safety of principal. A valuable point in considering an investment in preferred stocks is the spread in current yield between certain preferred stocks and the bonds of the same corporation ranking immediately ahead. The attached table illustrates this spread for a selected group of companies and shows the more favorable yield that may often be obtained by choosing the preferred stock instead of the bond. This differential varies for the preferred stocks in the table from 1.75% in favor of the preferred stock in the case of Virginian Railway and Dayton Power & Light, down to 0.19% for Aluminum Co.

Good Sinking Fund

It is desirable, in most cases, that an industrial preferred stock have a good sinking fund set up to retire the issue within a reasonable period and also to aid in its market stabilization. Very few public utility and practically no railroad preferred stocks have sinking funds, but in most cases the bond sinking funds serve to benefit indirectly the preferred holder through a steady reduction in the bonded debt.

The over-all cover of fixed charges plus preferred dividends, after tax, is an important indication of the quality of a preferred stock. Also a good preferred stock will have a substantial amount of net working capital per share after deducting the debt. It is also interesting to know how many years the net working capital would pay interest, preferred dividends and income tax accruals. Good industrial preferred stocks will have an overall cover of from 12 to 100 times. With public utilities this coverage can safely be much less, say 2.5 times or better, due to the constant demand for the service.

If an investor desires to stabilize his income and conserve his capital, to greatly reduce the hazard of possible future dividend cuts and still retain flexability, diversification and marketability for his holdings, it would seem advisable at this time to consider advantages now offered by good quality preferred stocks of leading corporations. There is also an excellent opportunity for capital gains, since most preferred stocks are now selling at substantial discounts.

The Dow-ones average for 40 bonds stands at 84.38. The high and low for 1957 is 91.09-83.69. The range for 1956 was 99.44-89.59 and it was 101.15-98.00 for 1955. So if one considers the course of the bond market for the past three years, the average now is only 0.53 points above the low, but it is 16.77 points from the high. As a result of contemplating an evident slowdown in business, carloadings and housing starts, and a definite trend toward lower net income figures for corporations, the Federal Reserve Board on Nov. 15 last approved a cut to 3% from 3½% in the discount rate of four Federal Reserve districts. The change in policy, announced after the close of the security markets in New York, came just in the nick of time for the average of 40 bonds on that day closed at 83.69 which has turned out to be the low for this year so far.

After a long decline in the bond and preferred stock markets, this cut in the discount rate could well mark the turn. One of the first indications of a change came with the announcement of $1.5 billion financing by the U. S. Treasury. The municipal bond market, the corporate bond market and the preferred stock market have all been firmer since the Federal Reserve announcement and the future of those markets certainly can be considered far brighter than at any time in a long while.

A. J. Stalker Partner In Kidder, Peabody

Alfred J. Stalker, manager of the dealer relations department of Kidder, Peabody & Co., members of the New York Stock Exchange, on Jan. 1 will be admitted to partnership in the firm. He will make his headquarters in the Los Angeles office, 510 South Spring Street.

Goldman, Sachs & Co. To Admit H. R. Young

Goldman, Sachs & Co., 20 Broad Street, New York City, members of the New York Stock Exchange on Jan. 1 will admit Howard R. Young to partnership.

H. B. Shaine Branch

FT. WAYNE, Ind.—H. B. Shaine & Co., Inc. have opened an office at 3232 Eastbrook Drive, with Anson W. Smith as representative.

Trends in Corporate Giving

By GERHARD D. BLEICKEN
Secretary, John Hancock Mutual Life Insurance Company

The paucity, and vital importance, of corporate giving to general charitable causes and nongovernmental institutions of higher learning is revealed by Mr. Bleicken who points out that only little more than a half billion dollars was raised *via* Internal Revenue's "5% charitable contribution" clause instead of the otherwise permitted flow in excess of $2 billion per year, in recent years. Author makes the reminder that we can expect further Federal encroachment unless private business assumes its generally recognized responsibility.

The economic and political conditions stemming from the industrial revolution that have, on the one hand, produced American social legislation during the last half century have, on the other hand, placed an ever-increasing burden upon our private charities. Our American pattern of life has evolved from small self-sufficient agrarian units to modern interdependent urban centers. The industrial revolution raised our standards of living, but at the same time man changed from *making* a living to *earning* his living. No longer were food and clothing and the other necessities of life produced at home. Instead, man earned money to provide the necessities and comforts of life. The very factors that have made us the most powerful nation on earth have also made us the most interdependent of peoples. The specialization of labor and the great increase in urban population, which are a direct result of industrialization, have caused the individual to become more and more dependent upon society, particularly in times of adversity. Because so few people today are economically self-sufficient, the fluctuating economic health of the nation creates vast demands on our charities, particularly in the case of the aged, the sick, and the unemployed.

Gerhard D. Bleicken

Economic Interdependence and Charity

Our more abundant life has increased the life span and the increasing number of our aged population has, in turn, thrown great burdens upon private charity. Family disintegration resulting from the economic and social pressures of our times has also added to the burdens of society. The depreciation of the dollar has cut the value of our endowments. To provide merely the basic essentials of food, clothing, and shelter is no longer the aim of charitable support, but now the generally accepted charitable standard is that which will sustain the recipient in the manner to which he has been accustomed. This raising of the standards of charity may be laid in part to political promisors who, in the last two decades, have rediscovered the advantage of the politically beholden. Charities have been anxious to expand their activities and some professionals have been guilty of empire building.

In 1956, private charities cost the American people roughly $6 billion, corporate contributions accounted for a little more than one-half billion dollars, and the remainder came from charitable bequests. By far, the great bulk of contributions still came from individuals, but the present high level of taxes together with the continually decreasing value of the dollar are rapidly making it more and more difficult for the individual to maintain this level of charitable giving.

Private or State Charity?

To whom, then, shall our charities turn for funds? If they turn to the Federal Government for assistance, such an appeal would be welcomed by the politicians. Acceptance of such aid by education, for example, would ultimately be the end of the private universities whose competition with State universities is vital to the health of all higher education. Other charitable institutions would, in the same manner, become instrumentalities of the State. Behind all charitable contributions there is but one real source—the wealth of the American people. The question, therefore, becomes simply whether we wish to contribute to charities voluntarily, using our own discretion, or to be taxed indiscriminately for them.

But aside from the broad sociological arguments, what is the case for corporate contributions to charity today? Let us take, for example, the field of American colleges and universities. The increase in tuition costs (roughly 50% since before the war) threatens one of the strongest bulwarks of our American system, namely, the ability of a worthy child to be adequately educated regardless of wealth. It has seemed to me that the genius of American life has been that we have come closer to using our total personnel potential than any other nation at any time. The happy union of political democracy and free enterprise has let us select our national leaders on the most truly competitive basis, and whenever they have been opposed by the products of stratified societies, whether 19th Century Europeans or 20th Century totalitarian societies of Europe and Asia, they have demonstrated the value of this method of selection. From this broad base and from these millions of Americans have come our business leaders as well as our political and military and scientific and spiritual leaders, and from this population must come our leaders for the future. The staffs for the American corporations for 1980 must come from American colleges. Is this not a direct and real interest to American corporations to see that American universities remain virile and strong and free?

Education Aids Business

But there are even greater, though possibly more subtle, interests of American businessmen in education. The first is that the American way of life must be fostered in American colleges. Colleges that have become merely political instruments of the State will not strengthen American life. The Supreme Court of New Jersey, in the leading 1953 decision, the *A. P. Smith Mfg. Co.* case, which I will again refer to later, stated that free and vigorous nongovernmental institutions of learning are vital to our democracy and withdrawal of corporate authority to make contributions to such institutions would seriously threaten their continuance. Second, if we are to survive as a nation with our tremendously expanding population — 180 million by 1960—we must develop new material, new resources, new markets and greater production. This in turn means new businesses and more employment, but it also means that highly trained personnel will be required and so will the spending of millions of dollars in research.

Said Irving S. Olds, "Every American business has a direct obligation to support the free, independent, privately endowed colleges and universities of this country to the limit of its financial ability and legal authority. And unless it recognizes and meets its obligation, I do not believe it is properly projecting the long-range interests of its stockholders, its employees and its customers." And let us remember that, as Frank W. Abrams stated, "The long-term interests of shareholders cannot run counter to the long-term interests of the American people."

Supporting General Charitable Causes

No less deserving of a share of the corporate dollar are many other general charitable causes such as private social welfare, private medical care and health, cultural and civic organization of the community, citizenship and public leadership training for our democratic system, and the physical and social sciences. Business leaders have come to recognize that development of our entire social framework is essential to business survival and progress, and that as much attention must be paid to this as to economics and finance.

There has always been a great deal of confusion regarding the legality of corporate contributions to charities. When this question was first considered by the courts during the 19th Century, the orthodox view was that corporations existed for the sole purpose of making profits for their stockholders. The funds of the corporations could be used only for corporate purposes and those purposes did not include the making of donations to charity. But even under the orthodox approach, the courts early decided that the power to make so-called corporate donations to charity under certain circumstances was within the implied corporate powers. In 1883, Lord Justice Bowen stated the law when the said in reference to a railroad's power to take its porters on a picnic in the country, "The law does not say that there are to be no cakes and ale, but that there are to be no cakes and ale except such as are required for the benefit of the company."

Cites Justice Holmes

Thus, the early common law rule was that whether a corporation may contribute to charity or not is determined by what real benefit the corporation receives from such contribution. However, the concept of corporate benefit has broadened to such a point that no longer do the old cases state the law applicable to present day facts. This is all in the best tradition of the law. Said Justice Holmes in his classic volume, The Common Law: "The very considerations which Judges most rarely mention, and always with an apology, are the secret root from which the law draws all the juices of life. I mean, of course, considerations of what is expedient for the community concerned . . . and as the law is administered by able and experienced men, who know too much to sacrifice good sense to a syllogism, it will be found that when ancient rules maintain themselves in the way that has been and will be shown in this book, new reasons more fitted to the times have been found for them, and that they generally receive a new content, and at last a new form, from the grounds to which they have been transplanted."

This common law rule of clear and distinct benefit to the corporation underwent a series of judicial interpretations which broadened the rule to meet new situations as they arose. For example, there are cases which uphold charitable donations for the purpose of maintaining the health of employees, maintaining clergymen and school teachers in remote towns where the corporation has its place of business, and upholding contributions to local community chests. Corporate subscriptions to charity have frequently been upheld because of their advertising value to the corporation. The common law rule still is essentially that a corporation may make donations to charity only where it is demonstrated that a benefit flows to the corporation beyond the general benefit which is enjoyed by other members of the community. However, the courts now recognize in such cases that although charitable contributions may have the outward form of a gift and although there is no dollar and cent supporting consideration, yet there is often substantial indirect benefit accruing to the corporation which will support such action.

The *A. P. Smith Mfg. Co.* case is a clear example of the present day outlook of the courts on this subject. The New Jersey court upheld the donation of a large sum of money to a university, and stated that with the transfer in modern times of most of the wealth to corporate hands, corporations must assume the modern obligations of good citizenship in the same manner as individuals do.

Internal Revenue Code

The development of American statutory law, both at the Federal tax level and at the state level, is perhaps the most significant of all. The Federal tax courts had reached the point, even before the Internal Revenue Code was "Liberalized," where the word "necessary" relating to business expense meant only "helpful" or "appropriate."

The legislatures of the majority of our states have, through statutes, expressed their intent that extensive corporate giving is *intra vires* and in general need be done only on the authority of the directors. In a number of states the primary test seems to be whether the gift contributes to the public welfare or civic betterment or to charitable purposes. If so, it is within the corporate power. The statutes of other states go into exhaustive detail and apply various specific limitations to the corporate power of donation both as to purpose and amount.

It now seems clear that the early, restrictive common law rule has already passed the point where, in the words of Holmes, an old form had new content and has arrived at that place where even the old form is changed. Today, through legislation or judicial interpretation, the law of most states relative to corporate charitable contributions is that a gift to charity is justified if it is for the public welfare or the civic good. In this field, at least, we have in a great measure arrived at the place where the law views "all business as affected with the public interest."

Closing the Gap

There were many who thought that the introduction of the "5% charitable contribution" clause in the Internal Revenue Code would be considered as an invitation which would be fully accepted by our corporations. Had this been the case, the flow of corporate funds into private charitable causes would have exceeded two billion dollars per year in recent years. The figures show, however, that the total of corporate contributions to charities for these years has only slightly exceeded a half billion dollars per year, or only about one-fourth of what could have been realized.

As our corporations more fully realize the importance of their roles as corporate citizens of today, we may expect that much better use will be made of the 5% tax deduction privilege. Corporate managers will increasingly come to regard this not merely as another tax deduction, but rather as a distinct advantage—an important opportunity for the corporation to create in the public good will for itself, while strengthening the foundations upon which rest free enterprise and the continued prosperity and progress of the corporation itself.

Continued from page 6

The Challenge to Private Enterprise

are highly satisfying and rewarding.

As many people at this table can tell you, a government assignment is no bed of roses. Nevertheless, it's a valuable education, and you get it the hard way. Nearly always, leaving your job for an assignment in Washington involves a serious personal and family sacrifice.

I remember World War II, when I had the job of recruiting businessmen on a crash basis, to man the War Production Board and other mobilization agencies. The personal problems, the complications of men's lives, the really terrible decisions that men had to make in order to leave home and business for a government assignment were almost beyond belief. And it was a wonderful experience to me how businessmen responded to their country's needs.

Too many businessmen seem to feel nowadays that the best way to preserve the free enterprise system is to have as little as possible to do with government. In some ways I cannot blame them, with all the rules and conflict-of-interest laws that have been adopted since World War II, including such rules as that which says you must sell your stock holdings when you take a government assignment. Under some interpretations of the conflict-of-interest laws, they could rule that you cannot be a good husband and father at the same time. But notwithstanding the trials and tribulations connected with government service, I still believe it is very valuable to any man to serve in government for at least one year. Moreover, people always get exactly the government they deserve. As the saying goes, the penalty that good men pay for the neglect of politics is to be governed by their inferiors. In a government of all the people, all the people — including businessmen—must exercise their citizenship.

Where does the leadership for a democracy come from? From the people; from the people like you, assembled here tonight.

Great Men Needed Now Too

At the time of the American Revolution (I looked this up, I didn't know it before), the combined population of Massachusetts, Pennsylvania, and Virginia was only 1,100,000 people—less than the size of Brooklyn today. Yet in a single generation there came from these three colonies a long list of immortals including George Washington, Thomas Jefferson, John Adams, Samuel Adams, James Madison, John Hancock, and Benjamin Franklin. Great men are needed in our time, too. They are needed to prove Mr. Krushchev wrong, and to keep democracy alive and strong for our grandchildren.

Where will they come from? Keep your eyes open. Some young men are already beginning to stand out from the crowd. Maybe some are here. Others will make themselves known. This is how American democracy works. I will always produce the men that are needed, as long as the love of liberty is in our hearts.

The Atlantic Alliance—Russia's Public Enemy Number One

By HIS EXCELLENCY PAUL HENRI SPAAK*

Secretary General of the North Atlantic Treaty Organization, and Chairman of the North Atlantic Council

High NATO official reports great progress made in members' cooperation in economic and political spheres. Mr. Spaak anticipates December meeting's accomplishment of greater military coordination. Cites present strength, as importantly contributed to by the United States. Doubts Russians are systematically planning a Third World War.

I do not need to remind you, but I feel I must emphasize once more that the Atlantic Alliance is a defensive alliance born out of the situation created by Soviet imperialist expansion in Europe, culminating in the communist "coup d'etat" in Prague. The "coup d'etat" of Prague was the real turning point of international politics after the end of the Second World War, the repetition of which the free world could not and would not tolerate. The purpose of the Alliance, to stop the expansion of the Soviet imperialism in Europe has been 100% fulfilled. This has been a great bloodless victory for the West, a victory which is perhaps not sufficiently recognized in the free world. This is why the Russians regard NATO as public enemy number one.

Paul Henri Spaak

You will have often heard me say that it is in the political and economic sphere that we must now strengthen the Alliance. This is not to say that we should neglect the military build-up, and I shall have more to say about this later. You will recall that in their report the Three Wise Men recommended that the members of the Alliance should try to improve political consultation on problems of common concern and to avoid adopting policies which might affect other members of the Alliance. I am glad to say that great progress in this field has been made during the last months, for example:

(a) during the time of the disarmament discussions in London last August, the Western members of the Sub-Committee kept in close touch with their allies in NATO so that when they put forward their proposals, they had the solid backing of their NATO allies;

(b) during the recent Middle East crisis, the Council followed events very closely. There was a full and useful exchange of information and the broad outline of a common policy suggested. I do not claim, of course, that the results obtained have yet been perfect but they are already sufficient to prevent a repetition of what happened last year and to assure that the Middle East situation will not cause a new crisis in the Atlantic Alliance.

Cooperation in Economic Sphere

The Three Wise Men also urged the closest cooperation in the economic sphere. We have made some progress here and this essentially ties up with the military problem which I will touch on in a few minutes. Close cooperation here is of the utmost importance because it is in this sphere that Khrushchev now challenges the Western World.

On repeated occasions he has announced that the Communist system will provide the people with a higher standard of living than the so-called capitalist system. I think we must believe that he is speaking sincerely when he said the other day on American TV that: "in 50 years, Americans would ask themselves how their grand-parents could have been so stupid as to fail to rally to the banner of communism when it must have been evident that communism represented the future." If Khrushchev is sincere in saying this, and I believe he is, it is not logical to conclude that the Russians want war.

No Soviet War Planned

That is why I do not believe that the Russians are systematically planning a Third World War. But, on the other hand, they are not only maintaining immense forces in being, but are equipping them with modern weapons: I would like here to say that the launching of their satellite and their success in producing the intercontinental ballistic missile has in no way tipped the balance of power in their favor. As long as the Russians maintain this high level of armament, the North Atlantic Alliance must maintain its forces in a state of sufficient strength and readiness to discourage the Kremlin from adventures.

NATO's strategy has from the beginning been directed towards the deterrence of war. We have aimed at having our forces at a strength sufficient to provide this deterrence, both the strength of our ground forces in Europe as well as our strategic retaliatory power. We have done much to achieve this. Let me cite for you some simple statistics.

(a) In 1949, when NATO was founded there were five military airfields in Europe, none of them able to handle jet aircraft. Today, there are nearly 200 airfields, all of them able to handle the fastest of modern aircraft.

(b) By the end of this year we hope to have completed a fuel pipeline, which will bring the necessary fuel to our forward locations, from the harbors of Europe.

(c) We have completed a large communications network and are daily improving it.

Many of these projects were paid for out of a program which we call "infrastructure"—a program under which all the NATO nations contribute a proportionate share to a common fund. This is necessary because it would not be possible for some of the poorer countries of Europe, where many of these installations are located, themselves to pay for the installations on their soil.

I report this progress with pride, but it does not permit us to overlook the fact that a great deal remains yet to be done. And we must realistically recognize that what remains to be done to bring our defense effort to its maximum effectiveness will be costly, both in terms of manpower and money.

Our air warning system is not yet completed and we must now begin the modernization of all NATO forces so that they will have the nuclear capability which our military authorities consider essential. In these fields, our goals are clearly set: the German contribution is coming along as rapidly as possible; the French authorities have assured us that their forces will be returned to the NATO line as soon as they can be released from Algeria; and thanks to American aid, European forces are already being supplied with such modern weapons as the "NIKE", the "HERCULES" and the "MATADOR."

Toward a Satisfactory Defensive Posture

It is my hope that during the discussions of the heads of governments this coming December, we shall be able to establish an even fuller plan for the coordination of our military effort so that we may bring our defensive posture to the desired level. This is essential because a deterrent is only effective when you can inflict such heavy destruction on the enemy, both in limited and unlimited warfare, as to make him realize that aggression does not pay.

Let me emphasize that when I speak of the need for a deterrent, I do so because the Soviet Union continues to face us with a threat whose military magnitude is increasing daily. Last summer the North Atlantic Council spent a great deal of time developing proposals on disarmament. I strongly favor those proposals and hope sincerely that the time will come when real progress in this field will be made. But until the Soviet Union is willing to accept realistic controls, we must be on our guard and must have the weapons to repel any attack.

Impressive U. S. Strength

The strength which the United States is contributing to the common effort is indeed very impressive and this trip of mine through the United States has enlightened me on many of these points. I visited the Supreme Allied Command Atlantic and was impressed by an array of naval power, which, together with the earmarked fleets of Canada and the European naval power will make it difficult for an aggressor to penetrate the Atlantic. I visited the Strategic Air Command, which is often referred to as the "sword of NATO." No doubt its striking power has contributed mightily to the preservation of peace and I am certain it will continue to do so. I visited the Army Guided Missile Center, where, in addition to American officers, over 250 officers and technicians from the various NATO countries are training in modern weapons. This was a most heartening sight and is a necessary step towards equipping our European defense forces with these weapons in the near future. Finally, Oct. 31, I was received at Continental Air Defense Command at Colorado Springs and was shown the measures taken to preserve the American Continent from air attack. This is also what we are working to bring about in Europe.

There is one area in which a coordinated effort now is vitally required. In their communique President Eisenhower and Prime Minister Macmillan recognized the need for early action. I speak, of course, of cooperation in the fields of science and technology. When approaching cooperation in these fields there are three periods which must be considered: the immediate, the short-range and the long-range. In the immediate period ahead, our problem is to combine our efforts towards the development of certain specific weapons, particularly in the field of missiles, and to provide nuclear power for our forces in Europe. The President's announcement that he will seek a modification of the Atomic Energy Act will do much to increase confidence on this score. I am certain that for this purpose satisfactory arrangements can be made.

The short-range and long-range problems are much more difficult. There are blueprints now on the drawing boards, for which our universities have not developed a single scientist or engineer. We have reached a stage where our inventors have drawn ahead of the scientists and engineers who can make their inventions operational. We need an immediate program in the universities in the entire Atlantic Community for the development of men who can deal with the space age. But we must look further. Ten to twenty years from now, our need for men trained in these fields will be twice as much as it is now and we must now encourage our young people to take the basic education which will enable them later on to enter these fields. Moreover, we must adapt our educational systems to prepare these young people. I want to emphasize that this is another problem which cannot be solved by one country of the Atlantic Community by itself. We will only solve it if we solve it together.

But you must not think that this cooperation will be a one-way street. While there can be no question that America leads with its contribution in this field, Europe has always been able to hold its own and will unquestionably continue to do so. I need not remind this audience of the men which Europe has produced—men like Einstein, Bohr, Fermi, Penney and Teller. Beyond these Europe has contributed institutions of higher learning, laboratories and raw materials. European countries have made immense progress in the manufacture of aircraft and modern weapons. With the development of EURATOM, European atomic energy developments can make even further strides. I am looking forward to the time when a real community of scientists will be established among the nations of the Free World. We must recognize that then and only then will we be able to compete with the single-minded effort of the Soviet Union to keep the world in awe with scientific gadgetry, carrying the threat of disaster.

It is not absurd that the Western countries at this critical time are wasting their resources competing among themselves. Such dispersion of effort imposes an enormous financial burden on all our countries. On the other hand a pooling of our resources of men and materials would mean an immense relief to Western economy as a whole.

My message then to the people of the United States is: "Have confidence in your faithful allies, and they will readily share the burden with you." To the people of Europe I would say: "I have found a steadfast loyalty here to the Atlantic Alliance, let us also play our full part."

*An address by Mr. Spaak before the Overseas Press Club of America, New York City.

Boyd, Ihlefeld Named By Instit. Secs. Corp.

Clifford C. Boyd has been named President of Institutional Securities Corporation and August Ihlefeld has been elected the corporation's Chairman of the Board.

August Ihlefeld

Mr. Boyd, who succeeds the late Robert E. Pratt as President, had served as a Vice - President of ISC since 1948 and during that time was in charge of its FHA and VA mortgage investments. He joined the corporation in 1944 after being associated with the Federal Home Loan Bank Board as assistant director of research and with the National Housing Agency as senior housing representative.

Mr. Ihlefeld, President of Savings Banks Trust Company, has had an active career in bank operations, supervision and management covering nearly 40 years. He joined the trust company in 1933 as Executive Vice-President and was elected President in 1938. He has also served as First Vice-President of ISC and was its President from 1942 to 1947.

J. A. Latimer & Co. Formed in New York

J. A. Latimer & Company, Inc. has been formed with offices at 37 Wall Street, New York City, to act as underwriters and distributors of general market securities and dealers in U. S. government, state, revenue and municipal bonds.

J. A. Latimer is President of the firm. He was formerly an officer of C. F. Childs and Company.

James A. Howe With Salomon Bros., Hutzler

Salomon Bros. & Hutzler, 60 Wall Street, New York City, members of the New York Stock Exchange, announced that James A. Howe, formerly director of industrial investments of The Mutual Life Insurance Company of New York, has become associated with the firm.

Ending the Discount Imbroglio In Housing Industry

By NORMAN P. MASON*

Commissioner of the Federal Housing Administration

FHA head advocates abolishing discounts entirely and appeals to mortgage bankers for cooperation in this endeavor after pointing out that if home ownership costs become too high, the alternative might be a resort to direct Government loans. Mr. Mason trusts that the present discount imbroglio may be of some use, after all, "if it helps bring about a reappraisal of mortgage lending practices."

In the world of mortgage lending, the word that seems to be causing the greatest frustration right now is "discounts." Nobody is happy about that word. I certainly am not.

Norman P. Mason

Congress has given me the unwelcome job of setting reasonable discounts on mortgages insured by the FHA. It is one of the most difficult assignments ever handed to me. I am doing my best to be fair to everybody concerned, but it's like trying to please both your wife and the pretty redhead down the street —it can't be done.

In carrying out the will of Congress, our purpose in the FHA has been to create as little disturbance as possible in established financing practices. That's why I want to discuss the problem with you and try to work out a solution, so that as long as we have to live with discount controls—I hope it won't be long—we can all work together.

As I just said, we don't want to disrupt the market; but home financing practices vary so much from one area to another—and even among lenders in a specific area — that, no matter how hard we try to be equitable and reasonable, FHA limitations on discounts can't help being in some degree a disruptive influence.

The chief trouble seems to be that lenders are willing to accept FHA discount limitations as satisfactory for the highest - grade mortgages, but they believe higher rates should be permitted on less desirable mortgages.

Uniform Rating

Well, to me a mortgage insured by the FHA is a highly standardized commodity that can be bought in much the same way as you buy an appliance from a firm with a national reputation. It comes from the factory in a sealed carton. You know you are safe in accepting it because it has gone through a series of tests to meet high standards, and the manufacturer stands back of it.

Every mortgage that the FHA insures has been tested for quality. The law requires that we find the transaction to be economically sound. Our risk rating system is the most thorough and accurate ever devised for the purpose. The property must meet our standards. We make an objective appraisal which includes an evaluation of neighborhood influences. We check the buyer's credit, his income and other resources, and the likelihood of his being able and willing to carry out his obligation under the mortgage. We even have a 20-year record to prove that our judgment and the way we do our job result in good mortgages.

We believe that any mortgages accepted for FHA insurance, after the searching review we give it, has a value equal to any other mortgage we insure.

The United States Treasury Department agrees with us. Standing instructions to National bank examiners are explicit in providing that no mortgage insured by the FHA is to be classified as slow, doubtful, or loss. All insured mortgages have the same rating.

The fact that they are insured is just an added attraction.

FHA mortgages cannot be compared to uninsured mortgages written by a variety of lenders whose policies differ in many respects, whose property standards may or may not be well defined, and whose check of the buyer's credit may not always be as careful as ours.

I think the mortgage lending industry has very properly rated risks on these other mortgages and set different prices on them; but FHA mortgages to my way of thinking are all in one category as far as value is concerned.

This opinion is confirmed by FHA experience. Our loss ratio amounts to only 6/100 of 1% of all home mortgage insurance written.

In the early part of this year we made a study of the causes of defaults in insured home mortgages where title had been transferred to FHA. We found that over half resulted from conditions that could not have been foreseen when the loans were insured—death, illness, marital difficulties, curtailment or loss of income. Only 2% grew out of dissatisfaction with the property or the neighborhood, and only 3% occurred because the buyers had taken on mortgage obligations too heavy for them to handle.

Early Reports on Discounting

What we hear from our field offices seems to indicate that discount limitations are not working out too badly. In the last part of September applications were running about 10% above July for the nation as a whole. Forty-nine of the 75 insuring offices have reported an increased volume of applications since the limitations became effective on Aug. 5. In 21 of the 49, the increase amounted to 25% or more, in another 15, it was between 10 and 25%. The increases appear in offices scattered across the country.

Construction started under FHA inspection in September was 19% of the total. This is above the average for the year, of 16%.

This looks as though the discount limitations were in general not too restrictive. At the same time, mortgage bankers tell us that our application volume is not a sound basis for judgment, because many of the transactions will not be completed for lack of financing.

I can see that that might be true, but on the other hand it's hard to picture builders putting up $45 apiece for applications unless they have some idea of where their construction money is to come from.

Lenders have also asserted, with a good deal of reason, that our business should have gone up 80% to be really effective in taking care of home buying veterans as well as nonveterans.

As I said when we put the discount limitations into effect in August, these discounts are subject to adjustment when that seems advisable. In discussing the subject with industry advisory committees, I have had a lot of helpful suggestions.

But I don't believe that any sort of adjustment in the limitations is going to make everybody happy. The only solution is to do away with them altogether.

President Eisenhower's Reaction

President Eisenhower did not want to see these limitations imposed. He saw the problems that would be involved and above all he appreciated the fact that the principle was unsound. In signing the Housing Act of 1957 last July, he said:

"Discount controls, however flexibly they may be administered, intrude into and interfere with the operation of the private home finance system. Such controls have been tried before and have been found to be unsuccessful in accomplishing their avowed purpose."

I hope the time will soon come when discounts will disappear from the market altogether. There have been Congressional hearings involving them. These hearings and the disclosures of exorbitant discounts in some cases have made editorials throughout the United States.

The general public and even some builders do not understand discounts. They are complicating mortgage lending, which is complicated enough without them.

Scientists disagree about how long Sputnik will keep circling the earth, but they do agree that in time—another week, a month, or a year—it will disintegrate. Discount controls, we hope, will also come to an early end.

Sputnik has had some good effects in this country. It has helped to clear the air—that is not another pun—of some illusions about the Russians and us. More important than anything else, it has made us see the necessity for eternally keeping at work.

May Prove Useful

In the same way, the present discount situation may be of some use if it helps to bring about a reappraisal of mortgage lending practices.

By following current trends, we can easily lose sight of basic considerations. Yes, we must be realistic, but in going along with constantly rising home financing costs haven't we tended to lose sight of the central person in the transaction—the home buyer? If costs get so high that they are out of his reach, it will be disastrous not only for him but for you lenders and the whole housing industry too. Let's get together—you, the FHA, and the others who make up the building industry — and keep home ownership costs within reason. The alternative might be a resort to direct Government loans.

*An Address by Mr. Mason before the Mortgage Bankers Association of America, 44th Annual Convention, Dallas, Tex., Nov. 7, 1957.

From Washington Ahead of the News

By CARLISLE BARGERON

The announced retirement from the Senate of the redoubtable "Bill" Jenner of Indiana, may be listed as the Sputnik's first political casualty in our country and it confuses the weathervane as between "isolationism" and "internationalism" in our so-called peace-loving country.

Carlisle Bargeron

The Indiana Senator, who has a fanatical following in his native state, is in his third term, having been elected to an unexpired term in 1944 and to full terms in 1946 and 1952. He would have been up again next year. Almost as controversial as the late Senator Joe McCarthy, he is one of the few remaining "isolationists" in the Senate. He has been a consistent foe of foreign aid. All of a sudden he decides to throw up the sponge. His announcement came as a surprise, if not a shock to politicians generally.

The Senator has been out in his State taking stock. There is considerable speculation now as to just what is up his sleeve. There are many who think he will resign before his term is up and let the present Indiana Governor, Harold Handley, come to the Senate to finish his term. According to this speculation, Jenner will bide his time, mend his political fences and run for Governor in 1960. It has long been his ambition to be Governor of his state.

But regardless of this, he obviously found the outlook not so good for his reelection to the Senate next year. Does this mean that "isolationism" is dead in one of the last remaining "isolationist" states? The question has got the politicians baffled.

Last year, the elder statesman, Senator Walter F. George of Georgia, on the eve of a primary for reelection, bowed to the inevitable and gave way to Herman Talmadge. A world statesman, the generally accepted explanation was that Georgia was fed up with the world statesmanship stuff. In the same year, the Republican organization of Wisconsin repudiated Senator Alexander F. Wiley, a former "isolationist" who, like the late Arthur Vandenburg, came to be world minded. But Wiley defied the organization and won both in the primary and the November election. So the Wisconsin voters were not as "isolationist" as they had been represented or as the organization thought them to be.

But in the session of Congress this year public sentiment seemed to have definitely turned against "world-mindedness" on our part. It ripped into proposed foreign aid appropriations like nobody's business. The Congress severely cut military expenditures. Senator Jenner had every reason to think he was riding with the tide.

Comes the Sputnik and the tide has apparently again changed. The President speaks of our not being slaves to a balanced budget at the sacrifice of national security. The spending is to be on again.

We do not know whether Jenner's senior colleague, Senator Capehart, saw all of this or not. We are inclined to think it was more courage than political foresight on his part. He came up as an "isolationist" himself and is probably still so considered by the less knowledgeable of the editors and pundits. But he has for several years been voting for foreign aid. Some of his most intimate friends have advised him that this was not setting too well with his fellow Indianians but he insisted that it was the only thing a man in possession of the facts could do.

Following a return recently from a trip behind the Iron Curtain, Capehart made it perfectly clear that he didn't want to be looked upon as an "isolationist" any more. He didn't particularly like the term "internationalist." He preferred "realist." It should perhaps have been a lesson to Jenner that last year, with his record of supporting foreign aid, Capehart was reelected by a majority of 212,000, the largest he has ever received.

George D. B. Bonbright To Admit New Partner

ROCHESTER, N. Y.—George D. B. Bonbright & Co., Powers Building, members of the New York Stock Exchange, on Jan. 1 will admit Bruce B. Bates to partnership.

Dayton Haigney Co. Boston Exch. Member

BOSTON, Mass. — Dayton Haigney & Co. Incorporated, 75 Federal Street, has acquired a membership in the Boston Stock Exchange.

With J. F. Lynam

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Robert E. Quest has been added to the staff of J. F. Lynam & Co., Inc., 111 South Meramec Avenue.

Howard Millett Now With F. L. Putnam

(Special to THE FINANCIAL CHRONICLE)

AUGUSTA, Me.—Howard Millett has become associated with F. L. Putnam & Company, Inc., 6 Boston. Mr. Millett was formerly an officer in Nathan C. Fay & Co.

Open Trade and Investment for Canadian and World Growth

By N. R. CRUMP, M. E., LL. D., D. Eng., D. Sc.*
President, Canadian Pacific Railway Company

Inter-relationship of trade and investment policies is made clear in Mr. Crump's brief recapitulation of his firm's private study of Canada's economic dimensions of the next 15 years. The study indicates, among other things, that "the entrepreneur and the businessman bold enough to seize the opportunities will not go unrewarded in the Canada of 1970 . . . [and] investments . . . will be impressively greater even than in the era of the boom we have just been experiencing." Questions, however, European cooperative trade developments and the U. S. A. disposal programs as possible drawbacks to growing trade and investment to meet threat of Soviet imperialism, and notes inter-dependence of U. S. A.-Canadian economies is of more than casual importance.

I can imagine no more challenging and appropriate area of deliberation and inquiry than the theme "International Trade and Investment Open Boundless Economic Frontiers."


N. R. Crump

I say "challenging," because, as a Canadian, I share with my fellow-citizens a keen awareness of the manner in which trade and investment bear on my country's prosperity and economic growth. And I say "appropriate" because, if one reads the auguries aright, we of the free world seem to be approaching one of the great watersheds of economic history — a watershed the contours of which may determine the course of world trade and investment for the decade or more that lies ahead.

Only in recent years have Canadians found time to ponder seriously their country's place in the economic scheme of things. This fact may strike some as strange. I do not propose to burden you with a discourse on Canada's economic history. Suffice to say that, until comparatively recent years, many there were in my country who wondered whether the great dream of Canadian nationhood, involving as it did the economic as well as the political mastery of the northern half of the North American continent, could ever survive the circumstances of its birth.

World War II and the decade of unparalleled growth and prosperity which followed made it imperative that we undertake the sort of assessment of past achievement and of our economic potential which the hard facts of Canadian history had ordained that we should defer.

This assessment, in terms of public as well as private economic surveys and forecasts, but in particular in terms of the confident sentiments of the Canadian people, has rendered one unmistakable verdict.

That verdict, already writ large in the attitudes of my fellow-citizens, is that Canada's economic destiny holds the promise of achievements in terms of mankind's social and material progress that will rank with the spectacular achievements and the promise of the United States.

Achievement, in any field of human affairs, calls for courage and acts of faith.

Courage and acts of faith have marked the forward march of both our countries.

For Canadians, Confederation in 1867 of the North American colonies which represented the remnants of colonial empire — British and French—was one such act of faith.

Another, if I may say so, was the courage of those who ventured their fortunes in building the first transcontinental railway — Canadian Pacific—through the empty and seemingly worthless waste of the pre-Cambrian Shield, across the lonely Prairie lands, and over the barrier of the Rockies to the Pacific coast.

These were the first giant steps towards nationhood.

The courage of men which found expression in these and subsequent acts of faith, I suggest, has been vindicated by history.

No less surely, I suggest, will the great investment boom which has provided the motive power for Canada's most recent forward surge be justified by the promise of greater progress which it brings.

It is, I think, an auspicious omen of profound significance to the future of both our countries, that Americans have provided massive assistance, both in terms of men and investment, to Canadian economic achievement during the last decade, just as they did in those days of doubt when men of courage crossed northward over the border to join with Canadians in that great adventure in railway building which gave birth to Canadian Pacific's far-flung transportation services of today.

Refers to Canadian Studies

An impressive array of evidence to support this verdict on Canada's economic destiny is found in the Preliminary Report of the Royal Commission on Canada's Economic Prospects. Charged with a task similar in nature to that of the Paley Commission in the U. S., although somewhat broader in scope, the Gordon Commission, as it is known in Canada, has forecast growth prospects for the next quarter century of truly staggering dimensions.

I would like to invite, however, consideration of another study of Canada's economic potentialities. This is a private study, undertaken on behalf of Canadian Pacific by a group of eminent economists—Canadian and American. Its purpose was to plot the course of Canada's progress as it seemed likely to affect transportation in the course of the next 15 years or so. As an integrated transportation enterprise closely identified with the country's resource and industrial development, long-term economic studies such as this, constantly revised, provide useful information which deserves serious attention on the part of management.

The economic dimensions of the Canada of 1970, as forecast in this private study, are challenging and rich with promise.

In that year, we are told, Canada's population will exceed 21 million — nearly 35% greater than in 1955 and substantially larger than today's population of more than 16 million people.

Our 1970 labor force will number more than 7 million men and women.

This larger population and labor force, expanded by the higher rate of family formation that will manifest itself when the babies of World War II mature and marry, and expanded too by immigration, will create an economy the productive capacity of which will be four-fifths as large again as in 1955. Technological advance, together with the changing pattern of employment opportunities which already promises a more efficient deployment of manpower resources, will be important in Canada's greatly expanded output picture.

So much for the prospects for 1970 in terms of supply.

What about the demand side of Canada's 1970 economic ledger?

Here the outlook is such as to fairly challenge the imagination. Personal disposable income, we are told, will be 39% above 1955.

On a **per capita** basis, consumption will be up 39%.

In the aggregate, a rise of 84% in personal consumption is forecast.

Investment Rewards in 1970

The expenditures implicit in this dramatic rise in living standards will have a marked impact on the demand for consumer goods of all kinds. The composition of that demand may differ substantially from today, but its magnitude suggests that the entrepreneur and the businessman bold enough to seize the opportunities will not go unrewarded in the Canada of 1970.

Investment, our forecasters tell us, will keep pace with growth of the economy as a whole. Using the 1955 dollar as the yardstick, total investment outlays may be expected to be four-fifths as large again as they were two years ago.

Capital outlays in 1970, will of course differ in make-up from today's investment pattern, just as will consumer outlays. The significant thing, however, is that a searching economic analysis of growth prospects such as the one I am discussing should conclude that investment opportunities in the Canada of a decade or so hence, in the aggregate, will be impressively greater even than in the era of boom we have just been experiencing.

Government expenditures are always a painful and delicate matter. Nevertheless, they too must be reckoned with in any forecast of future business conditions. Suffice to say on this point that our forecasters are optimistic enough to predict, barring a major war, that government expenditures in Canada in 1970, while substantially higher in the aggregate, will represent, proportionately, little more than the anticipated rise in population and national income.

Domestic factors of demand, together with demand from abroad for the products of our resource-based industries, add up to some pretty impressive totals.

I will not burden you with statistics.

Let mey say, however, that among the pace-setters on the resource front, the following industries, over the long-haul, include those in which present or past investment has formed an impressive part of the total.

High grade iron ore is one of the probable pace-setters.

Aluminum is another.

Yet another is non-ferrous smelting and refining.

Nickel and copper will also be in the vanguard.

So too will asbestos.

And newsprint will continue to play a significant role in Canada's balance-of-payments.

Add to these Canada's great reserves of oil and natural gas and it is not hard to glimpse the promise of Canada's tomorrow. For it is a promise which, if fulfilled, will not only stimulate trade but will also bring about marked expansion in manufacturing, in construction, in heavy industry and in transportation far greater than in the past when primary industry was so heavily concentrated in the products of the forest and of the farm.

These forecasts, to be sure, do not portray an economic image of middle-aged rotundity for the Canada of 1970. But they do suggest that much of the gangling awkwardness and uncertainty of economic adolescence will have vanished. In its place will be found the picture of an economy far sturdier than in the past, its angularities ironed out and with a well-muscled frame far better able to withstand the impact of external business fluctuations than in earlier stages of development.

Four Vital Factors

What validity, you may ask, may we attach to this assessment of Canadian prospects?

What evidence is there, other than the say-so of our economists that these dimensions of Canadian growth will actually be realized?

Canada's economic development in the past has been largely shaped by four great factors.

Those factors, I suggest, will continue to make their influence felt no less surely in the years ahead.

If they do, I think Canadians may face the future without fear.

Let me say a word about each.

The first is people.

Without an ambitious populace, rooted in the traditions of parliamentary democracy and freedom-based enterprise, it is doubtful whether the great adventure in nation-building upon which Canadians embarked with grave misgivings a scant 90 years ago could ever have succeeded.

It is this belief in freedom, both political and economic, which explains, no less surely than do our rich natural resources, why the eyes of investors, at home and abroad, have been focussed upon the northern half of the North American Continent.

It is the tenacity with which Canadians embrace democracy and freedom-based enterprise which explains, no less surely than do the economic facts, why on a per capita basis Canada is the world's biggest trader.

Canadians would be no more likely to repeal their faith in the invigorating forces of international commerce based on liberal trade policies and freedom of investment opportunity than would Americans be likely to repeal the Constitution of the United States.

Investment has provided the sinews of the industrial growth which Canada has been experiencing in the last decade.

We all know, too, that trade and the prospect of trade have been the motive power behind much of the investment which has been taking place in Canada.

Together with people, trade and investment represent three of the four factors which have shaped our economic destiny in the past.

Let's look for a minute at investment.

Favorable Investment Climate

If we do, I am sure you will share my confidence that the goals we have set for ourselves on the economic front will sooner or later be realized.

Recent investment in Canada has been focused upon the resource industries for several very sound reasons.

It has long been clear to the investor, whether he be Canadian, American, British or European, that the appetites of the more industrially mature countries will for a long time to come continue to make spectacular demands upon the very resources which Canada is best suited by nature and by geography to provide. Those demands are reasonably certain to be sustained if for no other reason than that alternative sources of supply abroad suffer increasingly from the ravages of a kind of nationalism which sees every investment dollar as a hated badge of economic colonialism.

Investment can hardly be expected to flourish in countries whose governments have set their course along the path of socialism and nationalization of industry.

No such threats loom on the Canadian investment scene.

Thoughtful Canadians know that the United States of today bears no resemblance in the objectives of either its Government or of its businessmen, to the capital-ex-

Continued on page 20

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

Why the Deep Gloom About Business Prospects for 1958

By JOHN R. HAAS*
Vice-President, Director of Economic Consulting Service, Lionel D. Edie & Company, Inc., New York City

Mr. Haas rejects prevailing pessimsim about business prospects for the next year in foreseeing slightly higher average business volume than 1957. The economic consulting director explains why it is expected that consumer standard of living will resume its rise by middle of 1958, and total business capital spending will only decline 5%-10% below 1957 level to that achieved in 1956. Apropos the latter, included among numerous economic indicators examined in this study are those which show: public and private construction spending is apt to offset 5%-10% drop in new plant-equipment outlays, a more optimistic estimate of 1957 passenger car production, and banking to still be a "growth" industry. Details "The Edie Doctrine" and absolves Federal Reserve for sole responsibility in combatting inflation.

I. Perspective

The emotions always carry some weight in formulating our judgments and attitudes about the future. Seems to me that since early summer the emotional side has gotten a bit out of hand. A "hotter" Middle East, the blows to the national ego growing out of Sputnik and Little Rock, the stock market decline, and the unfavorable effects of Washington hearings on monetary policy and other aspects of national leadership, have created a general frame of mind not productive of objective thought.

John Ross Haas

In times like these it is especially important that we re-establish perspective — that we note where we are in the light of where we have been and by so doing help ourselves to arrive at a more clinical appraisal of what the future seems likely to have in store for us.

Most of us here recall the Early Thirties when our fervent prayer was, "If only things would get a little better." Not too much later we got to feel that Washington and The Lord owed us "good times." Right after the war, many spent a fair amount of time convincing themselves that a Big Depression was at our doorstep. They had a few years of "prosperity" forced on them before they realized they were in it. But why be content with "prosperity" when a "boom" was being thrust on us? Why not a perpetual boom? Twice in the postwar period—1948-1949 and 1953-1954—we dropped from "boom," not as far down as plain old "prosperity," mind you, but enough to make some people real nervous. Seems a lot of folks these days fear we may be in for another spell of "prosperity," except that now we call it a "recession." We've come a long way in our education in Economics.

In poking this little fun at ourselves, it does not follow that we will be unaware of the special and difficult problems facing the government and some industries and some companies. But any mental process that keeps the emotional impact of day-to-day news from driving us off course is a priority reqirement in planning for the future.

II. The Basic Question

I wish to discuss the future and specifically, to talk about 1958. But views about 1958, and later years for that matter, must first concern themselves with the basic question in the minds of all bankers, businessmen and economists these days: "Have inflation and tight money killed 'economic growth'?"

Elements of Growth

What is "economic growth?" A rising population and rising salaries and wages? Ordinarily not a bad formula but technically not infallible as we find out at times like these. No, the thing on which we Americans have long prided ourselves is our **rising standard of living** — actually the thing that gives our economy its dynamic quality. In short, while we do count on increasing numbers of people to widen the demand for goods and services, more important we count on each individual to increase his per capita consumption of goods and services—to increase his "standard of living." You will hear the economists refer to this as "per capita disposable income in constant dollars," or "per capita consumer expenditures in constant dollars."

Whether you include the years before the war or just the postwar years, this standard of living rise has averaged about 2%-2½% per year. This is the thing that gives a straight population rise its real growth "kick." Subject to some qualifications, one might even say that the concept of a "normal" 4% per year average growth rate for the U. S. economy stems from the addition of a 1½%-2% per annum population rise and a 2%-2½% average annual increase in **real** income per capita—roughly 4% in all.

The second element of "economic growth" is related to and in a large way is dependent upon the standard of living rise. This element is **business spending for new plant and equipment and related facilities** — certainly a tremendous contributor to our postwar rate of economic growth.

Reasons for Doubts

For some months past, our capacity for further economic growth is not only being seriously questioned but the fear lurks here and there that we may be in for a major recession of some duration. We emphatically do not share these views. We anticipate realization of our further growth potential, but we do understand wherein current doubts rest. I said before that we have come to expect something in the neighborhood of 2½% per annum average standard of living rise. Price inflation has prevented this rise from taking place this year, just as it did last year. Yes, population and personal income have been rising on schedule, but a 3% rise in cost of living this year and on top of 3% last year has kept **real** income per capita from going up. Secondly, business capital spending, after a dramatic three-year rise to new peak levels is headed down for next year. There is some concern that U. S. capital investment may be headed downward for a considerable time to come.

My remarks about business prospects for next year would have to be labeled as superficial in the extreme, were I not first to relate briefly here my company stands with respect to the future of the **stndard of living** and **capital investment** trends:

Standard of Living

We expect the consumer to enjoy a resumption of the rise in his standard of living by the second half of 1958 because:

(1) **Inflation pressures should moderate by then.** Bulk of the Consumer Price Index rise since last year has been in farm and food prices. We expect the latter to level off if not decline a bit between now and mid-1958. By late '58, CPI rise should only be half the 3% rate of each of the preceding two calendar years.

(2) **Savings High**—Tight money policy cannot be justified by a low savings rate. People saved $2 billion more in first half 1957 than in the same six months of 1956. Member bank time deposits are up about 10%. The consumer has the financial resources from the savings standpoint.

(3) **Consumer Credit Cycle** is still in a rising phase. The consumer should widen the gap between what he borrows and what he pays off over next six-12 months.

(4) **Standard of Living "Catch-up"**—By mid-1958, the consumer will have gone about three years without a rise in his standard of living. This is another way of saying that the economy will have been without that 2½% per annum average rise in per capita **real** spending for these three years. That's roughly $20-$25 billion of consumer spending in physical terms. The big impetus for 1958, then—in my opinion—will come from the consumer's doing something about catching up on this interruption of his standard of living rise.

(5) **Personal Tax Cut?** The degree of strength we expect the consumer side of the economy to contribute in the second half of next year does not depend at all on chances of a cut in Federal income taxes next year. Such a development would, of course, add force to consumer willingness and ability to spend. As this is written, thinking in terms of the fiscal year 1959 budget, a personal tax reduction looks better than a 50-50 proposition.

Business Capital Expenditures

Concerning the future of business expenditures for new plant and equipment, the preliminary results of the survey my firm conducts in the Fall of each year indicate that all private industry will probably invest 5%-10% less in 1958 than this year. Manufacturing alone will be down somewhat more, probably 10%-15%. Total for next year should not be much different from the $35 billion so spent in 1956, which except for 1957, was the best year we ever saw. Why, then, the deep gloom, and what can one say to allay doubts and restore perspective concerning the future place of capital investment in our economic growth?

(1) **Excess Capacity.** As in 1948-1949 and 1953-1954, the bogeyman of "excess capacity" is always hauled out in times like these so that we may more easily frighten each other. One wonders if there is any **excess of efficient low-cost capacity.** We note that companies that have spent as heavily for cost-cutting equipment as they have for increased capacity seem least worried. Major worry comes from two areas — (a) industries and companies that have geared capital expenditure plans to an enduring 100% operating ratio and (b) where expansion goals have patently been set without much regard for an indicated "normal" growth trend for the industry. The paper industry is a good example of the latter, but wherein sophisticated management recognition of the troubles being invited brought prompt rephasing of numerous spending plans.

(2) **Capital Expenditures Props.**—If you believe that our growing population will, despite occasional interruptions, continue to enjoy a rising standard of living, it follows is night the day that more and better facilities will be required to meet this demand for goods and services. That is why Dr. Lionel Edie, in one of his talks before the Conference Board about a year and a half ago, chose to stress **three** longer term capital spending props—

People: More of us, each demanding more and better goods and services, with the indicated capacity to pay for them.

Power: Combined consumer and business demands for power at a doubling-every-10-years' rate. This calls for heavy capital investment.

Research: Public and private spending for research and development of new products and processes, as well as for cost-cutting, represents one of the most rapidly expanding spending sectors. Commercialization of this research spending means heavy capital investment.

(3) **Money Availability?** Some point to tight money and reduced corporate liquidity and ask, "Where will we get the necessary money for rising capital spending over the next 5-10 years?" First, I should like to observe that the 22% jump in such outlays in 1956 followed by a further 6% increase this year is neither typical nor desirable for a two-year period in terms of normal growth needs. Even so, our studies show that corporate **cash flow,** that is, retained earnings plus set-asides for depreciation and amortization, are equivalent to **two-thirds to three-quarters** of average corporate capital investment needs, with the balance coming from outside accommodation including bank term loans and public or private offerings of securities. We do not expect money availability to be a limiting factor affecting the capital investment required for a normal growth in our economy.

(4) **Return on Investment**—There is much talk of the cost/price squeeze on profits—that lowered profit margins mean lower return on investment and hence a deterrent to capital expenditures. We could easily devote a one-week seminar to this topic and still not resolve all conflicts of opinion. Here, then, I can but best contribute a few observations and a conclusion or two. The economy as a whole continues to enjoy peak corporate sales and profits. Relative stability in overhaul production activity for nearly a two-year period has been rough on many marginal concerns, as reflected in wider divergences among companies in the same industry. More to the point, 1957 reported profits for many concerns have been unduly penalized by two factors — (a) customers' "living off inventories" and (b) delayed benefits of capital expenditures made in 1955-1956-1957. We look for relief for profits in 1958-1959-1960 on both counts. We do not look for restoration of the above - average profit margins of some of the postwar years, nor do we look for further attrition in profit margins before taxes with the expected growth in Gross National Product and corporate sales over the years ahead.

III. Economic Outlook 1958

We expect total business volume for 1958 to average slightly higher than 1957, making it a new peak year for four years in a row. We seem to be all alone in this forecast. But our forecasts for 1955, 1956 and 1957 were greeted with the same spekticism. We'll have to wait and see.

Whether 1958 business ends up with a small plus, no change, or a small minus is to me not the major concern today. But I do want to take strong issue with the "everything-is-going-to-hell-for-a-few-years" frame of mind encouraged by much uninformed comment from both public and private sources.

Here are preliminary expectations for 1958 on key indicators:

Production. — U. S. output of factories and mines to put the FRB Index a point or two above this year's 1945 level.

Gross National Product.—To be up about 3% to $445 billion versus this year's $435 billion.

Consumer Expenditures.—The big factor in our forecast for next year — up some $10 billion, or 3½%—helping to keep total business fairly stable through the first half—with the plus sign coming after mid-year.

Defense Department outlays to edge up from the $38 billion level, missiles/rockets gaining at the expense of aircraft and other military hard goods.

State and Local Spending.—Schools, roads, etc.—still a strong plus—up 5%-10%.

Business Spending. — The expected 5%-10% drop in private outlays for new plant and equipment, is expected to be offset by a modest amount by higher public and private construction spending.

Wages — Consumer spending power continues to benefit from rising wages. Factory average hourly earnings should be up 4% next year, following 1957's plus 5%.

Prices—I expect **consumer** and **industrial** prices will average 1½% - 2% higher next year—about half this year's gain over 1956.

Steel Production — Steel consumption may set a new peak this year, but consumers' reduction of inventories will keep ingot production in the neighborhood of last year's 115 million tons. We look for 1958 ingot output moderately below the 1957 level.

Cars—Our estimate for '57 passenger car production has remained among the more optimistic. The industry itself has boosted its earlier estimates by 400,000-500,000. Six and a quarter million should be about the figure for this year. We don't have a firm forecast for 1958 yet, at least as good as this year's output, with a possible plus 4% normal growth factor, looks like a reasonable target.

Housing Starts—My bets made at the end of 1956 that '57 starts would keep the 1,000,000 figure unbroken have come through some rough months but look much better now. A 10% increase for 1958 is today's forecast. Could be more.

Farm Income—The basis of our original forecast that 1955-1956 would be a bottoming out period for gross farm income remains unchanged. The average 3% gains for 1956 and 1957 have come from higher prices. Larger marketing next year should keep farm income stable to a small plus.

Banking — For both 1955 and 1956 business loans of all commercial banks jumped ahead at a rate three times as fast as each year's respective rise in total business volume as represented by the Gross National Product. For 1957 both series should move ahead about the same, roughly 5% over last year. For 1958, we think a rise in business loans (commercial and industrial) by all commercial banks in line with an expected plus 3% in GNP is a good preliminary objective. Loan rise and higher interest rates have meant good operating results for banks this year and last. We don't see much change in the level of interest rates next year. The high-

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*An address by Mr. Haas before the 11th Annual Conference of Bank Correspondents, First National Bank in St. Louis, St. Louis, Mo., Nov. 5, 1957.

TRACKWALKER WITH A PH.D.

Melvin Janes, a friendly, sandy-haired man in his early forties, may well be the world's only trackwalker with a doctor's degree.

Since 1953, Dr. Janes has trudged many a mile along railroad tracks from Maine to Texas. His mission: to check with his own eyes the killing power of a unique railroad-bed weed destroyer.

Weeds are a menace to railroad men. They are a fire hazard; wheels slip on them; they hold moisture which rots the ties and undermines the roadbed; they make maintenance difficult. More than 50 kinds of weeds grow along the tracks. Some die easily and stay dead—but many are too tough for ordinary weed killers.

When Mobil scientists developed a promising new oil-based killer—AGRONYL R—Dr. Janes took to the tracks to check it out. It killed the weeds, all of them. Moreover, it's heavy and doesn't blow on to adjacent farmland. It leaves a film that discourages new growth (and also helps keep the tracks from rusting).

You can't buy AGRONYL R herbicide for your garden weeds. It wouldn't work in your home sprayer anyway. It was created for a specific job —and it does that job without equal.

In the same way, Dr. Janes and his fellow scientists develop countless other MOBIL products for the special needs of *your* business, *your* car, *your* home. Whether it's a motor oil or a gasoline or a gear lubricant, it's unique in its field. And you can depend on its quality — for it is a product of Mobil's master touch in oil.

For more information about Mobil research and development activities, write to Room 2400, Socony Mobil Oil Company, Inc., 150 E. 42nd St., New York 17, N. Y.

Mobil

SOCONY MOBIL OIL CO., INC.
Leader in lubrication for 91 years

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks went in for a good share of backing and filling this week, waiting on something that would call for decisive action. Missile items were popular more times than not but the enthusiasm even in this section was somewhat restrained.

* * *

There were no signs of any decisive turnabout in the economy, notably auto sales and steel operations, nor any psychological lifts for the market such as more definite signs of an easy money policy by the Federal Reserve. Then, too, the season for establishing tax losses is at hand and there are few reliable yardsticks around to indicate how much of such selling is still to be absorbed.

Institutional Caution

To the chart followers, there was still room on the topside for the year-end rally, particularly if there is any worthwhile reinvestment demand. There were few traces of anything much more than occasional bargain hunting by the institutional buyers who lately have shown a definite predilection for lower prices available on a selling climax. The picture is different for the longer range, however, and widespread expectations that the October low ultimately will be tested are just another in the negative attitudes that hardly call for any aggressive general buying.

Year-End Dividend Action Watched

A good many of the individual moves were keyed to the traditional year-end extra dividends, Zenith is particular soaring on what is pretty much the gamut for dividend action—a $2 extra, a $2 special, a stock split proposal and advance indication of a dividend increase on the split shares. It ran up a string of appearances at a new high on the news — but a peak for 1957 only and not even threatening the peaks of last year or of 1955.

* * *

Outstanding on dividend disappointment was Western Maryland where hopes for the initial dividend had ranged up to $1.25. Declaration of a 75-cent rate, obviously, was well below any such expectations and the stock suffered a bit since it had been hovering at a level that would show an indicated yield of around 5½%, which isn't overly attractive in a rail section where 7 and 8% yields are available. Nickel Plate, in fact, recently held its regular rate but the stock, nevertheless, made an occasional appearance at a new low where its return was better than 10%.

Motors in Doldrums

Layoffs in Canadian auto plants were an added bit of bad news for the depressed autos and indications that the domestic lines weren't attracting any mad buying rush did little to brighten their picture. Even Chrysler, which is involved in one of the two missiles just ordered into production, shrugged off its participation in this glamor field and was toying with this year's low on a couple of occasions. Ford was definitely heavy and sank to new lows with monotonous regularity which represents the poorest price seen for these shares since they were available publicly. That adds up to a trim of more than a third from the price at which the shares were marketed originally.

* * *

What buying suggestions were being bandied around showed some attention going to the unbeaten paths, such as Bausch & Lomb Optical in the counter market which has been holding in a five-point range, half of last year's swing. The company has been showing a comfortable earnings picture and recently put a 20% stock dividend on the calendar for approval by the stockholders early next year. One new product, a slide projector, has been going well and the firm will be hard-pressed to keep production up to demand for it.

The Utilities and Money Easing

There was also considerable attention being given to the normally defensive utility section, particularly since signs of loosened reins on the money market could indicate that the low point has been passed. American Telephone has been showing steady recovery, tacking on a point or better for several sessions in a row which isn't the normal behavior of this investment favorite.

Part of the attraction in Telephone is the huge convertible debenture financing being planned for early next year. The famous $9 dividend on Telephone has been a fixture for more than three decades but computing the yield solely on the basis of the cash payment ignores several good "extra payments" via valuable rights to holders since World War II. However, on only a cash dividend basis Telephone's yield is well above 5%, which is above-average even for the ragged markets of late. The issue has been well deflated from the 187 peaks of 1956 and 1955.

Recovering Chemical Issue

For an equally well-deflated, quality issue Allied Chemical was starting to build up a following. In sliding from its peak of 129 in 1955, Allied has retraced nearly half the distance at its recent low. It was one of the first chemical companies to show a clearcut profit-pinch, which started the downtrend.

Allied might be making some kind of a turnabout, since the third quarter sales and earnings made a good rebound while the period wasn't anything rousing for industry generally.

* * *

Overall preference still seemed to concentrate on the consumption items, as against the hard goods manufacturers, and some of the stores and other soft-goods items were prominent in reaching new peaks in dreary markets.

Interesting Food Issue

H. J. Heinz is one producer offering comforting sales and profit figures for the holders. The growth hasn't been overly spectacular but has been steady. Marketwise, however, the stock has done little, carving out a 10-point range for the year and lately available close to the low of the range. The company, in addition to its important stature domestically, also has one of the larger foreign operations around. In fact, it operates in something like 200 countries abroad. There isn't much stock around since the majority of the 1.6 million shares outstanding is family held. This would usually, in the face of any sustained demand, make for volatile price action which the action of the stock belies so far.

* * *

Sinclair Oil, seventh largest in the field, is another issue that has commanded little in the way of investment attention in recent years mostly because the preference has been for the integrated companies and not for those that have to buy crude, as Sinclair does. Yet Sinclair has been making strides to make up its crude deficiency, including acquisition of the properties of Southern Production and a large stock interest in Texas Pacific Coal & Oil. The relatively static supply of crude furnished by properties under its control took a strong upturn this year with a good chance that the figure of around 35% prevailing for years could reach 50% next year or shortly after.

[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.]

The Credit Approach in Underdeveloped Countries

By THE HON. H. V. R. IENGAR*

Governor of the Reserve Bank of India;
Alternate Governor of the World Bank and Fund for India

Indian finance official asserts that midst rise in standard of living in West, conditions in Asia have remained static or deteriorated, with people becoming astir with demands for ending poverty. Asserts India affords favorable conditions for foreign investor, but her fiscal policy must follow social needs. Concludes while underdeveloped countries must embrace policies to prevent inflation, they cannot achieve any increase in living standards without "massive" support from the West.

As far as my own study of monetary history over the last 40 years is concerned, it is a fact that experts have often strongly disagreed with each other. Moreover, the world is a large place, and, although monetary problems may be structurally similar in all countries, they will not be susceptible of a uniform pattern of solution.

The theme of my talk today may be stated as follows: what should be the credit approach to fiscal and monetary policy in an underdeveloped country which is making efforts to raise the standard of living of its people, and what are the limitations of such a policy in the context of the standard of improvement aimed at?

In dealing with this then, I venture to speak on the basis of Indian experience, not merely because I am familiar with it but also because I think the lessons we are gathering in India will be found to have relevance to other Asian countries engaged in the task of economic development through democratic methods.

But before starting on the main subject, I think it is essential to state briefly the general social and economic background in the light of which policy has to be framed in most Asian countries.

It is a truism to say that there is great poverty in Asia. This poverty which, from a distance, may appear to be merely a disturbing social phenomenon is to us, living in India and most other countries in Asia, a grinding and daily reality.

Contrasting Deterioration in Asia

In the last half century, when great changes have taken place in the West and, in spite of two devastating wars, the standard of living has gone up so remarkably, conditions in many parts of Asia have either remained static or in some places actually deteriorated.

Some 40 years ago, an able and imaginative Englishman working in India conducted a survey of economic conditions in a village in Bombay State. He was horrified at the poverty disclosed by his survey.

This same village was resurveyed a couple of years ago by one of our research institutes. The conditions of the village lent themselves admirably for such a resurvey, for it was, like the majority of Indian villages, away from the main road and the tenor of its simple agricultural economy had not been disturbed by the intervention in the neighborhood of any large industrial establishment.

According to the survey, time had stood still in this village. During a period of nearly 40 years poverty had continued its malevolent supremacy, and the people lived in the same primitive conditions as their fathers had done. This would be true of tens of thousands of villages in the Indian subcontinent, in spite of the programs of development that have been initiated in the country in recent years.

Now, this large mass of people has become astir. In India we have had two general elections on the basis of universal adult franchise, and the peasants and the workers are conscious of their political rights. And powerful winds have been blowing across the country, sometimes a little gusty, shaking them from their torpor; and they are beginning to demand that something must be done and done quickly to improve their lot. The old passivity, the resignation to the forces of fate is giving way with remarkable quickness to the feeling that poverty is a disease that can and should be mastered.

Awakening and Development

It is this awakening of millions of people that has given urgency to plans of development in India and other Asian countries. There are some people who seem to think that Asia is in too great a hurry, that India, in particular, is over ambitious and desirous of catching up too quickly with the West. This is very far from being true.

At the end of the First Five Year Plan in April 1956, the per capita income in India per year was $50, less than one dollar per week. And all that is contemplated by the Second Plan is to raise it to about $60 in five years, or a dollar and 15 cents per week.

With the successive Plans that are to follow, the hope is, in a period of 25 years, to double the income. That is to say, in about 20 years from now all that we are hoping to achieve is a per capita income of $100 per year.

I do not think anybody will, in all conscience, regard this as an over-ambitious target.

It was known that the problem of mobilizing the resources required for implementing a plan of the dimensions stated above would be difficult, but it has turned out to be even more complex than we had thought. The crucial question has been how much of its growing income the community can set apart for capital formation—how far, in other words, it can sacrifice on consumption.

An assessment of this problem is difficult because it involves an assessment of the sum total of the voluntary responses of a vast mass of people. But such information as is available suggests that the increased rate of investment that was taken into account is not taking place. The new incomes generated by development have accrued, in large part, to people who are still below the subsistence levels, and in retrospect it was clearly an over-simplification to assume that any particular proportion of the newly generated incomes would be available for sustaining the levels of investment proposed. A development program of the magnitude attempted in India cannot but set up inflationary pressures, and a major task of fiscal and monetary policy has

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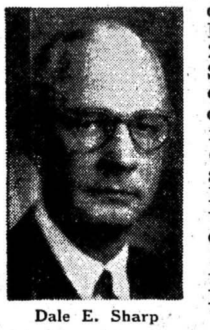
*Statement by Mr. Iengar at the Joint Informal Discussion on "Current Problems of Credit and Fiscal Policy" sponsored by the World Bank and International Monetary Fund, Washington.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

J. Luther Cleveland, Chairman of the Board of **Guaranty Trust Company of New York**, has announced that at a special meeting of the board of directors held on Nov. 27, Dale E. Sharp was elected President and a Director of the company to succeed William L. Kleitz, whose death occurred Nov. 19. Mr. Sharp was formerly Executive Vice-President.



Dale E. Sharp

Mr. Sharp became a member of the Guaranty staff in 1931. He was appointed a Vice-President in 1942 with supervision over the company's banking relationships in the Midwest. He was advanced to the general management of the bank in January, 1955, and appointed Executive Vice-President in September of the same year.

Prior to joining the Guaranty Trust Company he was employed by the **National Bank of Commerce in New York**, 1924-28, and by John Nickerson & Co., New York, 1928-30.

* * *

The Hanover Bank, New York, on Nov. 29 announced the appointment of 12 officers.

Named Assistant Secretary were: Miss Jane Clements, 72nd Street Office; Miss Margaret M. Curtin, 42nd Street Office; Arthur F. Boddicker, Church Street Office; Lawrence P. Galt, Jr., Credit; Charles B. Grimes, Jr., Personal Trust Administration; Richard F. Hunnewell, City Division; J. Joseph Quinn, Purchasing; and John G. Nicholson, Fred L. Rush and James A. Turley, Jr., Will Review and Estate Analysis.

Appointed Assistant Treasurers were: Robert C. Isban, Administration and Mario P. Regna, Trust Administration.

* * *

Arthur B. Goetze, President of Western Electric Company, has been elected to the Board of Directors of **Chemical Corn Exchange Bank, New York**, it was announced on Nov. 29 by Harold H. Helm, Chairman of the bank. Mr. Goetze is a Director of Sandia Corporation, Bell Telephone Laboratories, Nassau Smelting & Refining Company, Teletype Corporation and Northern Electric Company, Ltd. of Canada.

Arthur B. Goetze

* * *

Chemical Corn Exchange Bank, New York, has elected LeRoy W. Campbell to its Grand Central Area Advisory Board, it was announced Dec. 4 by Harold H. Helm, Chairman. Mr. Campbell has been associated with the bank since 1929 and retired on Dec. 1 as executive Vice-President.

* * *

Russell W. Billman, Arthur Gardener and John Hannon, all formerly Assistant Vice-Presidents, were named Vice-Presidents at **Bankers Trust Company, New York**, Dec. 2, it was announced by William H. Moore, Chairman of the Board.

Simultaneously, Mr. Moore announced that C. J. Bridges, Manager of the bank's London Office, was named Vice-President and Manager and that Stephen C. Wisely, Auditor of the overseas branch, was named Assistant Manager.

Mr. Moore also announced the election to Assistant Vice-President of John E. Morrison, Jr., head of the bank's Long Island City Office, and appointed Harold F. Adams, of the Trust Department, an Assistant Secretary and Thomas J. McGrath of the Installment Loan Division, as Assistant Treasurer.

Mr. Billman, with the bank's division which handles activities in both the Middle West and Far West Territories, has been with Bankers Trust Company since 1936. Mr. Billman was named an Assistant Treasurer in1948 and an Assistant Vice-President in 1951.

Mr. Gardener, with the Wall Street Office of Bankers Trust Company, has been with the bank since 1926. With the Banking Department of Bankers Trust Company since 1945, Mr. Gardener was first named to the official staff of the company in 1934; was named a Trust Officer in 1944 and an Assistant Vice-President a year later.

Mr. Hannon, associated with the bank's division which deals with activities in the South Atlantic and Southwestern states, has been with Bankers Trust since 1946. Mr. Hannon was named an Assistant Treasurer in 1951 and an Assistant Vice President in 1954.

* * *

The promotion of five officers to new official posts and the election of eight staff members as junior officers with **The Marine Midland Trust Company of New York** has been announced by George C. Textor, President.

James G. Baldwin was advanced to Administrative Vice-President and Secretary from Vice-President and Secretary, and John R. McGinley and Harold W. Rasmussen were advanced to Administrative Vice-President from Vice-President.

James O. Frein and Joseph H. Scarlett were advanced to Assistant Vice-Presidents from Assistant Secretaries.

New Assistant Treasurers in the departments indicated included: Frederick W. Barrett, Credit; A. Hunter Bowman, Midtown Branch; John D. Griffin, Pomonok Branch; John J. Kane, Whitehall Branch; Eugene J. Mahoney, Credit; Harold T. Peterson, Main Office; Thomas J. Ryan, William Street Branch; Richard G. Stiene, Auditing.

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On Nov. 29, Mr. Felix S. Wassmann, Vice-President of **The Bank for Savings in the City of New York**, was honored on completing 25 years of service with the bank. Commemorating the occasion Mr. Alfred S. Mills, President of the Bank, presented him with the bank's gold Bee Hive pin and a handsome gold wrist watch.

Mr. Wassmann was named Vice-President in charge of the Investment Securities Department in April 1953. Coming to the bank as a clerk in December 1932 he subsequently served as Assistant Secretary and Assistant Vice-President.

Mr. Wassmann becomes the 54th member of The Bank for Savings' Quarter Century Club.

* * *

A two and one-half split of present stock and an offering of an additional 25,250 shares by **The Queens National Bank of New York, Springfield Gardens, N. Y.** has been announced by J. A. Melnick, Chairman of the Board.

The split results in a change in the par value of the stock to $10 per share. The sale of the additional shares will increase the total number of shares of capital stock outstanding to 85,250.

The additional stock is being offered to present stockholders in ratio to their present holdings at a subscription price of $22 per share. The stockholders' subscription rights will expire on Dec. 12.

* * *

Stockholders of **Stamford Trust Co., Stamford, Conn.**, approved the merger with **First National Bank in Greenwich** and **National Bank of Norwalk.** Combined resources would be over $110,000,000. Previous article appeared in Nov. 14 issue of the "Chronicle" page 22.

* * *

A. F. Hauck, Vice-President in charge of the Foreign Department of the **Provident Tradesmens Bank and Trust Company, Philadelphia, Pa.**, retires on Dec. 1.

Mr. Hauck who started his banking career 46 years ago with the **Tradesmens National Bank** is a member of the Bankers Association of Foreign Trade, and retires with a national reputation in the Foreign Department field.

* * *

Girard Trust Corn Exchange Bank, Philadelphia, Pa. will open an office on 63rd Street near Girard Avenue, Monday, Dec. 9. Hans A. Jungels, Assistant Treasurer, will head the new office. John W. Fox will be Assistant Manager.

* * *

The Board of Directors of the **City Bank and Trust Company of Reading, Pa.**, at its regular meeting Nov. 26 declared a regular semi-annual dividend of 70 cents per share and an extra dividend of 60 cents per share payable Jan. 2, to shareholders of record Dec. 14, 1957. This dividend is the same amount as that paid a year ago and marks the 12th consecutive year in which the bank has paid extra dividends at year end.

* * *

Oil City National Bank, Oil City, Pa., with common stock of $500,000; and **The First National Bank of Emlenton, Emlenton, Pa.**, with common stock of $150,000, consolidated effective as of Nov. 16. The consolidation was effected under the charter and title of "Oil City National Bank."

At the effective date of consolidation the consolidated bank will have capital stock of $665,000, divided into 33,250 shares of common stock of the par value of $20 each; surplus of $1,850,000; and undivided profits of not less than $465,783.

* * *

Merger certificate was issued Nov. 18 by the office of the Comptroller of the Currency, approving and making effective as of the close of business Nov. 20, the merger of **Citizens State Bank of Bristol, Bristol, Ind.**, with common stock of $25,000, into **The First National Bank of Elkhart, Ind.**, with common stock of $700,000. The merger was effected under the charter and title of "The First National Bank of Elkhart."

At the effective date of the merger the receiving association will have capital stock of $725,000, divided into 14,500 shares of common stock of the par value of $50 each; surplus of $1,360,000; and undivided profits of not less than $449,186.

* * *

By a stock dividend, the common capital stock of **The First National Bank of Monroe, Mich.** was increased from $300,000 to $400,000 and from $400,000 to $500,000 by the sale of new stock effective Nov. 18. (Number of shares outstanding—50,000 shares, par value $10.)

* * *

By a stock dividend **The Batavian National Bank of La Crosse, Wis.** increased its common capital stock from $250,000 to $500,000 effective Nov. 18. (Number of shares outstanding — 25,000 shares, par value $20.)

* * *

On Aug. 22, 1957 **The City National Bank of Duluth, Minn.** and the **Northern Minnesota National Bank of Duluth, Minn.** consolidated to form **The Northern City National Bank of Duluth.**

Herman C. Matzke retired in February, 1956, as Chairman of the Board of Directors of the City National Bank of Duluth and Mr. William A. Gray, formerly the President of The City National Bank of Duluth, is presently the Executive Vice-President of the Northern City National Bank of Duluth.

* * *

The common capital stock of the **First National Bank in Harriman, Tenn.** was increased from $100,000 to $200,000 by a stock dividend effective Nov. 20. (Number of shares outstanding — 2,000 shares, par value $100.)

* * *

The Board of Directors of the **Birmingham Trust National Bank, Birmingham, Ala.** on Nov. 27, elected Mr. Frank A. Plummer President of the Bank, effective Jan. 14, the date of the Annual Stockholders' Meeting.

Mr. Plummer was Executive Vice-President and Director of **Marine Bank & Trust Company, Tampa, Fla.**, from 1946 to 1952, and since that time he has been Senior Vice-President and Director of the **First National Bank, Montgomery, Ala.**

At the same meeting Mr. Coleman was elected Chairman of the Board. He served as President since Oct. 1, 1937, and has also performed the duties of Chairman since January, 1950. He will continue as chief executive officer.

* * *

The Talladega National Bank, Talladega, Ala. increased its common capital stock from $100,000 to $200,000 by a stock dividend effective Nov. 19. (Number of shares outstanding—16,000 shares, par value $12.50.)

* * *

By the sale of new stock the **Longview National Bank, Longview, Tex.**, increased its common capital stock from $1,000,000 to $1,125,000 effective Nov. 22. (Number of shares outstanding—56,250 shares, par value $20.)

* * *

Details of the proposed merger of three major Salt Lake City banks into a single institution which would bear the name, **Zions First National Bank**, were set forth in a letter sent Nov. 30 to stockholders of the **First National Bank of Salt Lake City, Zion's Savings Bank and Trust Co.,** and **Utah Savings and Trust Company.**

Approved by the U. S. Comptroller of the Currency, the letter gives a resume of the plans for the proposed merger and sets Dec. 11 as the date for stockholders' meetings at each of the three Main Street institutions.

If the majority of stockholders vote in favor of the merger, final approval will be sought from the U. S. Comptroller of the Currency in Washington, D. C., with Dec. 31, 1957 as the proposed date for the merger.

Under the proposed plan, Zion's Savings Bank and Trust Co., established in 1873, and Utah Savings and Trust Co., dating to 1889, will be merged into the First National Bank of Salt Lake City, which had its formal beginnings in 1890.

At the Dec. 11 meetings, shareholders of all three banks will vote on the proposed merger. The stockholders of First National Bank of Salt Lake City will vote on four additional proposals:

(1) That the name of the resulting bank be changed to Zions First National Bank.

(2) That the capitalization of the former bank of $750,000 be increased to $2,550,000 divided into 255,000 shares of common stock of $10 par value.

(3) That authority be given to increase the membership in the Board of Directors to a maximum of 25.

(4) That authority be given to maintain and operate branch offices at No. 1-3 Main Street and 235 South Main Street and that these branches be called, respectively, the Zions Savings and Trust Office and Utah Savings and Trust Office.

First National stockholders will elect directors to fill any vacancies created by the increase in the size of the board and any other vacancies otherwise existing at the time of the stockholders' meeting. "It is proposed that representatives of both Zion's Savings Bank and Trust Co., and Utah Savings and Trust Co. will be elected to places on the board of the resulting bank."

Zion's First National Bank would purchase the stock of Utah Savings and Trust Company and Zion's Savings Bank & Trust Company stockholders should there be any dissenters. In the case of First National Bank stock, the letter states: "The intent of the Church of Jesus Christ of Latter day Saints is to see to it that dissenting stockholders, if any, of First National Bank of Salt Lake City shall have an opportunity to realize the fair cash value of their shares upon the same basis provided for dissenting stockholders of either Zion's Savings Bank and Trust Company or Utah Savings and Trust Co.

The amount of capital stock of the new Zion's First National Bank will be $2,550,000, divided into 255,000 shares of common stock of par value of $10 each. The new firm will have a surplus of $7,450,000 and undivided profits, including capital reserves which when combined with capital and surplus will be equal to the combined capital structures of the three banks on the merger date.

The merger agreement provides that shares of stock of the resulting bank will be distributed to shareholders of three banks upon the following basis:

For 30,000 shares of First National Bank of Salt Lake City of par value of $25 each, there will be issued 119,850 shares of $10 par value each, meaning issuance of 3,995 shares of the resulting bank for every outstanding share of First National stock.

For 30,000 shares of Zion's Savings Bank and Trust Co., stock of $50 par value now outstanding there will be 107,000 shares of the resulting bank stock issued at $10 par value each, meaning 3.5 shares of the merged bank stock for each share of Zion's Savings stock.

For the 3,000 shares of Utah Savings and Trust Company stock of $100 par value now outstanding, 28,000 shares of common stock in the resulting bank of $10 par value each, meaning 9.35 shares of the resulting bank stock for each share of Utah Savings and Trust Company stock.

Each stockholder in the resulting bank will have one vote for each share of new stock held.

* * *

H. A. Renfro, Executive Vice President, **Bank of Encino, Encino, Calif.** and Stanley M. Stalford, Chairman of the Board, **Fidelity Bank, Los Angeles, Calif.**, have been appointed members of the Executive Committee, **Independent Community Banks,** according to M. P. Illitch, Committee Chairman and Chairman of the Board, **Southwest Bank, Inglewood, Calif.**

The Independent Community Banks is a cooperative group of 23 independently owned Southland banks organized to emphasize the importance of the local

ned bank to the economy of its
ade area as well as that of
outhern California.

* * * *

Rt. Hon. C. D. Howe, P.C., was
lected a director of the **Bank of Montreal, Montreal, Can.**, at the 40th annual meeting of shareholders Dec. 2 at the bank's head office.

Mr. Howe, who has had a distinguished career in parliament over a period of 22 years, served for nearly a decade as Minister of Trade and Commerce. He has been awarded 15 honorary degrees in law, science and engineering from universities in Canada, the United States and Australia, and is now Chancellor of Dalhousie University, Halifax, N. S.

* * *

W. M. Currie, Regional Superintendent of **The Canadian Bank of Commerce in Manitoba and Saskatchewan**, has been appointed an Assistant General Manager and will remain in charge of that region at his headquarters in Winnipeg.

Mr. Currie joined the bank at Medicine Hat, Alberta, in 1927, and later served in the British West Indies and London, England. A series of senior appointments at Head Office, including that of Chief Inspector of the bank, preceded his transfer to regional headquarters at Winnipeg a year ago.

Halsey, Stuart Group Offers Virginia Elec. & Power Co. 4½% Bds.

Halsey, Stuart & Co. Inc. headed an underwriting syndicate which yesterday (Dec. 4) offered a new issue of $20,000,000 Virginia Electric & Power Co. first and refunding mortgage bonds, series N 4½%, due Dec. 1, 1987, at 100.492% and accrued interest, to yield 4.47%. Award of the bonds was won by the group at competitive sale on Dec. 3 on a bid of 99.6999%.

Net proceeds from the financing will be used by the company to reimburse its treasury for construction expenditures already made, or for additional construction costs. Construction expenditures for 1957 are estimated at $70,000,000, with $45,700,000 expended through Sept. 30.

The new bonds will be redeemable at regular redemption prices ranging from 105.50% to par, and at special redemption prices receding from 100.50% to par, plus accrued interest in each case.

Virginia Electric & Power Co. is an electric utility operating in most of Virginia and in parts of North Carolina and West Virginia. It also distributes natural gas in Norfolk and Newport News. For the 12 months ended Sept. 30, 1957, electric business provided 93% of its operating revenues and gas business 7%.

For the 12 months ended Sept. 30, 1957, total operating revenues were shown at $126,415,000 and net income at $23,471,000.

Koppelman & Solomon

Morris Koppelman and Donald Solomon have formed the partnership of Koppelman & Solomon with offices at 501 Fifth Avenue, New York City to engage in a securities business.

Howard Marcus Opens

Howard H. Marcus is engaging in a securities business from offices at 501 Fifth Avenue, New York City.

Moskowitz Opens Office

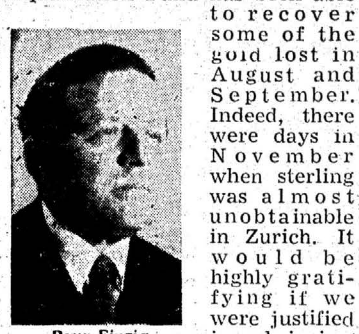
BROOKLYN, N. Y.—Irwin W. Moskowitz has opened offices at 62 43rd Street to engage in a securities business.

Paradox of Sterling's Recovery With Poor Balance of Payments

By PAUL EINZIG

The paradoxical phenomenon of a recovery in sterling despite continued unsatisfactory British balance of payments and little improvement in the domestic economy is ascribed by leading British economist to factors affecting other countries and their currencies; e. g., lowering U. S. A. rediscount rate. Dr. Einzig credits the government with being firm about fighting inflation, and deplores inflationary effect recent hardening of sterling is apt to have upon trade union demands and employer concessions.

LONDON, Eng.—Sterling has now been above its parity of $2.80 for some weeks and the Exchange Equalization Fund has been able to recover some of the gold lost in August and September. Indeed, there were days in November when sterling was almost unobtainable in Zurich. It would be highly gratifying if we were justified in claiming that this improvement has been the result of some fundamental change of the economic situation for the better. Unfortunately, any such assumption would be over-optimistic. The October balance of payments figures of the United Kingdom were unsatisfactory, and there is no reason to suppose that November would produce a striking improvement in this sphere. The deterioration of the balance of payments of the other Sterling Area countries, brought about by the decline in world commodity prices, is causing growing concern in London. Nor has the drain on the sterling balances of Sterling Area countries come to an end.



Paul Einzig

The index of the cost of living continues to rise slowly but steadily. Output statistics are so disappointing that the statisticians have come under criticism. There are no indications that the trade unions intend to abandon or scale down their wage demands. Although there are no major strikes at the time of writing, the truculent attitude of labor is indicated by a number of minor strikes.

At one of the nationalized coalfields there is an unofficial strike, because the National Coal Board is not prepared to compensate the miners for their loss of bonus payments resulting from their earlier strike! This may sound like one of the large crop of jokes produced nowadays about the impossible attitude of industrial workers; but, unfortunately, it happens to be true.

Indications of a slight softening in the attitude of the unions are not sufficiently distinct to warrant optimism. Nor could the improvement of sterling be accounted for on the ground of any noteworthy improvement in the political outlook, domestic or international.

The explanation of sterling's improvement lies not in factors directly affecting Britain and sterling but in factors affecting other countries and their currencies. Sterling is harder because other currencies appear to be softer. The reduction of Bank rates in the United States has given rise to optimism in continental foreign exchange markets about the prospects of sterling. The view is taken that, since the United States authorities are now reflating, while the British authorities are still disinflating to some degree, sterling should improve in terms of dollars. Likewise, there are indications that wages and prices in Western Germany are on the increase, which again is a bullish point for sterling. The franc is once more under a cloud, and some of the French money seeking to escape is finding its way to London.

There has been a fair amount of covering of short positions in sterling during November. This is helpful as far as the immediate position is concerned. But the existence of a large short position in sterling constitutes a substantial hidden reserve, and its reduction through bear covering does not improve sterling's future prospects. Should some adverse factor arise—such as another devaluation of the French franc, or a major strike, or a crisis in the Middle East—the fact that the short position in sterling today is much smaller than it was two months ago means that there will be much wider scope for a new wave of speculative selling of sterling.

All this may sound like the application of the definition of a pessimist as one who, when descending a steep slope, is gravely concerned with the prospects of having to climb up that slope again, in contradistinction to the optimist who, when struggling uphill, is rejoicing about the prospects of soon being able to descend again. But while the attitude of optimists and pessimists does not affect the gradient of the slope, it does affect the psychological and material conditions on which sterling depends. Should the present wave of optimism result in a strengthening of the gold and dollar reserve, it would tend to encourage the trade unions to insist on their wage demands, and it would also tend to encourage employers to concede those demands on the assumption that they would be able to add the higher wages to their prices. The stronger sterling becomes the less the Government will feel impelled to maintain and reinforce its disinflationary measures, but for which any wage increases could easily be passed on to the consumer.

To give the Government its due, it now seems to be inclined to adopt a reasonably firm attitude in face of wage claims by its own employees. Moreover, the annual Treasury scrutiny of departmental estimates of expenditure for 1958-1959 is based on the declared principle that if it is inevitable to spend more in one direction, a corresponding amount has to be cut down in some other direction. To what extent this principle will be enforced in practice remains to be seen. But evidently the Government is now prepared to go further than merely to limit the volume of bank credit and await the result.

Fortunately for the Government's political future, the Opposition has discarded all pretense at a statesmanlike attitude in face of the national danger of nonstop inflation. The Government's disinflationary efforts are opposed in every direction, in the hope that their inevitable unpopularity would help the Socialist Party to victory at the next election. But this attitude rests on a misjudgment of the mood of the country. The Government is likely to be forgiven for a great deal, if only its disinflationary drive produced the desired results.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Presentation this week of a tabulation giving the underwriting profit (or loss) margin of a group of fire-casualty stocks brings out clearly the adverse trend that these companies have had to contend with, for we give not only the long-term average underwriting profit margin (ten years), but that for the last five years averaged, and that for the latest complete year, 1956. As readers of this space are aware, we expect 1957 to be at least as bad as 1956, possibly worse, in underwriting results, so carrying the periods forward a year when the data becomes available would not alter much the general picture.

In arriving at the five-year and ten-year averages, we have gone back to the full dollar relationship of the ratios (losses and loss adjustment expenses to earned premiums; and underwriting expenses incurred to net premiums written), as this calculation is more accurate arithmetically than averaging averages.

A considerable majority of these stocks show a decided trend working from the ten-year average through the five-year and then to one-year line. It seems to this writer that material of this sort should be convincing to the supervisory authorities that higher rates are needed. For 1956, 23 of these 38 units have combined loss ratios; and the five-year average ratio figures of a large proportion of them are well below what insurance companies are presumed to show for such a period.

Rate increases have been very slow in coming through; and with the securities markets causing large shrinkages in portfolio values and hence in surplus accounts, it is not impossible that some of the smaller companies may find the going rough. Indeed, in the current third quarter report of one carrier, convention values are shown, with market values roughly 30% lower.

At the 1957 mid-year date a fairly large number of those reporting used convention (or "association") values; and one wonders how close to serious depletion of surplus account some companies may come for 1957 if underwriting losses continue to mount and portfolio valuations continue to decline started last July. The supervisory authorities hold to the idea that the experience with present rates has not run long enough to justify more increases than have been granted; but of course weakening some units through serious depletion of surplus will do neither the policyholders nor stockholders any good. Convention or association values fool nobody who can multiply figures. Portfolio lists are readily available at practically all companies.

Underwriting Profit (or Loss) Margins

	10-Year Average to 12/31/56	5-Year Average to 12/31/56	1956
Aetna Insurance	2.2%	0.5%	— 3.8%
Agricultural	1.9	—0.1	— 7.9
*American Insurance	1.8	0.0	— 4.9
Bankers & Shippers	8.4	6.1	2.6
Boston Insurance	1.0	—1.2	— 8.6
†Continental Insurance	4.4	2.1	— 2.7
Federal Insurance	12.5	11.3	3.7
Fidelity Phenix	3.8	1.8	— 3.5
Fire Association	0.6	—0.5	— 3.4
Fireman's Fund	3.6	1.5	— 8.3
†Firemen's Insurance	2.7	2.1	— 4.4
Glens Falls	6.0	5.6	5.9
Great American	2.7	1.3	4.0
Hanover Insurance	2.5	0.2	— 4.5
Hartford Fire	6.4	5.4	0.9
Home Insurance	2.1	—0.9	— 6.2
Insurance Co. No. America	6.3	5.3	2.7
‡National Fire	0.5	—2.2	—14.6
National Union Fire	2.1	—0.5	— 8.2
New Hampshire	1.0	—2.0	— 6.0
Northern Insurance	6.3	5.8	4.4
North River	5.9	3.2	— 2.7
Pacific Fire	8.4	6.0	2.6
Phoenix Insurance	3.0	0.4	— 7.2
Provident Washington	—2.6	—7.0	— 8.4
St. Paul Fire	6.6	5.5	1.6
Security Insurance	1.1	—1.0	— 9.5
Springfield	2.4	—0.6	— 8.8
United States Fire	5.5	2.7	— 2.9
Westchester	5.9	3.0	— 2.9
Aetna Casualty	5.3	5.4	1.7
American Re-Insurance	2.9	4.9	8.3
American Surety	—0.7	—0.4	— 2.0
Continental Casualty	6.3	6.8	5.1
Fidelity & Deposit	14.6	13.5	12.1
Massachusetts Bonding	0.0	1.2	1.9
Seaboard Surety	22.6	22.4	31.2
U. S. Fidelity & Guaranty	5.0	4.1	0.6

*American Insurance data does not include American Automobile Ins. Co. †Continental Insurance and Firemen's of Newark are working on a merger, not reflected above. ‡National Fire data not included in Continental Casualty.

Continued from page 13

Open Trade and Investment for Canadian and World Growth

porting countries as they are portrayed in the histories of 19th Century imperialism.

Americans know, too, that Canada, as a capital-importing country, bears no similarity whatever to those backward countries which exploded in manifestations of narrow nationalism under the impact of capital imports in the 19th Century.

In the investment field, I think you will agree, Canadian-American relations are as unique as they are auspicious.

The respect which Canada enjoys in your country and abroad for its political and social institutions and for its unblemished record of integrity in its international obligations is a dominant factor in this relationship.

Add to this favorable political climate for investment the fact that Canada today has a well-developed capital market of its own and a growing reservoir of technical skills and it is hard to escape the conclusion that investment opportunities north of the border "open boundless economic opportunities."

Lest any imagine that I am being boastful or self-righteous, let me say that Canadians hold similar views about the climate of investment opportunity in the United States. Proof that this is so is found in the fact that on a **per capita** basis, Canadian investment in the United States is considerably larger than American investment in Canada.

I would not wish to leave the impression that Canadian growth and expansion are preponderantly dependent upon investment from outside our borders. Foreign investment, it is true, has accelerated the tempo of Canadian growth. It has had a stabilizing influence, too, on Canada's balance-of-payments, and it is hastening the "filling in" and "rounding out" of the economy by encouraging the growth of domestic consumer goods industries and of advanced manufacturing.

But domestic Canadian savings and investment account form the lion's share of the expansion which we have been experiencing. Canadians themselves have transformed great quantities of savings into new capital formation at a pace substantially in excess, proportionately, of the rate of capital formation in the United States and rivaling even the achievements of the Federal Republic of Germany.

Higher Per Capita Trade

That brings me to trade—third of the four great factors to which we must turn for evidence to support the growth prospects which I have already outlined.

Because she is both economically advanced and internationally specialized, Canada's **per capita** trade, as I have said, is the highest in the world. Although the relative importance of trade to the Canadian economy has declined somewhat in the last three decades, exports still represent more than twice as large a share of national income than do the exports of the United States.

The nature of Canadian trade, in export terms, is clearly discernible, in part, in what I have already said about investment in the resource industries. It must be remembered, too, however, that agriculture, and especially wheat, together with forest products, whether fully-manufactured or semi-processed, are also important to our export trade and are likely to remain so for as far into the future as any of us can foresee.

If we are to pay our bills abroad and to remain prosperous at home, export markets must be found not only for our resource products, but for our wheat and for pulp and paper products.

It is to the markets for these commodities as well as for our manufactured products, that we must look if we are to remain Uncle Sam's best customer and a great trading nation.

Canadians, let me assure you, are keenly aware of the fact that the United States is their best customer. It is, however, a token of Canadian-American inter-dependence in trade that 26% of your own country's very considerable exports look to Canada for their market.

It was not always thus.

Historically, the preponderance of Canada's trade has lain with Britain.

At the turn of the century 55% of our exports found a market in the United Kingdom. Today the figure is 18%.

Canadians, therefore, have a vested interest in the prosperity both of the United States and the United Kingdom. For it is in these two markets that upwards of 80% of our export trade is concentrated.

Little wonder, in the light of these facts, that we in Canada tend to be more than ordinarily sensitive to developments of any sort which may affect the future patterns of world trade.

Questions Trade Developments

I said at the opening of my paper that we of the free world seem to be approaching one of the great watersheds of economic history. And I said that the contours of that watershed might well determine the course of trade and investment for a considerable time to come.

That watershed to which I refer is not the short-term swing of the economic pendulum we know as the "business cycle." We Canadians, like Americans, have never deluded ourselves with the notion that our economy was either fully inflation-proof or fully recession-proof. We know that we are all subject to the discipline of the market-place, and we are resilient enough and, I hope, courageous enough, to swing with the punches in such a way that confidence, and not fear, will dominate our long-term outlook at all times.

The watershed to which I refer is of a different nature.

Its contours are discernible in the conscious quest for new and different patterns of world trade that are manifest in such developments as the European Common Market and the proposed Anglo-European Free Trade Plan—patterns which, were they to crystalize, would undoubtedly affect the pattern of international investment.

They are discernible, also, in the agricultural surplus disposal policies pursued by the United States, and they may be seen in those attitudes of mind current in some circles in the United States which pose the threat of import restrictions on copper, lead, zinc, petroleum and other resource products.

I would not wish it thought that I am presuming to pass judgment on these matters. I have enough confidence in the spirit of American enterprise to know that, on balance, America will in the future, as in the past, pursue policies which will hold the promise of fulfillment of open international trade and investment frontiers.

Rather, I would like to pose two questions.

They are these.

Are the developments to which I have referred, taken collectively, likely to achieve, in the long run, greater freedom of trade and investment, thus strengthening the economy of the Western world and equipping us better to meet the threat of Soviet imperialism?

Or, are they, rather, likely to limit and distort the pattern of growth which has characterized international trade and investment over the last decade?

It would be a bold man, indeed, who would venture a categorical answer to either of these questions at the moment. I suggest, though, that it would be imprudent and short-sighted not to keep looking for an answer.

Industry of Discovery

This brings me to my final point — the impact of technology on trade and investment. This is the last of those four great factors to which, it seems to me, we must look if the promise of the future is to be fulfilled.

One of America's great economists has aptly called this factor "the industry of discovery."

American faith in the industry of discovery is manifest in the vast sums which private enterprise in the United States is investing in research.

I am confident that Canadians are no less aware than Americans of the growing importance of the industry of discovery. I believe that opportunities exist which, if recognized, will enable Canadians to contribute even more to achievement in the industry of discovery in the future than in the past. I am confident, too, that Canadian participation in research will accelerate the pace of progress by forcing all of us more promptly to discard old equipment, old methods and old ways of doing things. And as we do so, the capacity of our respective economies to develop new investment opportunities will expand.

If the resource frontiers of the Canadian economy constitute the challenge of trade and investment today, the frontiers of science and technology may fairly be said to constitute the challenge of trade and investment in Canada's tomorrow. Indeed, our very survival may depend upon the manner in which we respond to this newest challenge.

Here, then is the basis of my faith in Canada's tomorrow.

It is a faith that lies, first and foremost, on the rational behavior of the Canadian people.

It is a faith based on the solid knowledge that in trade and investment Canada's prosperity and the prosperity of the United States are singularly inter-dependent.

And it is a faith based surely on the conviction that the industry of discovery will give us new inspiration to face squarely and courageously the great adventures in trade and investment that are ahead of us.

If we are to prosper, if we are to grow, if we are to be strong and free, then we must take a long hard look at any policies advanced in the name of expediency, which might turn our Atlantic Community into an isolated group of economic solitudes. For were that to happen, we would be setting man-made bounds to those golden opportunities of trade and investment which all of us here can glimpse. We would be placing in jeopardy the very hope of social and economic advance which is the free world's answer to the false lure of communism. We would, in fact, be calling into question the very essence of economic freedom in which all of us have staked our faith.

I am confident that neither Canadians nor Americans will stumble into such follies as these.

Maurice H. Bent

Maurice H. Bent passed away Nov. 27 at the age of 66. He was associated with Merrill Lynch, Pierce, Fenner & Beane.

Some Reflections About The President's Illnes

By ROGER W. BABSON

Writing in terms of being a friend of President Eisenhower, Mr. Babson ventures several thoughts concerning the President's illness. He believes, one, political bitterness should be supplanted by bi-partisanship; two, should Vice-President Nixon handle himself well in the next few weeks it should prove helpful in advancing his candidacy; and, three, if the President were to resign—which Mr. Babson hopes will not be the case—he would announce this in his January Message to Congress.

The sad news about President Eisenhower cast a gloom over general business and the stock market. It has also made us all wonder, and realize that things like this may happen at any time. Believing that readers would appreciate some remarks from a friend of the President, I venture the following:

Roger W. Babson

Those who have followed the stock market the past few days know how jittery it has been. It will go up ten points and down ten points in a given day. Therefore, it would be meaningless for me to discuss it in detail.

However, I will record that the Dow-Jones Industrial Average on the morning of Tuesday, Nov. 26, was 442.97, and closed that night at 435.34. As I am writing this, the Industrial Average is 446.03. Readers can look up the latest figures in their daily papers. As to the future, we fear no crisis or panic in business or the market, but there will be a gradual sagging off. People will wait until they see what develops.

Political Outlook

I feel certain that President Eisenhower's illness will tend to make the opposing parties unite on his foreign policy and on defense. The President never pretended to know much about money affairs or agricultural or many other domestic problems. The President, however, probably knows Europe better than anyone in Washington, and it is too bad that he has had such a struggle to put through his recommendations. With his Army record, the President should have his feet on the ground when making recommendations as to defense problems. Of course the situation has been changing so fast, from bombers to short-distance missiles to long-range ballistic missiles and now to satellites, that no one knows what the future will bring forth. Nevertheless, I repeat that any political bitterness which has existed during the past few months should now be buried and we should approach a coalition government. This could be a silver lining to the dark cloud.

What May Happen to Khrushchev

We must not forget that the Russians have their troubles as well as we. Khrushchev is not only vulnerable to similar misfortunes at any time but is also liable to be shot, a possibility which our political leaders need not fear today. These are not pleasant thoughts for any nation, but it is well to remember them and not think that all the misfortunes will befall America.

I personally have great confidence in Vice-President Nixon. If he handles himself well during the next few weeks, as I believe he will, this should be of some advantage to the Republicans in 1959 and 1960. It should give Nixon an advantage over possib candidates of both of the lar parties. As to whether the prese misfortune will help either par in the Congressional electio next year, no one would da forecast at the moment.

Await Opening of Congress

There has been some talk abo Mr. Eisenhower's resigning. to his physical situation, I ha no right to judge or forecast. cannot, however, imagine h quitting now. He himself w want to wait through the Chris mas season and until Congre opens the first week in Janua If he decides to resign, he w probably include such a stateme in his message to Congress at th time. Personally, I sincerely ho he will not resign.

In closing, let me say that Pre dent Eisenhower was trained West Point to give his life f his country. He was always pr pared to die on the battlefie I know that when his time come he will be proud to die at h work or "with his boots on." T fact that he went over to the ai port to meet his foreign visit on a stormy day is true testimo to his courage, patriotism, a fundamental beliefs.

J. A. Roosevelt Joins Bache Inst. Dept.

John A. Roosevelt, youngest s of the late President Franklin Roosevelt, has joined the Instit tional Department of the inve ment firm of Bache & Co., Harold L. Bache, senior partner, announced over the weekend.

John A. Roosevel

Mr. Roosevelt brings to his new position, a wealth of experience in both the business and financial fields. Among the post he holds are those of President and director Regency Fund, a diversific open-end investment compan President of Universal Food Pro ucts, Inc.; and others.

He is also a member of Pres dent Eisenhower's Committee Government Contracts, headed Vice-President Nixon and whi is comprised of representatives labor, government and the publi

Three With Scranton

(Special to THE FINANCIAL CHRONICLE)

NEW HAVEN, Conn. — Geor C. Bryant II, John H. Griffin, and Philip L. Phillips are w Chas. W. Scranton & Co., Church Street, members of New York Stock Exchange.

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BRIDGEPORT, Conn.—Char E. Simpson and Alan J. Zinser with Norman F. Dacey & Asso ates, 114 State Street.

Quality of Consumer Lending

By C. CANBY BALDERSTON*

Vice Chairman, Board of Governors, Federal Reserve System

Mr. Balderston outlines the development and extent of consumer lending; looks askance at some instances of improper lowering of quality of credit; and cites Federal Reserve's recent declaration against consumer instalment credit regulation during peacetime. Ponders effect of a downturn on consumer credit outstanding and reminds consumer financiers of their responsibility in keeping such credit on a sound basis.

When debt is large, the quality of lending calls especially for candid examination. This is true of credit in general, and of bank credit in particular. Bank credit is one of the most vital elements in our economic system. In managing this credit, bankers direct a flow of purchasing power into the areas of greatest need and demand. For instance, the consumer credit influences the demand for consumer goods. By and large this influence is salutary; generally speaking, what is good for consumer banking is also good for the economic system. This is true, however, only if financial institutions acquire their consumer paper from those dealers who remember their proper function is to sell real goods that satisfy people's wants, rather than to sell credit terms. Also the general welfare is enhanced only if direct consumer loans are to those consumers who provide assurance of repayment. Before discussing the quality of consumer instalment credit, I shall review briefly its past growth and its prospects.

C. Canby Balderston

Developments Affecting Quantity of Credit

In recent decades the role of consumer instalment credit has increased markedly. In 1929, it amounted to 4% of disposable income; in 1940, 7%; and today it is 11%. Repayments took 6% of income in 1929, 10% in 1939, and 13% now. For the half of our citizens who have such debt, at least one-fifth of their incomes is devoted to repayments. The present level of outstandings and contractual payments may be approaching a limit relative to income that is dictated by the prudence both of lenders and borrowers.

About 9% of our income is probably being devoted to servicing the debt incurred to buy durable goods. The proportion of income used to service this debt can be increased only if the proportion used to buy nondurable goods is cut. If purchases now paid for out of current income are made on a revolving account basis, or with the proceeds of cash loans, an increasing portion of income would be devoted to the servicing of debt. However, the kind of purchases made would not necessarily be disturbed.

In the 1920's when consumer instalment credit was experiencing its first great growth, it was an exceptionally expansive force in the economy. Also during most of the 1930's, its role increased relatively. During World War II, however, it fell to very low levels with the suspension of production of consumer durables and the increasing liquidity of the consuming public. Its great growth since the war was in part a reaction to its wartime atrophy, and in part a continuation of its secular growth. Is this rapid postwar growth nearing an end? If consumers have now built up their stock of durable goods to a desired relation to income, and if the liberalizing of terms is approaching a practical limit, the consumer debt may grow little faster than income.

Revolving Credit Development

One of the most interesting credit developments in recent years has been the revolving credit account, used primarily by the department stores. While revolving credit has made a rapid growth in the past few years it is not yet a large percentage of total consumer credit. It is estimated that the receivables on revolving credit plans at department stores and mail order companies currently amount to between $300 and $400 million. This is about 20% of all outstanding department store credit but less than 1% of total consumer credit. These estimates do not include revolving credit plans at other types of retail stores. No separate information is available for them.

Revolving credit is statistically and conceptually included with "other consumer goods paper" though some of it might erroneously be reported as charge accounts. In either case neither of these categories has been very dynamic in the past few years. Charge account credit has increased 6% during the past year compared with 5% increase in national income. Instalment credit for the purchase of consumer goods other than autos, increased 5%. The development of revolving credit has apparently not been a major factor in the expansion of total instalment credit during the last three or four years.

Closely related are the instalment cash loans that have been growing, during the past two years, at an annual rate of about 14%. Their growth has been more rapid than that of other types of instalment credit and now equals 2.6% of disposable income. The rapidity of this rate of growth raises interesting questions as to the cause and probable duration. Personal cash loans, as well as revolving credit, may be used to postpone the payment for purchases that have usually been paid for in the past out of current income. To the extent that they are used for such postponement of payment rather than for emergencies or purchases of exceptional size they merit a critical review. Financing of the purchase of items to be consumed shortly after acquisition cannot be supported by the same reasons used to explain the use of credit for buying expensive durable goods.

Another factor is the changing age distribution of the population. Consumer credit seems to be used especially by young families when they are getting established and building up their stock of durable goods. Just as rapid family formation during the postwar period has helped expand consumer credit, its expansion during the next few years may be dampened by the low birth rate of the 1930's. But when the higher birth rates of the war and postwar years are reflected in higher family formation the rapid expansion of instalment credit may be resumed.

Commercial Banking's Progress

Some rather striking changes have occurred since 1939 in the distribution of consumer credit among various classes of holders. Most marked has been the decline in the portion of credit held by retailers from nearly a third at the end of 1939 to about 12% at the present time. As a reciprocal, of course, the financial institutions have increased their holdings from 68% to 88%. Sales finance companies and small loan companies are holding 29 and 10% respectively much the same as in 1939. Credit Unions have increased their share from 3 to 7%. Commercial banks have increased their holdings most strikingly from 24 to 38%. The percentage held by commercial banks has been rather stable for about 10 years and there is no apparent reason why it should change substantially in the near future.

Another way of looking at consumer debt is as an investment outlet for saving. Although most saving finds outlets as business capital or as government debt, some is invested in consumer debt and in consumer durable goods. This last outlet for saving has been quite important for the past 12 years. After the war, stocks of goods needed to be replenished; then people wished to improve their physical well-being. Now that stocks of goods in the hands of consumers have reached their present high level, whether measured in relation to income or to total wealth, it may be that this type of investment and debt will cease to rise at a rate greater than that of other investment and other debt.

Maturities and Delinquencies

The expansion of instalment credit has been aided by progressively longer maturities and lower down payments. Over a period of 30 years standard maturities on new auto paper have grown from 12 to 24, then to 30, and now to perhaps 36 months. In 1955 when the use of the 36-month maturity first became frequent, it was not clear just when and how the progressive liberalization of maturities might end. But the good judgment of lenders did stabilize maximum maturities at 36 months; for two years now little inclination to exceed this limit has been evident. Despite the increasing proportion of business done at the maximum terms, no evidence has appeared as yet that delinquencies, repossessions and losses have been greater on this long-maturity paper than on short when careful quality standards are used and adequate down-payments are obtained.

While average maturities on new car paper appear to have continued to increase, the amount of credit granted in relation to car values seems to have stabilized. In 1955 a sizable proportion of loans were large relative to the value of their security. After the great splurge of 1955, the proportion of these very liberal loans was reduced somewhat, and has since remained stable. Time may disclose that too many loans are still being made in excess of automobile wholesale value, but the business judgment of lenders will doubtless inhibit any considerable volume of such liberal loans from being made again. Mr. Homer Jones of the Board's staff holds the view that loans which are extremely large in relation to value of the security have proved more risky than have those with extended maturities, provided the borrower has a reasonable equity. This experience since the summer of 1955 may explain why loans that are large relative to value have declined in volume, whereas the proportion of 36-month maturity auto loans has steadily increased.

Liberalization of terms seems to have been associated in recent times with the increase in amount of credit granted and outstanding. When terms were lengthened markedly in 1952, credit outstanding rose rapidly. When maturities lengthened and loan ratios were liberalized in 1954-55, outstandings mounted again. The rate of increase in 1956-57, though more gradual, has still been about 8% a year, and considerably greater than that of income. This gain of the past two years has been made possible by the increased proportion of paper written on a 36-month basis. With stabilization of average maturities and with reasonable business and price stability, the rate of growth in credit outstanding may decline.

The Quality of Credit

Experience with these more lenient terms appears to have proven reasonably good. The American Bankers Association series on delinquencies has remained at a low level; repossessions and losses have not presented a problem so far. However, some lenders may have been suffering repossessions that, in view of the strength of the used car markets, have not resulted in substantial losses. But if incomes should decline, or if prices of used cars should fall, the repossession rate would be likely to increase and the loss per car to rise.

How the present volume of consumer credit might fare in a downward movement of business activity or of prices might well be pondered. Consumer credit has had a favorable experience in past recession, notably in 1929-33. In fact the experience with it has been better than with most other kinds of credit. However, in 1929 instalment credit outstanding amounted to only 4% of disposable incomes; today it is 11%. At that time, maturities on durable goods paper seldom exceeded 12 months; now 36 months is not uncommon. Down payments then were doubtless more substantial; the buyer's equity in the goods purchased, larger. The proportion of their incomes that consumers devoted to the servicing of instalment debt was much smaller then than now. In no field of finance have the volume and terms so altered since 1929. But it is possible that the good experience of the past may have led to volume and terms that are imprudent.

Setting A Prudent Limit

It would indeed be unfortunate if this type of credit, which is such an integral part of the economy, should now prove less safe. These are not conclusions but questions. There must be some prudent limit to the maturities of loans made to buy rapidly depreciating goods, and to the amount of loans in relation to the value of security. It may be relevant to ask whether the limits of prudence have been exceeded and whether the long run interests of the consumer lending business and of the economy call for analysis of the trends.

The soundness of the practice of lending more than the new car cost the dealer may be open to question. Not only are lenders likely to experience losses larger than they care for, but if their experience should turn unfavorable they may then become unduly restrictive in their lending policies and thus injure the sale of durable goods unnecessarily. The practice of making loans in excess of the dealer cost of the collateral might be eliminated in the long run interest of both lenders and of the economy.

Some probably have seen or heard about the study of consumer credit completed by the Board's staff earlier this year. As a result of this study, the Board concluded that "special peacetime authority to regulate consumer instalment credit is not now advisable. The Board feels that the broad public interest is better served if potentially unstabilizing credit developments are restrained by the use of general monetary measures and the application of sound public and private fiscal policies." This conclusion was reached because the Board believed that, with adequate control of total bank credit, and with the following of reasonably prudent policies by lenders, the terms and volume of consumer credit would be kept on a sound basis. Consumer bankers being directly concerned with consumer credit, have a special obligation in this regard.

*An address by Mr. Balderston at the 37th Annual Convention of the Consumer Bankers Association, Atlantic City, N. J.

Elmer Myers Joins John R. Boland Co.

Effective Dec. 1, 1957, Elmer E. Myers will join John R. Boland & Co., Inc., 30 Broad Street, New York City, as Vice-President in charge of Dealer Relations and Wholesale activities.

Elmer E. Myers

Mr. Myers experience in the securities field extends over a period of 40 years, covering all types of securities. He first entered the "Street" in 1915 with Hodenpyl Hardy & Co. Inc. and later managed their trading department for many years. Following the dissolution of Hodenpyl, Hardy Securities Corporation, he devoted several years in travel, both in Europe and this country conducting personal surveys.

In 1934 he joined Sutro Bros. & Co. as manager of their trading department where he remained until entering the Armed Services in 1942. Mr. Myers saw active service in France in 1918 with the Tank Corps and in Africa in 1942-43. Following his discharge from the Army he prepared a "top secret" report for a governmental agency before re-entering the securities business.

From 1944 to 1947 he was a member of the B. W. Pizzini organization and after an interlude rejoined them to be Vice-President in charge of sales.

Mr. Myers is one of the organizers and a former Vice-President of the Security Traders Association of New York. He is a Past Commander of the Veterans of Foreign Wars, presently Senior Vice-Commander of the Tank Corps Post of the American Legion, member of the World War Tank Corps Association and of the B. P. O. E. For many years he took an active part and is still interested in assisting paraplegic veterans in V. A. Hospitals in the Metropolitan vicinity.

Answers to Investor's Yr.-End Tax Questions

Sheldon V. Eckman, tax expert, at New School session today.

Sheldon V. Eckman, tax expert of S. D. Leidesdorf & Co., and lecturer at N. Y. U. and the Tax Institute, will head a question-and-answer session on The Investor's Year-End Tax Problems at the New School for Social Research, 66 West 12th Street, New York City, this afternoon (Thursday) at 5:30 p.m. Individual tickets are available for this session, one of a series given by A. Wilfred May and Dr. Leo Barnes.

Reconciling Our Economic Goals And the Problems of Inflation

By EZRA SOLOMON*
Professor Finance
School of Business, University of Chicago

Chicago finance expert decries present debate between those pitting price stability and maximum employment goals against each other. Singles out a bill recently introduced in U. S. Senate which would legislate one of these two goals as more important than the other, in asserting that it would only do harm to place one goal ahead of the equally important other one. Professor Solomon advises we not emasculate flexible monetary policy's freedom to act as an instrument of economic stability—as would be the case with the passage of such a bill. Believes cost-push explanation of inflation is misleading as is the implication that monetary policy is the wrong medicine.

The Causes of Creeping Inflation

The standard explanation for inflation emphasizes the demand side of the economic equation. In this view, a general rise in prices is caused by too much demand chasing too few goods and services. In technical terms, it is an excess of aggregate demand for goods and services, relative to aggregate supply, at current prices. The standard prescription for the malady is to stem the forces of demand either by restricting money and credit or through restrictive fiscal policy — a reduction of Federal expenditures or an increase in Federal tax rates or both.


Prof. Ezra Solomon

According to a lot of people, the recent inflation we have been having is a new and different phenomenon. It is supposed to start on the **supply** side of the economic equation. Rising costs, especially rising wages are supposed to push prices up. Most recent discussions of inflation in the press and by business leaders have been stated almost entirely in terms of this **cost-push** explanation. The role of demand has been almost completely neglected. Instead, modern inflation is supposed to originate in cost pressures which arise out of institutional practices current in the modern economy. Industry-wide wage bargaining, wage demands in excess of productivity, cost-of-living and other escalator clauses, cost-plus pricing practices — all of these are supposed to keep costs and hence prices moving upward. This is more than a simple change in theory. It has an important implication.

The basic implication of the cost-push explanation is that traditional restrictive monetary measures are worse than useless against modern inflation. They are useless because they affect demand and demand is not the culprit. They are worse than useless because an important consequence of restrictive monetary policy is a rise in interest rates. Since interest is an element of cost, this rise simply aggravates the rise in prices. If this implication is accepted, two others follow: (1) Inflation cannot be prevented without restraint on the part of unions and big business. If exhortation does not do the job, some kind of direct control over wage-negotiations is the only answer. (2) If there is reasonable restraint on the part of unions and business, inflation will be kept in harness—and so long as it creeps rather than gallops, we should learn to live with it.

My own view is that the cost-push explanation is misleading and that its implications are unjustified and dangerous. The argument about the relative role played by cost and demand in determining price was settled 80 years ago. The correct answer—both for the price of a particular commodity and for the general price level of all commodities, is that price is determined by the interaction of cost and demand. The text-book analogy is that **both** blades of the scissors do the cutting.

In the short-run, demand is the dynamic force which starts the price level moving. An excess of aggregate demand relative to aggregate supply will cause prices in general to move upward. This applies to the price of labor as well as to commodity prices. Without the pull of monetary demand, prices in general cannot rise and sporadic rises that do take place cannot be sustained.

Rising costs are obviously an important factor because they hasten the rise in prices. But even more important is the indirect effect of rising costs. One party's costs are another party's income receipts. When costs rise, receipts rise and this in turn generates more demand and expenditures. I am not denying that costs play a part in the inflationary process. The important point is that demand—demand backed by money—must be there at all times in order to keep goods and services moving at successfully higher price levels. The cost-push explanation ignores this vital point.

Let me cite three items which indicate fairly clearly that the cost-push explanation is misleading and that the demand factor is essential for any true understanding of the inflationary process.

(1) In 20 peace-time years from 1897 to 1917 before institutional cost-push factors existed—wholesale prices rose at about 4½% per annum. Since 1947 with all the so-called cost-push factors in full swing, wholesale prices have risen less than 2% per annum.

(2) During the past 12 or 18 months, the price level of durable producer goods—for which there has been a very heavy demand—has risen a lot more than the price level of consumer durable goods for which demand has been relatively slack. Although wages and costs have gone up as much in each industry, construction machinery and equipment prices have risen about 8% per annum whereas household durable goods have risen only about 3%.

(3) My third item is really a question. If all that is needed to produce an inflationary rise, is a rise in costs, I wonder why we didn't try this simple remedy during the Great Depression of the 1930's when deflation was our chief enemy?

Let me turn from the cost-push theory to the implication it seems to have suggested.

This implication is that tight monetary policy and rising interest rates is the wrong medicine for inflation because interest is a cost and higher costs lead to higher prices. This analysis confuses cause and effect. The purpose of tight monetary policy is to stem demand by cutting down on the supply of credit. Since a lot of the demand in our economy is financed by credit, tight money and tight credit is anti-inflationary. The cost effect is a negligible by-product of this process. Even in the case of public utilities where interest costs may have some importance, interest charges probably come to less than 5% of total costs. The restrictive effect of tight money and higher interest rates on demand, and hence on inflation, far overwhelms any cost-push effect it may have in the opposite direction.

Can Inflation Be Controlled?

I turn now to the second question. Can modern inflation be prevented by traditional credit and fiscal policy? The answer is a clear-cut yes.

Since an excess of aggregate demand is a necessary factor in the inflationary process, it follows that inflation can be prevented by restraining demand. Since the monetary and fiscal authorities have almost unlimited power to reduce demand if follows that they can bring inflation to a quick halt. They can do so with or without the cooperation of unions and business and they can do so in spite of all the so-called cost-push factors which have been built into our economic system.

Why have they not done so these past two years? The answer lies in three factors. (1) The problem of human judgment, (2) the nature of monetary control and (3) a potential conflict of goals between price stability on the one hand and growth on the other.

Price stability is only ONE of the goals of overall economic policy. Another important goal is the promotion of maximum employment and growth. Inflation is only one hazard. Unemployment is also a hazard. There probably exists some degree of monetary and fiscal ease or stringency which will keep us exactly between these two hazards and exactly on the path of non-inflationary full employment. Ideally we would like to have the economy poised forever on this midway path—on the brink of inflation, so to speak, but without an actual rise in prices.

Now this ideal position can be aimed at but it cannot be perfectly and continuously maintained because the steering mechanism of economic policy is not a simple or an exact device. A free economy the size of ours generates many forces that swing it off the ideal path in one direction or the other — sometimes toward inflation — sometimes toward unemployment. The cost-push factors complicate this problem enormously. Policy must attempt to correct for these forces **—but it must not over-correct**, or it will push the economy toward the opposite hazard.

The recent inflation is a good example of how difficult it is to achieve perfect corrective action. In the first place there is the difficulty to forecasting the future accurately in order to know which kind of correction is necessary and how much of it should be applied. Almost everybody is against inflation — but how many people were sure in 1954 and 1955 that our problem in 1956 and 1957 would be inflation and not unemployment?

In late 1954 and early 1955 the recovery from the recession was sparked by a tremendous upsurge in consumer spending on durable goods and houses. A lot of people expected the recovery to be short-lived because they did not believe that this source of demand would last, and they saw nothing that would take its place. They were right on the first count—consumer expenditures on durable goods and houses declined fairly rapidly after mid-1955. However, a tremendous upsurge in business capital goods spending took its place and the boom continued. Again, few expected this sector of demand to be as strong and continuous as it turned out to be. When the Federal Reserve kept on tightening credit in early 1956 in response to price-pressures generated by the capital goods boom, they did so in the face of considerable opinion and pressure from almost everybody else — in and out of the administration. Nobody can doubt Mr. Humphrey's stand with regard to inflation. Even he was convinced that the Federal Reserve were wrong in their diagnosis that inflation and not recession was the prime enemy in April, 1956.

This is one reason monetary policy did not stop the inflation—it was not applied hard enough. And it was not applied hard enough. And it was not applied hard enough because almost everybody underestimated the strength of the boom.

A second reason is that there are time-lags and other loose links between policy action and its impact on the economy. The effect of monetary stringency can be partially offset by a rise in monetary velocity. This rise is due to better management and more efficient utilization of the available volume of money and credit.

The third reason is that price stability is not the only goal of policy. Maximum employment and growth is also a goal of policy. Under the sort of conditions we have had since 1954 these objectives conflict. If the credit authorities had been told that their **only** responsibility is to prevent a general rise in prices they could have done so by taking drastic restrictive action in early 1955. But action drastic enough to make quite sure that prices did not rise would have prevented the rise in output and employment the economy has enjoyed since 1955. This brings us to our third and most controversial issue. Should we stabilize prices if the restraint required to do so restrains the growth of employment and output?

Maximum Growth vs. Price Stability

The issue of price-stability versus maximum growth is by no means a new one in this country. In fact much of the economic history of the United States could plausibly be written in terms of a basic conflict between the proponents of expansion, even at the cost of some inflation, and the proponents of the sound dollar, even at the cost of some expansion.

In recent months the issue has flared up again in connection with current monetary policies. There are many shades of opinion on how we should solve the problem of reconciling the goal of maximizing production and growth with the goal of stabilizing prices. To simplify matters, we will discuss the two extreme positions in this debate.

One position is that maximum growth in employment and output should be **the** primary goal of economic policy. Price stability should be a secondary goal. We should be prepared to accept a creeping inflation that may result from the pursuit of maximum growth.

The second and opposite position is that price stability should be **the** primary goal of economic policy. Monetary policy should permit the maximum rate of growth compatible with an absolutely stable price level.

Each position emphasizes the vital importance of its chosen goal and is willing if necessary to sacrifice the alternative goal. Both positions involve value judgments, an element of crusading and a tendency to exaggerate the tragic consequence of departing from its own particular ideal.

In order to evaluate the two positions and their respective arguments, it is necesary to remember that the problem at issue is the problem of reconciling the need for stability and the need for growth **when these two goals are in conflict.** It is not a debate about whether serious inflation or serious unemployment is the greater evil. A good part of the current confusion arises because the debaters forget this fact.

A serious inflation occurs when output is operating at full capacity and continued credit creation results in a spiralling price level. Under these circumstances, we have speculative excesses, a disappearance of saving and a diversion of investment from productive capital formation. All of this leads to pure inflation and eventual collapse. Nobody denies the evil of pure credit-fed inflation. But this is not relevant to the issue at stake. In such a condition there is no conflict of policy involves. It is clear that the stabilization of prices should be the paramount goal of policy.

A condition of serious unemployment exists when gross output is falling. This is also a great evil. But again it is not relevant in the present argument, because there is no conflict of policy involved. When serious unemployment exists, it is clear that the re-establishment of full employment is the paramount goal of policy.

The problem of reconciling a possible conflict of policy exists **only** when neither unemployment nor inflation is serious. The period since 1955 is a good example of the kind of situation in which a potential conflict of goods exists and policy must choose or compromise between the needs of growth and the needs of price stability. It is within this context that we must evaluate the alternative suggestions that have been put forward. The injection of arguments which apply in altogether different situations, such as pure credit-fed inflation or serious unemployment, simply confuses the issue.

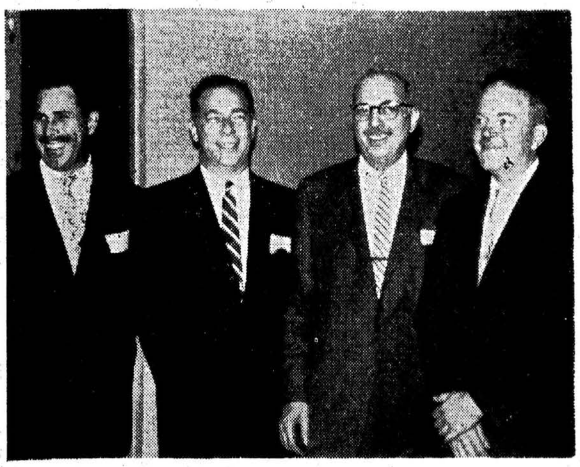
The present Congressional mandate under which policy is exercised is reasonably vague on what weight should be given to each of the desirable but conflicting goals of maximum employment and price stability. The goal outlined by the Employment Act is "maximum employment and production—consistent with the other goals of national policy." Price stability as such is not mentioned as a goal but is obviously implicit in the act. Neither does the Act define what it means by maximum employment. Since 1951 the Federal Reserve System to the best of its ability has been free to pursue both the goal of stable prices and goal of maximum growth. By and large, both goals have been pursued and, with considerable success. The present debate arises because some would have preferred a somewhat greater emphasis on price stability and less on growth and some would prefer a greater emphasis on growth and less on stability.

The important question now at issue is whether any useful purpose is served by explicitly legislating one of these two goals as primary and the other as secondary. My own opinion is that the explicit recognition of one goal as primary and the other as secondary would do only harm. Both goals are important.

A bill has been submitted in the U. S. Senate which would recognize price stability as one goal of economic policy. Such a move would simply make explicit something which has long been an implicit tradition. As such it would do not harm and might possibly do some good. However any move to set **absolute** price stability as **the** primary goal of policy is an **altogether different matter.** It represents one of the two extreme positions in the current debate. The other extreme

*An address by Dr. Solomon before the Annual Convention of the American Gas Association, St. Louis, Mo.

Security Traders Association of New York



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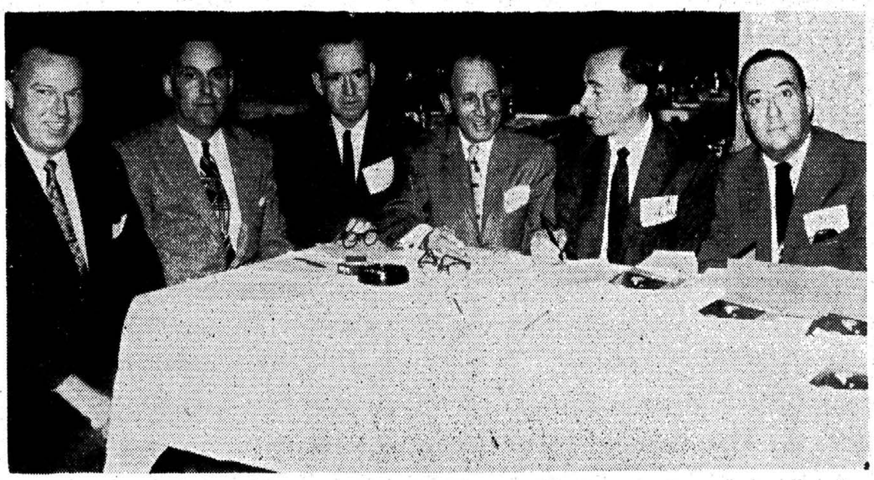
Charles O'Brien Murphy III, *Pearson, Murphy & Co., Inc.;* Don Hall, *Hoit, Rose & Company;* William Salisbury, *Eastman Dillon, Union Securities & Co.;* William McKeever, *Reynolds & Co.*



Edmund A. Whiting, *Carl M. Loeb, Rhoades & Co.;* Jack Wielar, *McManus & Walker;* Samuel Colwell, *W. E. Hutton & Co.;* Edward Zinna, *Smith, Barney & Co.;* Bob Topol, *Greene and Company;* Jack Manson, *Hardy & Co.*

Jack Cirenza, *Gregory & Sons;* Joe Conlon, *Grace Canadian Securities, Inc.;* Joe Hayes, *Gregory & Sons;* Jack Barker, *Lee Higginson Corporation;* Bob Brearley, *Wood, Gundy & Co., Inc.;* Bill McGovern, *Gregory & Sons*

Stanley Kulakowski, *Merrill Lynch, Pierce, Fenner & Beane;* Jack Thompson, *Wertheim & Co.;* Bob King, *Charles King & Co.*

Steve McDonald, *W. E. Burnet & Co.;* Jerry Hulsebosch, *Godnick & Son;* C. P. Curti, *Hayden, Stone & Co.;* Ed Horn, *Kuhn, Loeb & Co.*

Les Gannon, *Western Securities Corporation,* Jersey City, N. J.; Bill Kumm, *Hill, Darlington & Co.;* Walter Mewing, *D'Assern & Co.*

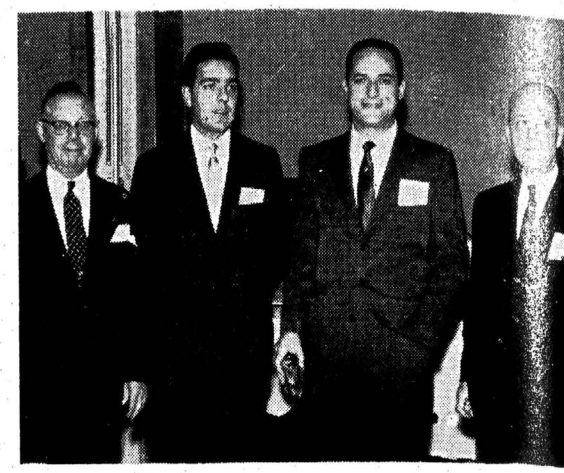
Bill Springer, *Carl Marks & Co., Inc.;* Fred Loeliger, *Carl Marks & Co., Inc.;* Charles Politis, *Kuhn, Loeb & Co.;* Leon Yaeger, *Stern, Lauer & Co.;* Reg Knapp, *G. C. Haas & Co.*

Elbridge Smith, *Stryker & Brown;* Walter Filkins, *Troster, Singer & Co.;* Bill Mulholland, *McLaughlin, Cryan & Co.;* Sylvester Bies, *Edward S. Ladin Company*

Annual Beefsteak Dinner

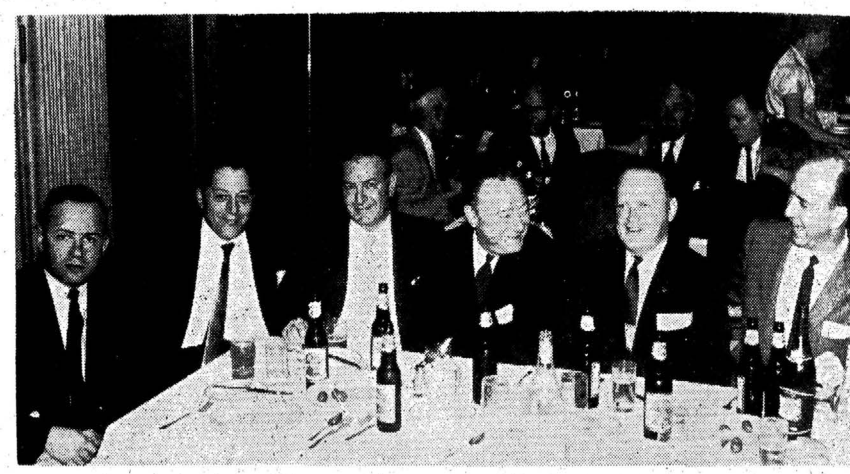
Sam Milt, *New York Hanseatic Corporation;* Moe Altman, *H. Hentz & Co.;* Joseph Lann, *Joseph Lann Securities, Inc.;* Al Tisch, *Fitzgerald & Company*

Samuel Weinberg, *S. Weinberg & Co.;* William Eiger, *Goodbody & Co.;* Arthur Burian, *Daniel F. Rice & Company;* Milton Capper *Capper & Co.,* Jersey City, N. J.

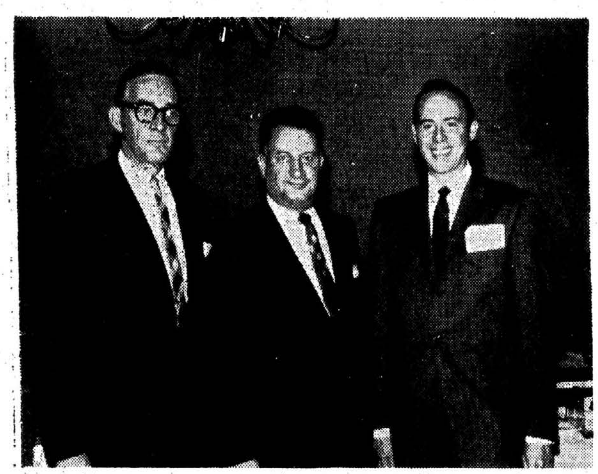


Elmer Myers, *B. W. Pizzini & Co., Inc.;* Bob Pizzini, *B. W. Pizzini & Co., Inc.;* Mort Weiss, *Singer, Bean & Mackie, Inc.;* Harold Burke, *Auchincloss, Parker & Redpath*

Henry Kuiper, *Lord, Abbett & Co.;* John Halk, *Tucker, Anthony & R. L. Day;* Charles Jann, *Estabrook & Co.;* Tom Trager, *Merrill Lynch, Pierce, Fenner & Beane;* John Fitzgerald, *W. C. Pitfield & Co., Inc.*



Sheldon Silverstein, *Reynolds & Co.;* Harry Simmons, *Simmons & Co.;* Jack Sammon, *John J. O'Kane, Jr. & Co.;* Frank Aigeltinger, *Vickers Brothers;* Joe Flanagan, *John J. O'Kane, Jr. & Co.;* Bob Kullman, *John J. O'Kane, Jr. & Co.*



L. K. Tuzo, *Union Service Corporation;* Jim Crane, *Van Alstyne, Noel & Co.;* Bob Topol, *Greene and Company*

Walter Kane, *Shearson, Hammill & Co.;* Clifford Channell, *First Boston Corporation;* James Kelly, *Kidder, Peabody & Co.;* Arnold Wechsler, *Ogden, Wechsler & Co.*

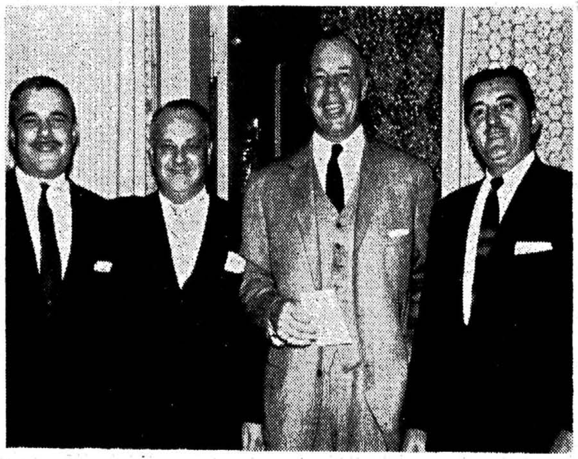
Jack Barker, *Lee Higginson Corporation;* Walter Johnson, *G. A. Saxton & Co., Inc.*

Jim Durnin, *H. D. Knox & Co., Inc.;* Charles Ogden, *Ogden, Wechsler & Co.;* Harry Michels, *Allen & Company;* Burt Barysh, *Ernest & Co.*

John Meyers, *Gordon Graves & Co., Inc.;* Joe Krasowich, *Gregory & Sons;* Wilbur Krisam, *John Legg & Company;* Bill Meyers, *Gordon Graves & Co.; Inc.;* Gene Brady, *Gordon Graves & Co.*

Nov. 19, 1957 at The Antlers

H. K. Greenfield, *Greenfield & Co., Inc.;* Joe Smyth, *Salomon Bros. & Hutzler;* Angelo Martinelli, *Josephthal & Co.;* Stan Shaw, *Josephthal & Co.*

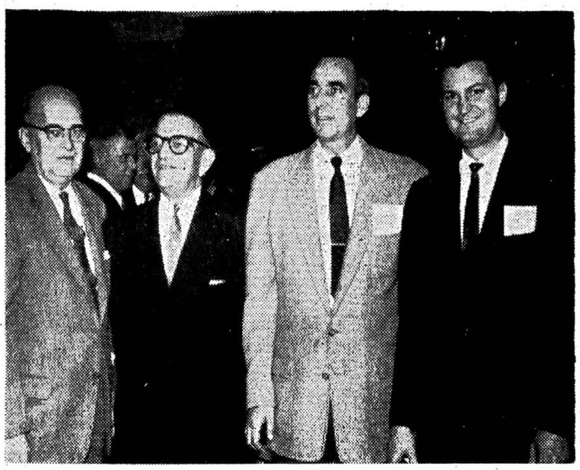


Joseph Carucci, *J. K. Rice, Jr. & Co.;* Julius Golden, *Greene and Company;* Ted Plumridge, *Eastern Securities, Inc.;* Ray Kenney, *D. Raymond Kenney & Co.*

Carlo Ceru, *Vanderhoef & Robinson;* Barney Nieman, *Carl Marks & Co., Inc.;* Charles Zingraf, *Laurence M. Marks & Co.;* Tom Mullins, *Laurence M. Marks & Co.*

Ted de Noble, *Cowen & Co.;* Sal Rappa, *F. S. Moseley & Co.;* Joe Billings, *Cowen & Co.;* Paul Morton, *Peter P. McDermott & Co.*

Ed Kelly, *Carl M. Loeb, Rhoades & Co.;* Joe Titolo, *Harris, Upham & Co.;* Bill Wittich, *Grimm & Co.;* Larry Helfgott, *Kuhn, Loeb & Co.;* Herb Gesell, *Kugel, Stone & Co., Inc.*



Roy Larson, *H. D. Knox & Co., Inc.;* Harry Casper, *John J. O'Kane, Jr. & Co.;* Charles Offerman, *Troster, Singer & Co.;* Charles Lye, *Riter & Co.*

"Duke" Hunter, *Wellington Hunter Associates,* Jersey City, N. J.; Sam Englander, *Englander & Co., Inc.;* Dick Shipman, *Leslie Securities Corporation;* Ed Abele, *L. D. Sherman & Co.*

Murray Barysh, *Ernest & Co.;* Henry Kahn, *Ernst & Co.;* John Stein, *Wm V. Frankel & Co. Incorporated;* Joe North *Francis I. du Pont & Co.*

Dick Roberts, *R. C. Roberts & Co.;* Frank Barrett, *H. C. Wainwright & Co.;* Rudy Petke, *Garvin, Bantel & Co.;* Joe Kirk, *Delafield & Delafield;* Frank Pavis, *Chas. E. Quincey & Co.*

John Stevenson, *Singer, Bean & Mackie, Inc.;* Bernard Salman, *Singer, Beane & Mackie, Inc.;* Robert Sledge, *McManus & Walker;* James Jones, *McManus & Walker*

Investment Traders Association of Philadelphia

FIFTH ANNUAL DINNER DANCE NOVEMBER 23, 1957

Henry O'Shea, *Drexel & Co.*

Grace and Sam Kennedy, *Yarnall, Biddle & Co.*

Bill Radetzky, *New York Hanseatic Corporation*

Hannah Laughlin; Ed Knob, *Drexel & Co.;* Maryanne Knob; Marianne Hardy; Sam Kennedy, *Yarnall, Biddle & Co.;* Gracy Kennedy; Rick Sanders, *Butcher & Sherrerd*

Virginia Mundy; John M. Hudson, *Thayer, Baker & Co.;* Mary Smith; Joseph Smith, *Newburger & Co.*

Larry Knowlan, *C. C. Collings and Company, Inc.;* Will Rice, *Eastman Dillon, Union Securities & Co.;* Virginia Mundy; Sally Muller

Anne and Spence Corson, *Elkins, Morris, Stokes & Co.;* Ed Gilleran, *National Association of Securities Dealers;* Carol Rice, *Eastman Dillon, Union Securities & Co.*

Mr. & Mrs. Hal Murphy, *Commercial & Financial Chronicle,* New York; Jim Mundy, *Suplee, Yeatman, Mosley Co., Incorporated*

Mary Hudson; Edgar and Florence Christian, *Suplee, Yeatman, Mosley Co., Incorporated;* Charles Wallingford, *H. M. Byllesby & Company, Incorporated;* Wally Runyan, *Hemphill, Noyes & Co.;* Jean Wallingford

Florence Christian, Sylvia Markman; Mary Smith; Sally Muller; Virginia Mundy; Jacqueline O'Shea; Kathleen Donovan position would set maximization of output and growth as the primary goal and explicitly remove price stability as an objective insofar as it conflicts with growth.

The arguments which have been made for a policy of absolute price stability as the primary objective of monetary policy are drawn almost entirely from the annals of pure credit-fed inflation. They are tenuously connected to the altogether different situation under consideration by the assumption that creeping inflation always becomes galloping inflation. Nothing in the history of the United States justifies this assumption. This approach does nothing to reconcile the twin needs of growth and stability—it simply makes an outright choice of one as against the other. A goal of absolute price stability regardless of its effect on growth would represent a basic change in United States policy. A literal interpretation of such a policy at the operating level could be very costly in terms of output and growth. Had such a policy been in force since 1946 the economic history of the past decade might have been vastly different.

The other extreme position is equally unsound. The concept of dedicating monetary policy to the continuous maintenance of growth even at the expense of moderate inflation must end up by defining maximum growth and moderate inflation. This is where the trouble is likely to begin. Let us assume that moderate or acceptable inflation is defined as a general rise in prices no greater than 2% per annum. In practice this means that the monetary authorities could be pressured into easing credit conditions whenever prices were rising less than 2% per annum. In an economy as diverse as ours, some industry or region is always less prosperous than others so that there would always tend to be pressures for credit relaxation from some source in the economy. The acceptable rise of 2% per annum would soon become a minimum rise of 2% per annum. Under this kind of more or less guaranteed inflation, many of the ill-effects of pure inflation would become a reality. In other words, there is a big difference between an economic policy that is aimed at price stability but in which prices may rise 2% and an economic policy which is virtually aimed at a continuous rise of 2%. In the first case, which is the current siutation, there is enough uncertainty to prevent widespread inflation psychology. The behavior of consumers, savers and businesses since 1939 is convincing testimony of this important fact. The dedication of monetary policy to growth an dthe acceptance by the government of a 2% rise as normal, could change this very important safeguard which now exists against inflation psychology.

All things considered the present framework within which policy operates is superior to either of the extreme positions which have been advocated. At the operating level, monetary policy should be left relatively flexible and free to act as a balance wheel in the economy. The dedication of policy to a specific, pre-defined and variant goal will deprive the economy of one of its important stabilizing influences.

The proper function of monetary restraint is to withhold funds from potential demanders during a period of full employment and rising prices. When demand declines and employment falls these potential demanders can then be induced to borrow by a deliberate easing of credit conditions. If it fulfills his function, monetary policy can make an important contribution to economic stability. The cost of such a contribution is some loss of potential output during the boom and some creation of potential future inflation during the recession. The imposition of an alternative operating goal—whether it is maximum output or absolutely stable prices will avoid one or the other of these costs. But it will also emasculate monetary policy as an instrument of economic stabilization.

Inv. Ass'n of N. Y. Receives Nominees

The following slate has been presented to the Investment Association of New York for officers for the coming year:

William G. Gallagher

President: William G. Gallagher, Kidder Peabody & Co.

Vice-President: Worthington Mayo Smith, Merrill Lynch, Pierce, Fenner & Beane.

Secretary: Richard C. Egbert, Estabrook & Co.

Treasurer: J. William Middendorf, Wood, Struthers & Co.

Education: Lewis J. Kaufman, Goldman Sachs & Co.

Entertainment: J. G. Peterkin, Laurence M. Marks & Co.

Membership: John F. Bryan, Smith, Barney & Co.

Program: David C. Clark, Clark, Dodge & Co.

Publicity: James F. Burns, Blyth & Co.

The Nominating Committee consisted of:

E. B. de Selding, A. M. O'Connor (alternate).

A. H. Frady, E. F. Johnson (alternate).

R. B. McBratney, M. T. Ijams (ex-officio).

P. Philip, H. L. Parker.

H. G. Hoffman Opens

Henry G. Hoffman is engaging in a securities business from offices at 318 West 75th Street, New York City.

T. A. Kennedy Opens

WOODSIDE, N. Y.—Thomas A. Kennedy is conducting a securities business from offices at 64-11 Woodside Avenue.

Form Mutual Funds Secs.

Mutual Funds Securities Corporation has been formed with offices at 39 Broadway, New York City to engage in a securities business.

Chaskel Nussbaum Opens

Chaskel Nussbaum is engaging in a securities business from offices at 250 West 57th Street.

Form Mark Weisel Co.

NORTH BELLMORE, N. Y.—Mark Weisel Company has been formed with offices at 1093 Olympia Road to engage in a securities business.

Nathan C. Fay Joins Schirmer Atherton Co.

PORTLAND, Ore.—Nathan C. Fay has become associated with Schirmer, Atherton & Co., 634 Congress Street, as manager of the institutional sales department. He was formerly President of Nathan C. Fay & Co., which has been dissolved.

Continued from page 3

Do Rights Offerings Cause Dilution?

panying table. Operating income did not keep pace with sales, the net operating margin before income taxes and interest falling from 30.3% of sales in 1949 to 21.6% in 1956. The falling margin did not, however, lead to an equivalent fall in the return to invested capital. Return on capitalization and surplus, after falling from 1949 to 1952, remained essentially constant from 1952 to 1955, and rose in 1956. The maintenance of the return to capital was partly achieved by a more intensive utilization of the company's assets, the ratio of sales to average assets rising steadily through the period, and may have contributed to the decline in the net operating margin. If so, the acceleration in the company's building program may lead to a reversal of the decline. It would be dangerous, however, to infer that the operating margin will return to its 1949-1951 level. For one thing, the entry of new firms such as Burroughs and National Cash Register into the electronic data processing field may lead to lower profit margins for the industry in general.

Improvement in Shareholder's Return

Equally important to the common shareholder was the improvement in the return on the average common stock equity. Return to common dropped between 1949 and 1952, then, over the five years 1952-1956, it rose steadily from 19.1% to 23.2%, thus climbing back to its 1950 level. The table suggests that the 1952-1956 rise was mainly due to increasing leverage, as the return to total capitalization and surplus was essentially constant from 1952 to 1955. Only in 1956 was there a rise sufficient to explain the percentage return to the common equity. The leverage, so important in enhancing the return to the common stock through this period, was the result of the company's unique and successful policy of heavy debt financing, below described in detail.

New Pattern of Financing

The use of equity financing to supply the needed funds was a departure from past patterns of financing. The last previous public sale of stock by IBM took place in 1925, 32 years ago. Since that time the company has grown by retaining earnings and the use of debt capital. In the postwar period, the company has become one of the heaviest users of long-term debt among the blue-chip industrial corporations. From a debt of $17 million in 1945 when it constituted 19.6% of total capitalization and surplus, the figure grew to the $330 million previously mentioned for the 1956 year-end, when it amounted to 49.8%. The high rate of earnings on invested capital gave the fixed charges a more generous coverage than found among many companies adhering to the maximum of one-third debt to total capitalization and surplus conventional for industrial finance. Further strength lay in the exceptionally high proportion of earnings retained and the high cash throw-off from depreciation funds. For the eight years shown in the table, the company paid out only 33⅓% in cash dividends, retaining some $220 millions. Depreciation allowances in 1956 alone totaled $106 million, or 13% of the average gross plant and equipment. This high percentage presumably results from a high proportion of gross fixed assets invested in rental machines.

The unusual quality of the debt is seen in a comparison of its $330 million total with the 1956 retained earnings of $49 million and depreciation allowances of $106 million.

Cheaper Than Debt Financing

One of the unusual features of this stock financing was that it was a good bit cheaper than debt even had the latter been expedient. Interest rates had been rising over the past several years, as the result of the tight money situation. Even at the rate made favorable by forehanded planning, IBM was to pay 3.75% under its loan arrangement with Prudential. At $220 per share its cash dividend on the common stock represented a yield of only 0.91% and the 1956 earnings yield was only 3.0% on this price. The overall "cost" of the new equity capital, considering the tax deductibility of debt interest, was only 2.95%. Even if the new money earned only the average rate of return made on all funds, borrowed and equity, in 1956, of 13.3%, the earning power of $220 would amount to $29.00 per share. The actual earning power would be enhanced in time by the use of the new funds as an equity base for subsequent debt increases already planned.

This extraordinary piece of equity financing should illustrate clearly why it is improper to apply the term "dilution" to every new common issue. On March 31, 1957, the book value of a share of IBM stock was $32.90. By selling shares at $220 the book value was paradoxically "diluted upwards" to $49.00 per share. In this case the evidence seems clear that IBM so enhanced the asset base per share that it actually gave greater impetus to its growth than it could have possibly achieved by retention of earnings alone.

Careful Analysis Called For

Whether or not the sale of new stock dilutes or enhances the value of existing common stock cannot be glibly answered by reference to the decline in market price when the stock goes ex-rights. Rather, a careful analysis is necessary to compare the contribution in new funds with that previously existing behind each share. More important, we must determine whether the contribution in future earning power from the new money is likely to enhance or dilute earnings over a period long enough to permit the new capital to be put to work. The evidence in this case strongly suggests that the growth pattern of IBM stock has been enhanced substantially by its latest financing — an enhancement that was made possible by the extraordinarily high market price relative to previous earnings.

Year	Sales (millions)	Net Before Interest (millions)	Per Share Earned*	Book Value 12/31	Net Operating Margin†	Ratio of Sales to Average Total Assets‡	Percent. Return on Average‡ Capitalization & Surplus*	Percent. Return on Average‡ Common Equity*
1956	$734	$158.4	$3.76	$32.20	21.6%	1.05	13.3%	23.2%
1955	564	126.1	5.32	27.60	22.4	0.94	11.8	22.8
1954	461	105.5	4.43	23.80	22.9	0.85	11.4	21.6
1953	410	98.0	4.60	21.70	23.9	0.87	12.1	20.3
1952	334	83.8	3.49	19.70	25.0	0.81	11.9	19.1
1951	267	79.9	3.51	17.90	29.9	0.77	13.7	20.9
1950	215	63.4	3.37	15.60	29.4	0.76	15.9	23.4
1949	183	55.5	3.17	13.20	30.3	0.72	16.8	26.2

1956 earnings based on straight-line depreciation rather than sum-of-digits method adopted that year to provide comparability with earlier years. 1956 reported earnings, using sum-of-digits depreciation, were $6.55 per share, net before interest was $154.1 million, and the net operating margin was 21.0%.

*Excludes excess profits tax of 1950-1953. †Before interest and income taxes. ‡Average of year beginning and ending values.

Bond Club of Chicago To Hear E. R. Black

CHICAGO, Ill.—There will be a luncheon meeting of the Bond Club of Chicago for Friday Dec. 13, 1957 at 12:15 p.m. in the Red Lacquer Room of the Palmer House. Guest speaker will be Eugene R. Black, President, International Bank for Reconstruction and Development.

Eugene R. Black

Reservations should be made early with F. Girard Schoettler, Wayne, Hummer & Co.

There are the usual provisions for guests at $4.50 each. Special tables for members and their guests will be arranged on request.

R. A. Hicks V.-P. of Managed Funds, Inc.

ST. LOUIS, Mo. — The election of Robert A. Hicks as Vice-President and member of the Board of Directors of Managed Funds, Inc. was announced by Hilton H. Slayton, President.

Mr. Hicks will serve as executive assistant to the President. Since 1953, he had been Ohio (Dayton) divisional representative of Slayton & Co., national underwriters of Managed Funds.

Before entering the mutual fund field, Mr. Hicks had spent over 30 years in the insurance industry in the organization, reorganization and management of insurance companies and general agencies.

NASD District No. 14 Elects to Committee

Announcement has been made of the election of members to District Committee No. 14 of the National Association of Securities Dealers. Those elected were Frank H. Sellman of Spencer Trask & Co., Boston; Eugene R. Hussey of The First Boston Corp., Boston; and Foster B. Davis, Jr., of Davis & Davis, Providence, R. I. The district consists of the states of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

Howard N. Sellers Opens

DENVER, Colo. — Howard N. Sellers is conducting a securities business from offices at 1540 Washington.

Forms Wilkins Couture

MEMPHIS, Tenn. — Wilkins & Couture Co. has been formed with offices at 1229 South Greer to engage in a securities business. Walter I. Couture is a principal of the firm.

Paul Sturtevant

Paul Sturtevant passed away Nov. 28 at the age of 80 following an illness. Mr. Sturtevant was a partner in Baker, Weeks & Co., New York City.

Continued from page 7

Toward Budget Balancing With Flexibility

tivity, he channels more of the total of human energy into the real purposes of humankind: inventiveness, creativeness, and the use of his intellectual competence in the fields of the arts and the philosophies.

Concern Over Savings Bonds

Because of our concern with the management of the national debt, we in the Treasury have a particular responsibility and concern in personal savings because we are the guardians of a crucial sector of individual investment—the Savings Bonds program. More than $41 billion of our E and H Savings Bonds are outstanding at the present time and we estimate that this represents 40 million owners—almost a quarter of the population of the country.

The importance of these holdings from the point of view of the Treasury cannot be overstated. They represent about 15% of the entire national debt and they are steady holdings—we have found that the average E-Bond purchaser holds onto his bond for about 7½ years. The continued growth of the program through World War II and through the rapidly shifting conditions of the past decade is the best testimony I know of that the Savings Bond type of security meets a genuine need. Regular saving has become a pattern for millions of families. Not only has it been a contribution to the national welfare but saving has been translated to mean more security, better education for children, home ownership, and to meet countless other individual needs.

The features of liquidity, guaranteed redemption values, and ease of purchase through payroll deduction or other plans, make Savings Bonds a particularly good investment for the small saver in a changing world of variable markets. While there have been net redemptions of E and H bonds during the past year, there is evidence that the trend toward increasing redemptions is levelling off. What is even more significant, sales of the small denomination bonds—$200 or under—have been maintained at record high level at all times.

I should like to take this opportunity to express the gratitude and the appreciation of the nation for the contribution of the Advertising Council toward America's program for saving.

While the full dimensions of this contribution are difficult to measure, it has been estimated that the total value of advertising time and space devoted to this program since 1942 is close to $1 billion. Currently, this contribution is estimated to be running at more than $50,000,000 per year.

To this effort you have given your best talents and made the widest use of your contacts for development and display. You have encouraged millions of families to save. You have made saving an investment, a symbol of patriotic service. Our appreciation for your past services is not only real and heartfelt—it conforms to the definition of "gratitude" as "a lively anticipation of favors yet to come."

In this age of responsibility, what you have done and what you will do is a rich measure of devotion to self-government. All of us in Government, in industry, in labor, and as individuals, must do as well. Prudence will never be out of fashion. Savings and thrift will never be outmoded. Enlightened judgment will always be at a premium but will eternally be indispensable to the preservation of freedom and liberty.

Our course is clear: in our high-energy civilization we must work and save, explore and invest, improve and create, always with one purpose in mind—that the lot of individual people is bettered.

History is replete with the story of those who have failed. The future will be assured by the extent to which we succeed.

Continued from first page

As We See It

the door of the so-called tight money policy of the Federal Reserve policies.

It may be that further enlargement of the bubble that had developed on top of the boom was prevented by Federal Reserve action in raising the discount rate and in maintaining moderation in its open market policy. Bubbles on top of booms are, however, hardly to be encouraged as wholesome business developments. Any real difficulty which may now be threatening to bring on prolonged major disturbances must be charged elsewhere. Business can not indefinitely thrive on cheap money artificially maintained, regardless of the rate of spending and saving. Money became dear—if indeed it could be called dear—for reasons other than action by the Federal Reserve authorities, who merely refused to create money to serve the purposes that nonexistent savings normally and rightly should be serving.

Questions

This analysis of the situation definitely raises the question as to whether greater willingness of the Reserve authorities to create money will in any important way contribute to the general economic welfare at this time. For a long while past, indeed most of the time since the system came into being, changes in the discount rate have influenced the financial situation in this country more by means of psychology than in any other way. Usually, member banks were not particularly in debt to the Reserve System and were not much disposed to incur such debt in volume quite regardless of the costliness or the cheapness with which such borrowing could be done. In recent years, however, banks have borrowed more freely from the Reserve system, but the rates at which they could borrow were well below those they could obtain for the funds borrowed by lending them to their customers. As to whether such reductions as have occurred in the discount rate recently would have any effect upon the borrowing policy of member banks, one must form his own judgment—as he must about the further question as to whether and to what extent the Reserve authorities would encourage or even permit greater borrowing regardless of rates charged.

But some important questions remain. Will business men and consumers borrow and spend more freely—assuming funds are easier to get and cheaper? Would it be a good thing for us all in the long run if banks lend, customers borrow and all spend borrowed money more freely in the circumstances now obtaining? This raises the question as to whether or not there are basic reasons for hesitancy on the part of business and to some extent doubtless on the part of consumers. If so, has such action as has now been taken by the Reserve authorities eliminated them, or will it eliminate them in the early future? If not, would it be a good thing for us all to go ahead as if they had never existed or as if they had been eliminated? These are some of the questions that must perplex the thoughtful man when he reads his daily paper these days.

What of Old Complaints

Only a very short time ago almost everyone was saying that the very high wages, and shorter hours, demanded and obtained by labor were so adding to the cost of many types of goods that higher and higher prices seemed inevitable. Many went further and expressed doubt as to whether the consumer could be persuaded to buy freely at such high prices. Indeed, it was a question in many minds as to whether the consumer, by and large, could buy at such prices at least without further substantial enlargement of his debt burden—which was and is great enough in all conscience. Recent events seem to support such doubts. Consumer prices have begun at length to hesitate, as have wholesale prices. Consumer credit is rising rather rapidly, and pressure for longer terms is growing—the allegation being that with the higher prices now ruling on goods bought with such credit, consumers have to get longer term credit in order to keep the monthly payment within their reach.

For some time past reports have been frequent of a leveling off of plant and equipment expenditures by business — partly doubtless because of the greater cost of funds, but also because of some uncertainty about whether such equipment would over a longer period find useful and profitable employment. Housing certainly has lost some of its steam. Relative scarcity of mortgage money was doubtless one reason, but there have also been a good many who were inclined to raise the question as to whether the "edge" had not been taken off the market by the exceptionally strong and exceptionally long continued building boom. There have also been a good many who wondered if we had not been going into debt, all of us from consumer to industrialists, at a rate which could not and certainly should not be continued a great deal longer.

How many of these factors will be substantially changed by the action of the Federal Reserve authorities, or any that they can reasonably be expected to take in the near future? If anything, one would suppose that any easing that has been effected in the money market would stiffen the spines of labor negotiators, and render it the more difficult to get that phase of the situation in hand. We can hardly believe that somewhat greater ease in the money market will make lenders in the consumer credit field more willing to extend the terms of their loans beyond what is now regarded as safe.

There are factors other than the cost of money to be considered in reaching decisions about plant expansion. Now that the Reserve has acted, it may be well to take a second look at the other factors.

Elton Robson Opens

BILLINGS, Mont. — Elton H. Robson is engaging in a securities business from offices at 1171 Ponderosa Drive.

Stone & Webster Add

PHILADELPHIA, Pa.—Stone & Webster Securities Corporation announced that Norris S. Barratt, III, has become associated with the sales department of their Philadelphia office, Philadelphia National Bank Building.

Mr. Barratt was formerly associated with Boenning & Co. as a registered representative.

With Phillips Secs.

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis. — Louis C. Hellermann has joined the staff of Phillips Securities, Inc., 5856 North Port Washington Road.

Chicago Analysts to Hear

CHICAGO, Ill.—James F. Stiles, Jr., Ernest H. Volwiler, George R. Cain and Edward A. Ravenscroft, officers of Abbott Laboratories, will address the luncheon meeting of the Investment Analysts Society of Chicago to be held Dec. 5 in the Adams Room of the Midland Hotel.

Wm. H. Gumpel Joins Herzfeld & Stern

William H. Gumpel, formerly associated with Walston & Co. Inc. for seven years, is now with the New York Stock Exchange firm

William H. Gumpel

of Herzfeld & Stern, at 30 Broad St., New York City, as a registered representative. Mr. Gumpel has been a frequent writer in financial papers.

N. Y. Stock Transfer Ass'n Conference

The annual conference of the N. Y. Stock Transfer Association will be held Saturday, Dec. 7, at the Waldorf - Astoria Hotel. The meeting, which will be attended by members from throughout the United States and Canada, will begin at 2:30 p.m. in the Astor Gallery of the hotel. A dinner at the Waldorf will conclude the day's events.

The program for the conference includes discussion of the following topics:

"Why a Registrar?"

"The status of changes in Federal stock transfer tax rates and the computation thereof."

"A central depository for securities."

"The model act for simplification of fiduciary transfers, as sponsored by Francis T. Christy."

Mr. Christy, a New York attorney, is a well-known authority in the field of stock transfer requirements.

Joseph E. Williams, Vice-President, Chase Manhattan Bank and chairman of the Association's executive committee, will preside at the conference. He will be assisted by William Rieber, Assistant Treasurer of the Chase Manhattan Bank and chairman of the standardization committee, who will conduct a discussion forum.

Bryan S. Reid, Jr. to Be Bacon, Whipple Partner

CHICAGO, Ill.—Bryan S. Reid, Jr. on Jan. 1 will be admitted to partnership in Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Reid has been with the firm for many years.

Clark, Dodge & Co. to Admit Peck as Partner

Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange on Jan. 1 will admit Andrew F. Peck to partnership.

With A. C. Allyn

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Thomas R. Nesbitt is with A. C. Allyn and Company, Incorporated, First Wisconsin National Bank Building.

William Vanston

William J. K. Vanston, limited partner in White, Weld & Co., passed away Nov. 28 at the age of 76.

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Why the Deep Gloom About Business Prospects for 1958

er loan volume should mean a moderate plus for bank operating results next year. Banking is still a "growth" industry.

Question Marks

We are asked—

"What about the stock market?"
"What about war?"
"What about an auto strike next year?"
"What about monetary policy?"

Nobody can ignore these things even though they defy forecast. We must contend with these risks in our business. Forecasts, to be useful, cannot hide behind a lot of if's, and's and but's—we are responsible for the assumptions and judgments that enter into our forecasts.

Stock Market—Our attitude toward equity investment is based on our long term economic growth philosophy. In the three and a half years since September, 1953, the Dow-Jones Industrial Average had advanced at an average 30%-per-year clip. Relative business stability and more competitive bond yields invited market reappraisal. Without presuming to suggest that we have seen the absolute bottom of the latest decline in the market—it so happens that I think we have—the jitters of the moment have carried many stocks to levels that will look like pretty good value a few years from now, in my opinion.

War — Nobody can predict whether or nor present tensions in the Middle East will involve us in another war. We lean to the view that they will not. As has been true throughout this whole postwar period, we still hold that the only practical assumption for future planning is a continuation of a "Cold War" international climate, with all that that implies concerning defense outlays and foreign commitments.

Auto Strike—One can hope that cool heads and reasonable attitudes will prevail when management/union negotiations begin in the auto industry next June. But hope is no basis for economic judgment. The possibility of a strike must be recognized as more of a risk in 1958 than in preceding sessions. Our forecasts are based on a no-strike assumption.

Monetary Policy—We visualize no significant easing in Federal Reserve policy while the inflationary implications of a wage settlement in the auto industry remain to be resolved.

IV. "The Edie Doctrine"

I want to end this talk by getting back to the subject of INFLATION. Further improvement in the "American Way of Life" is not all we have at stake in safeguarding the buying power of the dollar. World peace and national survival can also be involved.

What seems to be singularly lacking, even at this late date, is a bringing into focus of **all** the factors contributing to inflation and the **several** areas where responsibility for dealing with them must rest. One gets the impression that too many people regard the Federal Reserve Board as the only agency responsible for dealing with this problem, overlooking the large contributors to inflation that lie outside the "Fed's" area of responsibility and authority. Washington discussions and statements by others have highlighted attacks on different sectors of the problem but nowhere have I seen or heard a reasonably complete bill of particulars for attacking all elements in their relation to each other.

I would like to propose such a program. I call this proposal THE EDIE DOCTRINE—calling for an **integrated national economic policy.**

This involves creation of no new government or government-sponsored "super agency" to monitor an anti-inflation program. We do not consider such a body necessary nor desirable. We have adequate competent public and private agencies and individuals to implement an effective program.

"The Edie Doctrine" proposes that all national and regional, public and private objectives and policies be re-examined in the light of the priority problem we are trying to deal with. Let me sketch several of the practical points of attack that the "Doctrine" would encompass:

(1) **Price Supports**—With farm and food prices the biggest factor in the Cost of Living Index—price supports plus cost of living wage clauses, plus parity ratios help keep us on an inflation merry-go-round.

(2) **Minimum Wage**—The government concedes that wage boosts in excess of productivity increases spell inflation — then presses for a higher minimum wage.—**"Arbitration"**—Whenever a government "umpire" presses management to settle a bargaining session rather than risk a strike it becomes party to resulting price increases. Management responsibility exists here too.

(3) **Tax and Fiscal Policies**—Objectives of monetary policy merit higher priority in mapping tax legislation. Corporate tax laws encourage debt financing because Uncle Sam pays half the interest cost. Other taxpayers pay the rest, in taxes and higher prices.

(4) **Defense and Foreign Aid**—These commitments and their part in solving the inflaiton problem could benefit from several points of attack: (a) reduction of waste through **unified** purchasing and research and development programs, (b) consideration of other domestic Federal commitments in constructing the defense budget, and (c) continuous orientation of defense officials concerning the objectives of monetary policy.

(5) **Public Works and Services**—We continue to demand that more Federal. State and local facilities and services be provided, regardless of the condition of the market for men, money, and materials. State officials who are most outspoken advocates of "Federal economy" set this principle aside in seeking Federal grants for local purposes.

Labor

Admonitions for "restraint" will get us nowhere. Besides paving the way for needed legislation to reduce the drain of abuses and bad practice that add to unproductive labor expense, and thereby to prices, the Beck-Hoffa disclosures should jar labor leadership into a re-examination of the form and content of its program as a matter of self-interest.

Management

Whatever the motive, American management has probably been the biggest single factor in the fight against inflation through large expenditures for increased capacity and cost-cutting equipment. But (a) perversion of the protective feature of the strategic stockpile program by delivery of imported low-cost **foreign** metals for the "fast buck," followed by clamor for tariff protection and (b) blind acceptance of steel/auto wage terms without regard for a given company's own "productivity" experience, illustrate areas for some management fence-mending. Management might well invite labor to re-examine the whole concept of "automatic" pay boosts.

* * *

"The Edie Doctrine" asks that all points of attack on the inflation problem be considered together. The solution cannot be left to the solo forays of the "Fed" which has no authority in most of these areas. Bankers, as the traditional leaders and spokesmen for communities, have a larger responsibility than most in this matter. They have the numerical strength, knowledge and prestige to get something accomplished through national, state and local organizations and through personal friendship with leaders in many walks of life.

If, God forbid, over the years ahead, we should awaken some morning in a shambles of collapsed values, it won't help us much to point an accusing finger at Washington, or the "Fed," or labor. It will be too late for "investigations." Each of us can reach down for a handful of dust to pour on his own head. We still have the promise of a happy economic potential ahead of us. It's about as certain as anything can be in this uncertain world, but it's not guaranteed on a platter. We'll have to work for it. We are challenged to demonstrate to ourselves and to the world that we can rise above sectional and partisan interests in solving our larger national problems. In the days ahead let's keep in mind Edmund Burke's words—

"All that is necessary for evil to triumph is for good men to do nothing."

Is Tax Reduction Essential For the Economy?

By RICHARD A. MUSGRAVE*
Professor of Economics, University of Michigan

Well known tax authority opines taxes may be maintained at their present rates or even increased, if necessary, without damaging economy's long-term soundness. In refuting prevailing opinion that we are near the upper limit of our taxable capacity, Professor Musgrave sees in the tax fears held "our version of the Marxist fallacy that capitalism will succumb by its own weight." Warns that spending too little for our national needs can be just as dangerous as spending too much, and believes that the former has had the tragic effect of interfering with national defense and scientific progress.

It is difficult to condense into a short statement a problem which in the first place hardly lent itself to discussion in a brief paper. The task is complicated, moreover, by the breath-taking events, related only too closely to the matter of public expenditures, which have occurred since my paper was prepared.


Prof. R. A. Musgrave

Public expenditures are needed because the market mechanism, while ideally equipped to provide for the satisfaction of most of our wants, cannot provide for all of them. There are certain wants which must be provided for through the budget. This does not mean that the goods and services in question must be produced by government, although some of them are; my main point is that they must be paid for in taxes rather than through consumer purchases at the market. This is so because these goods are consumed in equal amount by all, so that all individual consumers are benefited whether they contribute to the cost or not. Voluntary bidding, which is the essence of the market mechanism, will not be forthcoming. A political process is needed to determine these wants, involving decision by majority vote and compulsory contributions in accordance with a common tax formula.

This, in a nutshell, is the problem of providing for the satisfaction of social wants. In my paper, I allow for certain other functions of budget policy, including distributional adjustments and stabilization. These must be added to obtain the total picture, but I shall not comment on them here. Rather, I wish to restate certain propositions regarding this central function of providing for the satisfaction of social wants.

Advances Propositions

(1) Social wants involve certain characteristics which require that they be provided for through the budget. As such they differ from private wants which may be satisfied and paid for through the market. This difference does not establish a presumption that social wants are either more or less important than private wants.

(2) The proper allocation of resources between the satisfaction of social wants and the satisfaction of private wants is that which selects the most important wants of both types, and leaves unsatisfied the less important wants of both types. A budget which does this may be called an optimal budget.

(3) This concept of optimal budget is concerned just as much with avoiding too low a lower limit as with avoiding too high an upper limit to public expenditures. The concept of taxable capacity, by the very semantics of the term, is concerned with the latter contingency only. It is a biased concept, designed from the outset to give a biased answer.

(4) At the same time, note that the division of resources between the satisfaction of private and of social wants is not only a question of which final wants are to be recognized. The satisfaction of social wants, in scope and content, may affect the functioning of the market system. Public services may improve the efficiency of private enterprise in many ways. Indeed, the private enterprise sector of the economy could not function without a minimum level of public services. Taxes, if excessively high and ill designed, may interfere with the functioning of private enterprise. Thus, the proper scope of public services or satisfaction of social wants must be determined with due allowance for its repercussions, favorable and unfavorable, on the enterprise sector of the economy.

Marxist Fallacy

Leaving aside these somewhat abstract matters of principle, let me add a brief comment on the current scene. We have heard again and again, over the last two or three years, that tax reduction is imperative for the health of our economy. In a period of high employment, this statement is equivalent to saying that the level of public expenditures is in excess of what a healthy economy can sustain. I do not wish to argue here that all expenditures included in the current budget are essential; nor do I wish to argue that there may not be essential expenditures, including civilian items, which are omitted. I do want to say that the popular and, let me add, bi-partisan proposition, that tax reduction is imperative for the health of our economy, is without basis in fact and economic analysis. It is our version of the Marxist fallacy that capitalism will succumb by its own weight.

That this proposition, fallacious as it is, should have been permitted to interfere with meeting national requirements for defense and scientific progress, seems a great tragedy to me. I cannot help but feel that such was the case. Recent developments, to return to my earlier terminology, have given an overpowering importance to certain social wants. These new social wants must be recognized as of overriding importance, and the necessary costs must be accepted.

These costs may take the form of no tax reduction or, to say the forbidden word, increased taxes; and they may take other forms, not directly connected with the level of governmental expenditures, such as the channeling of scientific talent from improving the glamor of merchandise to basic research. It would have been a pleasure to forego this illustration, but there could have been no setting more dramatically designed to focus on the importance of social wants, than that produced by the avalanche of Russian progress bared during the recent weeks.

*A summary statement by Prof. Musgrave before the Joint Economic Committee, Subcommittee on Fiscal Policy, Washington, D. C., Nov. 18, 1957.

Chicago Inv. Women

CHICAGO, Ill. — The investment Women of Chicago will hold their sixteenth annual Christmas party at the Chicago Bar Association, 29 South LaSalle Street, at 5:15 p.m., on Tuesday, Dec. 10.

Continued from first page

Tomorrow's Investment Portfolio Today

factors in trust investment? My own answer would be that while our research is fully justified in establishing investment policy and in weighing questions of relative risk among industries and securities, its effect in reducing the actual investment risks involved in our decisions lies somewhere between negligible and nil. It might be argued that to the extent that regular availability of adequate facts about a security tends to prevent it from either advancing too high or falling too low, it serves to reduce price risk. But human nature, particularly in the area of mass psychology, being what it is, this possibility should not be too highly regarded.

Follow the Leader

Not even in conservative trust circles are trustees immune from extraneous influences, and all too many seem to regard the essence of the Prudent-Man Rule as a "follow the leader" principle. Evidently some would rather be wrong but in good company than risk being wrong all alone. I am among those who have a high regard for International Business Machines and Minnesota Mining and Manufacturing stocks as growth equities, but it bothers me to find so many trustees buying these stocks not on the basis of what they know about them, but because they find them so widely popular with experienced investors. Slavish imitation can be flattering to those imitated, but it hardly forms a solid basis for investment policy; more often than not, it leads to both buying too late and selling too late, which seldom produces satisfying results.

My title, "Tomorrow's Investment Portfolio Today," seems to carry a promise of forecast or prophecy; but of course what we have always been trying to do has been to select those securities and develop those well balanced programs which would offer future vindication of our present judgments. The present investment holdings in our trusts are simply the portfolios of tomorrow that we accumulated on various yesterdays, and as such they have much to tell us through experience gained that should help us meet new problems arising today and tomorrow.

It is rarely possible to build tomorrow's portfolio today in the narrow sense that any one of lesser stature than a prophet could this single day select and purchase a well balanced portfolio that would stand up strongly under all the vicissitudes and economic change of the next ten to twenty years, or even of the next five years. A portfolio must not only be carefully constructed over a period of time, but requires constant watchfulness, like a well tended garden, if it is to thrive and flower. Before I have concluded these, observations, I hope to offer some demonstration that this is so.

More Pessimistic Talk Than Action

To be more specific, there are many securities that I would readily buy today, particularly bonds. But while I am strongly common stock minded, I do not consider that this is a time to be fully committed. When such a time will come I cannot now say; meanwhile, I would hold some liquid assets as a buying reserve. These liquid assets are merely keeping the seat warm for some of tomorrow's real portfolio. I am not here being carried away by the current rash of pessimistic talk, for in the record this has been my point of view for more than a year. In all truth, there has been far more pessimistic talk than pessimistic action.

I could readily use up my allotted time in projecting in detail my current working hypothesis of the business and investment outlook and how I would apply it to current detailed investment problems, and I am not unwilling to share these views with you. Its usefulness is at best limited and short-lived, because in three to six months I will doubtless have been obliged to shift my viewpoint several times, as indeed I have already in preparing these remarks, to accommodate for new factors and later information not now available to me. It would soon be less valuable than last month's newspaper. I would prefer to place more emphasis on less specific, but what I believe to be more fundamental, problems and principles, tracing in only enough current economics so that we will not be considering them in a vacuum.

We have arrived at an extraordinarily interesting juncture in our economy, one involving undoubted risks but also offering great promise for alert and skillful management. The present concensus is that the business boom has arrived at a period of pause, if it has not indeed ended, and both the stock and bond markets have been persistently weak. Lower prices must ultimately spell opportunity for investors.

"Shades of King Canute!"

The whys and wherefores of the apparent business slowdown can be studied in a dozen well reasoned analyses, so that I shall omit my own interpretation. The real unanswered question is whether we are to have a recession of uncertain extent and duration or whether, as many highly considered economists believe, the needed corrections are not major, and sometime in 1958 the general advance in the economy should be resumed. I underscore only two points. The first is that declines in business, in the stock market and in the bond market, with accompanying tight money conditions, are occurring in almost every nation in the free world, roughly paralleling our own, and we should not, therefore, accept them as limited domestic phenomena which we can attribute to simple caues. Secondly, the more optimistic the forecaster, the more he seems to embrace the currently popular theory that we have now learned how to control the business cycle, for which I fail as yet to find any adequate support. I operate on the premise, unashamedly old-fashioned, that booms and depressions will continue to be with us, and that government can only moderate, aggravate, or postpone, but cannot abolish, a condition with which all forms of society have had to contend. While depressions are theoretically unnecessary, then so are wars. You may remember that only a few years ago we were told that government securities should not and would not sell at discounts from par value because the monetary authorities would not tolerate it.

Please do not misunderstand me. I am not forecasting a recession, because I don't possess that kind of judgment or foresight; I am saying only that it is foolish to conclude that we will never have recessions because the government will not permit it. Shades of King Canute!

Explains Market Decline

I not only view the decline to date in the market prices of common stocks as amply justified, but do not yet see any assurance that the movement has run its course. I am now indulging in the luxury of hindsight, that clearest of all vision. There were two underlying weaknesses in the level to which stock prices attained, and to deflate these the market correction should be regarded as a blessing, even if an unwelcome one to many.

First, there was too much buying of stocks on vague general theories and discussions about probable inflation, with too little consideration of intrinsic values. We know, but sometimes forget, that only earnings and dividends determine long range market value, and only higher dividends can recurrently offset higher living costs. The possession of raw material reserves is not always sufficient; witness the dreary performance of gold stocks.

Then, second, the level of stock prices for the last year or two has been too much predicated not on current performance, but on the anticipation of larger earnings and dividends projected well into the future. We have seen again and again that it requires no depression to bring such stock prices down out of the clouds, but merely an interruption in the rhythm of forward earnings growth. Simply a deferment of good prospects can do the trick. What has happened is therefore good, not bad.

The downward progression in the bond market has been slower and more predictable. It has brought prices and yields to a level where for the first time in the 25 years that I have been discussing investments, I find constructive and positive things to say in support of investing in bonds. I wish to embrace this opportunity before it, or I, vanish from the investment scene, and will then add some observations on stock policy.

Favors Buying Longer Bonds

I consider that the time has come to buy long term bond issues quite freely for trusts. In our own trust department we have been spending long-hoarded reserves—that is our bond, not our stock, reserves—on the new issues now coming along, which produce yields of not far below 5% for obligations of high investment quality. With almost a flat yield curve, short, long, and medium maturities producing about the same returns, I favor buying longer bonds except, of course, where liquidity is required. We would prefer non-callability, and insist at the least on excellent call protection. Any issues not offering such protection are outside the scope of my recommendation and should be avoided unless they possess such an attraction as a favorable conversion privilege. There is no point in assuming long-term money market risks on a heads-you-win, tails-I-lose, basis.

"Deep discount" bonds, those selling substantially below par, provide automatic protection against call; and where they fit in, they offer excellent values. They produce low immediate cash income and therefore do not always suit trust funds, where the life tenant and remainder interests are often divergent.

My sanguine point of view extends to high-quality preferred stocks, which would benefit from the same factors that might favor long-term bonds, and many of which offer sound investment value at present prices. In disfavor with many as a form of investment, this relative unpopularity of prime preferred issues finds little historical support from a long range comparison of performance with that of "A" rated bonds.

All of this represents a complete change in my viewpoint in the last year. Having been frequently proved wrong, it is long since I have held any pride of opinion, and I offer here no positive forecast on the future money market. I simply consider that present bond prices represent an attractive buying level, and that purchases made now should look respectable in future retrospect. Present bond yields are favorable both historically and by comparison with yields on high grade common stocks, which incidentally offer dimmer prospects of immediately higher dividends than was generally thought likely earlier in the year.

The possibility of further price declines in bonds, now or later, is a risk that must be accepted. The interest cost to borrowers, figured on an after-tax basis, is still historically low; and as bankers we know that higher interest rates are not much of a deterrent to borrowing where profits from the use of the money are confidently expected. Our interest rates in this country are low by comparison with those prevailing in the rest of the world; and even if demand for money should tend to abate, the longer term outlook is for continued capital expansion, with accompanying needs for long-term credit. Despite all of this, supply seems headed toward a somewhat better balance with demand in the long-term capital market; and hence I consider that bonds have reached a price zone offering a sufficient inducement, for investment, if not necessarily the lowest level of prices that we will see.

Stresses Selectivity

There is need for selectivity in bonds as well as in stocks, both as to intrinsic security and as to applicable economic trends. As one example, the rapid increase in municipal debt requires more rigid scrutiny on our part of what is happening or is likely to happen to many communities. We should watch for signs of deteriorating credit position. It particularly pays to be careful with municipal bonds in the initial selection, since they are often difficult to liquidate at satisfactory prices.

The long-term government market is an area offering little present attraction for trustees by comparison with what is available elsewhere. Both municipals and corporates offer more immediate interest and opportunity. Short-term governments, however, are attractive to fill whatever need we have for liquidity, and offer yields substantially equal to those available from long-term governments.

Suggests Tax Exempt Federal Issues

The desirability and wisdom of the Treasury, lengthening the maturity range of government issues, and of increasing nonbank holdings, are widely acknowledged; but the obvious manner in which some measure of this could be accomplished seems to be ignored. Individuals and trustees would have an interest in long-term government issues bearing low coupons, provided that they were fully or partially tax exempt. In years gone by, some issues of this type were outstanding; and with appropriate legislation the Treasury could sell them again, and greatly to its advantage. Such a suggestion is presently regarded as politically suicidal, as offering a refuge against taxes for the well-to-do. The irony of this is, of course, that the large quantity of high grade municipals of all descriptions and maturities now available provides such investors all the refuge against Federal income taxes that they could possibly want. The advantage would be all with the Treasury in the much lower coupon rates that would be possible for new issues, which would far exceed any probable loss of income tax revenue. I regard this as too sensible a suggestion to have the slightest prospect of adoption.

Certain Treasury issues are tenderable at par value in payment of estate taxes where held at death by the decedent, as you know, and since these issues are available currently at about 86½ to 88, here is an opportunity for a certain capital gain for one's estate. These issues represent a desirable asset for the estates of many persons of advanced age, and constitute an exception to my remarks on long government issues.

While I am ready, as you see, to commit cash reserves held for fixed income securities to the market as attractive current offerings come along, I would not be equally willing to spend now our liquid reserves for common stock purchases, as I said earlier. Doubtless there are some good values available in this less popular market in common stocks, and some may advocate the use of cash reserves in a dollar averaging program to avoid the obvious risks of losing opportunities by delaying too long. While dollar averaging may be a necessary expedient in operating certain larger funds with rather regular cash increments, I have never been able to see it as a way of life for the trustee. I don't think we should be content to settle for average results without putting out the effort to do better.

I cannot now foresee when and for what reasons it will seem desirable to begin spending buying reserves and actively increasing common stock ratios; the time may come fairly soon or it may not come for a year or more, and little is to be gained by trying to guess the timetable now, as events will unfold quickly enough. It would be simply begging the question to say that the time will be ripe when good investment values are obtainable in common stocks because many individual stocks — the insurance stocks, for example—may be sufficiently deflated right now. But there seems enough likelihood of even wider choice, of the prevalence of a considerable quantity of attractive and more wide-ranging opportunities than now, as to warrant a waiting attitude, and not a great deal to lose by it at this stage of the economy.

Continuous Re-Examination

Meanwhile, we should actively use this testing period to discard from weakness, and by judicious sales and purchases to improve the quality and potential of the stocks we already hold. I cannot overstress the importance of this continuous, active, and critical examination of our existing investment portfolios. Here is where we can lay our emphasis on tomorrow, and at the same time reduce the total risk factor qualitatively.

Perhaps the worst thing we could do would be to buy defensive stocks. It would be much wiser to buy bonds. As in war and sports, the best defense is a strong offense, which does not imply, of course, taking unwarranted risks. I look with mild favor on bank and utility stocks, not for any supposed defensive characteristics but because they have a slow but dependable growth and satisfactory near-term prospects. We should be looking for stocks which combine good immediate as well as good long range prospects, especially those where the growth factor is no longer discounted by an excessively high price-earnings ratio.

I will leave the specific application of policy as to common stocks to the excellent panel of investment analysts which is to follow, underscoring again that we should use this period of hesitation and uncertainty in business, and of market transition, to upgrade our common stock holdings by eliminating the laggards, the less efficient, and the less progressive, and those in less promising industries. We should rebuild our lists from strength, by emphasizing strong and progressive managements, effective programs for research and development, desirable economic characteristics, such as broad and growing demand for products, adequate profit margin, and low labor ratio, good control of costs and prices, and also financial soundness. It is for our investment analysts to point the finger to particular stocks and to develop specific programs to implement this philosophy.

Stocks Is Granddaddy of All Trusts

Recently a friend of mine, one of the trustees of Boston Personal Property Trust, showed me a 1913 accounting of its funds which I found so pertinent to my main theme that I have asked our investment department to develop some comparative material for me. This trust was established as a Massachusetts voluntary trust in 1893, with transferable shares, and is, therefore, the granddaddy of all investment trusts. Its five trustees have always represented the very epitome of that prudent man of whose investment conduct the Massachusetts Court, in the famous case of Harvard College vs. Amory in 1831 spoke so approvingly as the model in patterning trust investment. Their 1913 investment inventory had a then market value of about $2,566,000, distributed among classes of securities about as follows:

Bonds	
Municipals	5.9%
Utility	2.2
Real Estate	2.0
Railroad	2.0
	12.1
Preferred	
Industrial	10.3
Railroad	6.3
Utilities	5.6
Real Estate	2.0
	24.2
Common	
Utilities	30.3
Real Estate and Financial Companies	17.1
Railroads	8.0
Industrials	8.3
	63.7

On Oct. 31, 1957, the trust was invested entirely in common stocks, predominantly industrials. Real estate securities were nominal, and railroad securities had also dwindled to less than 2% of total market value. Since additional stock was sold in 1929, it is necessary to use per share values to develop valid comparisons. The Oct. 31, 1957, valuation of $50.81 per share contrasts with an $11.44 equivalent for 1913, a gain of some 345%. This compares with a rise in the Standard and Poor's composite stock average of 350% from 1913 to Nov. 1, 1957. In this same period, the consumer's price index of the Bureau of Labor Statistics increased 188%. The cash dividend disbursements per share of the trust appear to more than match this; including some capital gains, they were up about 300% for 1956 vs. 1913.

While this case history offers another demonstration of the long range investment qualities of good common stocks, that is not my reason for mentioning it. My interest is in observing what would have happened to the 1913 portfolio if the trustees had made no subsequent changes. We must assume that all principal cash received, whether in reorganization or otherwise, remained uninvested. On this assumption, the estimated present-day value of the 1913 portfolio would be about $2,513,000, or 98% of its 1913 market value. Compare this 2% shrinkage with the 345% gain which actually took place!

Of the 86 securities then held, only three appear in the present portfolio. A total of 45 were subject to later receiverships and reorganization, or more than half of the holdings. Several ultimately became worthless. This is not so surprising when you consider that in addition to two major booms in the intervening period, we have suffered one minor and two major wars, and one short and one long and severe depression.

Need Active Management

The record of Boston Personal Property Trust offers clear long range proof of the need for active rather than passive management of investment portfolios, no matter how well selected and sound they may appear originally. It demonstrates that a prudent trustee is an alert trustee, recognizing that change is the only permanent characteristic of our economy and that conservatism does not imply unwillingness to move with the times, for only in so doing can values be truly conserved. A trustee should be willing to face facts, to sell no longer desirable investments even where losses rather than profits are involved. While his conduct as trustee is to be judged by his individual acts rather than the result of their sum, he is in no sense a guarantor or insurer of the funds he manages, and can be answerable only for the exercise of sound and prudent judgment under conditions as they prevail. To establish a good record of trusteeship requires flexibility of judgment, adapting wise principles to the changing investment scene; and it further demands a great deal of attention to problems of choice as between industries and companies.

I value this case history as demonstrating that finding tomorrow's portfolio is a continuous day-to-day task of selection and elimination, and not one that can ever be settled on a single calendar day—except perhaps once in a generation—and then put aside. It is a task never done. That is its challenge and also its attraction.

While what I said earlier about the immediate business and market outlook may have sounded a bit gloomy, on the contrary I am optimistic — optimistic about the opportunities we have for genuine accomplishment under the more fluid and self-questioning conditions now prevailing. For any one really pessimistic, there is little excuse for not replacing substantially all stock holdings with bonds, not that bonds produce an equal or greater income return, and with greater certainty.

The underlying fundamentals continue to favor long-term growth in the American economy; and until proved otherwise, the common stocks of successful leading companies offer the best prospect for sharing in this. I continue to believe as a long-term program in substantial common stock ratios for most trusts, ranging from 50% upwards. But long-term growth in our economy has never been achieved in a straight line trend, and the late stages of a long boom is a time when, while not losing sight of our ultimate objectives, we stand to lose little by an extra margin of caution.

In the portfolio of tomorrow, therefore, while freely committing the fixed income fund to high quality long-term bonds and preferred stocks, and actively using this transitional period to upgrade present common stock holdings by concentrating in industries and companies with better prospects and sound investment characteristics, I would continue to maintain adequate buying reserves. I would do so in the belief that from these uncertainties will emerge favorable opportunities to buy common stocks for those willing to exercise the qualities of patience and restraint.

P. A. Russell Joins Stone & Webster Secs.

Philip A. Russell, formerly Vice-President for securities investment of the Mutual Life Insurance Company of New York, has become associated with Stone & Webster Securities Corporation, 90 Broad Street, members of the Midwest Stock Exchange.

Philip A. Russell

While with Mutual Life, Mr. Russell was particularly active in the financing of oil and gas production, in which Mutual has taken a leading position.

He will be a member of the firm's New Business Department, according to E. K. Van Horne, President of the investment banking and brokerage organization.

For a number of years Mr. Russell was associated with the First Boston Corporation, retiring as a Vice-President in 1942 to join Mutual Life. He is a graduate of MIT and served with the U. S. Naval Aviation Reserve.

Boston Inv. Club to Hold Elect. Meeting

BOSTON, Mass. — The Annual Meeting and Election of Officers of the Boston Investment Club will be held in the Estabrooks Room of the Harvard Club of Boston at 5:30 p.m. on Wednesday, Dec. 11, 1957.

The Club will be addressed by Laurence F. Whittemore, Past President and now Chairman of the Board of Brown Company. Mr. Whittemore has chosen as his subject, "What Can We Expect for New England Business in the Future."

Spencer Trask to Admit Huber, Chapman

Spencer Trask & Co., 25 Board Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit August Huber and Edward L. Chapman to partnership. Mr. Huber is manager of the firm's stock department; Mr. Chapman is manager of the trading department.

George La Sala

George La Sala, an officer of General Investing Corporation, New York City, passed away Nov. 29 at the age of 55.

Merrill Lynch Adds to Staff

(Special to The Financial Chronicle)

DETROIT, Mich. — Kenneth J. Barrett, Richard M. Brandt, Frederick R. Picard, Raymond L. Sitter, Robert E. Steinberg and William H. Van de Graff have joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Congress & Shelby Streets.

Two With Fusz-Schmelzle

(Special to The Financial Chronicle)

BELLEVILLE, Ill.—Mrs. Laura Le Tourneau and Elmer L. McCarron have become associated with Fusz-Schmelzle & Co., Inc., 22 North Illinois Street. Mr. McCarron was formerly local manager for G. H. Walker & Co., with which Mrs. Le Tourneau was also associated.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The demand for Government obligations continues to expand, with investment buying being reported in all sections of the market. To be sure, there have been periods of profit-taking in these securities but the issues offered for sale have been readily absorbed. Also, the size of these offerings have been on the limited side. The new money 3⅞% bond continues to be the market leader, with investors still willing to pay up for this issue in order to round out holdings. It is reported that savings institutions, commercial banks with savings deposits, and pension funds, both the public and private ones, have been the large buyers of the recently offered Government bond.

The buying of the short-term Treasury obligations also continues to grow, and indications are that certain of the larger commercial banks are again putting some money into Treasury bills. Intermediate term obligations are being bought by many of the smaller commercial banks.

Money Market Optimistic

The money market is still very much in an optimistic mood even though the amount of help which has been given to it in the form of direct aid by the powers that be, has been rather unimportant. So far there have been some open market operations by the Federal Reserve Banks, in the form of purchases of Treasury bills, but these acquisitions by the Central Banks have not been large enough to offset the other limiting forces which have tended to tighten the money market.

Accordingly, the member banks have been forced to increase their borrowings from the Federal Reserve Banks in order to maintain required reserves. Loans to business continue to decline, and this lessened demand for credit has not been an unfavorable factor as far as the money market is concerned. However, until there is something of a more tangible nature done by the monetary authorities, there is only a change in psychology and although this is a very important thing to have taken place, it will not have a lasting effect on the money market.

Easier Money Trend Indicated

If money and credit are still going to be kept on the tight side, it will not be long before this enthusiasm, which has brought about higher prices and lower yields for fixed income bearing obligations, will be lost. It may be a bit soon to be looking for direct action by the monetary authorities in making the indicated change in monetary policy a more tangible one. However, if the available economic data is to be given the indicated consideration in working out the future course of business, it would seem as though a monetary program of easier money is in the making, since many of these indices have turned very much to the defensive side.

It is well known that easier money will not in itself bring about a change in the course of economic conditions, but it is one of the forces along with others which will, with time, help to alter the trend of business.

Change in Reserve Requirements Looked For

Even though there has been very little in the way of help to the money market so far from open market operations, there has been no lack of rumors or "open mouth operations" as to what is to be expected in the form of aid to make money and credit conditions easier. It is evident that the financial district is looking for a change in reserve requirements in the near future, if the rumors that are flying around are to be taken into consideration. Talk about lower reserve requirements are as strong now as they have ever been in the past, when new policies, for money and credit, have been indicated. This would be a fast and effective way in which to make money and credit available to the money market.

The new money operation of the Treasury was a success beyond any question and the allotments of the 17-year 3⅞% bond, and the 3¾% note, were so limited that investors had to pay higher prices in the open market in order to round out holdings which in many cases have not yet been completed. Also, the attrition in the refunding of the December 1 maturity was considered to have been on the favorable side, with only about $141,000,000, or 7% of the $2 billion held by the public, being turned in for cash. The addition of the new cash borrowing by the Treasury put the Government right up against the legal debt ceiling of $275 billion.

Discount Rate Uniform

The Federal Reserve Banks in the cities of Cleveland, Chicago, San Francisco and Dallas have reduced the discount rate to 3%, making the Central Bank rate the same for all 12 banks.

Lavin With Cook Inv.

(Special to The Financial Chronicle)

CHICAGO, Ill.—John P. Lavin has become associated with Cook Investment Co., 208 South La Salle Street, members of the Midwest Stock Exchange. Mr. Lavin has recently been with Cruttenden, Podesta & Co. In the past he conducted his own investment business in Chicago.

With Curtiss, House

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Richard S. Miller has been added to the staff of Curtiss, House & Co., Union Commerce Building, members of the New York and Midwest Stock Exchanges.

Burton, Dana Partners

Burton, Dana & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Peter J. Blakney and Arthur Heinl to partnership.

To Be Parrish Partner

Parrish & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Herman H. Schappert to partnership.

With W. D. Gradison

(Special to The Financial Chronicle)

CINCINATI, Ohio — Willis D. Gradison, Jr. has joined the staff of W. D. Gradison & Co., Dixie Terminal Building.

Continued from first page

What Can Monetary Policy Do In Our Economic Climate?

along with costs of currently produced goods and services. In short, the economy was being subjected to strong and pervasive inflationary pressures.

The Federal Reserve System, as you know, is charged with special responsibility to use its powers over reserves of member banks to help in safeguarding the value of the dollar and promoting sustainable growth in economic activity. In accordance with the responsibility, the System policy of credit ease, adopted earlier in order to foster rapid recovery from the 1953-'54 recession, was changed to a policy of credit restraint as events unfolded during 1955. Credit being used in the stock market was increasing rapidly, and prices of stocks were rising. To curb this type of credit expansion, the Federal Reserve Board raised margin requirements, first from 50% to 60% and later to 70%, the level which remains in force. Interest rates in all parts of the money market were rising, and in the short-term area they rose to the highest levels in over two decades. In response to these developments, the Federal Reserve System advanced the discount rate four times during the year.

In most other nations, too, expansion in activity was going on at a rapid pace, prices were rising, and demands for credit and capital were placing inflationary strains on their economies. Governments and monetary authorities were finding it increasingly important to strengthen their anti-inflationary monetary and other efforts in order to keep from losing gold and dollar reserves and to foster better internal balance among strongly competing demands.

In brief summary, this was the broad economic picture that confronted us two years ago. It was a situation that clearly called for vigorous action directed toward moderating expensive pressures in order to limit price advances and forestall development of a speculative psychology. Those of us on the firing line at the Federal Reserve could see no alternative to maintaining restraint on bank reserves in view of our responsibilities. By limiting growth in bank reserves, thus curbing expansion in the money supply, the alarming rise in the rate of borrowing and spending could be retarded.

Continuing Inflationary Pressures

During 1956 and until recently in 1957, the primary economic problem in this country and abroad continued to be containment of growing inflationary forces. In this country, these forces were being reflected in credit markets and in markets for capital assets which might be assumed to provide a hedge against rising prices. The sharp further advance in the value of farm real estate over the past year may be a case in point, coming as it has on top of an already advanced level and in the face of reduced level of farm income.

Inflationary pressures and expanding credit in 1955 were associated with rapidly expanding production, especially of consumer durable goods and new housing. Automobile production and sales reached an all-time high, aided by sharply eased terms on instalment contracts and a record increase in the volume of consumer instalment credit. Housing starts, although tending down during the year, amounted to 1.3 million units, not far from the record high in 1950. In 1956 and 1957, inflationary pressures and large credit demands were not resulting to the same extent in expanding output. The slower growth of total production reflected some shifting within the structure of demand with outlays for new plant and equipment rising very sharply to record levels in 1956, which were maintained in 1957. Consumer purchases of automobiles and houses were reduced considerably, but their expenditures for nondurable goods and services were increased in 1956 and 1957. State and local expenditures also increased while defense outlays were generally above their reduced level in 1955.

The slower rate of growth in total output after 1955 reflected a closer approach to capacity limitations in some key industries, such as steel through 1956, and generally very high levels of activity and employment throughout the economy. Borrowing pressures were intensified, and interest rates continued their rapid advance. Prices of commodities at wholesale rose further but at a somewhat slower pace. In retail markets, where there tends to be some lag, prices in early 1956 began a rise that persisted at least through September this year.

In this situation the Federal Reserve was faced with the necessity of exercising greater restraint on monetary expansion. Discount rates were raised twice in 1956 and once more in 1957. These advances were an essential part of a program to keep the Federal Reserve from feeding inflation. They also served as warnings to the public and to the banks that borrowing and spending were expanding too rapidly and that as a nation we were trying to go at a faster pace than we could maintain.

Recent Changes

Recently, economic and credit developments have become much more selective. The stock market has been subjected to a very sharp decline, and this has been reflected in some weakening in business confidence in short-term prospects. With the stock market largely on a cash basis because of high margin requirements, however, the consequences of the decline have been limited. Calling of margin accounts, widespread forced selling and resulting pressures on credit markets, such as occurred in some other stock market contractions, have not been of serious proportions.

Outside of the stock market, activity in many industries has continued expansive, but in many others adjustments have been increasingly on the downside. The rapid expansion of industrial capacity, especially in the past two years, has eliminated earlier shortages. Supplies of most materials and finished goods have become adequate, and, in some instances, excessive. Prices of some sensitive industrial materials, such as steel scrap, have declined sharply, and the broad wholesale price averages have dipped slightly. The persistent rise in prices of consumer goods and services has tapered off. Although offerings in corporate security markets have been very large, demands for bank credit this autumn have not increased as seasonally anticipated. In the labor market, too, pressures have eased, and the autumn rise in employment has been less than usual. Unemployment has continued relatively low although moderately above a year ago. It seems clear that the boom has lost much of its momentum. Surveys of business intentions indicate lower outlays for new plant and equipment in 1958. Business inventory policies have become more cautious. New and unfilled orders have been declining.

Signs of easing inflationary pressures have appeared in Canada and in many other counries as well as in the United States. It is too early to know whether the powerful upward thrust of worldwide inflationary forces has been blunted only temporarily or has been stopped. On otner occasions in recent years, business sentiment has become pessimistic and signs of lessening inflationary pressure have appeared. On these occasions moderate relaxation of restraints was soon followed by resurgence of inflationary developments. It is hoped that this time the inflationary danger is actually over and that after a brief period of testing, such as we are now experiencing, growth will be resumed on a sound basis and at a pace that can be sustained.

Changing Policy Problems

In view of easing tensions in credit and goods markets in recent months, this has become a period when an alert and searching scrutiny of economic developments is especially important for those of us in positions of responsibility for financial policy. We must be constantly aware of the numerous changes going on and be prepared to react to changes from either direction. We must be ready at all times to fight deflation and inflation with equal vigor. As you know, Federal Reserve Bank discount rates have just been reduced from 3½ to 3% in response to the easing tendencies which have developed in financial markets and business activity.

At the same time, we must continue to be vigilant, reappraising the situation continuously as it develops. International developments are necessitating a reevaluation of our defense and scientific research efforts. To meet this new challenge, more resources of various types may need to be brought into action. However, relaxation of credit restraint to meet our growth needs must not be taken as a signal for a resurgence of a spending spree. In reviewing the 1953-54 experience, Chairman Martin has stated — and I fully agree with him—that the policy of active credit ease adopted to fight the mild recession of 1953-54 was carried out too vigorously, that restraint during the recovery period may not have been reasserted as strongly or as promptly as now appears to have been desirable. As it turned out, there was at that time a large number of potential borrowers ready to enter the credit market when credit eased. The response to the policy of credit easing was so strong and insistent that we were soon confronted with rising prices and inflationary credit developments. In the light of this experience, we must be doubly alert to any sign of resurgence of inflationary pressures at this time.

In some ways, the inflationary problem of the past two years has been greater because the 1953-54 experience lent support to the view that the government and the Federal Reserve could "manage" the economy and would not permit a recession to become serious. This overly-optimistic confidence in the wisdom and power of monetary and fiscal policy has become more widespread and has contributed to the view that it is "safe" to go ahead because the risk of loss from cyclical reactions has been greatly reduced. Moreover, some economists have gone further to proclaim the inevitability of continuing "creeping" inflation.

In such a climate of opinion, it would not be surprising if some businessmen, bankers, and consumers misjudged the situation and undertook investing, lending and purchasing commitments more freely than they would have otherwise. There can be no assurance that such overcommitments can be worked out without cost to those undertaking them or to the economy. There is no economic machinery by which markets at favorable prices can be assured for all products, whether or not they are wanted, or to all industries, whether or not they are efficient.

We have learned much about the nature of economic fluctuations and have made genuine progress in developing means for dealing with them. We have not yet learned how to abolish the business cycle nor is it certain that we should. The Federal Reserve can and does contribute materially to the moderation of business cycles through its power to influence the supply, cost and availability of credit. There are limits, however, to the influence that it can have on the economy and to the things that it can accomplish. If there is not enough demand for cotton and too much demand for steel, there is little that monetary policy can do about it directly. It can, however, help to preserve over-all economic stability by maintaining an economic climate within which maladjustments will be minimized and their correction facilitated.

Why Fight Inflation?

One of the basic purposes in fighting inflation is to avoid the inequities created during inflation itself when those least able to protect themselves are hurt most. Another objective in fighting inflation is to avoid the evils of deflation that will inevitable follow an unrestrained and long-continued inflation. These evils, too, bear hardest on those least able to protect themselves. Those of you close to agriculture know better than most the deflationary consequences of inflation. You may recall that after World War I the price of Iowa farm land was double its prewar level. The price of that land dropped sharply during the 1920's and by 1933 it was substantially below its prewar I level. You also know how difficult the task is of bringing supply and demand into balance. Costly government programs do not provide a simple solution. The situation can be greatly complicated and made far more resistant to correction if commitments during the preceding boom have become overly enthusiastic and have been supported by excessive credit.

We all want both our human and our material resources to be fully utilized. We want an abundance of economic opportunities, growing productivity and a rising standard of living for everyone. We want our freedom of choice to be as wide as possible in our purchases of consumer goods, in the investment of our savings, and in selection of our occupations. We also want full protection against any possible foreign aggression. These things cannot be obtained merely by wishing for them. It is necessary to work for them and to develop policies — public and private—which will contribute to an economic setting favorable to their achievement. Increased productivity, the only sound basis for a rising standard of living, involves increased capital investment. This, in turn, requires a proper balance between spending for current consumption and saving for capital expansion and that the sum of the two be kept within the limits of current resources. This is as true for the economy as a whole as it is for the farmer who must hold back part of this year's crop for next year's seed if he expects to stay in business and an even larger portion if he expects to trade it for an improved seed that will increase his future productivity.

Economic Stability Goal

The Employment Act of 1946, among other things, pledged the Government to use its powers to promote full employment opportunities and maximum production on a sustainable basis. The Act was passed at a time when the country was obsessed with fear of a return to the depressed conditions of the 1930's. The danger of inflation was not so clearly recognized at that time but the goal of economic stability is implicit in the pledge to assure sustained production. Maximum production and employment cannot be sustained if undermined by speculative misdirection of resources and rising prices during periods of inflation and by frightened curtailments of activity and sharply falling prices during consequent deflations.

Clearly, economic stability is not, as has been argued in some quarters, an obstacle to growth and full employment. We are being told by some economists that creeping inflation is inevitable and necessary for rapid growth and full employment—in other words, that economic stability must lead to unemployment and idle resources. Aside from the dubious morality of an economic policy that surreptitiously picks the pockets of some for the benefit of others, this argument would be more appealing if there were assurance that creeping inflation would not lead to galloping inflation. No such assurance can be given. Rising prices, if long continued, must certainly lead to expectations of further price advances. Such expectations, especially if they become widespread, encourage economic decision on that basis. People will naturally attempt to take advantage of, or protect themselves against, this "inevitable" trend. In so doing they will anticipate their future needs and compete currently against each other for goods and capital assets, thus driving up prices.

The process of speculative commitments, of investing ahead, for protection or future price gains will sooner or later influence lenders as well as borrowers to anticipate such increases and to make loans on a more liberal basis than otherwise. The acceptance by lenders of this philosophy will lead both to over-expansion of credit and also to misdirection of credit toward those profiting from price windfalls and away from those needing funds to finance production and growth.

When these optimistic expectations change as they must, the inflated volume of credit associated with these expectations will still remain. It must then be liquidated in a period when business expectations are of a different nature. Gains from price advances may become losses from price declines.

Those who put their trust in pension systems, savings bonds, insurance or other debt to provide for their retirement or for the needs of their families would find themselves robbed by inflation of a substantial part of their savings. The effects of a continued development of this kind on our economic and social system would be incalculable. It will be an unfortunate day for this country if people ever get the idea that pension systems are a fraud against them and that it is foolish to save and dangerous to lend to others. It will be a sad day not only for those who are hurt directly but also for all of us.

Postwar Experience

Throughout the postwar period, the economy has performed reasonably well and much better than most of us dared hope on the basis of our experience after World War I and in the decade before World War II.

Over the past decade there have been only two significant cyclical declines in general activity. Both of these were moderate and short-lived. The first decline occurred in 1948-49. It is often described as an inventory recession although it was broad enough to include sizable reductions in output in several capital equipment industries. The second mild reversal occurred in 1953-54 when defense expenditures were being sharply curtailed. Inventory adjustments also were being made in many lines following an excessive expansion in 1952 and early 1953. In both of these periods industrial production receded about one-tenth. Wholesale prices dipped in 1949 but not in 1954. Neither of these reversals was comparable in depth to the recession in 1920-21. Then production, employment, and prices all declined very sharply. Prices received by farmers were cut in half between mid-1920 and the spring of 1921. Industrial production fell about one-third, as it did in the sharp but not prolonged 1937-38 recession.

During most of the period since World War II, the economy has enjoyed high employment and rising living standards, adjustments in particular lines being made all along. These rolling adjustments sometimes have been sharp in individual lines but, in a generally strong situation, have not lasted long. Declines in some activities have been offset by advances elsewhere so that changes in the total have been small. Consumer purchases of new cars and homes declined substantially last year while consumer expenditures for non-durable goods and services rose and business outlays for new plant and equipment increased very sharply. Non-manufacturing employment continued to expand through August of this year while employment in manufacturing has drifted off to levels below a year earlier.

Policy Implications

The ability the economy has demonstrated to adjust flexibly to changes is heartening. The demonstration provides evidence of the underlying strength and resilience of our free enterprise economy operating under the guidance of general credit and fiscal policies. These policies have themselves been more readily adapted to changing conditions than might have been expected from examination of the historical record. The Federal tax reductions effective in 1948 and also in 1954 in retrospect appear to have been fairly well-timed in terms of their usefulness for government economic policy. The prompt relaxation of credit restraints and the development of a policy of active ease in 1953 and 1954 constitute another case in point. This latter experience suggests that flexible credit policy can have some contra-cyclical effects during periods of contraction as well as in periods of expansion.

It would obviously be unwise to count on rolling adjustments to provide perpetual prosperity. It would be equally unwise to assume that individual adjustments must become cumulative. The structure and functioning of the economy have improved. Our instruments to deal with business cycles are better than before even though they are still far from perfect.

As is evident, we have not been completely successful in our efforts to contain inflationary pressures. But perhaps we should not be too severe on this lack of perfection. I doubt that perfect price stability can ever be achieved in a free enterprise system—or any other system for that matter. Furthermore, I am not at all sure that it would be wholly desirable. Some upward drift in prices during periods when demands are pressing against our resources and some decline following these unusual periods of hyperactivity are not only unavoidable but perform a useful function in helping to bring about adjustment of spending and saving decisions in the economy.

One further fact in connection with monetary measures in our changing economic climate needs to be emphasized. Credit and monetary policy is not the only instrument available for combating inflation or for ameliorating deflationary trends. In order for such policy to be most effective, it is always desirable, and in certain situations imperative, that an appropriate fiscal policy be pursued. In an inflationary situation, a substantial Treasury surplus can be a powerful weapon. Conversely, during contractive periods, tax reductions or expansion in government activities serve in some degree to counteract declines in private demands.

In conclusion, I should like to add this basic thought which always should be kept in mind. In a free enterprise economy the achievement of economic stability requires more than appropriate government action. It requires that private individuals, be they consumers, workers, or employers, act with restraint in periods of inflationary trends and with calmness and faith in the future during periods of deflationary tendencies. Thus, while appropriate credit and monetary policies are indispensable to the maintenance of stability, we should not place sole reliance on them. Maintaining stability and orderly growth in a free private enterprise economy requires a balanced combination of fiscal and monetary policy, together with intelligent self-discipline on the part of all citizens.

This self-discipline is of special significance at the present time. A patient with the flu is confined to his bed. When the fever subsides he may be released from bed but he is cautioned against too quick a resumption of activity lest he suffer a relapse that may be worse than the first attack. So it is with our economy, which has been suffering from a fever of inflation. Now, with the subsidence of the fever and easing of the pressure of restraint, we must discipline ourselves against the over-exuberance which brought on the inflationary fever initially and the resumption of which might precipitate a dangerous relapse.

Securities Salesman's Corner

By JOHN DUTTON

A Check Every Month

There are many retired people, as well as those who would like to have additional income to supplement their earnings that would welcome a check from their investments regularly every month. In casting around for a suitable list of high grade common stocks that would produce a generous dividend income every month in the year, I have discovered that at recent market levels you can set up a very representative group of stocks that would meet these requirements. The following list may be of some interest to investment salesmen who would like to present this idea to their clients and prospects.

	Recent Price	Dividend Paid Since	Ind. Current Rate per Share	Dividends Payable
Sears Roebuck	25	1935	$1.00	JAJO*
New Engl. Elec. System	16	1947	1.00	"
Int. Harvester	30	1910	2.00	"
Radio Corp. of America	33	1940	1.50	"
American Can	39	1923	2.00	FMAN*
Boston Edison	46	1890	2.80	"
Columbia Gas System	16	1943	1.00	"
Pacific Lighting	38	1909	2.00	"
American Tobacco	74	1905	5.00	MJSD*
General Motors	36	1915	2.00	"
F. W. Woolworth	37	1912	2.50	"
Standard Oil N. J.	50	1882	2.00	"

*JAJO—January, April, July, October. FMAN—February, May, August, November. MJSD—March, June, September, December.

Based upon their past records all the foregoing are dependable and well tested, income producing, stocks. Conservative investors who would like a steady monthly income should find that this portfolio can be arranged to produce about $40 per month on every $10,000 unit of investment at today's market price for the portfolio. Several of these stocks also have had past records of stock distributions, extras and rights, during good years. There are ten industries represented:

Electric Utility	Mail Order and Dept. Stores
Natural Gas	Tobacco
Food Containers	Electronics
Chain Variety Stores	Farm Equipment
Automobiles	Oil

Several issues also provide attractive growth prospects.

Sell Income

If you will try to visualize in your own mind just what retired people desire when they invest in securities you will find that it is not expressed in percentages, statistics, or legal phraseology from a Securities and Exchange Commission prospectus. These people look for the mailman. They expect to have letters regularly mailed to them from corporations in whom they have considerable confidence and faith in their ability to pay them regular checks.

They are not interested in looking to the future—their future is now!

A Suggested Letter

Dear Mr. Retired Investor,

Would you like to have a carefully selected investment list of high-grade common stocks that will pay you an income every month in the year?

The program consists of 12 outstanding common stocks, representative of ten leading industries. The income return is generous and the portfolio can be tailored to the requirements of any investor. All issues are listed on the New York Stock Exchange.

May we mail this suggested monthly income program to you? Please use the enclosed card.

Yours very truly,
BLANK & CO.
Investment Securities

Railroad Securities

Minneapolis & St. Louis Railway

Minneapolis & St. Louis Railway has shown well sustained earnings this year, both in comparison to the other roads in its district but also the nation's carriers as a whole.

For the first 10 months ended Oct. 31, the road reported a net income of $1,632,514 on gross revenues of $18,461,569. This compares with a net income of $1,652,746 on gross revenues of $17,323,158 in the like period of 1956.

These earnings were equal, after taxes and charges, to $2.29 a share on 713,900 shares outstanding and compares with $2.25 a share on 733,700 shares outstanding at the end of the 1956 period. The road has been following a policy of purchasing its own shares in the open market. On Nov. 18 the road reported that stock held in the treasury totaled 86,100 shares as compared with 77,700 previously reported. This policy is expected to be continued.

M. S. L. has maintained good control over expenses and is entirely dieselized which makes for operating efficiency. Despite higher wages this year than last, the transportation ratio was 33.5% as compared with a ratio of 34.0% at the end of the 1956 period and this was a remarkable showing in comparison to other roads. The maintenance ratio was 29.5% against 29.7% a year ago, while the operating ratio, reflecting all operating costs, was 75.2% against 76.6% in the like 1956 period.

While the road is still in the agricultural class, it has been able to diversify its traffic considerably in recent years. At one time its principal commodities were grain and dairy products. Agricultural products still play a large part in providing gross revenues, but in recent years manufactured products, bituminous coal and iron and steel have been of growing importance. The railroad has been aggressive in attracting new industries to its territory. This has tended to increase "on line" traffic which has been a major factor in reducing its dependence on agriculture.

During the past few years, not only was the road completely dieselized but equipment and roadway were rehabilitated. Through the purchase of new freight cars, the average age of its freight cars has been brought down to 11 years. This in turn has helped to cut down maintenance of equipment expenditures. The management has been reducing branch lines which generally are expensive to operate particular from a transportation point of view and also switching with the attendant labor costs.

This rail sought to acquire control of the Toledo, Peoria and Western Railroad, but the Interstate Commerce Commission held that the latter should be sold to the Pennsylvania Railroad and the Atchison, Topeka & Santa Fe. This I. C. C. ruling has been taken to the courts. The T. P. & W. would be a valuable "feeder" line for the M. S. L.

Currently it is paying dividends of 35 cents quarterly, having paid $1.40 in both 1957 and 1956. In the past the road also has paid stock dividends. In 1954, a stock dividend distribution of 200,000 shares was authorized, bring the total outstanding up to 800,000 shares from 600,000 shares. As indicated previously, this amount has been reduced through open market purchases.

For the week ended Nov. 16 carloadings showed a gain of 0.7% over a year ago. Loadings of the country as a whole showed a drop of 15.1% under a year ago. While loadings in the final weeks of this year likely will run under those of a year ago, it is believed that for the full year the Minneapolis & St. Louis will be able to equal the $2.49 a share reported in 1956.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Ernest G. Israel has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 18 Milk Street. He was formerly with Draper, Sears & Co.

But Don't Forget The Armed Services!

"The President's committee has therefore, set itself two basic goals: first, to encourage the most effective utilization of the present corps of scientists and engineers.

* * *

"The utilization program is mainly concerned with ensuring that our scientists and engineers work under conditions that make maximum use of their specialized knowledge and skills. This involves creating conditions which will nourish their professional development and increase their productivity and creativity, providing them with sufficient technical and clerical assistance to release them from routine duties as well as with adequate equipment and facilities. All of these measures must, of course, be taken by employers. The President's committee is, therefore, organizing a series of utilization conferences or clinics throughout the country to stimulate an awareness of the problem on the part both of the employers and of the scientists and engineers themselves and to facilitate the exchange of ideas." — The President's Committee on Scientists and Engineers.

All this is doubtless very well, but the program ought not to overlook the Armed Services where the most grievous neglect of these and related factors is found.

Public Utility Securities

By OWEN ELY

Detroit Edison Company

Detroit Edison serves not merely the city of Detroit, but an area of 7,600 square miles in southeastern Michigan containing over half the people of the state. The area has been growing faster than Michigan as a whole, and the rate of growth is well above the national average. The Census Bureau has predicted that Michigan will increase its population 43% by 1970 compared with 1955, vs. 27% for the United States. The people in the area represent a very stable population and Detroit has the second highest ratio of city owner-occupied dwellings.

While Detroit is generally regarded as the headquarters of the automotive industry, the increase in Detroit Edison's industrial revenues in recent years was substantially greater than the percentage increase in car output. Leading auto makers have been decentralizing by moving to the suburbs, and some of these new plants such as the engineering centers will help to stabilize the Company's electric load.

Reasons for the industrial gains in this area are its good water supply, strategic location, low shipping costs, and industrially-trained manpower. Every community in the state is within 85 miles of one of the Great Lakes and there are also 11,000 inland lakes kept supplied by an average annual rainfall of about 30 inches. Water transportation affords low shipping costs for raw materials and manufactured goods. The area is connected directly by navigable waterways with seven other States and Canada, and with the South by the Mississippi River tributary system. The Detroit River is the busiest waterway in the world and the tonnage passing through the Sault Sainte Marie Locks is several times as great as that going through the Panama Canal. Opening of the St. Lawrence Seaway will be highly important to the area and should attract new industry.

Some 38% of Detroit Edison's revenue dollar is obtained from residential customers—a high percentage for a metropolitan company. The company is noted for its generous residential service, including a supply of lamps for new residences (with no service deposit) and free replacement of burned-out lamps. The company also takes care of minor electrical troubles without charge.

The company has enjoyed better growth than have most metropolitan utilities. Revenues have increased 8% on the average in each of the past five years, and 10% during the past ten; an annual gain of 7% in the next five years is forecast. Generating capacity has increased from 1.4 million kw. in 1947 to 3.1 million kw. at the end of this year and is expected to reach 4.2 million kw. in 1960. By 1960, if this program is carried out, the company will have tripled in size in twelve years. However, President Cisler states that "if an industrial contraction results from the present trend, we plan to adjust our construction program with the expectation of eliminating as much as possible the inherent past lag in adjusting utility construction to industrial needs."

Regarding rates and regulation, the company realizes that it is not earning the full return which is permitted under Michigan statutes, which allow a fair value rate base. Last year it earned about 5.6% on an original cost mid-year rate base. However, while it has kept the Michigan Commission advised about its earnings rate, apparently no application for a rate increase is contemplated now.

The company has been able to increase net earnings by reducing operating expenses, which recently were about 55% of revenues compared with 63% in 1952, but with the cost of fuel, materials and labor rising steadily this is becoming more difficult. The company's major economy has been in fuel consumption, and the efficiency of its steam plants is nearly 10% greater than the industry average. The company's River Rouge No. 1 Unit with capacity of 289,000 kw. is one of the two largest and most efficient generators in the world. A similar unit will go into service before the end of this year and still larger and more efficient units will be installed in each of the three coming years. The company also hopes to obtain further economies (with reduced line losses) by installing new transmission lines of 345,000 volts or more.

Modern methods have been adopted in other departments. The company was the first to bill customers with the new IBM-705 electronic computer. It has developed promotion and transfer programs for employees, work simplification training, etc. Department heads this year submitted 591 "objectives", of which over half were designed to reduce costs. The number of employees has been reduced by 700 in the past five years (at a saving of about \$4.5 million a year) despite a 45% increase in sales.

Substantial advantage has been obtained by the interconnection (installed about four years ago) with the Ontario Hydro-Electric Power Commission. The company takes power from Ontario at off-peak and high-water periods, while Ontario obtains power from Detroit at some other times, to the advantage of both companies. The investment, which cost Detroit Edison only \$1.1 million, saves about a million tons of coal a year. Detroit Edison has also been able to help the Ontario Commission supply the temporary needs of Niagara Mohawk Power.

Capitalization, following the private sale of \$70 million mortgage 4⅞% bonds last July, is 50% long-term debt, 7% convertible debentures, and 43% common stock (there is no preferred stock). Detroit Edison is one of the few large utilities to adopt a continuing policy of issuing convertible debentures, and this has proved very advantageous both to the company annd its bondholders. For example the convertible debenture 3s sold as high as 198 this year, the debenture 3¼s as high as 160, and the 3¾ sold up to 128½ although not convertible until next October. The company has obtained less than the going interest rate on these issues, and conversion is usually delayed and gradual so that dilution of common stock earnings is spread over a period of time. The mortgage debt ratio is also held at a lower level.

Investors have recognized the sound operating and financial management which the company enjoys under President Cisler and the stock has done very well compared with other "metropolitan" utility stocks. The dividend rate has been gradually raised from \$1.20 in 1950 to the present \$2 rate; at the recent price around 37½ the stock yields over 5.3%. About 30% of dividends are tax-free, although the ratio is subject to fluctuation. The stock is selling at about 14.5 times the earnings of \$2.60 for the 12 months ended Sept. 30. Earnings showed a gain of 14% over the previous period, but most of the increase was due to a change in accounting for the interest on construction credit.

Continued from page 4

The State of Trade and Industry

50% of this industry's passenger car output for the first time in nearly a year.

"Ward's" noted that, both companies are backing up the encouraging pace with strong sales, with General Motors Corp. during the Nov. 11-20 period jumping to a 50% share of new car buying. American Motors Corp. during Nov. 1-20 posted a robust 20.7% sales gain over the like 1956 period, the strongest increase of any United States producer.

The statistical service named these as the bright spots in the midst of a production-softening period for the auto industry.

The industry's decline to 139,281 car and truck completions the past week from 175,450 last week reflected more than the general shutdown for Thanksgiving Day on Thursday, "Ward's" pointed out.

Chrysler Corp.'s De Soto plant in Detroit was down all last week to adjust its production schedules with dealer inventories, and industry-wide programming for December and January is being softened in line with sales trends. The two-week Plymouth engine plant strike threatened to halt all Plymouth assembly by Monday of this week.

"Ward's" added, however, that overtime assemblies remain in strong use at General Motors Corp. and Ford Division factories and car making was resumed last Friday following the holiday at all plants with the exception of several Chrysler Corp. facilities.

November production in United States plants edged out the same 1956 month in passenger cars 586,000 to 580,803, but dipped slightly in trucks, 91,000 from 92,596. Some 622,000 car completions had been scheduled for November, this trade weekly reported.

Steel Production Set This Week at 72.0% of Ingot Capacity—Lowest Level in Three-Year Period

Leading steelmakers are mildly encouraged by market prospects for 1958, but they are resigned to sluggish buying during the remaining weeks of this year, "Steel" Magazine disclosed on Monday last.

Steelmakers expect ingot output to slip no more than 5% below this year's estimated 114,000,000 tons, according to the weekly magazine of metalworking. They think finished steel use will hold close to the 1957 volume at around 85,000,000 tons. They also expect the current economic adjustment to continue.

Sellers are encouraged by a slight improvement in consumer interest in the first quarter of 1958 requirements. It is particularly noticeable in sheets and strip. Many users who have been ordering sparingly the last several months now appear to be more concerned about their early first quarter needs.

Growing production of automobiles continues to spark hope of an early pickup in orders for steel. So far, the improvement in autos has not meant much, but latest reports show auto output is running about 30% better than it did a year ago. Figures for the latest week place production at above 154,000 cars for the first time since late in December last year.

Assemblies of 1958 models, however, have been hurt by work stoppages at General Motors Corp.'s Detroit Transmission Division and Chrysler Corp.'s engine plants.

The publication said to look for a long series of small but production-cutting strikes in the auto industry until next June 1 when a big walkout is likely, probably against General Motors Corp. Auto workers are showing some signs of moderation in demands for new contracts to be negotiated then, but they'll still seek a 40-cent package, plus the short week.

Current steel business continues on a plateau. Buying for December delivery is hand to mouth, and the pace of specifying is likely to slow down as the holidays approach. This month's volume will likely fall appreciably under that of November, a month which wasn't up to seasonal expectations.

The publication said that the metalworking segment of the economy is most likely to take the brunt of a decline next year.

The metalworking industry's sales this year will be about \$140,000,000,000, up from \$133,500,000,000 last year. But with capital goods expenditures on the downtrend, industrial building off and a general softness in consumer durable goods, an increase in sales in 1958 is thought to be unlikely.

"Steel" said there is an apparent lack of desire for hard goods on the part of the consumer, even though the book value of backlogs today is relatively high. Cancellations are becoming more common. So far this year they have amounted to over 10% of new orders in the machine tool industry.

Steelmaking operations dropped last week, falling 3 percentage points to 73.5% of ingot capacity with output for the week estimated at about 1,880,000 net tons.

The decline in scrap prices was resumed last week, following a week of relative stability. "Steel" composite on No. 1 heavy melting steel slipped another 17 cents and, at \$33 a gross ton, it is at a new low since December, 1954.

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 72.0% of capacity for the week beginning Dec. 2, 1957 equivalent to 1,843,000 tons of ingot and steel for castings, as compared with an actual rate of 72.1% of capacity, and 1,846,000 tons a week ago.

As a consequence of this expected drop in the steel output rate, steel operations may again register a three-year low for the second week.

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 78.0% and production 1,996,000 tons. A year ago the actual weekly production was placed at 2,493,000 tons or 101.3%.

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 Slips in Thanksgiving Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Nov. 30, 1957, was estimated at 11,613,000,000 kwh., according to the Edison Electric Institute. Output the past week declined due in part to the Thanksgiving Holiday.

The past week's output fell 523,000,000 kwh. below that of the previous week and by 462,000,000 kwh. or 3.8% below that of the comparable 1956 week but advanced by 254,000,000 kwh. above that of the week ended Dec. 3, 1955.

Car Loadings Fell 2.2% in Latest Week and 2.7% Below 1956 Period

Loadings of revenue freight for the week ended Nov. 23, 1957, were 14,535 cars or 2.2% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Nov. 23, 1957, totaled 632,763 cars, a decrease of 17,857 cars, or 2.7% below the corresponding 1956 week and a decrease of 39,187 cars, or 5.8% below the corresponding week in 1955. The 1956 and 1955 weeks both included the Thanksgiving Day Holiday while 1957 did not.

Automotive Output Dipped Sharply the Past Week With The Decline Registering More Than the General Thanksgiving Shutdown

Passenger car production for the latest week ended Nov. 29, 1957, according to "Ward's Automotive Reports," declined sharply under that of the previous period, with the lower output reflecting more than the general shutdown for Thanksgiving Day.

Last week's car output totaled 122,404 units and compared with 151,846 (revised) in the previous week. The past week's production total of cars and trucks amounted to 139,281 units, or a decrease of 36,169 units below that of the preceding week's output, states "Ward's."

Last week's car output declined under that of the previous week by 29,442 cars, while truck output dropped by 6,727 vehicles during the week. In the corresponding week last year 159,976 cars and 25,062 trucks were assembled.

Last week the agency reported there were 16,877 trucks made in the United States. This compared with 23,604 in the previous week and 25,062 a year ago.

Canadian output last week was placed at 7,900 cars and 1,281 trucks. In the previous week Dominion plants built 7,671 cars and 1,244 trucks and for the comparable 1956 week 9,405 cars and 2,128 trucks.

Lumber Shipments Declined 2.4% Below Output in Week Ended November 23rd

Lumber shipments of 495 reporting mills in the week ended Nov. 23, 1957, were 2.4% below production, according to the National Lumber Trade Barometer. In the same period, new orders were 13.1% below production. Unfilled orders amounted to 26% of stocks. Production was 2.5% above; shipments 6.2% above and new orders were 2.9% below the previous week and 1.1% above production for the like week of 1956.

Business Failures Touch Lowest Level in 12-Week Period

Commercial and industrial failures declined to 235 in the holiday week ended Nov. 28 from 308 in the preceding week, Dun & Bradstreet, Inc., reported. At the lowest level in 12 weeks, casualties were down moderately from the 254 last year, but remained above the 209 in 1955. Eleven per cent fewer businesses failed than in the comparable week of prewar 1939 when 264 occurred.

Casualties with liabilities of $5,000 or more fell to 203 from 274 in the preceding week and were slightly below the 219 of this size a year ago. Small failures involving liabilities under $5,000, dipped to 32 from 34 a week ago and 35 in 1956. Liabilities in excess of $100,000 were incurred by 19 of the failing concerns as against 32 in the previous week.

In all industry and trade groups failures fell off during the week. Manufacturing casualties declined to 47 from 58, wholesaling to 21 from 30, retailing to 114 from 149, construction to 40 from 49 and commercial service to 13 from 22. While more manufacturers and construction contractors succumbed than last year, declines from the 1956 level prevailed among retailers, wholesalers and service enterprises.

Geographically, holiday decreases were reported in seven of the nine major geographic regions. Failures in the Middle Atlantic States dropped to 67 from 87, in the East North Central States to 38 from 47 and the Pacific States to 67 from 82. The week's only increase occurred in the East South Central States, up to 10 from 6, while the Mountain States held at 2. Trends from last year were mixed, while mild dips from 1956 prevailed in five regions, but the East North Central, South Atlantic, East South Central and West South Central States had heavier casualties than a year ago.

Wholesale Food Price Index Rose Sharply, Marking Highest Level Since August 13, Last

Following a slight dip the week before which interrupted a four-week rise, the wholesale food price index, compiled by Dun & Bradstreet, Inc., went sharply higher last week to stand at $6.36 on Nov. 26. This marked the highest level since Aug. 13 when it also stood at $6.36. The 1937 high was $6.39 on Aug. 6. The current figure reflects a gain of 1.3% over $6.28 a week ago, and of 3.2% above the $6.16 at this time a year ago.

Moving higher in wholesale cost last week were flour, wheat, rye, hams, bellies, lard, butter, sugar, cottonseed oil, beans, eggs, raisins, steers and hogs. Only corn, oats and cocoa were down in price for the week.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Slips Somewhat The Past Week

Following declines in prices on some grains, livestock, steel scrap and rubber, the general commodity price level dipped slightly during the week. On Nov. 25, the Dun & Bradstreet daily wholesale commodity price index registered 276.64, compared with 277.33 a week earlier and 300.44 in the similar 1956 week.

Reports of good growing weather in the Southwest discouraged trading in wheat and prices slipped somewhat as a consequence. In contrast, unfavorable growing conditions in the Midwest resulted in a moderate increase in soybean prices. Purchases of corn and oats sagged with prices falling below those of the preceding week. A moderate improvement in trading in rye boosted prices slightly.

Increased exports to Vietnam and improved orders from domestic buyers helped wholesale flour prices climb moderately during the week. Flour receipts at New York railroad terminals on Friday totaled 42,575 sacks, with 20,160 for export and 22,415 for domestic use.

Rice prices continued at week earlier levels. Increased buying reduced wholesale stocks, and inventories dropped below those of a year ago. Many wholesalers find their stocks not sufficient for trading requirements. There was another rise in orders from Cuba.

Prices on both raw and refined sugar were unchanged last week, as buying remained sluggish. Although transactions picked up at the end of the week, coffee prices showed little change. Disappointing reports on import volume from Ghana and labor difficulties in Nigeria resulted in a noticeable increase in cocoa futures trading at the beginning of the week, but purchases slackened at the end of the period. Cocoa prices were close to those of a week earlier. Warehouse stocks dipped to 160,789 bags in New York compared with 310,167 a year ago. Cocoa arrivals into the United States for the season to date were 2,926,494 bags as against 3,616,065 during the comparable period last year.

A moderate increase occurred in prices on cottonseed oil, reflecting the unfavorable weather conditions continuing in the Cotton Belt. Influenced by the movement in cottonseed oil, soybean oil futures advanced appreciably. Higher trading boosted lard futures prices somewhat.

The buying of cattle at wholesale lagged, resulting in a dip in prices. Cattle receipts in Chicago slightly exceeded those of the prior week and were noticeably higher than a year ago. Both trading and prices on lambs was steady with lamb receipts up slightly. A moderate rise in hog prices resulted from increased buying and a fractional dip in receipts.

Reflecting continued unfavorable weather conditions in growing areas, cotton futures prices rose moderately. Cotton ginnings for the current crop through Nov. 14 amounted to about 6,758,000 bales, or about 58% of the prospective crop. This compared with 84% in the same period a year ago. Daily cotton consumption in October was about 32,800 bales compared with 33,000 in September and 36,300 in October a year ago. Cotton exports in the period ended on Tuesday of last week climbed to 145,000 bales compared with 82,000 in the prior week and 105,000 in the similar period last year, according to the New York Cotton Exchange Service Bureau. Exports through Nov. 18 amounted to about 1,512,000 bales compared with 1,875,000 in the similar 1956 period.

Although wholesale buying was sluggish, prices of cotton gray goods rose somewhat. The rise was attributed to the unfavorable cotton crop predictions. There was a moderate price rise in carded cotton yarns.

Trade Volume Holds Slightly Under Level of 1956 Week

Although consumer buying improved noticeably last week, it was slightly below that of a year ago. Year-to-year declines in purchases of men's and women's apparel, appliances and linens offset increases in furniture, food products and gifts. During the comparable week last year post-Thanksgiving Christmas shopping was underway. Sales of new passenger cars were close to those of both the preceding week and the similar period last year.

The total dollar volume of retail trade in the period ended on Wednesday of the past week was from 3% below to 1% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: Middle Atlantic States +2 to +6%; Pacific Coast 0 to +4%; East South Central and Mountain —1 to +3%; West North Central —3 to +1; West South Central —4 to 0; East North Central and New England —5 to —1% and the South Atlantic States —6 to —2%.

Women shoppers noticeably boosted their purchases of wearing apparel during the week, but volume slipped below that of a year ago. Best-sellers in fashion accessories were handbags, gloves and jewelry. While volume in men's furnishings expanded, interest in topcoats and suits fell below that of a week earlier. The call for children's clothing was unchanged.

Furniture stores reported appreciable increases in sales of dining room sets, bedding and juvenile furniture. The buying of gifts and glassware rose considerably and was moderately above last year. Interest in refrigerators, dishwashers and television sets was sluggish, showing slight year-to-year dips. While volume in floor coverings was sustained at a high level, the call for draperies and linens sagged.

In preparation for the Thanksgiving holiday, housewives increased their buying of canned goods, frozen foods and some dairy products. While sales of poultry advanced, purchases of fresh meat were close to those of a week earlier.

Activity in many textile markets improved last week. Wholesalers of cotton gray goods reported moderate increases in trading in print cloths and broadcloths causing prices to rise somewhat. There was a slight rise in transactions in woolens and worsteds. Bookings in carpet wool in Philadelphia expanded substantially. Incoming orders at Mid-Atlantic dyeing and finishing plants lagged again.

Another moderate rise in re-orders for women's fashion accessories, hosiery and jewelry occurred the past week. Purchases of better dresses and sportswear advanced, as retailers prepared for early 1958 sales promotions. Wholesale volume in men's and boys' clothing was sluggish, while sales of men's shoes expanded substantially. Interest in both men's and women's Spring apparel declined again during the week.

Buyers moderately increased their buying of draperies, linens and floor coverings, and volume was close to that of a year ago. Purchases of furniture, bedding and outdoor Summer furniture dwindled. The call for major appliances and television sets remained close to that of a week earlier, but the buying of lamps and lighting equipment rose appreciably. There were further gains in sales of toys and dolls.

Wholesale food buying climbed substantially during the week with interest centering primarily on fresh meat, poultry and dairy products. A moderate rise in orders for frozen foods helped reduce high wholesale stocks. Volume in canned goods and baked goods was close to that of a week earlier.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 23, 1957 increased 4% from the like period last year. In the preceding week, Nov. 16, 1957 a decrease of 6% (revised) was reported. For the four weeks ended Nov. 23, 1957 a decline of 1% was reported. For the period Jan. 1, 1957 to Nov. 23, 1957 an increase of 1% was registered above that of 1956.

Retail trade sales volume in New York City the past week dipped about 15% below the level of the comparable non-holiday period in 1956, trade observers reported.

Some encouragement was afforded, however, by the fact that sales volume was about 5% above that for Thanksgiving week last year, which came a week earlier.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 23, 1957 increased 11% above that of the like period last year. In the preceding week, Nov. 16, 1957 a decrease of 1% was reported. For the four weeks ending Nov. 23, 1957 an increase of 4% was registered. For the period of Jan. 1, 1957 to Nov. 23, 1957 the index registered an increase of 3% above that of the corresponding period of 1956.

With C. E. Thenebe

(Special to The Financial Chronicle)

HARTFORD, Conn.—Josephine H. Putinas has joined the staff of Charles E. Thenebe & Associates, 36 Pearl Street.

Joins Shearson, Hammill

(Special to The Financial Chronicle)

MANCHESTER, Conn.—Hector C. Rivard has been added to the staff of Shearson, Hammill & Co., 913 Main Street.

Illinois Mid Continent Adds

(Special to The Financial Chronicle)

CHICAGO, Ill. — Robert E. Hielscher has been added to the staff of Illinois Mid Continent Investment Co., 676 St. Clair Street.

Tucker, Anthony Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Lawrence E. Brown has become affiliated with Tucker, Anthony & R. L. Day, 74 State Street.

Joins J. S. Lynam

(Special to The Financial Chronicle)

ST. LOUIS, Mo. — Jaclyn J. Oertle is now with J. S. Lynam & Co., Inc., 111 South Meramec Avenue.

With Equitable Secs.

(Special to The Financial Chronicle)

GREENSBORO, N. C.—William T. Warmath is now connected with Equitable Securities Corporation, Jefferson Standard Building.

Blyth Group Offers Northern Natural Gas 4⅝% Debentures

An underwriting group headed by Blyth & Co., Inc. is offering publicly today (Dec. 5) at par, an issue of $25,000,000 Northern Natural Gas Co. 4⅝% sinking fund debentures, due Nov. 1, 1977.

Northern Natural Gas will use the proceeds of this sale, along with other funds, for a part of 1957 construction costs, including repayment of a portion of bank loans incurred for construction, for the acquisition of distribution properties and for increasing its investment in subsidiaries, which will use the proceeds thus received for construction costs.

The bonds are non-refundable for the first five years, but are otherwise redeemable at 105% for the first six years, scaling downward thereafter to 100 during the 20th year. A sinking fund, calculated to retire 88% of the issue prior to maturity, will redeem debentures annually at par beginning Nov. 1, 1961.

Northern Natural Gas purchases natural gas at various points in the southwest and through a 10,768-mile system of main, lateral, distribution and gathering lines transmits it to points in the north central states where it is distributed locally by the company's Peoples Natural Gas division. Northern Natural Gas Producing Company which owns oil and gas leases and wells is wholly-owned and Permian Basin Pipeline Co. is 90% owned.

Total operating revenues of Northern Natural Gas in the 12 months ended June 30, 1957 were $116,539,000 and income before interest and other income deductions was $20,873,000. This compared with $111,279,000 and $20,353,000 in the 1956 calendar year and $104,367,000 and $19,489,000, respectively, in 1955.

Halsey, Stuart Group Offers Equip. Tr. Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering today (Dec. 5) $5,400,000 Chicago, Milwaukee, St. Paul and Pacific RR. 4⅛% equipment trust certificates, maturing semi-annually July 1, 1958 to Jan. 1, 1973, inclusive.

The certificates are scaled to yield from 4.00% to 4.25%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The issue is to be secured by 250 covered hopper cars; 55 gondola cars; 50 flat cars; 100 box cars; and 10 road switching locomotives, estimated to cost an aggregate of $6,800,695.

Associates in the offering are: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Ira Haupt & Co.; McMaster Hutchinson & Co.; Wm. E. Pollock & Co., Inc.; and Shearson, Hammill & Co.

Joins Merrill Lynch

(Special to The Financial Chronicle)

COLUMBUS, Ohio—William W. Story is now with Merrill Lynch, Pierce, Fenner & Beane, 48 East Gay Street.

Pacific Northwest Adds

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Roger A. Murch is now affiliated with Pacific Northwest Company, Wilcox Building.

Equitable Secs. Branch

SAVANNAH, Ga. — Equitable Securities Corporation has opened a branch office at 24 Drayton Street under the direction of O. B. Wood, Jr.

Continued from page 5

Unrealistic Profit Reporting And the Stock Market

those of us who work with company figures all the time have not stopped to make the computations necessary to find out how far the economic facts have been distorted in the reports on which we base our appraisal of a company or its future earning power. I shall not dwell on accounting errors that have been made in statements peculiar to one industry and which would have no direct relationship to another. There are certain accounting principles, however, that do apply to every business. Therefore, I shall concentrate on one or two which merit thoughtful consideration.

I feel that, if we had been fully informed, less pessimism and more constructive views would have been expressed. A good deal of this pessimism has been caused by a general attitude that has been more concerned with shutting out consideration of certain business economics rather than trying to discover them and their meaning. Now that the actual economic consequences are being felt, it becomes evident that we cannot shut out these facts, and we have to "face the music." This is the condition in which we find ourselves today. Business, in fact, has not been as profitable as accounting reports would lead us to believe. It is also true that these reports had been prepared in such a manner that they could have shown continued increases in profits when decreases were actually occurring. This overstatement of profitableness gave us a feeling of growth in our over-all industry pattern that whetted the appetites of (a) labor leaders, for increased wages, (b) market speculators, for more bookkeeping that would increase profits, and (c) small stock investors, for a "fast buck." Each of these factors operated to deteriorate our economy. So long as we thought we had a high degree of prosperity we didn't want to be told that we didn't have it.

In my opinion, financial statements are merely road signs. It is pretty nice to follow a road sign that keeps you on a good, paved road without any worries about where the road is taking you. If, however, that road leads you to a dead end, which requires you to turn back and follow another less smooth one, then no real advantage has been gained by enjoying the good road. Our financial statements have been such erroneous road signs, leading us along a road that appeared comfortable and optimistic, but bringing us inevitably to a dead end.

Long-Term Leasebacks

I shall discuss only two factors concerning these road signs. One is the long-term leaseback method of getting plant capacity that has guaranteed a lessor the return of all of his property value in a specific term of years, plus a rate of return on the unpaid balance. To really approach this problem, one must ask why such leases should or should not be entered into. There is no reason why you should not enter into such leases, but if you do you should not do it for the purpose of avoiding or suppressing the facts that have actually occurred. In many cases the terms of such leases were based on higher interest rates than would have been paid if the funds had been borrowed by the lessee; that is, the company which guaranteed an amount sufficient to pay back the full cost as lease rental plus a return, could have borrowed the money on its own credit at a lower rate. Under these conditions, the only reason for using a lease rather than a loan would be to isolate the credit or [illegible] the specific property. At that point a leaseback would accomplish something if that were the only purpose.

However, if a company can accomplish the same thing at a lower cost without a leaseback, why, you would ask, would it indulge in the leaseback method? The reason is that when the leaseback covers the full life of the building it avoids **reporting** the balance sheet liability that would have been created if the company borrowed the money direct. Mind you, I did not say the **liability** was avoided—merely its **reporting** was avoided. Here is where the accounting principle comes into play, that fails to report the facts. Even though the company had obligated itself under a long-term lease to pay the equivalent of the depreciation which after all is the principal of the obligation created, it did not have to record this agreement as a liability on its balance sheet. If the company borrowed the money directly, either on a secured or unsecured loan, it would be required, under proper accounting principles, to show this loan as a liability of the company. So, in effect, we have two situations in which the condition of the company, from an equity investor's point of view, would be practically identical, yet the accounting principle requires the liability to be shown on the books in the one case and not in the other.

What is the effect of this situation on the balance sheet? In the case where the funds are borrowed directly, the balance sheet shows that, in addition to the equity capital invested in the business, borrowed capital is also invested. To the extent that this capital is borrowed, a leverage is present that creates a greater risk to the equity investor. On the other hand, where a long-term lease is entered into, no debt is required to be shown on the balance sheet, and therefore the business has the benefit of a financial statement that purports to show that the company's producing assets are all built from equity funds. Investors are not told in the report that a substantial leverage exists for the obligation on the lease. The company has, of course, the same charges, or possibly greater charges, against income than it would have if it owned the property, but it avoids telling the stockholder-investor that there is any capital to be paid off ahead of his equity investment. This is no criticism of the companies that have employed the long-term lease method of financing—but it is a criticism of the accounting profession for allowing this type of misinformation in reporting the financial position.

Role of Our Tax Laws

There has been one advantage from a tax point of view in employing this long-term lease method, but only when the property involved was already owned and could be sold at a profit and then leased back. There is no tax advantage on a long-term lease if the property is built new. The tax advantage, when the property is older and can be sold and leased back for its remaining life, is gained through the treatment of the profit on the sale as a capital gains profit on which a maximum tax of 25% is paid. The depreciation, however, which is included in the lease rental to be paid over the remaining life, is a deduction against normal income at the rate of 52% in a corporate tax return.

Therefore, the tax laws, by allowing depreciation only on original cost, could be viewed as forcing a company to indulge in the leaseback method of financing in order to pay the least amount of tax. This is caused by the failure of the tax laws to allow depreciation at current price levels. The sale and the leaseback actually create an allowance for depreciation at current price levels, whereas continued ownership of the property would not.

Our accounting principles are erroneous with respect to leasebacks, where the lease terms include the amortization of the entire cost of the building over the life of the lease, by failing to require the showing of the principal of the liability involved. This principal represents the total gross lease payments discounted to the present date at the rate of interest used in the computation of the lease rental. Computation of the principal amount is not difficult in most leasebacks, and in those in which it is not ascertainable, reasonable estimates can be made. Therefore, while it requires some thinking to compute and record a leaseback as an obligation of a corporation, it is not a complicated or difficult task for the accountant with a knowledge of these transactions.

In one instance during the past year I observed a most flagrant violation of the overstatement of income as a result of the leaseback procedure. The company involved operated a number of its properties on an owned basis for most of the year. The company's annual report showed operating profit after depreciation based upon cost, which profit, of course, was much greater than it would have been if depreciation had been computed at current price levels. At the end of the year the company sold these properties and leased them back under a long-term lease, the terms of which involved a high interest rate as well as the amortization of the sale price over the term of the lease. As a result of the sale and leaseback, the company reflected as income the operating results of the property on an owned basis as well as the ostensible profit of the property on a sale basis.

This was actually a compounding of the overstatement of earnings, all caused by accounting principles which permitted the company to charge its operations with depreciation on original cost for the entire year and then take up the profit from sale of the properties at the year-end as an addition to income and surplus. Yet the entire profit must be paid back, with interest, in the lease rentals. This sale was made possible only because a lease, executed at the same time, guaranteed that the sale price plus interest would be repaid over the life of the lease. Thus, by enhancing the current year's profit, all future years were to be penalized, and the increased dollar amount of inflation reflected in the value of the building was reported in the current year as "increased equity investment." Yet there could never be any greater amount of equity in the business than there was the day before those properties were sold, and certainly the profit was not attributable to the year of sale.

SEC's Responsibility

No accountant could be held liable for the erroneous reporting of such a transaction because it was reported in accordance with generally accepted accounting principles. The accountant's only recourse when his conscience will not allow him to go along with such reporting is to state that, regardless of whether it is in accordance with "generally accepted accounting principles," it results in an erroneous statement of profit and is misleading to the investors to whom the company reports. In this case the result certainly was misleading as a reasonable indication of the future profit potential of this company. Even if the profit from the sale of the property had been excluded from income as a nonrecurring item, the statements would still be misleading since, at the end of the year, the company did not own the properties which were the basis of the depreciation charged in reporting its operating profits for the year. So long as this inconsistency agreed with so-called general principles of accounting, the investor was obligated to analyze the meaning of these transactions himself. Only the accountant, however, was able to determine what the real effect was, and he was not obligated to report it.

This, I submit to you, is a failure of accounting practices to meet the ordinary minimum requirements of fair accountability. You might ask why such accounting could be tolerated by the Securities and Exchange Commission. That Commission, by policy, has accepted "generally accepted accounting principles" as established by the accounting profession. And, presumably, unless the accounting profession fails to properly maintain such principles, the SEC will continue to accept those principles which the accounting profession allows to stand. As a public accountant, I feel that this is reasonable and is, as a matter of fact, generous on the part of the governing body. What bothers me, however, is that the accounting profession is not maintaining "generally accepted accounting principles" so that they meet the needs of the public that relies upon them and, in those cases where it is in process of re-evaluating them, it is far too slow to meet public requirements.

We cannot find any real satisfaction in the reliance which the SEC places upon our profession unless the profession accepts as its major responsibility the requirement to present financial reports that are not misleading.

It is sometimes said that the accountant who expresses such views, as I have done, is hurting business since he reveals the inadequacies of accounting practices followed by businesses, and thus undermines the confidence of the public. I feel that the answer to this point is that no favor is being accorded to business by the public accountant when he is not performing the task the public expects of him. Once the accountant's failure to perform this task is discovered and its effect determined, not only will the public accountant lose the responsibility that he has been presumed to have had, but business will be placed under such stringent regulations that it will be injured, and the public, in turn, will also suffer.

No business can long suppress economic realities and expect to gain benefits from it, and no accounting profession can gain the respect of the public by failing to properly air the bases of its certification and disclose to the public the reasons for the accounting principles adopted. If there is proper justification from a public interest point of view for a specific procedure, from a business point of view, or even from an investor's point of view, it should be clearly documented and stated. If this is done the public has only itself to blame for accepting such standards of accountability.

Effect of Inflation

In my opinion the gravest area of misstatement in financial reporting is the one that arises from inflation. Its primary impact is in the error caused by the failure to provide depreciation of the property which is actually used in operations at the current purchasing power of the dollar. If depreciation were adjusted for the change in the purchasing value of the dollar, the property could be depreciated and charged to income at amounts which would return to the equity investor the capital that he originally invested—no more, no less. Profits determined after providing for such depreciation would truly represent increments to the original capital invested.

The actual loss in the purchasing value of the dollar, which has occurred since many of the properties now being depreciated were installed, has been as high as 100%, and sometimes more where construction preceded 1935. Some long-lived properties installed prior to 1900 are still in use. As a matter of fact, the salvage from some of these properties in today's dollars is greater than the original cost of construction; yet, the dollar depreciation of such properties is reflected in today's income account at 19th Century purchasing power value, and the amount of earnings left after such depreciation is called "profit" or "income." Here again the stewardship accounting principles are applied as though we were still in the age of proprietorship accounting.

While the generally accepted accounting principle of cost depreciation was established for proprietorship accounting during periods of stable price levels, it is a completely outmoded method of accounting in today's economy and in the reports used as a measure of corporate earning power. Today, accounting reports are not used for stewardship accounting, but are used as a measure of the earning power of the enterprise. This is even more significant than stewardship accounting because the ordinary stockholder is not in a position to judge from the summary statements of large figures shown in accounting reports whether a proper accounting has been made on a stewardship basis. With respect to stewardship accounting, the stockholder must rely upon the Board of Directors and the public accountant to show that there is proper evidence and support for payments made and that such payments have been fairly classified. The report to the stockholder therefore is used almost entirely for economic and valuation purposes — not for stewardship accounting.

Criticizes LIFO Usage

What has the public accountant done with respect to accounting principles which are not properly usable from an economic point of view? He has made some changes but basically he has not made the one that is the most necessary under our economic system. This is the accounting required to report on the decline in the purchasing value of the dollar. True, he has devised a method he calls "last-in, first-out" for inventory pricing, but this in itself is not related to the change in the value of the purchasing power of the dollar or it would not be restricted as it is now. A company that does not adopt LIFO for inventory purposes is not required to account for the effect of the rising price level. Therefore, even where LIFO is adopted, its partial use and non-disclosure of the amount of reserve created to reduce the inventory to LIFO belie the economic support.

Although LIFO is a proper principle, its usefulness to the public is greatly impaired because the accountant has left to the reporting company the decision as to whether, and if so, when, it should be adopted in any given case. Under such a premise profit reported is largely what management wishes to report. Most of all, the decision for adopting LIFO is not made because of the economics that support it, but primarily because of the tax benefits accruing from its use. In many cases the reserve created by the adoption of the LIFO method in the balance sheet is not even stated in the report made to stockholders. In those cases where LIFO is not adopted, usually no mention is made of the effect of the change in the purchasing power of the dollar so that the stockholders cannot evaluate its effect on the company's financial position.

From the point of view of property depreciation, the error is much greater because there is no yearly turnover to prevent the cumulative effect of the decrease on the purchasing power of the dollar. In the plant account the effect of the decrease on the purchasing power of the dollar is cumulative and continues to be cumulative and reflects itself in each year's depreciation for the entire useful life of the property. In order to eliminate the effect of price level on depreciation in the income account, prices would have to remain stable for the complete life cycle of the property. While this might be possible, there has never been a period in modern history during which such stability has existed. Although we should not logically design accounting principles for conditions which cannot possibly exist, this is what we have done. Yet we cannot possibly be accurate in our financial reports unless we think that stable prices will exist for a period of at least 25 to 40 years. One can hardly believe that any principle could ever be adopted that requires such an absurd premise on which to produce reasonable results—and we have done this also.

Accounting Profession Fails to Act

Since accounting reports are used primarily as reports of the economic earning power of a corporation, it would seem that accountants themselves would analyze the accounting principles they follow to see whether such principles conform to the uses made of accounting statements. The accounting profession did study the consequences and effect on inflation in 1946 and 1947, and considered the question of whether or not depreciation should be adjusted to take into consideration the decrease in the purchasing power of the dollar. It was decided that the question should be deferred until prices were stabilized. In other words, the accounting profession recognized the problem and failed in its responsibility to do anything about it. The profession was not prodded into action even though every newspaper and every magazine published over the past several years has carried articles concerning the ravaging effects of inflation.

If depreciation had been provided year by year on the basis of current price levels, it would have substantially reduced earnings of the last 5 to 10 years, during which inflation took its major toll. Had this inflationary effect been eliminated by providing proper depreciation, it would have substantially reduced profits and shown the inability to pay wage increases that were demanded and granted because of these fictitious profits. It has been well established that one of the greatest causes of inflation in this country is that labor costs have increased more rapidly than is warranted by increased productivity. If a portion of this increase in wages had not occurred, we would presumably have had less inflation and therefore a more stable economy. Such wage increases could have been resisted if profits had been stated at their actual level. The only way this could have been done was to have reported depreciation at current price levels. This would not have been a difficult task, and it could easily have been followed by the accounting profession. However, it cannot be followed by one industry or one company alone.

Only one body — the public accounting profession—could have established an accounting principle of current price-level depreciation for all corporations on a consistent basis and made it effective for all industries and all companies simultaneously. If this had been done, much more cash would have been generated for corporate plant expansion, and a good deal of the tight money that we now feel today would have been avoided. It probably would have avoided the gyrations which the stock market has experienced in the last few years, by preventing the over-statement of profits that resulted from inadequate depreciation. Thus, an increase in profits was reported which was commonly termed "growth." This fictitious showing of growth in business created a fantasy in the stock market which led investors to overprice stocks. Now as this fiction disappears, the market is interpreted as being "bearish" as more realistic conditions prevail.

However, even the profits reported now are excessively stated and, to get our feet firmly on solid ground, depreciation adjusted to current price levels should be recognized. As our plant and property capacities become able to satisfy all consumer needs, the depreciation of modern facilities will continue to increase as new plants are installed and old ones removed, thus giving an appearance of decreasing profits which will not be true. This will continue until a complete life cycle has occurred—a period of 10, 15 or 20 years—unless we correct our depreciation provisions.

What Must Be Done

To stop this fictitious increase in earnings, all the accounting profession needs to do is to see that depreciation provided by each company is equal to the original cost, adjusted for the change in price level since the date of construction. This will reduce earnings to what can reasonably be expected from sales at today's price levels. And, as inflation grows, the depreciation provision will also increase, thus taking the inflation out of the reported profits and establishing stability in the income reported as being the actual profit from the business. It would have been far better for business had this method of adjusting depreciation on an economic basis been followed rather than the so-called "rapid depreciation" method for tax purposes.

There is really no economic justification for transferring proper depreciation deductions from one period of operation to another. If the tax laws recognized the full economic costs of plant consumed in operations as allowable deductions, there would be no taxes deferred to some future period when the corporations would probably be in no better position to pay such taxes than they are today.

It is my opinion, after testifying before the House Ways and Means Committee on this subject and talking with many Congressmen, that if the accounting profession would take appropriate action to establish the proper depreciation procedures to be followed in order to arrive at a fair statement of income, the tax laws would soon be amended to recognize such accounting. This is not an accounting procedure which applies only to large businesses. It applies with equal and even greater force to small businesses which do not have the constantly recurring plant replacement programs of large corporations. The effect on our economic system would be far more advantageous than is that of the present method which attempts to grant special benefits in the form of accelerated depreciation to those who build property instead of granting proper tax deductions for all businesses in order to maintain capital which provides the basis of our economy. It is hard to justify or understand why a business which merely builds plants should receive a special tax benefit while another company, which is operating its plants at top efficiency and at great credit to its community, receives no benefit merely because it does not build new plants.

I will not take time now to specify the steps which in many instances have already been taken to recognize depreciation on a current price-level basis. A great deal has been done in this regard on the issues before many courts, commissions and regulatory bodies, some of which have already recognized the inequities of cost depreciation. But I should like to repeat again that the only body that can act upon this question with fairness to all is the American Institute of Certified Public Accountants. If the accounting profession will correct the accounting principles that it observes, it will benefit (1) industry, through a proper protection of capital, (2) labor, through a more enlightened industry building program, and (3) the investor, through proper maintenance of his capital, by eliminating the unrealistic profits heretofore reported. This in turn will provide reliable economic facts on which stocks can be properly bought and sold. This will avoid the pessimistic and optimistic extremes that continuously occur under the present unrealistic reporting methods.

Ladenburg, Thalmann To Admit Leo G. Shaw

Ladenburg, Thalmann & Co., 25 Broad Street, members of the New York Stock Exchange, on Jan. 1 will admit Leo G. Shaw to partnership. Mr. Shaw was formerly a partner in Salomon Bros. & Hutzler.

Walter Hess Jr. to Be Rothschild Partner

L. F. Rothschild & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Walter W. Hess, Jr. to partnership. Mr. Hess has been associated with the firm for some time in the sales department.

William R. Staats to Admit Three Partners

LOS ANGELES, Cal. — William R. Staats & Co., 640 South Spring Street, members of the New York and Pacific Coast Stock Exchanges, on Jan. 1 will admit A. Boardman Ganfield, Harry W. Colmery, Jr. and William O. Keyes to partnership. All have been associated with the firm for some time. Mr. Colmery will make his headquarters in the firm's San Francisco office, 111 Sutter Street.

Albert Didier Opens

FLUSHING, N. Y. — Albert E. Didier has opened offices at 34-23 Murray Street to engage in a securities business.

F. I. du Pont Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Charles F. Dykhouse has been added to the staff of Francis I. du Pont & Co., 208 South La Salle Street.

Joins Farwell, Chapman

(Special to The Financial Chronicle)

CHICAGO, Ill.—John S. Runnells has joined the staff of Farwell, Chapman & Co., 208 South La Salle Street, members of the New York Stock Exchange.

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The Security I Like Best

for new products. Each year great amounts of money are spent on promotion and advertising for the company's line of consumer products such as Karo Syrup, Mazola Oil, Argo Corn Starch, and the Linit and Niagara brands of corn starch. Market research studies have been increased to give the company more knowledge of the basic reasons why a consumer might buy one of their products enabling the company to slant its advertising in the direction which will produce maximum sales. The evidence of the success of this program is that the company has been able to improve its ratio of sales to advertising expenditures in its higher profit items.

Recently the company decided to channel its merchandising efforts and now each product line is advertising separately. This also pin points responsibility and insures maximum efforts from the executives in charge. An improvement in sales has been observed as a result of using this approach even though initial costs for setting up a separate advertising budget may have been higher than before this system was introduced.

Package design has been greatly improved in the case of Bosco, Mazola, and other items. Coloring and package design are being emphasized to appeal to the housewife who is Corn Product's main retail customer. Success of the company's efforts in this field is attested to by the increasing sales of its consumer lines.

Research and Development

In 1956 the company established a Technical Division to coordinate research activities under the guidance of mature scientists and executives. One of the problems looked into by the Division has been the efficiency of corn and its by products as a therapeutic as well as nutritional agent. A major achievement in this field has been the development of an improved Mazola which is believed to help reduce the cholesterol level in humans. A high cholesterol level in human blood is often found in people suffering from heart ailments.

Research efforts are also being directed towards the improvement of the company's industrial products line and have resulted in the development of a new "filler" starch "Snow Flake" for use in frozen desserts, puddings, soups, etc. The company has also developed a corn syrup concentrate called NuBru for the brewing industry. Use of this product simplifies processing steps, shortens brewing time and increases production 20% to 30% without additional equipment. Due to the conservatism of brewers in adopting new techniques NuBru's success has been limited. But once the industry realizes the savings inherent in the use of this new product, Corn Products stands to have a good future moneymaker.

International Operations

During 1956 international operations set new records both in productivity and profits. Output increased and operating profits were higher than in previous years. New and expanded facilities in Manchester, England, commenced operations, and a new dextrose plant was opened in Germany. Milling techniques have been improved, and, in 1957, enabled the company to produce better quality products at lower costs. With conditions now becoming more settled in the Far East, an office has been established in Hong Kong for the purpose of re-evaluating marketing possibilities in that area.

Outlook for the Future

For the first nine months of 1957 Corn Products earned $1.51 a share compared with $1.33 in the similar 1956 period. Full year estimates of the company's per share earnings are in the neighborhood of $2.75 excluding unconsolidated foreign earnings of probably 15c a share. In 1956 earnings were $2.36 per share plus an additional 9c foreign. Profits in 1957 represent an improvement of 17% over the previous year with possible 1958 earnings reaching the $3 level, a further gain of about 10%. Corn Products will have about doubled their earnings per share since 1952 based on our projection of 1958 earnings. This is a remarkable achievement.

Earnings per Share

1958 Est.	$3.00
1957 Est.	2.75
1956	2.36
1955	2.29
1954	1.80
1953	1.81
1952	1.54

The company's' return on invested capital has also been satisfactory. It has risen from 11% in 1952 to an estimated 15% in 1957 and is projected at 16% in 1958.

Approximately 60% of its earnings are paid out in dividends with dividends having been paid each year since 1920. In 1956 $1.50 in dividends were paid out and if 1957-58 earnings are in the $3 range it is not out of line to expect a dividend increase.

Currently selling at about $30 a share, 1957 earnings of $2.75 are being capitalized at about 11 times and 1958 earnings 10 times. This is below the company's past price-earnings ratio. Now that the company is expanding its earnings base, the stock market might appraise the company's earnings at least as high as it did for many years when earnings were static. In the meantime the yield is 5% and the company offers little risk in an adverse market.

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. (12/16-20)**
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**
Oct. 15 (letter of notification) 3,404 shares of class A non-voting common stock (no par) being 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.

★ **Black, Sivalls & Bryson, Inc.**
Nov. 29 filed 114,600 shares of common stock (par $1), of which 39,600 shares are issuable upon exercise of 39,600 warrants exercisable at $22 per share on or before Dec. 31, 1961 and 75,000 shares are issuable upon exercise of 75,000 warrants at an initial exercise price of $27.50 to June 30, 1962, and $30 thereafter and to June 30, 1967.

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. (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.

★ **Bymart-Tintair, Inc.**
Nov. 26 (letter of notification) 302,000 shares of common stock (par one cent) to be issued at 50 cents per share upon exercise of outstanding common stock purchase warrants which expire on Dec. 31, 1957 and which may be exchanged for new warrants which may be exercised in 1958 at 65 cents per share and at 75 cents per share thereafter. **Proceeds**—For working capital. **Office**—West Trenton, N. . **Underwriter**—None.

★ **Canada General Fund (1954) Ltd., Toronto, Can.**
Nov. 27 filed (by amendment) 1,000,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

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. Statement effective Nov. 21.

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 Cement Corp., Chicago, Ill. (12/19)**
Nov. 29 filed $5,000,000 of sinking fund debentures due Dec. 1, 1972. **Price** — To be supplied by amendment. **Proceeds**—To retire term loans of $4,000,000 and for expansion program. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

● **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. 9. **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.

★ **Dalton Finance, Inc., Mt. Rainier, Md. (12/20)**
Nov. 27 filed $500,000 of 7% subordinated 10-year debentures due Jan. 2, 1968 (with warrants attached). **Price**—At par (in denominations of $100 each). **Proceeds**—For expansion, making of loans and to reduce short-term debt. **Underwriter** — McDonald, Holman & Co., Inc., New York.

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.

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.

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. (12/9-13)**
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 (12/17)**
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.

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.

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 Leaseback Corp., Washington, D. C.**
Nov. 27 filed 500,000 shares of class A common stock (par five cents). **Price** — $5 per share. **Proceeds** — To purchase properties. **Underwriter** — Whitmore, Bruce & Co., Washington, D. C.

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.**
Nov. 12 filed 80,000 shares of common stock (par $1) being offered for subscription by common stockholders of record Nov. 29, 1957, at the rate of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on Dec. 16. **Price**—$10.50 per share. **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 opertions 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.

★ **Ford Home Leases, Inc.**
Nov. 29 (letter of notification) $250,000 of 6% subordinated debentures due Jan. 1, 1968 and 12,500 shares of class A common stock (par $1) to be offered in units of a $100 debenture and five shares of stock. **Price**—$100 per unit. **Proceeds**—To repay $90,000 of notes and for general corporate purposes. **Business**—Financing of homes. **Office** — McDonough, N. Y. **Underwriter** — Philipson & Co., Utica, N. Y.

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.

★ **Freeman Electric Construction Co., Inc.**
Nov. 27 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price** — $3 per share. **Proceeds** — To reduce accounts payable, etc., and for working capital and general corporate purposes. **Office** — 45 West 45th St., New York 36, N. Y. **Underwriter**—To be named later.

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.**
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. Statement has been withdrawn.

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.

Hartford Electric Light Co.
Oct. 8 filed $2,400,000 of 3% secured debentures, series A, due Aug. 1, 1967, being offered in exchange for 3% first and general mortgage bonds, series D, due May 1, 1982, of Connecticut Power Co. on a par-for-par basis The exchange offer expires on Dec. 27. **Underwriter**—None.

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 of New York; and Roman & Johnson of Fort Lauderdale, Fla.

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.

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NEW ISSUE CALENDAR

December 5 (Thursday)
Baltimore & Ohio RR.__________**Equip. Trust Ctfs.**
(Bids noon EST) $3,435,000
Wisconsin Public Service Corp.__________**Bonds**
(Bids 10 a.m. EST) $7,000,000

December 6 (Friday)
Food Fair Properties, Inc.__________**Common**
(Offering to stockholders—underwritten by Eastman Dillon, Union Securities & Co.) 2,499,116 shares

December 9 (Monday)
Chesapeake & Potomac Telephone Co. of Maryland__________**Debentures**
(Bids 11:30 a.m. EST) $30,000,000
Duraloy Co.__________**Common**
(Mortimer B. Burnside & Co., Inc.) 69,000 shares
Motel Co. of Roanoke, Inc.__________**Common**
(Southeastern Securities Corp.) $300,000

December 10 (Tuesday)
Brockton Edison Co.__________**Bonds**
(Bids noon EST) $3,000,000

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
Southwestern States Telephone Co.__________**Preferred**
(Dean Witter & Co.) $4,000,000
Suburban Electric Co.__________**Bonds**
(Bids 11 a.m. EST) $4,500,000

December 12 (Thursday)
Electro Instruments, Inc.__________**Common**
(Bear, Stearns & Co. and Paine, Webber, Jackson & Curtis) 150,000 shares
Hydra-Power Corp.__________**Common**
(D. Gleich Co.; Stanley Heller & Co.; Aetna Securities Corp.; Roman & Johnson; and Michael G. Kletz & Co.) $270,000
Litecraft Industries, Ltd.__________**Debentures**
(P. W. Brooks & Co., Inc.) $500,000
Litecraft Industries Ltd.__________**Common**
(P. W. Brooks & Co., Inc.) $250,000
National Cylinder Gas Co.__________**Debentures**
(Merrill Lynch, Pierce, Fenner & Beane) $17,500,000
Permian Basin Pipeline Co.__________**Common**
(Offering to stockholders—no underwriting) 826,500 shares

December 16 (Monday)
American Israeli Paper Mills, Ltd.__**Series B ord.**
(Lee Higginson Corp.) $6,000,000
Roach (Hal) Productions__________**Common**
(S. D. Fuller & Co.) $1,125,000

December 19 (Thursday)
Consolidated Cement Corp.__________**Debentures**
(Merrill Lynch, Pierce, Fenner & Beane) $5,000,000

December 20 (Friday)
Dalton Finance, Inc.__________**Debentures**
(McDonald, Holman & Co., Inc.) $500,000

January 7, 1958 (Tuesday)
Columbus & Southern Ohio Electric Co.____**Bonds**
(Bids 11 a.m. EST) $14,000,000

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 15, 1958 (Wednesday)
Pacific Power & Light Co.__________**Bonds**
(Bids to be invited) $15,000,000
Pacific Power & Light Co.__________**Preferred**
(Bids to be invited) $10,000,000

January 21, 1958 (Tuesday)
Pacific Gas & Electric Co.__________**Bonds**
(Bids to be invited) $60,000,000

January 22, 1958 (Wednesday)
Norfolk & Western Ry__**Equip. Trust Ctfs.**
(Bids noon EST) $4,140,000

February 7, 1958 (Friday)
American Telephone & Telegrpah Co.__**Debentures**
(Offering to stockholders—no underwriting) about $720,000,000

February 13, 1958 (Thursday)
Indiana & Michigan Electric Co__________**Bonds**
(Bids 11 a.m. EST) $25,000,000

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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.

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.

★ **Koeller Air Products, Inc.**
Nov. 25 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, equipment, repayment of loans and working capital. **Business**—Welding and cutting equipment. **Office** — 253 Boulevard, Hasbrouck Heights, N. J. **Underwriter**—Pierre Rossini Co., Westwood, N. J.

● **Litecraft Industries Ltd., Passaic, N. J. (12/12-18)**
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.

★ **Luxene, Inc.**
Nov. 26 (letter of notification) 18,000 shares of common stock (par $1). **Price**—$10 per share. **Proceeds**—To selling stockholders. **Office**—118 East 25th St., New York, N. Y. **Underwriter**—None.

Magdalena Mining & Milling Co.
Nov. 7 (letter of notification) $260,000 of 7% sinking fund debentures due 1960 and 65,000 shares of common stock (par $1) to be offered in units of one $100 debenture and 25 shares of common stock. **Price** — $100 per unit. **Proceeds** — For mining expenses. **Office** — 1260 Simms St., Lakewood, Colo. **Underwriter**—Peters, Writer & Christensen, Inc., Denver, Colo.

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.

★ **Massachusetts Investors Growth Stock Fund, Incorporated**
Dec. 2 filed (by amendment) an additional 1,000,000 shares of capital steel. **Price**—At market. **Proceeds**—For investment.

★ **McConnell (Russell), Dorset, Ohio**
Dec. 2 filed $50,000 of participating interests in the "Warpula Well Number One" and "Walker Well Number One." **Proceeds**—To finance drilling of two exploratory wells. **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)**
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. **Offering**—Has been withdrawn. Will be an internal issue.

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. (12/12)**
Aug. 28 filed $17,500,000 of subordinated debentures due Sept. 1, 1977 (convertible on or before Sept. 1, 1967). **Price** — To be supplied by amendment. **Proceeds** — For expansion and working capital. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York.

National Lithium Corp., New York
Feb. 19 filed 3,120,000 shares of common stock (par one cent). **Price**—$1.25 per share. **Proceeds**—For acquisition of properties; for ore testing program; for assessment work on the Yellowknife properties; and for cost of a concentration plant, mining equipment, etc. **Underwriter**—Gearhart & Otis, Inc., New York. Statement expected to be amended.

★ **National Mortgage Discount Corp., Waco, Texas**
Nov. 27 filed 10,000 shares of class A preferred stock (no par) and 5,000 shares of class B preferred stock (no par). **Price**—$100 per share. **Proceeds**—For investment in real estate notes, for reserve for real estate development and general corporate purposes. **Underwriter**—Proctor Elder Securities Co., Ltd., Fort Worth, Texas.

● **Natural Gas Pipeline Co. of America**
Nov. 19 filed $40,000,000 of first mortgage pipeline bonds due 1977. **Price**—To be supplied by amendment. **Proceeds** — To reduce bank loans. **Underwriters** — Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc., both of New York. **Offering**—Temporarily postponed.

● **New Orleans Public Service Inc.**
Nov. 12 (letter of notification) 5,965 shares of common stock (no par) being offered for 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.

★ **North American Finance Co., Phoenix, Ariz.**
Nov. 27 filed 300,000 shares of class B common stock (par $1). **Price**—$5 per share. **Proceeds**—For working capital and other corporate purposes. **Underwriter**—None. Sales to be made through Eugene M. Rosenson, President, and Marcus T. Baumann, Vice-President and Treasurer.

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., 201 Enterprise Bldg., Tulsa 3, 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.

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. (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; rights to expire on Dec. 31. **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.

Pittsburgh Brewing Co., Pittsburgh, Pa.
Nov. 15 filed $5,646,750 of 5% sinking fund income suboridnated debentures due Oct. 31, 1992; 112,935 shares of common stock (par $1); and 451,740 warrants to purchase 451,740 additional shares of common stock to be offered in units of $50 of debentures, one common share and warrants to purchase four common shares to be offered in exchange for each outstanding share of preferred stock (par $25) plus accrued dividends. **Purpose**—To eliminate or reduce preferred dividend arrearages. **Underwriter**—None.

Pleasant Valley Oil & Mining Corp.
Sept. 30 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (five cents per share). **Proceeds** — For geological studies, reserve for contingent liability, for machinery and equipment and other reserves. **Office** — 616 Judge Bldg., Salt Lake City, Utah. **Underwriter**—Steven Randall & Co., Inc., New York.

Polytronic Research, Inc.
Nov. 4 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For equipment and research, development program and working capital. **Office**—4130 Howard Ave., Kensington, Md. **Underwriters**—First Washington Corp. and The Stanford Corp., both of Washington, D. C. **Change of Name**—Formerly Acme Tool & Engineering Corp.

★ **Public Savings Life Insurance Co.**
Nov. 29 filed 113,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To Public Savings Insurance Co., the selling stockholder. **Office**—Charleston, S. C. **Underwriter**—None.

Pyramid Mining & Metal Corp.
Oct. 24 (letter of notification) 236,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For mining expenses. **Office** — 508 Great Plains Life Bldg., Lubbock, Tex. **Underwriter**—Sterling Securities Co., Inc., Odessa, Tex.

Ramapo Uranium Corp. (New York)
Aug. 13 filed 125,000 shares of common stock (par one cent). **Price**—$5 per share. **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilor mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

Reichhold Chemicals, Inc.
Oct. 10 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York. **Offering** — Temporarily postponed.

Research Instrument Corp.
Oct. 7 (letter of notification) $125,000 of 10-year 10% convertible debentures and 12,500 shares of common stock (no par) to be offered in units of one $100 debenture and ten shares of common stock. **Price**—$200 per unit. **Proceeds**—For equipment, working capital and inventory. **Office**—7962 S. E. Powell Blvd., Portland, Ore. **Underwriter**—Campbell & Robbins, Inc., Portland, Ore.

Resolute Bay Trading Co., Ltd.
Oct. 29 (letter of notification) 30,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital, etc. **Business**—Purchase and sale of commodities. **Office**—St. John, N. B., Canada. **Underwriter**—Irving Weis & Co., New York.

● **Roach (Hal) Productions (12/16-20)**
Aug. 8 filed 375,000 shares of common stock (par $1). **Price**—$3 per share. **Proceeds**—For expansion of production of filmed television commercials and for working capital. **Business**—Produces films for television. **Office**—Culver City, Calif. **Underwriter**—S D. Fuller & Co., New York. 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.

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.

● **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.

★ **Sentinel Security Life Insurance Co.**
Nov. 27 filed 5,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Salt Lake City, Utah. **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 5⅜% first mortgage bonds, to repay bank loans and for new construction. **Underwriters**—Stone & Webster Securities Corp. and Paine, Webber, Jackson & Curtis, both of New York.

● **Southwestern States Telephone Co. (12/11)**
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.

★ **Stuart-Hall Co., Inc., Kansas City, Mo.**
Nov. 27 filed $650,000 of 20-year 6% convertible debentures due Dec. 15, 1977. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital and to reduce bank loans. **Underwriter**—White & Co., St. Louis, Mo.

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.

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 Water[illegible]a., is President.

★ **Trans Continental Industries, Inc., Detroit, Mich.**
Dec. 2 filed $1,650,000 of 6% convertible subordinate debentures and 340,000 shares of common stock sold to a small group of investors. **Proceeds** — Together with other funds, to purchase assets of Highway Trailer Co. **Underwriter**—None.

Ulrich Manufacturing Co.
Sept. 24 filed $600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par $1) to be offered in units of $500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. **Office**—Roanoke, Ill. **Underwriter**—White & Co., St. Louis, Mo., on a best-efforts basis.

Union of South Africa
Sept. 12 filed $15,000,000 10-year external loan bonds due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—For transportation development program. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Postponed temporarily.

United States Coconut Fiber Corp.
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.

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.

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.

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.
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.

★ **Appalachian Electric Power Co.**
Dec. 2, it was reported that this company, a subsidiary of American Gas & Electric Co., plans to issue and sell $25,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Harriman Ripley & Co. Inc. **Offering**—Expected to be made in May or June, 1958.

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. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co. (2) For common stock—Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; White, Weld & Co.; Kidder, Peabody & Co. Any preferred stock may be sold on a negotiated basis, and underwriters may be Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly).

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

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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 & 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.

★ **Columbus & Southern Ohio Electric Co. (1/7)**
Nov. 29 it was announced company plans to issue and sell $14,000,000 of first mortgage bonds due 1988. **Proceeds**—To reduce bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Dillon, Read & Co. Inc. and The Ohio Company (jointly); Lee Higginson Corp. and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co. and Glore, Forgan & Co. (jointly); White, Weld & Co.; Lehman Brothers. **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 7 at City Bank Farmers Trust Co., New York. **Registration**—Planned on or about Dec. 17.

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.

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).

★ **Litton Industries, Inc.**
Nov. 25 it was announced stockholders will vote on Dec. 14 on approving the creation of an issue of preferred stock and an increase in the authorized common stock. **Underwriters**—Lehman Brothers and Clark, Dodge & Co. handled last equity financing which was done privately.

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. (1/22)
Bids are expected to be received by this company up to noon (EST) on Jan. 22 for the purchase from it of $4,140,000 equipment trust certificates (third instalment) to mature semi-annually from May 1, 1958 to and including Nov. 1, 1972. 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.

★ **Pacific Power & Light Co. (1/15)**
Nov. 22 it was reported company plans issue and sale of $15,000,000 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.; Eastman Dillon, Union Securities & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; Bear, Stearns & Co. and Salomon Bros. & Hutzler (jointly); Blyth & Co., Inc. and White, Weld & Co. Co. (jointly). **Bids**—Expected to be received on Jan. 15.

★ **Pacific Power & Light Co. (1/15)**
Dec. 2 it was reported that the company also intends to issue and sell 100,000 shares of cumulative preferred stock (par $100). **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc., Smith, Barney & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively expected on or about Jan. 15.

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.

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.

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 to issue and sell approximately $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. **Offering**—Expected early in March.

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.

Continued from page 6

Changing Patterns in The Automobile Market

automobiles. As a result, it affects consumer financing. And it affects the size of dealer inventories. As a matter of fact, it makes all the problems of distribution more complex—or shall we say, more challenging?

Let's take a look at just a few facts to get a line on how fast this trend has been going. Consider, for instance, what has happened to the six-cylinder engine. As recently as 1953, 50% of the 5.7 million cars registered that year were equipped with six-cylinder engines. This year, on the basis of registrations for the first eight months, it looks as if only about 17% of the estimated 5.9 million cars to be registered will have six-cylinder engines.

Nearly as spectacular as this trend is the rapid growth in the popularity of automatic transmissions. Only 68% of the industry's 1955 models were equipped with automatic transmissions. But on 1956 models the percentage jumped to 74 and on 1957's to 80.

Another impressive growth has taken place in the use of power steering. About 23% of the 1955 models were equipped with power steering. On 1956 models the percentage rose to 27 and on 1957's to 36.

Similar developments have been taking place in the market for virtually all the other types of optional equipment, from radios to air-conditioners.

Paralleling this trend toward buying more extra equipment—or, as we say, buying "more automobile" is the growing popularity of the station wagon. In some parts of the country the station wagon is now accounting for approximately one out of every four of our new-Plymouth sales. This demand is showing up in factory production schedules. At our Plymouth Division 22% of all the cars now being built for the national market are station wagons. As many may know, the popularity of the station wagon has reached the point where some used-car dealers are making it a specialty. In Los Angeles and Miami there are two used-car lots that handle nothing but station wagons. It is easily possible that these "wagon lots," as they are called, will become more widespread.

No Trend Shift

During the past year there has been considerable talk about the increasing share of the market enjoyed by the lower-priced and the higher-priced cars, and the resulting squeeze on cars in the medium-price ranges. In my opinion, it is still far too early to draw any conclusions about this so-called trend. On the basis of the facts we now have, it is far from clear that there is anything like a real, pronounced shift in that direction. Price class two, for instance, which includes such cars as Dodge, Pontiac, Oldsmobile 88, and Mercury, is at present enjoying about 25% of the market, about the same as the share it had from 1951 through 1954. Its present share can be considered low only by comparison with 1955, when it captured 30% of the market.

In my opinion, we may need to do a little redefining of the price classes before we begin to draw any real conclusions on this matter. For example, in the R. L. Polk classification, a fully equipped Plymouth, Ford or Chevrolet station wagon is still counted in class one, along with the lowest-priced cars offered by the industry. Actually, in any realistic price definition, most station wagons in the low-price field would be rated as medium-priced cars. Undoubtedly, the growing popularity of the station wagon has had an important effect in making the lower-priced cars appear to be getting an unusually big share of the market.

Upgrading Low-Priced Cars

What really seems to be taking place is a massive upgrading of the automobile market, with automobile customers looking for more comfort, more convenience, greater ease of handling, and, especially for those suburbanites with growing families, more passenger capacity. Recently, one of the forms this upgrading seems to have taken is the buying of the lower-priced cars loaded with extra equipment. Another evidence of the same trend is the increasing popularity of the luxury series in the low-priced lines. In the 1957 model year just ended the Belvederes, Fairlanes and Bel Airs showed a combined increase of 260,000 units over the number produced in the 1956 model year. This was a gain of nearly 18%. It is my guess that this kind of upgrading will probably continue.

Along with this tendency to make medium-priced cars out of low-priced cars we will probably see a number of very strong competitive counter-moves from the makers and marketers of the medium-priced cars. Already we have seen the introduction of—or intensified selling of — lower-priced models in virtually all of the medium-priced lines. This is only one of a number of possible approaches to widening the medium-price market. One of the most fruitful may be the introduction of an increasing number of conveniences and performance features that are not available in the lower-priced models. In any event, the competitive developments in the price bracket ranging roughly from $2,500 to $3,300 should be very interesting indeed.

Right along with the trend toward cars with greater comfort, convenience, and ease of handling, another situation has been developing which at first glance seems to be moving in the opposite direction. I refer to the increasing sales of the small foreign car.

Small Car Sales

What is the meaning of this recent rise in popularity? Is it going to continue? Is it going to level off? Does it mean that the American-sized car is losing favor? These are all interesting and important questions, and time alone will give us the complete answers. In the absence of those answers, I can only offer you some of my opinions on this subject. I believe, first, that the roomy, comfortable, all-purpose American car that will take you to the theatre, carry a heavy top-load, cruise the superhighways, or pull a house-trailer, will retain its present place of overwhelming popularity. The trend toward "more automobile" is the dominant trend in the market today.

Another change that has been attracting a considerable amount of attention in automotive circles is the rapid growth of the rental and leasing industry. Since 1947, when wartime shortages began to ease enough for the rental business to get underway, there has been a steady and impressive increase in the number of cars owned by rental and leasing firms. By 1950 the number of cars being used in this business had grown to over 80,000. At present the number is in the neighborhood of 260,000, most of which are leased to fleet operators. If it continues to grow at the 20 to 30% a year rate it has been experiencing, by the early 60's the rental and leasing industry will own close to half a million cars. The number of cars being leased to individuals at the present time is estimated at about 50,000. This side of the business is still too new for any clear growth rates to have been established.

Right along with the fast growth in car leasing—which is a relatively new development — there has also been a steady growth in the leasing of trucks—a form of leasing we have known for many years. At present, about 250,000 trucks are being operated under lease. We expect the number to increase to about 800,000 by 1965.

The growth of leasing can mean new opportunity for both dealers and financial organizations. Certainly it is a trend that needs to be studied closely by everyone in the business of selling, servicing or financing motor vehicles.

Financing Understanding

The experience of the last few years has confirmed us at Chrysler in the belief that the dealer's understanding of his own financing problems, and his effective working relations with his finance connections can literally make the difference between success and failure. Some dealers — and usually the less successful—regard the finance company or bank merely as a source of funds that enables them to maintain an inventory of cars and as a way of making it possible for their customers to buy cars on a monthly payment basis that is within their means. They sometimes fail to recognize all the other business-building advantages of a sound partnership between the dealer and his finance organization.

The upgrading of the market which I have mentioned, along with the tremendous increase in options and body styles, has brought with it a greatly increased need on the dealer's part for wholesale credit. This situation puts heavy new demands upon financing organizations. And, incidentally, we recognize that this problem has been complicated by the current high level of demand for money.

We realize that part of the answer to this problem, from your point of view, is to bring about the right balance between your wholesale and retail credit activities. And we have consistently told our dealers that one of the best ways of building effective and dependable lines of wholesale credit is to encourage the flow of their retail paper to their financing organizations. We shall continue to give them this message.

We at Chrysler have become so convinced of the fundamental importance to the dealer of a sound working relationship with his finance connections that we have set up a special staff of highly experienced men to devote themselves full-time to this matter.

Their principal duty is to maintain constant and effective liaison between finance organizations and our dealers out in the field. These area finance managers have the understanding of the dealer's problems and of your problems that enables them to help in working out practical solutions.

Chrysler Corporation is the first automobile company to establish a full-time field staff of this kind, and it is a pretty fair indication of the importance we place upon sound financing.

Looks to a Good Year

These days, when everyone has his ear to the ground trying to get some kind of indication of the trend of the national economy, a man from Detroit is always expected to give his views on the business outlook. For some reason or other, a lot of people have been looking our way and saying that the automobile industry is going to supply the big lift in the economy. In Detroit, we know enough about the dangers of forecasting to make us pretty cagey in matters of this kind. I will say, however, that we are all looking forward to a good year. I have never seen such general agreement among the companies on the expected level of business. Many of the industry's executives have been saying the market for cars in 1958 should be slightly better than six million units, which would make it the third best automobile year in history.

At Miami Beach in September, our own President, Mr. Colbert, in predicting that 1958 would be "definitely brighter" than 1957, pointed out that the total number of new cars sold in 1955, 1956 and 1957 would amount to well over 19 million. This provides one of the favorable conditions for a healthy market in 1958, since normally a very large proportion of cars traded in on new cars come from the one to three-year-old class.

It is also significant that in the record year 1955, 57% of the cars sold on instalment credit carried contracts for periods of from 30 to 36 months. This means that a very large proportion of the tremendous number of people who contracted for long-term automobile instalment credit in 1955 will be in a position to take on new instalment obligations in 1958.

Over and beyond these considerations, we expect that the many new and attractive features of the 1958 models—together with the vigorous and highly competitive promotion they are receiving — will add a strong stimulus that will be felt for many months to come.

Long Run Outlook

When we look beyond the months and years immediately ahead to the 1960's and 70's we find many reasons for expecting opportunity on a tremendous scale for everyone associated with the automobile business. Consider this fact alone. One of the country's leading population experts has said that by 1975 the population of this country may well be as high as 249 million. That's 77 million more than the present population—and these 77 million will be added in a little over 17 years!

Growth on this scale means opportunities for every segment of business. But for the automobile business it holds out a particularly bright promise — for this reason. Over 80% of those 77 million, or about 62 million, would be added to the suburban population. As we all know, in the suburbs one car per family is just about an absolute necessity and two cars are standard equipment. And in many homes with driving teen-agers, it takes three cars to keep the whole family happy.

There is every reason for all of us to look ahead with confidence to a prosperous future. But naturally it won't come automatically. It's going to take energy, imagination, and sound management to realize our tremendous opportunities in a rapidly changing business environment.

It is my belief that the three-way partnership of production, selling and financing that has worked so well in the past will continue to make its full contribution to the dynamic progress of the nation.

Shearson, Hammill In Minneapolis

MINNEAPOLIS, Minn.—Shearson, Hammill & Co. have opened a branch office in the Rand Tower under the management of Preston Shute. Mr. Shute was formerly resident manager for Baxter & Company and prior thereto was with Jamieson & Company.

Mutual Funds

By ROBERT R. RICH

Slayton Points to Under-valued Stocks

Slayton Associates, Inc. on Dec. 4 painted a glowing picture of the paper industry's future and said its currently undervalued securities "rank high" among investments for growth and inflation protection.

"The paper field is becoming increasingly stable," said the investment counselors to Managed Funds, Inc., "and the long period of prosperity it has enjoyed has greatly strengthened the financial position of its leading companies.

"By last August, the industry's prolonged inventory adjustment, reflected in a sizable price correction in paper stocks, was pretty well completed. As a result, stock prices have showed relative resistance to the recent general market decline."

The special Slayton report was made to representatives of Managed Funds, sponsors of 11 classes of mutual fund shares, including the only investment company class invested exclusively in paper company securities.

According to Slayton Associates, domestic demand for paper and board by 1965 is likely to increase by about 40%, or 12 million tons, over 1956. Moreover, rising living standards outside the nation should swell foreign per capita consumption (20-25 pounds vs. 435 here), providing a "growing outlet" for American producers.

The increasing stability of the paper industry, the report continued, is composed of several factors: low-cost manufacturing; non-durable products; larger, stronger, better-integrated and managed production units; and the financial strength of its companies.

One particularly important factor combines the hundreds of thousands of acres of timber reserves owned by the big producers with the fast-growing stress on conservation through scientific forestry. "This is in contrast to extractive natural resource industries which are subject to eventual exhaustion," said the Slayton study.

An especially favorable investment factor, the counseling firm said, is the tax regulation permitting pulp producers to charge depletion against current earnings because of timber cutting, despite the fact that growth of timber in many companies is equal to the rate of use.

Increasing emphasis on research at all levels will continue to play an important role in the industry's growth, Slayton Associates believes. New types and uses of paper are constantly being developed. In many applications, paper has supplanted metal, wood and textiles. Today there are over 7,000 different kinds of paper serving many times that number of different uses.

The study noted that research has greatly improved the techniques of paper production, resulting in a rise in labor productivity far greater than the average for all industry. It said such increases partially cushion the impact of rising wage rates and moderate the importance of the labor factor in the cost of production.

"A good time to buy growth stocks is after they have had a substantial reaction," the report concluded. "With the paper industry having experienced the third largest rate of growth since the turn of the century, and with an enormous potential for future growth, the securities of its leading companies rank high as sound long-term investments for appreciation and inflation protection. Today these stocks can be bought at discounts of up to 40% from their 1956 highs."

Futures, Inc. Assets at New High

Futures, Inc., the commodity mutual fund, had record net assets of $293,041 for the fiscal year ended Sept. 30, 1957, while net earnings amounted to $136,387, the largest dollar gain in any year since the company was formed nine years ago, Richard D. Donchian, fund manager, reported Dec. 3.

Net asset value per share rose from $2.93 on Sept. 30, 1956 to $5.17 on Sept. 30, 1957, a gain of 81.5% after including a 15 cents per share dividend paid in September, Mr. Donchian pointed out. Total assets at the close of Sept. 30, 1956 amounted to $189,-144.

During the year, positions — both long and short—were taken in 18 different commodities, he said. Fifteen of these commodities produced profits, the largest gains being made in sugar, wheat and soybeans, he added.

Delaware Fund Reports on Portfolio Shifts

Delaware Fund has added Transcontinental Gas Pipeline 6⅛s of 1978, Olin Mathieson 5½s of 1982, and Texas Eastern Transmission 6.70% preferred to its portfolio, and eliminated holdings of Sinclair Oil 4⅜s, as well as small residual positions in Automatic Vending Machine and Kansas Power and Light common.

Reporting the fund's recent shifts, D. Moreau Barringer, Chairman, observed that the sudden dropping of rediscount rates by certain Federal Reserve banks has had a marked effect on corporate bonds and preferreds, and a similar, though uneven, effect on commons.

The new positions, he reported, all pay a substantial current rate of return.

Furthermore, the fund's management believes that if the money market continues to ease up, this sort of strong prior security could show a reasonable price appreciation as well as an attractive present yield.

Mr. Barringer reminded his board that Delaware Fund purchased the Sinclair debentures a year ago when rates of return on new issues were much lower than they later became. At that time, he recalled, the Dow Jones Average was between 470 and 480 compared with about 430 at the time of sale, and the company's common was selling over 60 against 49 today.

Yet, he pointed out, the bonds—all sold between late September and mid-November — realized within half a point of their purchase price. This, he feels, illustrates how a good convertible security, if properly bought, will protect against both a business and securities decline.

The Delaware executive said the fund looks to its newly-acquired Olin Mathieson debentures for the same combination of protection against lower markets and participation in higher ones. Reviewing the issue, he told his board that "the yield is fairly generous, and the conversion privilege, which stays unchanged for 15 years, is only 22% away from the present rather deflated market for the common stock. The company has shown very aggressive growth in the past and will certainly attempt to continue it in the foreseeable future. Because of their 27% higher yield," the fund's management reasons, "these bonds seem to be better fitted to the present market than the Sinclairs which we sold."

Tri-Con Trust Holders Up in 1957

Shares of common stock of Tri-Continental Corporation, the nation's largest diversified closed-end investment company, held in domestic trust company and bank nominee names were increased by 31.6% during the first 10 months of 1957.

Holdings of 910,233 shares in 120 names at the start of the year bulged to 1,198,640 shares in 123 names at the end of October. At this level, they accounted for about 19% of the 6,423,856 shares of Tri-Continental common outstanding.

Largest of these holdings was 159,400 shares, and second and third largest were 111,460 and 93,-601 shares, respectively. Of those who held shares at the beginning of the year, 57 increased their holdings during the 10-month period and 27 reduced their number of shares.

Manhattan Bond Fund Reports to Shareholders

Manhattan Bond Fund, Inc., in its annual report for the year ended Oct. 31, 1957 makes several points of more than passing interest to shareholders and to bond investors in general.

First, "Lower bond prices do not necessarily indicate lower credit standing for the issuing companies, or any basic change in their financial positon or ability to pay bond interest." In this connection the report points out that in 1954, when bond prices were relatively high, the average after-tax earnings of the companies whose obligations are currently held by the fund "were 3.91 times their bond interest requirements. In 1956, they averaged 4.15 times such requirements."

Secondly, the report states that continued easing of the money situation is likely to affect bond prices favorably and thus, the net asset value of shares of Manhattan Bond Fund. "While it is too early to appraise the long-term significance of the recent Federal Reserve action, it should be observed that the bonds now held by your fund are selling at prices which provide possibilities for substantial improvement. The average market price of the bonds held by Manhattan Bond Fund on Oct. 31, 1957 was 71¾." Net asset value per share on Oct. 31 was $6.25, compared with $7.38 a year earlier. Total net assets were $18,855,312 compared with $22,594,864 on the same date last year.

The report reminds shareholders that "Income continuity is usually one of the chief objectives of the bond investor." Over the past decade, dividends paid by the fund from net investment income have varied within a range of only 3.5 cents per share per year; from 37 cents in 1952 to 33.5 cents in 1949. The 1957 payment totaled 34.5 cents.

During the six months since the fund's semi-annual report for the period ended April 30, 1957 bonds newly added to the fund's holdings included Columbia Gas System Debentures, series H, 5½s, 1982; J. Ray McDermott & Co., Convertible Subordinated Debentures, 5s, 1972; and Shamrock Oil & Gas Corp., Convertible Subordinated Debentures, 5¼s, 1982.

Eliminated were Southern Pacific Co., 4¼s, 1981. Reductions were made in previous holdings of American & Foreign Power Co., Inc., Junior Debentures, 4.80s, 1987; Cleveland, Cincinnati, Chicago and St. Louis Ry. Co., Refunding & Improvement, series E, 4½s, 1977; Denver & Rio Grande Western Railroad Co., Income Mortgages, series A, 4½s, 2018; Gulf, Mobile & Ohio Railroad Co., General Mortgage Income, series A, 5s, 2015; The New York Central Railroad Co., Refunding and Improvement Mortgage, Series A, 4½s, 2013; New York, Chicago & St. Louis Railroad Co., Income Debentures, 4½s, 1989; Tennessee Gas Transmission Co., Debentures, 4¼s, 1974.

M. I. T. Declares 133rd Dividend

Massachusetts Investors Trust has declared its 133rd consecutive quarterly dividend from net income in the amount of 11c per share, payable Dec. 24, 1957, to shareholders of record Nov. 29, 1957.

This payment will bring total dividends distributed from net income in 1957 to 41 cents per share, representing a new high record of per share dividends paid in any year from net income.

Last year's total payments from net income were 40¼ cents per share, adjusted for the three for one stock split in June, 1956.

This is the 14th consecutive year in which dividends per share paid from income have been greater than in the preceding year. Total distributions from net income for 1957 with this payment will exceed $40,000,000, also the largest amount for one year in the trust's 33-year history.

Broad Street: The 112th consecutive quarterly dividend from investment income has been declared by directors of Broad Street Investing Corporation in the amount of 27 cents per share, payable Dec. 24 to shareholders of record Dec. 3.

Payment will bring the 1957 total to 87 cents a share, highest in the diversified mutual fund's 28 years, and comparing with 86 cents paid in 1956. Income from Broad Street Investing will be 6% greater in 1957 than in 1956 for shareholders who took the 1956 distribution from realized gain in additional shares.

A distribution from gain realized on investments of 47 cents per share also was declared and is payable Dec. 24 to shareholders of record Dec. 3. The distribution will be paid in stock or cash, at the option of the shareholder.

National Investors: A fourth quarter dividend of seven cents per share, payable Dec. 24 to shareholders of record Dec. 3, has been declared by directors of National Investors Corporation. This will bring total dividends for the year to 25 cents, the same as paid in 1956 and the second largest payment in the corporation's 20¾-year history.

For those shareholdes who took the 1956 distribution from realized gain on investment in additional shares, 1957 income from the growth stock mutual fund will be 5.6% higher.

A distribution of 35 cents from gain realized on investments also was declared for payment Dec. 24 to shareholders of record Dec. 3. Payment will be in stock or cash, at the option of the shareholders.

Whitehall Fund, Inc. directors have declared a fourth quarter dividend of 16 cents a share from net investment income, payable Dec. 24 to shareholders of record at Dec. 3. Payment will bring the year's total to 46 cents, equaling the 1956 payment which was the largest amount ever paid by the balanced mutual fund.

Maintenance of payments at the 46-cent rate will result in an increase of 5.9% in income for shareholders who took the 1956 distribution from gain on investments in additional shares.

A distribution of 40 cents a share from gain realized on investments also was declared and is payable Dec. 24 to shareholders of record Dec. 3. Payment will be in stock or cash, at the option of the shareholder.

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The Credit Approach in Underdeveloped Countries

been to prevent these pressures from jeopardizing development.

Results Under the Five Year Plans

Our experience of the First Five Year Plan was strikingly different. In that period, although investment in the economy was stepped up from about 5% of national income to over 7% of national income, there was little pressure on prices and balance of payments, and, in fact, we asked ourselves from time to time—and others asked us too—if, in spite of our Plan, we were stretching our resources to the maximum.

Certain cirumstances favored us in the First Plan. Food production recorded substantial increases, and the utilization of industrial capacity, which was idle hitherto, added to the current output, more than proportionately to investment.

With the commencement of the Second Five Year Plan, the situation has greatly changed. The Plan involved more capital intensive investment, and it has a substantial foreign exchange component. The increase in incomes in the First Plan period has given an impetus to private spending. Owing to the nature of the agricultural cycle in India, food production, on the other hand, has not increased above the peak reached in 1953-1954.

In consequence, the index of food prices has risen by 11% since April 1956, and this has given rise to industrial unrest and unrest among the salaried employees of Government.

The balance of payments situation has also taken a seriously adverse turn. We had expected to run down our foreign balances by Rs. 2 billion in the earlier part of the Plan, but they have had to be drawn down much more, in spite of our recourse to the International Monetary Fund for foreign exchange to the extent of $200 million.

To some extent the situation was aggravated by the rise in prices in the Western world, the Suez crisis and the rise in shipping freights. But certain difficulties are inherent in the scope of the Plan itself, although the target of increase in national income was in itself modest. In other words, what has happened has happened primarily because of the gathering momentum of development, and if it can be called a crisis it is a crisis of development and not a crisis of stagnation.

It is a fundamental aim of monetary and fiscal policy in India that such inflationary pressures that exist must be vigorously controlled and steps taken to avoid generation of fresh inflationary pressures. No one in any position of authority, and that includes parties in opposition to government, considers that the difficulties the country faces can be short-circuited by recourse to inflation. Apart from the manifest social injustice of any such course, it creates unrest and the possibility of political up-heaval. Both Government and the central banking authority are determined to insure monetary stability, even if this means a temporary setback in investment.

I must make clear that the price situation in India has given us some cause for concern but cannot be called serious. Prices inevitably tend to take larger swings in a predominantly agricultural economy, and the price rise which would be regarded as serious and inflationary in a developed economy is not necessarily so in our conditions. A really good monsoon and a consequential improvment in crops can change the situation markedly. In fact, during the last few weeks prices have tended downward, contrary to the normal seasonal trend at this time.

In controlling inflation, the Reserve Bank must use the traditional weapons of any central banking authority. It may vary the bank rate, carry out open market operations, change the reserve ratios of commercial banks, and impose ceilings on credit expansion by banks, either generally or in respect of selected commodities. The question is one of combining these various techniques to optimum advantage.

It is necessary in this context to take into account some peculiarities of India's monetary and banking framework, which is not quite the same as in some of the neighboring Asian countries or in the industrially and commercially advanced countries in the West. In some of the Asian countries, monetization of the economy has not developed to any large extent; there is no capital market; the banking system is, by Western standards, rudimentary; and credit is comparatively unimportant.

In India the economy is more highly developed, and we have a relatively extensive banking system and not negligible investment markets. Nevertheless, the framework in India is not comparable, either in coverage or in the degree of integration, to that in the West. Currency is more dominant than bank credit; in 1951-52, when the First Five Year Plan was inaugurated, currency formed 67% of the total money supply, and today after six years it still forms the same percentage. This sets limitations on the extent to which monetary policy of the central banking authority can make itself felt. But it only sets limits; it does not destroy the effectiveness of the normal range of weapons available to the Reserve Bank.

Impact of Monetary Policy

In industrially advanced countries, the emphasis of monetary policy is generally on the regulatory aspect. The main concern of the central bank is to even out short-term fluctuations in the level of economic activity and to put pressure on speculative international movements of money. In India the developmental aspect is no less important than the regulatory aspect. For example, the Reserve Bank has an extensive agricultural credit department and works in very close association in this field with the central and state governments and the whole cooperative movement. It gives accommodation to apex cooperative banks at 2% below the bank rates; and the volume of this accommodation is rapidly increasing. With the spread between the apex banks and the primary societies, loans become available to cultivators on today's bank rate at 6¼%. It is hoped thereby to reduce and gradually to eliminate one chronic difficulty of Indian agriculture, that is, financing by moneylenders at usurious rates. The Bank is also granting accommodation at the same rate through cooperative banks to certain important small-scale industries, such as handloom weaving, which provides living for large numbers of people. Here also the question of keeping the rates of interest low is important. Arrangements are also being made to enable the Bank to take a prominent part in the refinancing of medium-scale industries for medium periods. The problem in India is thus not one of just raising or lowering the interest rates; it is one of operating an integrated structure which takes into account diversified needs in the economy.

In considering variations of the bank rate in India, we have to keep in mind certain other factors that reduce its efficacy. For example, the position of Government authorities is somewhat unique. The variations are considerable in volume in relation to the total quantum of securities, stocks and shares, and commercial bills that circulate in the economy, with the consequence that any substantial change in the value of Government paper imposes a much larger strain than in countries which are industrially and commercially more advanced. Apart from this, an increase in the bank rate has the effect of increasing the cost of Government borrowing during the period of the Plan, and in view of the heavy program of Government borrowing during the period of the Plan the cost of such borrowing has to be kept at a minimum.

Role of Interest Rates

The role of interest rates in influencing the flow of savings and international capital movements is, of course, recognized especially in the context of the world-wide shortage of capital and the authorities in India have recently increased the rates of interest in certain sectors, for example, small savings, along with the bank rate. However, as I stated earlier, we in India are equally concerned with the developmental aspect and are anxious to maintain a structure of interest rates which, while meeting the needs of the short-term equilibrium, will not at the same time be too burdensome in the long run.

The dilemma before the monetary authorities in India is this: the very considerable developmental expenditure which is not immediately productive, on the great river projects, the power schemes, and the steel plants, is generating an upward pressure on the prices of consumer goods, and it is of the utmost importance to regulate the supply of credit so as to check this pressure. At the same time, sufficient finance has to be provided to meet the growing needs of the economy, without which the private sector would not be able to achieve the necessary expansion of investment and output to match the investment in the public sector. Up to now the very pace at which we have been drawing down our foreign balances has been exerting a disinflationary effect, but we are reaching limits in that direction, and the inflationary implications of the development program have become correspondingly greater. In such a situation, the purely commercial activities of holding essential commodities tend to acquire a disproportionate premium and to attract an unduly large share of the avilable resources of credit. It follows that in some sectors of the economy credit must be provided in increasing measure; in some others, it has to be restricted and it would not matter if it became more expensive.

The situation, in other words, demands that monetary policy does not work in one direction but in several directions. The solution to such a situation is not a general tightening of credit or a general relaxation; it is selective control.

We have, of course, raised the bank rate by successive stages from 3 to 4%, but we have also imposed certain credit curbs in particular sectors.

The administration of selective credit control has not, in practice, proved an easy task. As the prices of food grains in India have gone up more than industrial raw materials and manufactured articles, we are at present operating a system of control principally in regard to food grains.

The general pattern has been to ask banks to raise margins and to bring down their advances in respect of selected commodities, week after week, to a certain level below that reached last year.

In practice there are limitations to the ability of banks to exercise detailed control over scores of branches located in widely separated parts of the country with divergent economic conditions and credit needs. The withdrawal of a line of credit, even at some notice, inevitably imposes a certain degree of hardship.

But, added to the natural resistance from the constituents has been a certain looseness in the effectiveness of managerial control over a sprawling network of branches.

Apart from purely administrative difficulties, the operation of selective control in India has thrown up a new problem of varying its incidence regionally apart from its incidence on the volume of credit for the country as a whole. Moreover, it has been found that if selective credit control is to succeed, some control over the total credit that could be made available by the banking system is inescapable.

Current Thinking Two-Directional

The thinking in India is now proceeding in two directions.

Firstly, so far as selective credit control is concerned in respect of primary commodities, such as food grains, limits to bank credit must be fixed before the agricultural season starts. This, again, is not too easy a task as, in view of the varying nature of crop seasons and the difficulties of collecting correct statistics, it is not always possible to estimate in advance the degree of control that is required.

Moreover, we have to ensure that the control does not operate in such a way at harvest time as to deprive the farmer of a fair price.

Secondly, in order to impose effective control over total bank

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Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Dec. 8	§72.0	*72.1	78.0	101.3
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 8	§1,843,000	*1,846,000	1,996,000	2,493,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 22	6,832,370	6,831,020	6,765,675	7,195,350
Crude runs to stills—daily average (bbls.)	Nov. 22	¶7,699,000	7,797,000	7,649,000	8,111,000
Gasoline output (bbls.)	Nov. 22	26,715,000	26,853,000	27,350,000	26,816,000
Kerosene output (bbls.)	Nov. 22	2,061,000	2,026,000	2,007,000	2,855,000
Distillate fuel oil output (bbls.)	Nov. 22	12,138,000	12,074,000	12,126,000	12,761,000
Residual fuel oil output (bbls.)	Nov. 22	7,107,000	*7,618,000	6,981,000	8,458,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 22	183,390,000	*182,478,000	179,288,000	174,544,000
Kerosene (bbls.) at	Nov. 22	32,942,000	33,503,000	35,486,000	36,305,000
Distillate fuel oil (bbls.) at	Nov. 22	169,877,000	*171,940,000	175,469,000	158,871,000
Residual fuel oil (bbls.) at	Nov. 22	59,286,000	59,867,000	59,465,000	45,745,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 23	632,763	647,298	703,688	650,620
Revenue freight received from connections (no. of cars)	Nov. 23	573,999	570,575	592,853	620,670
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Nov. 28	$378,727,000	$332,274,000	$370,736,000	$377,118,000
Private construction	Nov. 28	169,814,000	165,063,000	223,819,000	189,585,000
Public construction	Nov. 28	208,913,000	167,211,000	146,917,000	187,533,000
State and municipal	Nov. 28	191,389,000	143,624,000	124,741,000	171,104,000
Federal	Nov. 28	17,524,000	23,537,000	22,176,000	16,429,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 23	9,320,000	*9,050,000	9,880,000	9,069,000
Pennsylvania anthracite (tons)	Nov. 23	490,000	*471,000	430,000	452,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 23	155	*142	127	149
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Nov. 30	11,613,000	12,136,000	11,860,000	12,075,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Nov. 28	235	308	250	254
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Nov. 26	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Nov. 26	$66.42	$66.42	$66.42	$63.04
Scrap steel (per gross ton)	Nov. 26	$32.33	$32.67	$34.00	$64.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Nov. 27	26.025c	26.600c	26.275c	35.700c
Export refinery at	Nov. 27	22.725c	22.900c	22.175c	34.150c
Lead (New York) at	Nov. 27	13.500c	13.500c	13.500c	16.000c
Lead (St. Louis) at	Nov. 27	13.300c	13.300c	13.300c	15.800c
‡Zinc (delivered) at	Nov. 27	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Nov. 27	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Nov. 27	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Nov. 27	88.875c	89.125c	91.000c	110.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 3	93.19	90.86	86.29	89.79
Average corporate	Dec. 3	89.51	89.23	88.95	96.85
Aaa	Dec. 3	96.38	95.77	94.26	100.49
Aa	Dec. 3	92.35	91.91	91.77	98.88
A	Dec. 3	89.09	88.95	88.95	96.69
Baa	Dec. 3	81.17	81.77	81.42	91.48
Railroad Group	Dec. 3	86.78	86.65	87.32	95.32
Public Utilities Group	Dec. 3	89.37	89.37	88.67	97.47
Industrials Group	Dec. 3	92.50	91.62	90.77	97.62
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S Government Bonds	Dec. 3	3.08	3.29	3.71	3.34
Average corporate	Dec. 3	4.45	4.47	4.49	3.95
Aaa	Dec. 3	3.98	4.02	4.12	3.72
Aa	Dec. 3	4.25	4.28	4.29	3.82
A	Dec. 3	4.48	4.49	4.49	3.96
Baa	Dec. 3	5.09	5.09	5.07	4.31
Railroad Group	Dec. 3	4.65	4.66	4.61	4.05
Public Utilities Group	Dec. 3	4.46	4.46	4.51	3.91
Industrials Group	Dec. 3	4.24	4.30	4.36	3.90
MOODY'S COMMODITY INDEX	Dec. 3	389.4	388.1	384.9	439.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 23	250,778	240,710	243,205	202,463
Production (tons)	Nov. 23	295,993	290,265	294,159	260,253
Percentage of activity	Nov. 23	94	94	97	89
Unfilled orders (tons) at end of period	Nov. 23	388,664	433,323	414,615	373,310
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Nov. 29	109.26	109.76	109.89	109.62
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 9	1,373,960	1,340,820	2,210,230	1,334,200
Short sales	Nov. 9	376,150	358,650	368,300	395,130
Other sales	Nov. 9	1,020,470	984,480	1,713,320	1,131,390
Total sales	Nov. 9	1,396,620	1,343,130	2,081,620	1,526,520
Other transactions initiated on the floor—					
Total purchases	Nov. 9	306,560	269,070	485,270	256,260
Short sales	Nov. 9	103,800	55,600	87,140	49,400
Other sales	Nov. 9	223,190	201,500	390,910	260,500
Total sales	Nov. 9	326,990	257,100	478,050	309,900
Other transactions initiated off the floor—					
Total purchases	Nov. 9	470,810	471,192	676,510	396,485
Short sales	Nov. 9	132,150	127,320	148,240	84,620
Other sales	Nov. 9	345,180	390,795	655,995	544,221
Total sales	Nov. 9	477,330	518,115	804,235	628,841
Total round-lot transactions for account of members—					
Total purchases	Nov. 9	2,151,330	2,081,082	3,372,010	1,986,945
Short sales	Nov. 9	612,100	541,570	603,680	529,150
Other sales	Nov. 9	1,588,840	1,576,775	2,760,225	1,936,111
Total sales	Nov. 9	2,200,940	2,118,345	3,363,905	2,465,261
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. 9	1,277,297	1,264,337	1,857,790	1,490,392
Dollar value	Nov. 9	$52,512,111	$52,566,539	$80,770,972	$77,141,062
Odd-lot purchases by dealers (customers' sales)					
Number of orders—Customers' total sales	Nov. 9	911,726	851,266	1,370,166	912,896
Customers' short sales	Nov. 9	27,646	27,829	32,680	7,683
Customers' other sales	Nov. 9	884,080	823,437	1,337,486	905,213
Dollar value	Nov. 9	$38,131,123	$36,366,778	$63,011,222	$44,633,922
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 9	182,280	180,480	304,730	173,390
Short sales	Nov. 9	———	———	———	———
Other sales	Nov. 9	182,280	180,480	304,730	173,390
Round-lot purchases by dealers—					
Number of shares	Nov. 9	589,640	591,780	825,990	756,430
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. 9	979,860	880,800	972,060	603,170
Other sales	Nov. 9	9,200,470	9,667,900	15,363,520	8,916,480
Total sales	Nov. 9	10,180,330	10,548,700	16,335,580	9,519,650
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Nov. 26	117.8	117.8	117.5	115.9
Farm products	Nov. 26	91.7	*92.1	90.9	88.5
Processed foods	Nov. 26	106.1	105.7	105.1	103.3
Meats	Nov. 26	91.5	90.5	90.5	79.8
All commodities other than farm and foods	Nov. 26	125.6	125.6	125.6	124.2

*Revised figure. ¶Includes 1,068,000 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
AMERICAN GAS ASSOCIATION—For month of September:			
Total gas sales (M therms)	4,837,700	4,935,200	4,767,600
Natural gas sales (M therms)	4,738,500	4,842,700	4,661,900
Manufactured gas sales (M therms)	9,300	9,200	14,100
Mixed gas sales (M therms)	89,900	83,300	91,600
AMERICAN RAILWAY CAR INSTITUTE—Month of October:			
Orders for new freight cars	2,206	3,257	6,532
New freight cars delivered	3,295	8,450	5,666
Backlog of cars on order and undelivered (end of month)	65,718	71,981	122,250
AMERICAN TRUCKING ASSOCIATIONS, INC.—Month of September:			
Intercity general freight transported by 359 carriers (in tons)	4,568,454	‡4,629,062	4,360,923
ASSOCIATION OF AMERICAN RAILROADS—Month of October:			
Locomotive units installed in service	56	99	98
New locomotive units on order (end of month)	295	296	728
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Oct. 31:			
Imports	$248,287,000	$234,091,000	$276,642,000
Exports	464,590,000	482,520,000	281,130,000
Domestic shipments	10,559,000	11,779,000	13,833,000
Domestic warehouse credits	215,386,000	213,305,000	119,436,000
Dollar exchange	93,750,000	74,860,000	19,175,000
Based on goods stored and shipped between foreign countries	192,249,000	180,839,000	132,602,000
Total	1,224,821,000	1,197,394,000	842,618,000
BUILDING PERMIT VALUATION — DUN & BRADSTREET, INC.— 215 CITIES—Month of October:			
New England	$26,294,519	$32,099,089	$25,795,169
Middle Atlantic	87,060,337	76,106,620	119,710,777
South Atlantic	38,131,333	53,242,014	36,312,104
East Central	109,686,291	122,725,740	112,992,522
South Central	86,257,437	81,057,915	73,323,093
West Central	41,129,655	42,319,363	39,656,257
Mountain	16,351,496	21,817,951	31,920,975
Pacific	96,376,945	95,006,056	95,517,231
Total United States	$501,328,013	$524,374,748	$535,228,128
New York City	34,963,647	44,690,851	72,251,619
Outside New York City	466,344,366	479,683,897	462,976,509
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of October	11,251	10,526	11,546
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of Oct. (000's omitted)	$738,000	$1,671,800	$749,800
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Oct. 31 (000's omitted)	$516,000	$501,000	$574,000
COTTON GINNING (DEPT. OF COMMERCE)—To Nov. 14 (running bales)	6,757,656	------	11,100,179
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average = 100—Month of October:			
Sales (average monthly), unadjusted	125	110	127
Sales (average daily), unadjusted	118	117	120
Sales (average daily), seasonally adjusted	110	115	112
Stocks, unadjusted	149	141	145
Stocks, seasonally adjusted	133	*133	*130
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of October:			
All manufacturing (production workers)	12,907,000	*12,976,000	13,465,000
Durable goods	7,402,000	*7,384,000	7,788,000
Nondurable goods	5,505,000	*5,592,000	5,677,000
Employment indexes (1947-49 Avge.=100)—			
All manufacturing	104.3	*104.9	108.9
Payroll indexes (1947-49 Average = 100)—			
All manufacturing	161.9	*164.9	169.0
Estimated number of employees in manufacturing industries—			
All manufacturing	16,767,000	*16,884,000	17,238,000
Durable goods	9,679,000	*9,695,000	9,999,000
Nondurable goods	7,088,000	*7,189,000	7,239,000
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of October:			
Contracts closed (tonnage)—estimated	177,178	194,228	290,961
Shipments (tonnage)—estimated	330,950	294,719	287,639
NEW YORK STOCK EXCHANGE—As of Oct. 31 (000's omitted):			
Member firms carrying margin accounts—			
Total customers' net debit balances	$2,607,562	$2,824,130	$2,784,232
Credit extended to customers	39,354	34,955	36,014
Cash on hand and in banks in U. S.	353,958	339,142	332,239
Total of customers' free credit balances	878,913	837,727	834,534
Market value of listed shares	196,674,919	201,622,023	211,627,311
Market value of listed bonds	99,014,578	98,481,183	100,290,666
Member borrowings on U. S. Govt. issues	104,908	*96,166	54,059
Member borrowings on other collateral	1,847,500	*2,192,821	2,245,749
PORTLAND CEMENT (BUREAU OF MINES)—Month of August:			
Production (barrels)	31,406,000	20,287,000	30,655,000
Shipments from mills (barrels)	35,365,000	25,655,000	33,324,000
Stocks (at end of month—barrels)	20,019,000	24,345,000	17,068,000
Capacity used (per cent)	104	67	111
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Sept. (000's omitted):			
Savings and loan associations	$756,235	$883,097	$779,455
Insurance companies	123,566	132,379	139,445
Bank and trust companies	353,541	378,221	440,618
Mutual savings banks	121,439	136,769	162,571
Individuals	288,479	310,316	275,209
Miscellaneous lending institutions	343,153	367,677	387,503
Total	$2,026,413	$2,208,459	$2,184,801
ZINC OXIDE (BUREAU OF MINES)—Month of September:			
Production (short tons)	13,652	15,434	15,067
Shipments (short tons)	15,318	15,381	16,550
Stocks at end of month (short tons)	27,061	28,727	18,070

*Revised figure. ‡Reported by 334 carriers.

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The Credit Approach in Underdeveloped Countries

credit, limits may have to be set to the accommodation provided by the central banking authority with, perhaps, higher rates on accommodation above defined levels. The extent to which the Reserve Bank extends accommodation could make a vital marginal difference to the total volume of bank credit.

Monetary control has to accord with the objectives of the Plan and the basic policies of Government. It operates necessarily within the framework of the fiscal and other policies of Government. For this reason and also for the reasons stated earlier, viz., stage at which the banking mechanism has reached in India, restrictive banking techniques have to play a somewhat less dominant role than in countries where development is not subject to planned control.

The Government of India are alive to the dangers of excessive deficit financing, and in their anxiety to reduce it to the lowest possible level have introduced a series of taxation measures, some of which are both novel and controversial, and have exposed the Government in certain quarters to considerable unpopularity.

The objective of Government taxation policy was stated by the Finance Minister to be as follows:

- To produce a sizable addition to public revenues;
- To provide incentives for larger earnings and more savings;
- To restrain consumption over a fairly wide field; and
- To make tax yields progressively more responsive to increased incomes and facilitate the orderly development of the economy with due regard to the social objectives of the country.

A wealth tax is being imposed, also a tax on expenditure. A way is being sought to widen the tax base by reducing the level at which income tax becomes payable. A series of excise duties has been imposed in order partly to collect revenue and partly to reduce consumption. While the object of imposing these taxes is disinflationary, some of them are intended to make the tax system more elastic and to promote a more equitable distribution of tax burdens.

The question arises whether some of these fiscal measures which have been criticized as leading to a loss of incentives could not have been avoided. Two possibilities arise in this connection.

One is the pricing policy of state commercial concerns. The Government of India have recognized that such concerns must take a reasonable profit and thus raise their own resources for further development. The pricing policy of state commercial enterprises is thus already a flexible instrument of fiscal policy.

Secondly, it has been argued that the tax on land, called in India the land revenue, the incidence of which has gone down a great deal in the last many years, should be increased. There are, however, limits to the extent to which, in a democratic country, the burden of taxation could be increased in the agricultural sector.

All countries in Asia that are attempting to carry out schemes of development find that without substantial foreign assistance the pace of progress becomes painfully slow.

In India, for instance, we were well aware that we could not hope to achieve the target we had set before ourselves in the Second Plan without a great deal of foreign aid. Experience in the last 12 months has shown that the need for such aid is even greater than was originally thought. It follows, therefore, that fiscal policy should be so designed as to attract foreign investment. This is particularly so at a time such as the present, when the demand for investment in the industrially advanced countries is exceptionally high on account of the great technological changes that are taking place. It is also recognized that foreign capital will flow only if conditions are favorable to its satisfactory functioning. In this context, the criticism has been made that some of the fiscal measures adopted in India are having an adverse effect.

The Social Content

May I revert, in dealing with this point, to what I said earlier in my speech, namely that we have to keep in mind the social context in which events are happening in Asia.

The historical forces which have been released as a result of the independence movements in many Asian countries are working in the direction of a more egalitarian form of society. In giving shape and form to these aspirations, governments cannot always conform to the traditional pattern followed in other countries.

It would be entirely proper for a foreign investor to ask, first of all, for political stability, and if he has the long-term vision, for this stability to be based on a sound democracy. On this the record of India is good. It would be entirely proper for him, then, to ask for monetary stability. On this, too, the record of India, in spite of the pressures to which we have been subject, is, I venture to submit, good.

It would be entirely proper for him to ask for a reasonable return on his investment; on this again, on such studies as we have made regarding profit after tax on net worth, i.e., capital plus free reserves, the record of India is good.

But subject to these conditions and subject to accepted international standards of hospitality for the foreigner, particular facets of fiscal policy must be allowed to develop on the basis of the social needs of different countries; they cannot be set to a universal pattern.

Certain basic conditions are vital — good faith and fairness of treatment. The rest, which are in the nature of details of fiscal policy are, I submit, matters in which there could be genuine difference of opinion; these should not be allowed to affect the major issue of international policy in respect of underdeveloped countries.

The issue is just this: while these countries must, if only for their own protection, pursue fiscal and monetary policies which would prevent inflation, they cannot, however impeccable their policy, possibly hope to achieve even a modest increase in their standard of living without massive support from the West.

The problem is thus not only of sound planning and courageous internal policy, but also of the adequacy of external resources. It is in the mutal recognition of these factors that there lies real hope for a lasting understanding between the West and the countries that are struggling to raise the living standards of their people.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Weeks ago Vice-President Richard M. Nixon had a small reception for an upstate New York friend at his palatial, but mortgaged home on a dead-end street in Northwest Washington. For the benefit of arriving guests was a note on the front door saying the bell was out of order, so please knock.

Inside the lovely home in the basement, one of the young daughters of the Vice-President and Mrs. Nixon was showing some of the guests a young litter of kittens. In many respects the Nixon home scene was no different from that of the other nice homes in this section of Washington.

Just after President Eisenhower had suffered his third serious health crisis in two years, much of the world's spotlight is now focused on the young Vice-President, who is taking on more and more political stature in the United States. Mr. Nixon, who becomes 45 years old Jan. 9, apparently is headed for world leadership because he seemingly will take more and more of the load off President Eisenhower.

During the recent illness of the President, the Vice-President remained at the White House executive offices for hours. There the White House staff turned to him for advice and consultation rather than to cabinet members. Although Mr. Nixon's duties have been enlarged, he says his position is unchanged. Nevertheless, the facts are he assumed a much greater role last week than he did when the President suffered a heart attack on Sept. 24, 1955.

While the third illness of Gen. Eisenhower was being evaluated, the Vice-President spent eight hours at the White House conferring with Sherman Adams, Assistant to the President, and others. Later in the week he worked with former Governor Adams and members of the Cabinet.

Look to U. S. for Leadership

The President of the United States is looked upon by most Latin American countries as their leader in the Western Hemisphere, and he is looked upon in Western Europe as their foremost leader, because those countries look to Washington for either economic or spiritual guidance or both in their domestic and foreign affairs.

It has been regarded in the Nation's Capital for a long time now that Mr. Nixon is heir-apparent to President Eisenhower's Republican leadership for the country. Although President Eisenhower's quick recovery from his latest illness means that Mr. Nixon will not receive overall authority to quarterback White House affairs, he will play even a more important role in the affairs of the Nation during the next three years at least.

Nixon Well Prepared

President Eisenhower said some 15 months ago that no man in the history of this nation has received such a careful preparation of carrying out the duties of the President of the United States as has Vice-President Nixon. The records support that statement. The President has sent him on good will missions to various parts of the world. For the most part since the beginning of this country the role of Vice-President has been an obscure one. Mr. Nixon's role has been extremely active in behalf of the President.

President Eisenhower is devoted to the Vice-President. It is because of the confidence that he has in Nixon that Mr. Eisenhower has given him great responsibility. The Vice-President might represent the President at the important North Atlantic Treaty Organization Council in Paris this month should Mr. Eisenhower decide against making the trip. The role of NATO in the defense of the free world will be reappraised at the conference, and the NATO countries are looking to the White House for leadership.

Many people, some in high places in both major political parties, who have been inclined to shrug off the Vice-President, now realize that he has become one of the most important figures in the world. The reason he has become so important is the realization that he might be called upon to shoulder all of the duties of the President should Mr. Eisenhower's health further deteriorate.

Calmed California "Quake"

Mr. Nixon has gained in political stature, not only nationally but also in his home state. California today has the political distinction of having a Republican Vice-President, two Republican United States senators, 17 Republican representatives, a Republican governor and a Republican legislature.

When a terrible political breach threatened the Republican party in California several weeks ago, it was Vice-President Nixon who stepped in and served as mediator. As a result Governor Goodwin Knight decided not to run for reelection in a contest against Senate Majority Leader William J. Knowland. Instead Knight will seek the seat that Knowland will vacate in 1958.

There is no question that the political voice of California is going to grow stronger in the years ahead because of the tremendous population gain. There is already evidence that reapportionment, which will follow the decennial census in 1960, will give California seven additional seats in Congress. If California gains seven more seats the electoral college vote would thus increase from 32 to 39.

Because he is so young, the Vice-President apparently will have a powerful voice in California politics for many years, if he so desires.

Executive Reports Being Readied

These are very busy days for the executive branch of the government, with budgetary matters of immediate great concern. The big budget is ready to go to the printers. Then there is a series of addresses that the President is scheduled to make each January after Congress reconvenes. These include the State-of-the-Union message, and the economic report. Both of these are important to the Nation and the world.

If the President goes to Paris for the NATO meeting, certainly he should be in strong enough health to deliver his messages to Congress about a month from now.

Regardless of the amount of work load that the President can carry for the remainder of his term, the spotlight will be on Vice-President Nixon for the next three years. His utterances, right or wrong, will carry more weight, because he will carry more of the responsibility that now rests on the President's shoulders.

Ever since the presidential election in November, 1956, it has been taken for granted in Washington that the leading Republican presidential nominee in 1960 will be Richard M. Nixon. The President's illness and reliance on him for assistance has strengthened this belief.

[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

"And just what makes you think that stock I sold you is a dog?"

Our Reporter's Report

There is no longer any question but that the investment world has accepted the Federal Reserve's action in lowering rediscount rates as indicating a complete turnabout in policy.

Ever since the first four banks cut their rate to member institutions for credit accommodation, the bond market, both new issue and secondary, has been steaming ahead pretty much on "full throttle."

This week saw bankers bid in Virginia Electric & Power Co.'s \$20 million of bonds as $4\frac{1}{2}$s and price the issue for reoffering to yield 4.47%. They were able to report quick oversubscription. A few weeks ago, such a yield would have been virtually ignored by institutional investors.

Thus far the Federal has done little more than shift its position from "leaning against the wind" to one of "leaning away from the wind." True the Open Market Committee last week was on the buying side of governments. But only to offset other developments in the money market which might have made for some tightening.

Consensus in investment market circles seems to be that the Federal will act to expand credit available to member banks if that becomes necessary. But the big thing seems to be that the money managers have shifted from a policy of firmness to relaxation.

Convinced that conditions generally militate against any sudden reversal of the new policy, the rank and file are disposed to look for higher prices and lower yields as Spring rolls around.

Supply and Demand

Circumstances appear to be making for the kind of investment market which has developed in the last four weeks or so. The borrower and lender have had an opportunity to reappraise the overall situation.

And presumably the conviction is strong that the supply of credit will be kept ample to meet the needs of industry partly of course with a view to bolstering the general business picture.

At the same time indications are that industry will be a bit more conservative in its plans for expansion in the months ahead with the consequence that the volume of new securities seeking buyers will be somewhat below the pace of recent years.

So it appears to be the old story of supply and demand this time with the supply of funds sufficient to take care of demand with a little to spare.

Really Looking Up

Only a brief few weeks ago top-quality new issues found the going difficult even though yields up to 4.90 to 4.95% were being offered investors.

How the picture has changed becomes increasingly apparent in the market itself. This week Virginia Electric & Power Co. brought an issue of \$20 million of new bonds to market. Bankers took the bonds with $4\frac{1}{2}$% coupon and proceeded to reoffer with a yield of 4.47%.

Demand was brisk and the sponsoring syndicate was able to report oversubscription in short order. Moreover, bonds brought out a fortnight ago, many of which dragged, now are moving at premiums of 1 to 2 points.

Adjustment in Yields

What has happened in the market is best set forth by the change in yield basis of top-quality corporate issues. It is calculated that the return afforded by such obligations is currently 30 to 50 basis points above a month ago.

Astute market observers figure the yield average is about 40 points higher. While many of the major institutional investors are slowing down their operations to close books for the year end, some of the newer in the field are ready to look at attractive situations.

This is reportedly true in the case of the pension funds which have taken on immense stature in recent years, and also many of the trust funds.