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EDITORIAL

As We See It

It is unfortunate that so many in so many lands, sometimes even in our own, are tempted to measure the relative merits of communism and democracy by the current achievements of the Russians in certain departments of science. Of course, this is precisely what the Kremlin desires and probably long ago planned. It would have the world believe that Russians are as far ahead of non-communist nations in just about everything as they now seem to be in the matter of rocketry and related fields. To those who use their eyes and thus doubt any such superiority, the suggestion is made by communist propagandists that at least in things that have to do with the ability to destroy other nations and other peoples, the Soviets are clearly ahead of other countries—and it would be well for those who do not wish to join hands with the communists to take careful heed. Precisely how effective this line of propaganda is or is likely to become, the future must disclose, but without doubt it carries dangers of one degree or another at the present moment.

At any rate, it is time that we in this country got our own thinking on firm ground. The surprise—which it need not have been—occasioned by the success of the Russians in placing "satellites" in orbit about the earth and, according to their own claims, in the developments of military rocketry—along with often hasty and ill-advised explanations and excuses from our own authorities—has so confused the minds of many that a number of very elementary and even obvious truths escape attention.

First let it be recalled that historically Russia has repeatedly proved herself capable of produc-

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Is Business Cycle Obsolete?

By ROY L. REIERSON*

Vice-President and Chief Economist
Bankers Trust Company, New York

Bank official and economist weighs measures and events that are now generally offered to indicate the business cycle is obsolete and concludes, however, that the many sweeping changes of recent decades promise at most to relieve some of the customary hardships and help prevent mild corrections from gaining cumulative force but that "it seems both prudent and realistic to allow for a recurrence of cyclical setbacks in our economy in the years ahead." Mr. Reierson affirms long-term expansion prospects are bright, expects future recessions will be more pronounced than the post-World War II ones, and opines that belief in obsolescence of serious business setbacks may increase the probability of a decline.

Much has been said and written about business cycles ever since the industrial economy first appeared on the scene. The definition of the cycle, its pattern, its regularity and, above all, its causes have been subjects of widespread discussion not only among theorists but also among members of the business community. Nor are efforts to moderate the frequency and the severity of the business cycle of recent origin. Our history of the past 100 years contains numerous instances of laws enacted, institutions established and policy measures taken to strengthen the structure of the economy, and especially the credit system, against recurrent business and financial panics. These efforts have been greatly stepped up in our times, but until fairly recent years there was little doubt regarding the recurrence of cyclical fluctuations; instead, their inevi-

Roy L. Reierson

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*An address by Mr. Reierson before the Fourth Pitt Conference on Business Prospects, Pittsburgh, Pa.

The Outlook for Business

By DR. MARCUS NADLER*

Professor of Finance, Graduate School of Business Administration, New York University, New York

Aware that "large scale" deficit financing can end the readjustment period we are said to be in, Dr. Nadler expresses his opposition to cheap money cures in explaining why he believes a painful but sound interruption is necessary in order to bring the forces of inflation to an end and to lay the foundation for a better future. The distinguished banking consultant anticipates—and sees no harm in—a $2 to $5 billion public debt increase to meet the U. S. S. R.'s recent challenge, and avows a "major depression cannot" come about. Looks for the eventual decline in interest rates to revive public works and home building and unhesitatingly discerns a brilliant long-range outlook.

The downturn in business and the decline in the equity market, have caused a great deal of concern. The wave of confidence which set in in the early part of 1953 has given way to pessimism, and no matter where you go there is apprehension about the future, the economic future of the United States, and what is of equal importance, the Russians who lurk in the dark and whose aim it is to destroy our system by all means at their disposal.

Is there any reason for pessimism? Is there any reason for this great concern? I believe that if we analyze these questions: where do we come from? Where are we today? Where do we go from here? We will soon see that the situation is pretty clear that there is no reason for fear nor for apprehension. Let us see where we came from. As we know, business activity began to turn down, in

Marcus Nadler

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*An address by Dr. Nadler before the 37th Annual Meeting of the American Petroleum Institute, Chicago, Ill.

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

The Security I Like Best

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

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

G. FREDERIC HELBIG

Partner, Baron G. Helbig & Co., Hudson, N. Y., and N. Y. City

New Orleans Great Northern Ry. Co. Cumulative Income 5% Debentures due 2032.

Over the years, an analyst invariably comes across a security with some unusual characteristic. The subject of this review is just such an example and that is why the writer elects it as the "security he likes best" at this time.

G. Frederic Helbig

The New Orleans Great Northern is owned by the Gulf, Mobile & Ohio. The arrangement under reorganization by which the latter acquired common stock ownership and leased the trackage of the New Orleans, Great Northern, included a guarantee of interest on $6,077,000 first mortgage bonds as well as the following arrangement on the subject cumulative income debentures outstanding in the amount of $4,124,000:

One-third of the aggregate cash dividend disbursements on a block of 114,156 shares of preferred stock and 272,780 shares of common stock of the Gulf, Mobile & Ohio shall be set aside to pay all current and accrued interest. After all arrearages have been paid, the rental payments shall be limited to the $206,200 per year required to pay the 5% regular interest rate on the subject issue.

Under the above arrangement regular 5% interest plus arrearages has been paid in varying amounts for the past ten years. The arrearages will have been reduced from $475 per $1,000 bond at the end of 1947 to only $115 per bond by Dec. 31, 1957.

In the meantime, the entire $6,077,000 first mortgage issue was called at 105 in July of 1955 and is now pledged under the first and refunding mortgage of the Gulf, Mobile & Ohio, thus leaving the subject bonds the only issue partially outstanding in the hands of the public.

At the present time the Gulf, Mobile & Ohio owns 97% of the common stock, all of the first mortgage bonds, and $2,091,500 of the subject issue.

As at Sept. 9, 1957, arrears on the subject issue had been reduced to 12½% and interest declaration of 2¼% has already been declared payable Dec. 16, 1957 to holders of record Dec. 11, 1957.

Since the issue is an "income" issue, the bonds trade "flat" i.e. no accrued interest payable. For tax purposes, any purchasers need not report interest until the amount of arrears owing at the time of purchase has been received (this amount being applied to reduce the original cost).

The New Orleans Great Northern comprises one of the most important segments of the Gulf, Mobile & Ohio, providing the latter with its only route into the increasingly strategic port of New Orleans. The Gulf, Mobile & Ohio operates a system running from Chicago on the Great Lakes down the Mississippi Valley to the Gulf ports of New Orleans and Mobile, with branch lines to Birmingham and Mortgomery, Alabama, and Memphis, Tenn. With the acquisition of the Alton Railroad in 1946, the system was extended westward from St. Louis to Kansas City.

Since interest on the subject issue depends upon payment of dividends on the preferred and common shares of the Gulf, Mobile & Ohio, it is important to review the earnings and dividends on these issues. In 1956 the preferred earned $17.46 against its dividend of $5, while the common earned $3.86 per share and paid $2.50.

The preferred dividend alone provides 4.61% of these 5% bonds' interest, while every 50c paid on the common is equivalent to an additional 1.1%. This explains the rapid reduction of arrears over the past ten years and indicates an early elimination of such arrears.

Recently selling at 80, this issue returns around 6½% on its regular interest rate alone, disregarding the 11½ points of arrears remaining to be paid. With the outstanding progressive management of the parent company (it was the first major system to be completely dieselized), the writer feels that the bondholder has ample protection despite the high return afforded.

BERWYN T. MOORE

President, Berwyn T. Moore & Co., Louisville, Ky.

Member, Midwest Stock Exchange

American-Marietta Company

Ownership of American-Marietta shares provides a growth interest in a diversified enterprise that is also uniquely situated for the approaching era of heavy construction. To find an indication of what's ahead, one can drive through any state and see the great roadbuilding machines at work. Droves of scrapers are moving mountainsides and digging long ditches for underground drainage. Excavating goes on, too, for the myriad of school and other buildings that we are setting out to erect to serve demands of a population that has outgrown the old facilities.

Berwyn T. Moore

If we disregard ups and downs of the residential building boom and concentrate instead on effects of heavier types of construction, we find a stable and growing market, in which American-Marietta is an integral supplier.

Principal product divisions of this manufacturing company are: cement, concrete products, processed lime, brick and tile, paints, resins and adhesives—all products closely related to construction—plus chemicals, metal powders, household necessity items, scientific and industrial vacuum apparatus and printing inks.

American-Marietta has sufficient strength in each of these fields to make it a pace-setter, yet there is enough dispersion so that temporary lulls in one division can be offset by strength in others.

Ten years ago, American-Marietta had sales of $37 million. In 1956, sales reached $202 million, and for 1957 they are estimated at $235 million.

Similarly, earnings of $1.2 million in 1948 were increased to $16.2 million for 1956. Additional shares have been issued in exchange for those of acquired companies, but, in spite of that, earnings per share have more than tripled within the decade, indicating the prudence with which American-Marietta has acted.

This Week's Forum Participants and Their Selections

The growth that those increased sales and earnings represent has come half from acquisitions and half from expanding the production of current existing operations. These factors are most significant to those interested in acquiring ownership in a company capable of achieving capital gains.

I believe that American-Marietta is on the way toward becoming one of the nation's greatest industrial enterprises. As a result of past growth, the company has become an element in many growth industries and will expand further with them.

More acquisitions of other companies can be expected. Certainly, American-Marietta has proved time and again that it knows what companies to acquire and which to reject.

Cement affords an example of the growth industries of which American-Marietta is a component. A-M and the other cement producers will enjoy the extra sales of cement that the National Highway Program assures for the next 15 to 20 years. While some cement plant expansions may have caught up with demand, at least temporarily, A-M has learned from careful marketing surveys that further enlargement of facilities is justified in its Alabama, West Virginia and Maine cement operations.

American-Marietta will share heavily in the road program, suburban growth and other construction through its precast concrete products, including concrete pipe for drainage and sewerage.

Industrial designers have revolutionized the concrete pipe picture. Uniformly high quality products are required, along with the economy of mass production. Manufacturers now tailor the pipe in size and shape to the specifications of each particular job.

American-Marietta has 55 concrete products plants and is expected to add others early in the fiscal year that began Dec. 1, 1957. It produces its Amdek concrete bridges at 12 plants and will install production facilities at 14 more. Thus, American-Henrietta technicians are in the forefront of what is unfolding as a brand new industry—precast concrete structurals reinforced with steel. Durability, coupled with economy in both original cost and maintenance, is spurring this development.

As the largest marketer of chemical lime in the open market, American-Marietta sells to the who's who of essential industry, including the makers of steel, paper, chemicals and many other products including building supplies.

The company's synthetic resins and adhesives go into plywood, hardboard and paper. More than 400 other types of adhesives and sealers it produces are used by manufacturers of refrigerators, home appliances, aircraft, automobiles and air conditioning units.

Its O-Cedar mops and polishes are known to every housewife. Its

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The Most Controversial Issues Facing the American People

By HONORABLE RICHARD M. NIXON*
Vice-President of the United States

Besides strengthening our military establishment, Vice-President Nixon exigently calls for continuation of Mutual Security Program expenditures and our overseas information programs, and extension of Reciprocal Trade Act for at least five years. Promising no "blank check" for unlimited defense spending, Mr. Nixon expresses hope for balanced budget, anticipates no tax change, and asserts that in a choice of balanced budget would give way to security needs. Turning to U. S. S. R.'s non-military aggression successes, Mr. Nixon pointedly warns that "if we take a worm's eye view of the world conflict" and neglect international economic considerations then "the billions we spend for missiles . . . submarines and aircraft will be going down a rat hole."

I realize that a speech on the possibility of tax cuts and reduction in the Federal budget would be most welcome and most pleasant to deliver from the standpoint of the speaker.


Richard Nixon

There is a time for such a speech. There is also a time for realism. This is such a time. The lowest taxes, the highest profits, the best wages in history won't make any difference if we are not around to enjoy them. Let us begin by putting in perspective the reactions Americans have had and should have to recent world events.

We have heard some panicky comments to the effect that because the Soviet Union was able to launch its satellites, our military position is desperate, our economy inferior, and our educational system a failure. Let us examine some unsugar-coated facts.

My first reaction, I believe, is the normal reaction of every American—I am disappointed.

I am sure those who are most disappointed are the dedicated men who worked on the Vanguard. I have every confidence in their eventual success.

I feel we must appraise this failure in perspective. It is not a military missile and this event in no way indicates lack of progress or failure in the military field. We must learn to expect that we cannot have success every time we try something new in a complex scientific field. We do have our work cut out for us. We are behind now in the satellite field—we will not stay that way.

Militarily the United States and the free world over-all are stronger than any potential aggressor. We have the will, ability and resources to catch up in those areas where we are behind and to retain our over-all position of superiority.

We must spend whatever is necessary to accomplish this objective. This means that substantial amounts will have to be added to our defense budget. Under this expanded program, however, there will not, and should not be, a blank check for unlimited defense spending. Our guard must be up for a long period of tension.

While the strain on the Soviet economy will be greater than ours, we must make sure that ours will absorb the strain. We must continue to wage unceasing battle against waste and duplication, not only in the nonmilitary government activities but in the defense department as well. We need a hard defense full of muscle; bare of fat.

What will this increased spending for defense do to the Federal budget? Here are some preliminary projections:

The Tax Outlook

There will obviously not be a tax cut nor do we anticipate a tax increase.

Under the program of austerity in nondefense spending which President Eisenhower asked for in his Oklahoma City speech, some domestic programs which we consider desirable but not absolutely necessary are being eliminated, others are being reduced.

As a result, in spite of the increase in defense spending, the prospects are good that the Administration will be able to submit its fourth balanced budget in a row next January.

However, if, after applying the principles I have mentioned we find that a balanced budget would provide an inadequate amount for our defense, there is no question as to the choice we will make. The security of the United States must be placed above all other considerations.

Let us turn now to the broader significance of the Soviet satellite launchings. Too many Americans have in the past blithely assumed that we will always automatically be first in economic progress, military strength, and scientific invention. The Sputniks have reminded us that this has not been the case in the past and it will not be in the future.

I don't need to say that in business you can make no greater error than to underestimate the capabilities of a competitor. This

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*An address by Mr. Nixon before the 62nd Congress of American Industry, National Association of Manufacturers, New York City, Dec. 6, 1957.

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Observations . . .

By A. WILFRED MAY

REALISM ON YEAR-END TAX MANEUVERING*

Never—but never—let tax considerations interfere with sound investing policy!

This warning is particularly timely during these weeks, at the year-end, when the investment community chronically embraces gross and costly illusions about the availability of tax advantages through portfolio manipulation.

A. Wilfred May

Annually the investor is inundated with literature goading him to action, misleading largely because of material omissions Here are the captions of some such typical tidbits:

Only 28 Days Left for Your Tax-Saving Transactions.

* * *

Act in December to Make April 15 Less Unpleasant.

* * *

Don't Wait Until 1958 When All You Can Do Is Figure and Pay.

* * *

100 Issues for Tax-Loss Switches.

Unnecessary Haste

First, it should be realized that the concept of timeliness, as tied to cramming transactions in before the year-end, is invalid. Actually a long-term loss, is, in almost all circumstances, of equally tax valuable use to you *whenever* you realize it market-wise. It should be realized that it is usable at any time; not confined to a particular year.

The public is widely influenced by the fear if you wait to take a loss on your underwater security, that in the future year during which you decide to sell it for investment reasons, you may not have a profitable transaction against which to use it tax-wise. But the fact is that even if you should have no profitable transaction to offset in that particular year, you will still be able to deduct the loss usefully against your fully-taxed ordinary income in the amount of $1,000 per year for the succeding five years. (If your paper loss exceeds this five-year maximum, it can be realized in annual instalments to overcome the limitation). The only case where acceleration of a losing transaction is beneficial tax-wise is where a high-bracket taxpayer may have a *short* term gain (that is, taxed fully as ordinary income) still to be wiped out.

Thus, there usually is no justification for letting your investment judgment be interfered with by any supposed tax advantage derivable from the speeding-up of a transaction.

Switching Realism

Also in the glorification of issue-to-issue switching the unjustified violation of investment principles is rampant. Highlighting the undermining of value standards that is entailed, is the distribution of lists, pairing issues according to industry groups (as "Anaconda-Kennecott," "American Can-Continental Can," etc., etc.); suggesting their interchangeability without any mention at all of value considerations. The absurdity of such value degradation is highlighted where such parallel lists carry two-direction arrows, suggesting that the switch may be made either way, and hence implying that there is no investment preference at all between buying or selling any of the particular issues.

Under the pressure to switch to establish losses for tax purposes, the offsetting disadvantage is not realized of the automatic simultaneous acquisition of a reduced cost basis. This involves a future capital gains tax on the new stock's future recovery which should certainly be assumed as an integral premise of the switch operation. Only death (according to the statute) can save you from a capital gains tax on your new stock. Therefore you should in any event only switch into an issue which you expect to hold for the rest of your life; shunning cyclical stocks during whose future recovery you would cash a profit and pay a tax offsetting the tax advantage from this year's registration of a loss.

This acquisition of an offsetting future tax liability is made particularly clear in the currently practiced device for technically avoiding a wash sale in keeping one's position while registering a loss, by combining a short sale with a simultaneous purchase and holding the position for 30 days. For while temporarily picking up a tax saving loss with this costly series of transactions, you are here also building up an additional future capital gains tax on the purchase end of the transactions.

So (again making an exception of the individual with a short-term gain to be offset) where the switch is not motivated by genuine investment factors, the buying side of the switch should be confined to issues to be held "for keeps."

Expense Leakage

Another very real offset to any advantage from issue-to-issue switching to register a taxable loss, is the accompanying *expense,* in brokerage commissions, taxes and in "leakage" through the market spread.

In any event, the net amount which is tax-deductible out of the capital shrinkage you register, must exceed these rigid prior expenses. On a switch between issues selling say at 25—since the commissions and transfer taxes amount to $65.05† on a 200-share transaction, a full 2⅝-point loss ($65 constituting the 25% capital gains tax on $260), is thus used up before there is any real net saving on your tax bill. In other words, it takes $2.60 of security depreciation before the tax-maneuvering transaction can begin to yield any possible benefit.

Additionally acting as an offset to any useful deduction from your tax bill is the uncalculable asset leakage involved in the difference between the buying and selling prices simultaneously available to the switch-er. Although not calculable or definable, this too constitutes a real and inescapable levy on the remaining worth of your holding.

That Inexorable Tax Bill

While on the one hand, as we have pointed out, tax considerations should never interfere with investing principles, on the other hand you shouldn't overlook, or let your adviser persuade you to forget about the potential tax bill when arriving at an investing decision. The popular slogan "you can't get poor taking profits," harbors a most material omission, namely the capital gains tax. In slicing a substantial increment from the gross profit of successive transactions which may be either profitable or unprofitable, the levy inflicts a calculable head-you-win-tails-I-lose process of attrition.

In deciding whether to take a sizable profit, you must first calculate the tax bill. For example, in your Dow Chemical now 55 and bought at 15, if in a relatively high bracket you will owe 25%, or 10 of your 40 points profit, to the tax collector. Then you must determine whether: (a) Your Dow at 55 is overvalued by the 10 points of tax bill; and (b) you can find another stock, or other place for the proceeds, which constitutes a better value than Dow by 25% or more (equivalent to a corresponding market price of 45 or less). If such a comparative value is not available for your funds, you are better off, net, holding your stock; you can't just wish away the tax bill.

Illusions About Tax-Free Dividends

So-called tax-free dividends of two kinds also entail frequent misconceptions by the public. It is true that some dividends are free from *current ordinary* tax in the year received. But the amount of the dividend must be subtracted from the shareholder's former cost basis. Thus he will be penalized at the time of eventual sale, capital gain or loss-wise, through the reduced cost basis in relation to subsequent profit or loss. In the end, he benefits merely by transfer from the ordinary income rate to the 25% capital gains tax ceiling if he is in a high bracket. (And of course until death will relieve him entirely from both income and capital gains tax.)

The public's impression that the stock dividend represents tax-free income also entails misunderstanding. Actually, a stock dividend does not constitute income, since the shareholder's proportionate equity in the corporation is identical with his interest before the distribution.

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

†Made up of 2 commissions of $27.50 each, plus tax of $10, reduced if the issue is neither of 100 or no par value; plus 5 cents in SEC charge.

W. E. Hutton & Co. to Admit J. M. Hutton III

CINCINNATI, Ohio — W. E. Hutton & Co., First National Bank Building, members of the New York Stock Exchange, on Jan. 1 will admit James M. Hutton III to partnership.

Morgan Stanley Co. to Admit New Partner

Morgan Stanley & Co., 2 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Alexander C. Tomlinson to partnership.

Josephthal & Co. Will Admit M. J. De Marco

Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Michael J. De Marco to partnership.

The State of Trade and Industry

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

On the industrial front this week the steel production picture continues to be a rather gloomy one with the current scheduled ingot rate dropping to 69.4% of capacity, a three year low point for the third consecutive week. In its review of the steel trade this week "Steel" magazine points out that "no one is expecting a pickup the remainder of this year but there is hope for a modest upturn in steel buying in 1958's first quarter. It observes that most of the industry is focusing its attention on consumer goods, notably automobiles, to provide a sufficient demand early in 1958 to maintain steelmaking operations at a profitable level. It further notes, in its comments on the steel trade that "expectations are that requirements for heavy durable goods will be lower next year."

In the automotive industry, "Ward's Automotive Reports," on Friday last stated that while December car assembly had been cut 6.8% under the volume planned originally for the month, a resurgence in heavy-duty model ordering is providing new stimulus in truck industry operations.

The year-to-year decline in electric power production of about 14% was attributed to the Thanksgiving holiday. The most noticeable dip occurred in New England which was down 7%.

In retail trade, post-Thanksgiving and Christmas sales promotions provided some impetus to consumer buying in the week, but total dollar volume of retail trade in the period ended on Wednesday of last week was 6 to 2% below that of a year ago, spot estimates collected by Dun & Bradstreet, Inc. show.

Total wholesale volume in October climbed 9% from September to $10,700,000,000, but was 4% less than a year ago. The cumulative total for the first 10 months of this year was about 1% higher than the comparable 1956 period. Wholesale inventories at the end of October were 1% higher than those of both the preceding months and October 1956, a preliminary estimate by the United States Bureau of the Census shows.

The instalment debt in October rose by $85,000,000 compared with a month-to-month increase of $114,000,000 a year ago. Total instalment credit in October amounted to $33,200,000,000, up $2,400,000,000 from a year ago. The gain in October was attributed to higher debt for personal loans and automobile credit, the Federal Reserve Board reports.

Initial claims for unemployment insurance rose 17% during the week ended Nov. 23 and were 64% above a year ago. Widespread seasonal cutbacks occurred in the construction, apparel, textile and food processing industries. There were more scattered layoffs in the primary metal, electrical machinery and aircraft industries. Claims rose most noticeably in California, Illinois and New York.

Steel output this year will barely top 113,000,000 ingot tons, "The Iron Age," national metalworking weekly, stated on Wednesday of this week. It added there is an outside chance that production will drop below 113,000,000 tons.

This is a bitter disappointment for the mills, since they had expected a fourth quarter upturn to carry output to a level with last year's 115,200,000 tons. Instead, orders dropped sharply and the mills were forced to cut back operations.

Still, the steel picture is not so black as the short-term outlook makes it seem. Even 113,000,000 tons would be the third best year in steel's history and the continuing reduction in steel users' inventories is laying the groundwork for a healthier market condition in 1958.

On the outlook for 1958, "The Iron Age" pointed to the following encouraging factors: steel user inventories will be down; automotive sales are likely to pick up; appliance sales are headed into an upturn; construction prospects are good; stepped-up defense buying will make itself felt during the year; shipbuilding will remain strong and oil well drillings will be on a par with this year's 58,000 wells.

The mills now are resigned to a sluggish market at least through first quarter of next year. At that time, "The Iron Age" declared, there may be a pickup in demand from the auto companies, since the mills figure Detroit will want to build up an inventory of new cars in advance of auto labor negotiations. Meanwhile, steel firms are taking a more realistic attitude toward the market. They are shutting down unneeded steel and iron-making furnaces. They are catching up on maintenance and repair work and they are laying off workers or cutting back on the workweek in line with market conditions. Overtime is virtually non-existent in the mills.

Steel prices are holding firm, this trade weekly reported, but it added that premium prices are a thing of the past, even on so-called strong products.

The drop in warehouse prices in the Los Angeles area apparently represents only a localized condition. A check of warehouses over the country indicates that regular warehouses are holding the price line. The only exceptions are steel brokers trying to unload surplus or secondary material. These outfits are not considered representative of the warehouse industry.

One of the hardest hit steel areas is Youngstown, Ohio. There Republic Steel has shut down the last two of five openhearth furnaces for the balance of the year. Two Bessemer converter furnaces will be operated on an intermittent basis. Some 2,700 steel workers have been laid off. The company blames a falloff in orders for buttweld pipe and tubing. In the same area, Youngstown Sheet and Tube Co. has taken off two openhearths at its Campbell Works. Similar furnace shutdowns are reported for other steel firms throughout the country.

The book value of all manufacturing and trade inventories on a seasonally adjusted basis at the end of October declined $300 million below the value at the end of September. About half of this drop, the United States Department of Commerce

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Learning About Our Economic And Financial Processes

By WILLIAM McCHESNEY MARTIN, JR.*

Chairman, Board of Governors, Federal Reserve System

Federal Reserve Chairman admits economic conditions have changed and confirms decline in bank credit demand of last September as reason for Nov. 14 drop in rediscount rate. Cautions no undue significance should be attached to rediscount rate changes as the indicator of future policy. Remainder of Mr. Martin's paper compliments life insurance industry for pioneering and developing studies in savings, capital formation and financing, postwar capital markets, mortgage lending costs and commitments, and other basic financial research. Discusses Federal Reserve stress on economic intelligence, importance of applied and fundamental research, and essential conditions necessary for full flowering basic research activities. Welcomes CED's sponsorship of broad three-year inquiry into monetary-credit policies of the United States.

Time passes swiftly. It is now nearly seven years since the Treasury-Federal Reserve accord. The insurance industry was most helpful in the effectuation of that accord — notably through its participation in the exchange operation of the long - term $2\frac{1}{2}$s for the $2\frac{3}{4}$% convertibles. This is my first opportunity to express my personal appreciation for that public-spirited action, for, without the cooperation of the insurance industry, the successful achievement of the first steps under the accord could not have been accomplished.

W. McC. Martin, Jr.

Anyone seriously interested in learning about our economic and financial processes can benefit greatly by meeting with the members of the Life Insurance Association of America. It is an especial privilege for me to meet with them, for the longer I am in this field the more I find I have to learn about it.

Perhaps all of us need to know more about it, and therefore my theme is going to be the importance of basic economic research. But, first, I wish to make a few comments about the current scene, and the Federal Reserve's place in it.

Current Economic Scene

Over the last month, the Boards of Directors of the twelve Federal Reserve banks, with the approval of the Board of Governors, have reduced their discount rates from $3\frac{1}{2}$% to 3%, restoring the level that prevailed before the middle of last August.

A few days ago the Chairman of one of those Boards of Directors—who is a very good businessman — told me someone had asked him, "What caused the Federal Reserve to reduce its discount rate?" He added that he had been able to give a complete reply in just four words: "The economy. It changed."

If I were to talk about it for hours, I doubt if I could tell it any better, and certainly I could not explain it any more clearly or truthfully than that.

Indeed, it has seemed to me all along that the initial rate reduction action, announced by the Reserve Board on Nov. 14, constituted a straightforward, clear signal that, in our judgment, inflationary pressures were abating, at least for the moment. The action recognized primarily a decline in the demand for bank credit which began to appear most clearly in the early part of September, and has more or less continued to the present time. This represented an important shift from the overwhelming demand for credit—tantamount to a California gold rush, as I frequently described it—which had occurred with amazing persistence over the past two years.

In accord with a flexible policy designed to lean against the wind whenever it is clear in which direction the wind is blowing the rate reduction appeared to us as appropriate and imperative in the execution of a continuing policy directed toward fostering economic balance. Such a continuing policy evolves over time and depends essentially on basic business conditions. These conditions may be influenced but certainly cannot be made by money or credit policy. The signal to which I have referred should not be interpreted outside of this context, nor should future actions be predicated upon it. It is not my purpose at this writing to forecast in any way what future action will or will not be taken.

The purpose of Federal Reserve actions should always be to adapt our operations in the most effective way we can devise to promote growth and stability in the economy. Adjustments must be made constantly to attune these actions to business conditions as they develop and progress. So much for our current situation, and the evaluation and judgment of these business developments leads me to want to discuss in brief fashion, basic research and the financial processes.

Praises Insurance Industry Research

A major liaison between the insurance industry and the Federal Reserve System has been this Association's research program. The program seven years ago was in its pioneering stages; now it has reached full maturity. Their leaders showed the greatest foresight in establishing that program, and they are to be warmly commended for its initiation.

As I have watched it develop, I have been particularly impressed by the wisdom shown in providing that it should comprise an appropriate blend of applied research and basic research—that is to say of research obviously calculated to serve the managerial and administrative interests of the industry and research concerned with fundamental financial processes whose objective is merely to add to the sum total of knowledge about these processes.

There were some in the industry, I am sure, who viewed with misgivings the first major piece of basic research which The Association authorized — namely, the study of the meaning and measurements of savings from a national point of view. The only purpose to be served by the inquiry from the industry's point of view was to broaden the public's perspective on, and deepen its understanding of, the savings process. Little was it suspected at the time that the work was initiated that economy's major financial problem within a decade would become an insufficiency of savings in relationship to financing demands. Few realized that the development of constructive lines of public and private action for meeting this problem would require the results of this study as a primary source of background information and insight.

Many are informed that the Federal Reserve System has been requested by the Bureau of the Budget to prepare new estimates of national savings in the light of the findings of this research and to provide such estimates quarterly. This work is now going forward under a special staff and, by another year, the developmental work should be completed and comprehensive savings estimates under Federal Reserve auspices should become regularly available as public information.

It is gratifying to note, from Dr. James J. O'Leary's (Director of Investment Research, Life Insurance Association of America) research report, that the monumental inquiry into national savings was only the beginning of the sponsorship of basic financial research. The succeeding projects namely, the studies of capital formation and financing and of the postwar capital markets, look highly promising and the new knowledge gained from them will be helpful to the public generally as well as to the financial community. As these undertakings are completed, I, for one, hope that the industry will see its way clear to support still others, and that it will vigilantly guard against evolution of the research program towards the strictly utilitarian.

Experience under the insurance industry's own research program demonstrates how knowledge derived from research on fundamental subjects prepares the way for applied or utilitarian research. Current studies of costs in mortgage lending operations and of life insurance mortgage commitments were originally undertaken as projects to ascertain whether this sort of information could be compiled on an industry basis and what the showing would be if it were compiled. It was an effort to test the limits of the unknowable, which proved its worth and, therefore, is continued for its applied benefits. The Federal Reserve System has found this knowledge particularly helpful and it is appropriate here to express our appreciation to the insurance industry for making it available.

Research by the Fed

Within the Federal Reserve System, over the years, we have tried to keep alert to a responsibility for basic or fundamental research appropriate to the System's interests. In our research administration we have endeavored, as a goal, to combine necessary day-to-day observational work on current economic conditions and trends—that is, our applied research—with research activities directed to inquiry whose outcome will merely add to the sum total of knowledge. These activities help to enlarge the minds of those who serve the System and to give them the illumination and insight essential for meeting flexibly and imaginatively the new financial situations which monetary management is constantly encountering.

In the past, these research undertakings have sometimes taken the form of relatively individual inquiries, such as the identification and measurement of factors affecting the money supply and bank reserves; the determination of forces of supply and demand in credit markets; the etching out of patterns of interest rates, in central markets and between different markets; the identification of seasonal forces and patterns in various activities; the measurement of physical production in diverse areas of output by means of index numbers; the sources of cyclical instability in particular fields and in the economy generally; and the nature and measurement of forces of economic growth.

In other instances, the research has assumed a considerable size and involved a coordinated team of workers over a period of time. Illustrations of these larger undertakings in recent years are the System's compilation of a comprehensive historical record for our whole banking system; its development of a system of social accounts to depict the flow of credits and money; its application of the national survey technique to obtain information about consumer financial positions and about credit purchasers of automobiles; and its more recent endeavor to apply the survey approach to the assembly of information that will show the financial

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*An address by Mr. Martin before the 51st annual meeting of Life Insurance Association of America, New York City, Dec. 11, 1957.

What Market Pol'cy Now?

By SIDNEY B. LURIE*
Research Partner, Josephthal & Co.
Members N. Y. Stock Exchange

Market analyst asserts this is a field day for unorthodox policy, with opportunities to take care of public psychology. While maintaining that no major bull market is in the immediate offing, contends this is a field day for the sophisticated investors; and recommends 12 issues off the beaten path. Concludes Wall Street is a business of calculated risks; with price the acid test of any philosophy.

Today's weather reminds me of that old popular song, "Baby, It's Cold Outside." This conversely hints that it's warm inside Wall Street — and it is! You and I are in the "hottest" business in the United States — the most stimulating, challenging, dynamic, frustrating and aggravating business in the world. But it also can be one of the most rewarding businesses — once you recognize the nature of the beast. Today, the nature of the beast can be defined quite easily: The old era of the Fabulous Fifties is dead and a New Era of confusion, of readjustment—yet one of opportunities for the flexible—has started.

Sidney B. Lurie

Make no mistake about this point — for a changed environment requires changed market policies. This is a field day for unorthodox policy—but a difficult time for the so-called long-term investor or those who expect trading stamps with each 100 shares. The day of the "fast buck" is over. But the day of the intelligent, sophisticated speculator is eternal.

Speaking of songs, it's ironic how often the market can best be described in terms of popular titles. Two months ago, everybody was probably singing, "Bewitched, Bothered and Bewildered"— or " I've Got a Right to Sing the Blues." Six months ago, however, most of you probably were singing "Let's Get Happy" and "Great Day." The reason this business of ours is like a popular song is very simple: The Stock Market is "people"—it reflects all the human frailties: fear, greed, stupidity. It reflects the fact that most people act with their emotions, not their intellect — and neglect the most important word in the English language: *"Think."*

Exploiting Public Psychology

But that's fine with me. It spells an opportunity on which we can capitalize—if we use common sense. In other words, there isn't a darned thing you and I can do about psychology—except take advantage of it. We had a God-given opportunity recently and I think you are going to get another opportunity (but on the other side of the coin) in the near future. The pendulum is swinging to a point where an old rule will come into play, namely, beware of the unanimous opinion.

We've all become economic wise-guys — and we've over-educated our customers too. Result is that everyone and his brother today is looking back to 1953-54 and saying it happened then — why not now? Sure, the market was saved from a fate worse than death four years ago. But there are lots of reasons why 1957 is different from 1953. Thus, you and I have to recognize the danger of expecting history to repeat itself exactly — and capitalize on everyone's hope that it will.

Dangerous Knowledge

In this connection, I'd like to make another point, namely, a little knowledge can be a dangerous thing. I've never seen so many "experts" on international affairs, on corporate management, as we have in Wall Street. Everyone forgets that "playing God" can be dangerous; you not only have to have your facts straight, but you have to draw the correct conclusions.

In the past year, for example, I've heard all sorts of dire predictions about the profit margin squeeze. I wonder, however, how many people realize that corporate profit margins declined steadily from 1950 to 1954—yet no one then was excited about the "pinch." Similarly, why get "all shook up" about competition? This country was built on competition—and the sellers' markets, the waiting lists, disappeared shortly after World War II. The only ones who need worry about competition are the marginal and inefficient producers; and these presumably are not the stocks you recommend. All that's happening today is that the process of separating the men from the boys is going on a little more intensely today than in past years.

Of late, I've also heard a great deal about excess capacity. And it's true that industry as a whole is operating below its theoretical capacity. But there are potential compensations via the facts that: (1) Excess capacity is normal — not abnormal. Even in the most prosperous times, the most efficient businesses operate below their theoretical maximum. (2) Modernization is a continuous process—and modernization is one of the reasons for industry's huge capital expenditures. While increased capacity is a corollary to modernization, the new capacity enables industry to eliminate older high cost facilities. (3) As long as this country maintains a rapid rate of technological improvement, the excess capacity eventually will be fully utilized; the surplus may be a temporary maladjustment. (4) With our population trend sharply upward, and labor pressing for a lower work week, capacity probably has to be increased if we are to serve America's needs.

But this constructive view is a little like Judy Garland singing "Over the Rainbow" — and the rainbow ain't here on this bleak, winter's day. I've "romanced" you and ours is a very practical business. The background does, however, point up the fact that we're at a point where I can build a case which would leave you "Whistling a Happy Tune" — or singing, "Blues in the Night." There's an equally impressive and justifiable case on both sides of the record.

The Cheerful Side

Let's take the cheerful side of the coin—which revolves around the fact that a scientific revolution has started which may reshape the world. On long term, this could be frightfully bullish inasmuch as: (1) We are in need of a new major stimulus to lead us out of the woods, such as the deferred demand accumulated during World War II, the consumer spending spree of 1955, the capital goods boom of 1956-57. (2) The emphasis on research caused by Sputnik will accelerate the rate of obsolescence and increase the growth of productivity. It will lead to many new products, for the commercial applications of electronics will be simpler than those of atomics. (3) It takes something like seven years before research brings a product into full scale production. This means that we haven't yet begun to benefit from the enormous increase in industry's research spending during the past five years. It also means that the whole cycle will be stepped up.

But, as I said earlier, ours is a practical business—and the realities suggest that the 1958 average highs will be below the 1957 highs —while the lows may be below the low already recorded. I also believe that 1958 will be a year of wide price swings—a year of many cross-currents in the economy—a year when there can be disillusionment in the first half and enthusiasm in the second half. In other words, I suspect that there will be renewed misgivings about the trend of business sometime before Spring. The stage probably is being set for some disillusionment as to the Government's ability to turn the business tide.

One point that disturbs me is the unanimity of opinion to the effect the business readjustment will be relatively painless — and comparatively short-lived. I wonder if we're taking too much for granted.

But timing is all important in the stock market and I think it's a little too early to worry about 1958. The present phase of better feeling—of hope—should continue a while longer. Particularly inasmuch as the price level, in my opinion, fully reflects the near-term shape of things to come. Not for all stocks, but for a great, great many.

There is a saying in the Bible, "There is none so blind as those who will not see." In this connection, the newspapers have provided a wonderful market letter for anyone who takes the time to think. Let me illustrate the point.

James Reston of the N. Y. Times has written several interesting articles on the Presidency in one of which he pointed out that: (1) The President has been ill, rest-

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*A talk by Mr. Lurie before the Stock Market Forum of the Association of Customers' Brokers, New York City, Dec. 4, 1957.

What Market Range in 1958?

By EDMUND W. TABELL*
Director of Institutional Research, Walston & Co., Inc.

Market analyst predicts December lows will be reached late in month, followed by year-end rally into the new year. Expects testing of October's lows to occur next spring, with Dow-Jones Average's 1957 floor of 416 holding in the absence of unexpected business deterioration. However, he foresees possibility of a market break-through, with 1958 ending with a 385 low and 470 high. Emphasizes need for extreme selectivity, with consumer industries in preferred position.

In my 1957 forecast addressed to the Security Analysts Society in Chicago last December, I predicted a 1957 range of 520 high and 420 low. What is the possible range for 1958?

Edmund W. Tabell

As is usually the case when the market has dropped off sharply within a relatively short space of time, investors begin to ask themselves what future action can be expected.

There are a number of methods we can use in order to find an answer to this question — but the first thing we must do is examine the market at current levels. Is it too high, or too low?

In order to answer this question, we must examine just what precisely it is which determines the level of stock prices.

Four Price Factors

There are usually four factors that go to make up prices at any one given time. The first factor is earnings, the second is dividends and the third, money rates. These are tangible factors and can be measured, but the fourth factor is somewhat less tangible. This fourth factor is **investor confidence.**

Several methods have been used to evaluate the level of the market, but one of the most interesting of these, and the most useful, is the Central Value theory method developed by Mr. Benjamin Graham.

This theory arrives at a central or normal value for the Dow-Jones average, by taking its average earnings over the past 10 years and capitalizing these earnings at twice the current interest rate on high grade bonds.

This step makes allowance for earnings and yields. It does not, however, take into account the intangible investor confidence factor which we spoke of above. To take this into account we must formulate a range of value 20% below and 20% above our Central Value line.

An examination of the historical record will find that, in most cases—with the exception of the 1929-32 period—the averages held within 20% on either side of the Central Value median.

It will be further noted that, when the average tends to hold below the Central Value median, it tends to remain in this undervalued area for a reasonably long period of time — reflecting prolonged low investor confidence. When it moves into the area 20% above the Central Value line, the high investor confidence is also reflected for some time.

An examination of the figures will show that, in the entire period 1946 through 1954, the Dow-Jones average held in the area 20% below the Central Value figure.

Indeed, in the period 1949-1951, it was more than 20% below the 20% area—reflecting the terrifically undervalued stock market which prevailed at that time. In 1954, it rose sharply, and since that time has been holding in the high investor confidence area. At the 1956 highs, the market was more than 20% above the Central Value point. For 1956, the Central Value median was at about 412 and had been moving up each year since 1949 because of increasing 10-year average earnings. In 1957, 10-year average earnings continued to advance and, had bond yields held at the early 1956 level, the Central Value line would have been around 420 or higher. The sharp rise in interest rates, however, brought about a deep decline in Central Value in 1957 to 375. Twenty per cent above this figure is 450 and 20% below is 300. Therefore, despite the sharp drop in prices since July, the market is still in the upper part of a high investor confidence area and vulnerable to a lowering of investor confidence.

The recent easing of the tight money policy will, however, help in raising the Central Value line and depending on where interest rates are at that time, the Central Value line should be above present levels by the Spring of 1958. If Central Value were at 400, for example, the outer limits would be 480 and 320. This is not a prediction for 1958. Central Value theory does not predict price movements. It simply shows normal values and gives one a perspective of whether the stock market should be based on the three tangible long range factors of dividends, yields and interest rates. The intangible factor of investor confidence, or the lack of it, is the element that causes the wide deviation from a norm.

For example, the Central Value figure was at 120 in 1929, but the Dow-Jones Industrials reached a high of 385 or 320% above normal. A like overvaluation in the present market would result in a price level of over 1200. It is also interesting to note that in 1932, when the averages reached a low of 40, the Central Value was also at about 120. The terrific swings in price in this four-year period were brought about by the emotions of the speculators and investors rather than by any great change in long range values. However, with the exception of the late 1920s and early 1930s, the market has usually held within the confines of 20% above or 20% below Central or normal value.

"Central Value" Objections

Some objectors to Central Value theory maintain that interest rates exert too much influence on this indicator, particularly at a time when inflationary pressures indicate that interest rates will remain high for a long time. Other theories of normal value that do not give interest rates as much weight are at higher levels than the Central Value. Most of these other indicators indicate a normal value of the market at the present time at a level around the 415-430 range.

Another factor to be considered is that the stock market as a whole has suffered a much steeper decline than the various averages indicate. A composite index, issued by Trendex of San Antonio, of the price of all common stocks listed on the New York Stock Exchange shows that, at the October

*A talk by Mr. Tabell before the Stock Market Forum Association of Customers' Brokers, New York City, Dec. 4, 1957.

lows, the index had returned to a price equivalent to June 1954 when the Dow-Jones Industrials were around 340.

Going back to the market, the various averages have held in wide trading areas since early 1956. On the Dow-Jones Industrials, the range was around 520 high and 450 low. The downside penetration of this range indicates the probability that the range was a topping out area and that it will take a long time to push through the heavy overhead supply area that now exists without a lengthy consolidating period. The initial overhead supply will be met at 450-470. On Nov. 29 the high was 452. On the downside, the market declined in October to just a shade below the first support level of 440-420. A downside penetration of the October low would probably indicate 400-385. From a technical point of view, the downside potentials of the 1956-1957 top are confusing. A count of as low as 300 is possible depending on what interpretation is made of the pattern. Standard & Poor's 500-Stock Index has a potential 37-36 indication based on the top formed at 49-42. The recent low was around

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Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 33)—Discussing seven additional companies in missiles and rocket field whose shares are held by the Fund and citing a study of world supply and demand for uranium for power and propulsion purposes—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

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

Canadian Common Stocks—Comprehensive comparative tabulation—Burns Bros. & Company Limited, 44 King Street, West, Toronto 1, Ont., Canada.

Grocery Chain Stores—Review—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Holidays—Booklet listing holidays in the United States, Alaska, Canal Zone, Guam, Hawaii, Puerto Rico, and Virgin Islands in 1958—Manufacturers Trust Company, International Department, 25 Broad Street, New York 15, N. Y.

Indian Joint Stock Companies—Discussion—Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India.

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.**

Missile—Discussion of companies interested in the missile program—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

Missile Program—Report—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Missile Stocks—Review—Rudd, Brod & Co., 734 Fifteenth Street, N. W., Washington 5, D. C.

Municipal Bonds—Study—Rockland Atlas National Bank of Boston, 30 Congress Street, Boston 6, Mass.

Nuclear Energy—Study of outlook—T. C. Thomsen Company, 500 Fifth Avenue, New York 36, N. Y. Also available is a report on **Consolidated Denison Mines Limited.**

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.

Public Utility Common Stocks—Comparative figures—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y.

"Safe" Stocks for 1958—Study—Dean Witter & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Northern Indiana Public Service Co.** and an analysis of **Crocker Anglo National Bank.**

This is Blaw-Knox—Booklet on the company—Blaw-Knox Company, 300 Sixth Avenue, Pittsburgh 22, Pa.

Toll Roads—Report—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Year End Review—Survey—Hardy & Co., 30 Broad Street, New York 4, N. Y.

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Air Control Products, Inc.—Analysis—First Securities Corporation, 111 Corcoran Street, Durham, N. C.

American Can—Bulletin—Bache & Co., 36 Wall Stret, New York 5, N. Y. Also available is a report on **Schering Corp.**

Asbestos Corporation Limited—Study—Gairdner & Company Limited, 320 Bay Street, Toronto 1, Ont., Canada.

Bankers Trust Company—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Beech Nut Life Savers Inc.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **California Electric Power Co.**

California Electric Power Company—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Corn Products Refining Co.—Survey—Abraham & Co., 120 120 Broadway, New York 5, N. Y. Also available are surveys of **E. I. Du Pont de Nemours & Co., New England Electric System,** and **Winn Dixie Stores, Inc.**

Epsco, Inc.—Analysis—Fahnestock & Co., 65 Broadway, New York 6, N. Y.

Foremost Dairies—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **Revlon Inc.** and **Columbia Gas.**

General Outdoor Advertising Co.—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **Washington Water Co.**

General Public Utilities Corp.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Great Western Financial Corporation—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Hercules Powder Company** and **Coca Cola Company.**

Harsco Corporation—Study—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

Hoffman Electronics Corporation—Circular—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

KLM Royal Dutch Air Lines—Bulletin—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

P. Lorillard Company—Report—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Machlett Laboratories, Inc.—Study—C. E. Unterberg, Towbin Co., 61 Broadway, New York 6, N. Y.

Mine Safety Appliances—Report—Searight, Ahalt & O'Connor, 115 Broadway, New York 6, N. Y.

North American Aviation—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

North American Coal Corporation—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Northern Pacific Railway Co.—Analysis—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Oglesby Norton Co.—Memorandum—Merrill, Turben & Co., Union Commerce Building, Cleveland 14, Ohio.

Parke Davis & Co.—Memorandum—Watling, Lerchen & Co., Ford Building, Detroit 26, Mich.

Philips Lamps—Bulletin—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y. Also available is a memorandum on **Grinnell Corp.**

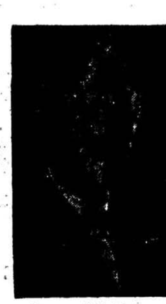
Tekoil Corporation—Study—Kerr & Company, 149 Broadway, New York 6, N. Y.

Aiding the Stock Market and Expanding Demand Deposits

By ROGER W. BABSON

Nationally known business analyst discusses limited effect of lowered rediscount rate; suggests banks should work harder for deposits; and lists three things that could be done to help the stock market. With reference to the latter, Mr. Babson states no emergency exists which would justify credit expansion to aid the stock market.

During the past two weeks there has been much in the newspapers commending the Federal Reserve for reducing its rediscount rate from 3½% to 3%. Now you wonder how much this helps your local bank.



Roger W. Babson

First, let me explain just what this "reduction" means. Your local bank may need temporary extra funds certain times of the year to loan to some local industries. These are those which must borrow seasonally to buy raw materials or merchandise but which are out of debt most of the year. To secure such extra funds your local bank may borrow of the nearest big city bank where it carries its main account.

Upon the same principle, there are times when this big city bank may need extra funds. It then either sells government bonds or uses such government bonds as collateral to borrow from its District Federal Reserve Bank. There are 12 of these—one for each of the 12 Federal districts into which the U. S. is divided.

Don't Expect a Reduction on Your Loan

If one of the District Federal Reserve Banks is temporarily short of funds, it borrows of the Central "Feds," located at New York and Chicago. It is the Federal Reserve System which has lowered the rate from 3½% to 3% on loans made *not to your bank*, or to you, but to one or more of the district banks mentioned above.

These district banks, in turn, loan to the big city banks, which then may loan to your local bank. So you see it is a long time before this ½% reduction filters through to your local bank, if any of it gets through. Certainly no reader can expect a reduction in local interest rates on account of this small reduction by the Central Federal Reserve.

More Deposits Needed

Every reader of this column should realize that, in the long run, a bank can loan to customers only what it receives in deposits. When next in your local bank, ask for its last printed statement. You will quickly see that the bank's own money (shown by Capital and Surplus) is relatively small. The money which you borrow is not the bank's money, but it is your neighbors' money. When too many "neighbors" reduce their deposits, then the bank should reduce its loans.

Banks, therefore should work harder for deposits. The simplest way is to increase the interest rate on deposits. Another way is to spend more on advertising. To benefit from a higher rate on deposits or to make extra advertising pull, banks should "get off their high horse." Banks need lessons in public relations. Bank employees should be more courteous and be "salesmen" for their banks. They may need to keep their banks open longer hours and perhaps Friday or Saturday nights. Depositors facetiously remark that the bank charges interest just the same whether open for business or not!

Other Sources of Aid

Many investors who read this column noted how the stock market jumped up when the Federal Reserve rate was reduced. When, however, people began to think through and see that this reduction would not help their community, the stock market fell off again. In other words, this reduction will not cause consumers to buy more goods or manufacturers to employ more help. Therefore, wise investors are not buying more stocks now on the small reduction in interest rates by the "Fed."

The U. S. Government could, however, do three things which might help the stock market: (1) Lower the required margin which brokers are now forced to demand of speculators; (2) buy more governments from the banks, giving them more free money to loan; and (3) reduce the reserves which banks are required to carry. In an emergency, one or more of these could be done. However, no emergency now exists which would justify these steps. Of course, reducing interest rates has already caused bonds to go up.

COMING EVENTS

In Investment Field

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

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

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

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The Security I Like Best

Pozzolith admixture improves the durability of cement.

Its chemical can linings contribute to the 40-billion annual can output of that industry. As a major manufacturer of inks it serves the printing, publishing and packaging industries.

And don't forget paints, the original product, covering a line that extends from household use to the factory finishes applied to new automobiles.

Couple that assemblage of saleable products with capable management and research laboratories that were established before research became a common topic, and we have American-Marietta—an eminently successful company with an exceptionally bright future. The stock is traded in the Over-the-Counter Market and is currently quoted at about 29½.

Cement in General—Penn-Dixie Cement Corporation in Particular

By DR. IRA U. COBLEIGH
Enterprise Economist

Containing a mixture of impressions about the cement industry and a few points of interest respecting the prospects of Penn-Dixie for 1958.

The cement industry is a unique one. Its basic product hasn't changed essentially since the invention of the Portland process (although there have been improvements in manufacturing technology), and were you to dump out on a table, little piles of cement, each one produced by a different company, even an expert couldn't identify the different brands. Since, therefore, there is little to choose between makes, success in the trade has depended on operating efficiency, nearness of mills to large and expanding markets (to reduce transportation costs), and service to customers which includes prompt deliveries and faithfully meeting dealer and contractor requirements in times of intense demand. Finally, a successful cement company has had to know when and how much to expand mill capacity.

Ira U. Cobleigh

This last point is a crucial one, as a cement mill is a very costly one requiring, today, about $10 in capital outlay for each barrel of new capacity. In the 1920's the industry went hog wild and built such excess of capacity that many companies (North American, Penn-Dixie and Riverside for example) later required financial reorganizations. Cement reached a murderously low operating percentage of 25%, in the depth of the Depression, and a dismal price of 50 cents a barrel (it's around $3.20 a barrel today, a barrel being 376 pounds or the equivalent of four standard 94 lb. bags).

Being so badly stung by overbuilding 30 years ago, the industry was understandably timid and hesitant in providing for the greatly expanded postwar demand. Many companies did nothing at all about it for some years being content to run existing plants at maximum production levels (about 95%) interrupted only by necessary down time for repairs and maintenance, and occasional strikes.

Especially since the Korean War, however, managements have taken a new look at total indicated demand, and decided to do something about it. Many new mills, and additions to old ones, have been constructed (especially in the most rapidly growing geographic areas in the west, southwest and Florida). Total production capacity has been increased 20% since 1955 and, as a result, there are now definite indications that supply has more than caught up with immediate demand in certain sections. The era of cement shortage is at an end, and once again cement salesmen, after years of order taking and allocating, are out beating the bushes for business.

So partly from fear of oversupply, partly due to unfavorable weather conditions in some areas, and partly due to strikes (and higher operating wage costs when they were settled), cement stocks have descended from 20% to 50% below their 1956 highs. Which is one reason for writing this piece at this time.

Moreover, there are some bright spots in the future demand picture. The use of pre-stressed concrete (cement reinforced with steel under tension creating flexibility) is increasing rapidly. This product has many applications in highway and bridge work, and framework of buildings, where it competes with structural steel. Precast pipes, and concrete blocks are also on the upgrade. These uses added to the more traditional ones, plus the 13 year Federal interstate highway program, should operate to sustain and expand the demand for cement, which has risen steadily for many years, and now amounts to about 1.80 barrels a year per capita in the United States.

Other brighteners of the cement picture would include, generally high mill efficiency, and prospects of substantial tax refunds due to a revised ruling of the Internal Revenue Bureau permitting a higher annual depletion allowance. And 1958 should be better for all, because there should be no repetition of the devastating, industry-wide strike which took at least a month out of company earnings statements this year.

So having weighed and appraised quite a few pro and con factors about cement, we're now ready to consider a quite logical equity for current market consideration, the common stock of Penn-Dixie Cement Corporation. DXC really "had it" in 1957. It was the "guinea pig" for the total strike in the industry and all but one of its 10 plants were closed for 2½ months. This had, of course, a dreary effect on earnings. The shutdown cost around $3 million (a little over $1 per share) and, as a result, the 1957 per share net should work out at around $1.85 against $2.97 for 1956. The common this year reached a low of 21, down from a 1956 high of 43⅝.

It could well be argued that DXC has had more than its quota of bad news, and that a rather more constructive viewpoint about its common stock can be justified at this juncture. Penn-Dixie is the eighth largest company with a total annual capacity (10 mills) of 16¾ million barrels. The company has, in the past decade, expanded aggressively and intelligently, plowing back $29½ million (in the 1947/56 period) in capital additions financed entirely from retained earnings, and depreciation and depletion allowances. In addition, the public sale of 481,700 common shares, realizing $14 million, permitted purchase of Petoskey plant ($5,200,000 cost) and the Buffalo plant (for $9 million). This entire program was effected without recourse to debt securities, so that today capitalization of Penn-Dixie consists solely of 2,788,191 common shares, listed on NYSE and trading under the symbol DXC.

In respect to basic resources DXC has ownership or rights to over 9,000 acres of limestone, shale and clay properties assuring adequate supplies at current operating rates for a quarter century. The expansion noted in the preceding paragraph, plus the $7 million being expended this year, and the assured long term supply of raw materials suggest that Penn-Dixie has "caught up" on its supply facilities and should be in a position requiring no further major financing for some time to come, and permitting perhaps a more generous dividend policy than the 40% annual pay out of the past decade. (There was a 5% stock dividend in both 1955 and 1956.)

The present dividend rate is $1.20 which on today's price of around 23½ creates a yield of about 5.1%. Now a boost in the prevailing rate of 30 cents quarterly to 40 cents ($1.60 annually) in 1958 does not appear either illogical or unreasonable. Earnings are bound to show a big improvement over this year. With net working capital of about $10¾ million, the company is not strapped for cash. A $1.60 dividend rate on a 23½ price would be 6.8% yield— a most attractive one on a stock of this stature. Now bear in mind this is strictly conjectural. If you're considering buying the stock, however, refer only to the existing $1.20 rate. Then if there should be an improvement in rate, or another dividend in stock, imagine your delight!

In both share price and earnings Penn-Dixie has this year taken about the worst beating of anybody in the industry. Next year it seems inevitable that DXC should be resurgent. The company has already posted a forthcoming price increase of 15 cents a barrel, and its sales give promise of exceeding $50 million for the first time. Competition is going to be tougher but Penn-Dixie did not get to its present eminence by feeble sales efforts! It has a talented sales echelon today.

Two thousand six hundred employees and 11,600 shareholders take a lively interest in the progress and prosperity at Penn-Dixie. In addition to other favorable factors above recited, Penn-Dixie is in line for a tax refund of about $1.6 million. So while gloom seems to pervade the market thinking of many, here's a stock that is not afraid to look 1958 in the eye. DXC will give a plural ending to an old song. It will "Roll out the barrels."

Estabrook & Co. Will Admit Mattison to Firm

BOSTON, Mass. — Estabrook & Co., 15 State Street, members of the New York and Boston Stock Exchanges, on Dec. 31 will admit Joseph Mattison, Jr. to partnership.

On the same date Orrin G. Wood will withdraw from the firm.

Joins Harry Peters

(Special to THE FINANCIAL CHRONICLE)

GRAND JUNCTION, Colo. — Robert A. Ginsberg is now with Harry W. Peters, 411 Main Street.

A Billion Dollar Ticket To the Future Society

By GWILYM A. PRICE*

Chairman and President, Westinghouse Electric Corporation

In a "crystal ball" glance ahead to 1977, Westinghouse head predicts — and describes the products making-up — a 50% higher living standard than today. Making this possible, Mr. Price opines, is the greatest technological innovations and inventions of our time in the years ahead. The futural tour includes the 1977 typical home, home appliances, lighting, atomic powered naval vessels, serious problems confronting businessmen, and enormous electric power expansion.

I want to look 20 years into the future, at conditions as they may be at that time. First, let's look at the population of the United States. It will be somewhere in the neighborhood of 220 million, and almost one-fourth of it—more than 50 million—will be living in the 11 Western states. That compares to one-seventh back in 1957. This redistribution of the population will have caused a major shift in political strength. The Western delegation in the House of Representatives will be substantially larger, and there will be four additional Western senators, resulting from the admission of Hawaii and Alaska as the 49th and 50th states. The White House will not have moved to Denver, but two or three Federal agencies will be headquartered in the West.

Gwilym A. Price

The nation's standard of living will be about 50% higher than it was in 1957, though social workers will be deeply disturbed by the shocking statistics which show that only two American houses out of three have a second bathroom. The then recently completed network of limited access highways will extend the present suburban commuting limit of 30 miles to an easy 60 miles. A great many more families will own both a country and a city house. The work week will be down to—but, on second thought, I would just as soon not go into that.

Vocal dialing will be in experimental use in a few telephone exchanges. All naval vessels in service will be atom-powered. Radioactive fission wastes will be the basis of an entire new chemical industry.

Cites Hawaii As an Example

Hawaii will have a petroleum refinery and a major new industry for manufacturing paper from sugar cane. It will have one or more steel mills—mills in which the specially treated ore will be fed directly into the steel furnaces without the need for blast furnaces or coke ovens. Hawaii will have two atomic power plants and, since it is in every respect suited for the use of atomic power, all other plants planned or being built will have nuclear reactors. The Mainland will be only two hours flying time away, and it will not be uncommon for people here to fly over in the morning for a business or social engagement and back again in the evening in time for dinner. The citizens of Honolulu will be complaining because they don't have a baseball team in the major leagues.

The most striking development in Hawaii, however, will be its new importance as the hub of a tremendously increased trade between the West Coast and the independent nations of the Far East. Those nations will have begun to realize their potential both as incomparable sources of strategic materials and as mass markets. Shipments of steel, aluminum, petroleum products, machinery, and other manufactured products to the Far East will be heavy. Britain, Japan, and the United States will have very large long-term investments there, and the nations will be undergoing far-reaching, basic developments in power, agriculture, the extractive industries, manufacturing and transportation.

The demands of the peoples of these Eastern nations for a higher standard of living will still outrun their ability to produce it. But those who rely on profit-and-loss incentives and a free market economy will have gone farthest in obtaining the comforts and necessities they long for. The people who rely on their governments to give them what they want and need, and who resort to nationalized industry as a means of getting it—those people will be suffering the privation and hardship that are and always will be a part of totalitarian systems everywhere.

In 1977 the industrial machine of the United States will be larger and infinitely more complex, and the requirements for managing it will be formidable. About 18% of the nation's manufacturing capacity will be in the 11 Western states. Fully automatic operations will be common in manufacturing establishments throughout the country, and in most cases the value of the equipment will far exceed the value of the plant. A whole new professional class of several hundred thousand engineers and technicians will be spending their full time on the care and feeding of tens of thousands of electronic computers, most of them used in industrial processes.

Future Electric Output

The nation's electric utility industry will have 75 million customers, 2.2 trillion kilowatthour sales, and an installed generating capacity of 550 million kilowatts. One-fourth of the installed capacity will be in nuclear plants, which will just about equal the total capacity of 1957.

The power industry will be starting still another enormous expansion program which will double the nation's capacity within 10 years. Price per kilowatthour will still be low, despite much higher operating costs and the continued erosion of the dollar through inflation. This will be possible because great continuing improvements will be made in the electrical apparatus which produces this power. Advocates of socialized power will still be calling for government ownership and control of power facilities in order to produce what they call adequate supplies of power at rates which they consider reasonable.

In 1977, businessmen will be plagued with a number of serious problems. Among these will be a shortage of engineers and scientists; high taxes; low profits despite record sales; and adequate incentives for management personnel. A number of manufacturing companies will be in trouble which two years earlier had explained in detail to your power salesmen why they could not afford to modernize.

Detroit will be promising an automobile clock that will work, and the Internal Revenue Service will announce that it is rewriting Form 1040 so that anyone can understand it. Young utility salesmen will come up with the startling discovery that the market for electric irons is 97% saturated and so they will decide that future sales will be for replacement only. Someone will have developed a vending machine which will give change for folding money. Someone else will be working on an electric hedge clipped which shuts itself off just before severing its own cord.

In the field of home appliances, the world of 1977 will see some of its most striking developments. The homemaker of that year will take electrical living for granted to a degree far beyond our present comprehension. Well over 100 home appliances will be available, more than half of which were not even on the market only 10 years earlier, in 1967. These new and improved appliances will affect our daily living habits and will make our homes more comfortable, more convenient, and easier to run.

Residential consumption of electrical power will cross and exceed industrial consumption in 1973. In that historic year, the utilities will bill the average household around 7,700 kilowatt-hours a year at an annual price of around $190.

If we enter the typical modern home of 1977, here are some of the things we may expect to find.

The Coming Modern Home

The house will be equipped with heat pumps which will heat the house in winter and cool it in summer with a single thermostatic control which will turn on the heating or cooling as needed. With the heat pump, the householder will not bother to lay gas lines, and he will not build a chimney unless he intends to burn wood in an open fireplace. Some utility statistician will figure that when all these units are in operation on a hot day, they will be consuming more electric power than the entire nation could provide in 1957.

Dusting the house will be done by an electrostatic cleaning wand. You will simply wave the wand over a dusty floor, table, or other surface, and all the dust within a certain number of feet will be attracted to it electrostatically. When the wand is loaded, you will wash it off in the sink.

The house will have an entertainment center containing hi-fi set, color television in three dimensions, tape recorder, and motion picture projector. Television will be shown on a thin, flat screen resembling a picture frame, which will hang from the wall of every room. Programs from all channels will be picked up in the central receiving unit, and you will be able to select any channel from any room simply by pressing a button in a small box-like cabinet. You will be able to record and play back television shows of your choice.

Bedrooms will have complete pre-packaged units providing, on one side, conventional hanging storage for suits and dresses, and, on the other side, a Laundro-closet. When you take off your suit or dress and hang it up, the moving tracks will carry it into the wash chamber, then the rinse chamber, then the dry chamber. From there it will be returned, within minutes, to the rack in the hanging closet, clean and ready to wear.

Our clothes will be washed without agitation and tumbling. The dirt will be removed by ultra-sonic energy—that is, by inaudible sound waves.

The custom kitchen will be organized quite differently from that of today. It will be built around four units: for mixing, for vegetables, for cooking, and for prepared foods. Each of these units will have drawers for refrigerated storage, on the principle that the function of the present-day refrigerator will be distributed among the various centers where its services are actually required. The drawers will have no moving parts, the refrigeration being provided by a new application of the Peltier Effect. The basis of the phenomenon is this. If you weld together two wires of different metals and pass an electric current through them, the junction will get hot. But when the current flows in the opposite direction, the junction gets cold. Multiply this effect sufficiently and you have refrigeration without any motor or compressor.

The vegetable unit will be at the self-cleaning sink, which will have water dispensers with their own temperature selector. By setting the dial, you will be able to get boiling water for coffee, tea, consomme, and a vast new group of foods which will be pre-cooked and need only boiling water for table preparation. The waste disposer below the sink will incinerate substantial quantities of combustible materials such as food, paper and cartons, without odor, smoke or ash.

The custom cooking unit will have a series of specialized cooking devices, all clock-controlled and without outlets and retractable cords for connecting them. There will be provision for cooking in pots on electronically controlled flush surface units. Above the counter will be a catalytic action smoke remover.

In the prepared food unit, food packages will be stored in classified racks in a freezer which rests below four ovens. In the morning, you will set the time at which you want to eat. From the schedule of foods in the freezer you will select the items, up to four, you will want at that meal. You push the appropriate selector buttons, and that's all. At the proper time, each selected package of food will be moved from the storage rack and lifted to the appropriate oven, so that it will be cooked and ready to use at the hour selected on the timer. If your taste is for clam chowder, roast beef hash, broccoli, and peach pie, you can have them all ready at 6 p.m., automatically.

You will also have a serving buffet which will combine a number of functions. It will refrigerate food and beverages, warm rolls and plates, dispense liquids, hold serving equipment, and dispose of food wastes. When you return a plate or glass to its storage place, it will be automatically cleaned and ready for use in a few minutes.

Now, some of the new products and innovations I have discussed are closer to reality than others. Some are almost here, and some, on the other hand, may have been described with a pretty strong dash of imagination. But most of them, our engineers tell me, will be introduced into common, everyday use sometime between now and 1977; and if the others fail to materialize, they will certainly be replaced by something just as remarkable.

New Lighting

There are new developments here in lighting, too, which I should like to discuss. We are developing a totally new light source, and we propose to use it in such a way as to give new dimension to light itself. Light will be used as decoration. It will be used architecturally.

This development is somewhat closer at hand than some of the others I have discussed. It is based on a principle discovered by Professor Georges Destriau, a Westinghouse consultant at the University of Paris, in the 1930's. It is now being developed for commercial use in the Westinghouse laboratories at Bloomfield, N. J. Our trade name for the product is Rayescent lighting.

This is the lighting of the future. This light will be part of the room itself—a complete luminous ceiling or wall — huge areas of light for decoration and beauty. The intensity of the light, the level of illumination, the color, will be controlled by those in the room. There will be no shadow . . . no glare . . . no heat.

The key to all developments such as these—the key to the future—is a comparatively new factor in our economy. It is called research and development.

Research Expenditures

American industry — American private enterprise — has invested unheard-of sums of money in research since 1950 — more money, in fact, than in all the previous years of American history. It is spending $7 billion this year—20% more than in 1956. In 1960 it will probably be spending $9 billion. No nation has ever before made such an incredible investment in the systematic application of scientific knowledge to its industrial problems.

The electrical industry is a leader in this mighty technical effort. The scale of our technical effort today far exceeds that of any other American industry except aircraft. Electrical manufacturers, either for their own projects or contract projects, are spending about 6% of their sales income on research and development programs. That amounts to about one-fifth of all the money that American industry is spending in that field today.

Westinghouse Electric alone is putting $150 million a year into research in the effort to push back the frontiers of human knowledge. We have large staffs that devote their whole time to no other subject than developing now products of the kind I have described today. We have even larger staffs at work on the engineering, research, and development of new and better apparatus for the production, transmission, and distribution of electric power itself. And our work is typical of that carried on by the other major electrical manufacturers.

The fruits of industrial research take many years to mature. The nation is only now, for instance, realizing the great benefits of discoveries made in the 1920's and 1930's.

This means that the great results of all our technical effort of these years will be felt as far ahead as 10 and 20 years. It means that there is a tremendous backlog of important new principles and theories, new products and processes, building up in our laboratories, in our plants and mills and offices.

I am convinced that the greatest technological innovations and inventions of our time lie ahead of us, and that these will burst upon us in the years ahead with a profound and lasting effect. I believe that our descendants may look upon this third quarter of the 20th Century as a turning point in history — as an era in which man rose to a new plateau in his long effort to create a better, more productive, more spacious industrial society.

*From an address by Mr. Price at the Pacific West Coast Electrical Association Conference, Honolulu, Hawaii.

Areas of Challenge In Mass Consumption

By PAUL MAZUR*

Partner, Lehman Brothers, New York City

Economist, citing department stores' lag behind general economy's growth in sales and profits, stresses the importance of mass consumption to our prosperity. Advocates change in emphasis to selling from buying functions in merchandising. Hails contribution of the electronic data process to new techniques of management planning and operation, and to greater profits.

Challenge is often a stimulating force to release the energies of men. The pioneers who drove back our geographic frontiers were motivated at least in part by the desire to learn about the unknown. Scientists of today are dedicated also to exploring the unknown and solving its riddles. The challenge to attack and resolve difficult problems is indeed a powerful motivation for men and particularly for the leaders of men.

Paul Mazur

However, challenge, to be an active power, must contain the possibility, if not the probability, of success. There is no valid challenge in the effort involved in trying to paddle a canoe up Niagara Falls, or of replacing electricity with gas lights. So whatever challenges department store retailing possesses to attract the young executives of tomorrow must offer a reasonable assurance that those challenges can be successfully overcome and that substantial benefits will come to those who meet and resolve the problems.

My subject is concerned with challenges and one must be able to foresee in the challenges I sketch, even in a summary fashion, the probability of successful outcome.

The Lagging Department Stores

For some time now, and rather frequently recently, even friendly critics have pointed out that department stores give evidence of lack of growth, static profits, and increasing demand for capital.

It is apparent that the department stores as a group have not kept pace with expanding national income. Some department store corporate units have done as well or even much better than the economy as a whole in growth of both sales and profits. But department stores on the whole have been carving a smaller piece out of the national pie of disposable income.

One cannot dismiss as unimportant the history of results that department stores have written over the past decade. On the other hand, in assaying its significance, it is important to place the picture in the proper economic framework. If department stores are seeking their volume, profits, and growth from a contracting source of national income, then the problem would appear much more serious than if the results were obtained in an economy in which opportunity seemed to be increasing. And it is this latter conclusion which seems to be the fact.

The Power of Mass Consumption

For many more years than I like to enumerate, some few of us have been insistent in the claim that ours was an economy primarily based upon and controlled by the power of mass consumption. We have held that mass production in the United States had been made possible by the astonishing extent and intensity of our consumer markets. We have affirmed that America has reached the stage in which the sustained and growing trends of consumption alone could maintain employment and rising purchasing power for labor, adequate profits for corporations and shareholders, and economic safety and prosperity for the nation and the people who made it.

For a long time, our insistance was but a whisper in the din made by those who spoke fervently of the "golden goose of production" and of those who loudly worshipped Mass Production as *THE* secret ingredient in American economic power and development.

Recently, the group of those who dare to speak of consumption not as something profligate but rather as the more essential element in our economy, has become larger. Men like Sumner Slichter and Arthur Burns, whose stature as economists is considerable, have spoken of the great importance of consumption and of stimulating consumer demand if we are to maintain our growth and assure our prosperity.

Consumption in America has been Queen not for a day but for a long time. Acknowledgment of her reign, however, is only a very recent phenomenon.

Economic prognostications are not always accurate. But there is rather convincing evidence of the probabilities in the future of an even greater development of our consumption market than has obtained over the past decades.

Family units are the really large users of all consumer goods except food and clothing, which purchases are concentrated in individuals. Homes, cars, appliances, and even travel are the result of the desires and demands of the *families*. And family formations promise to expand greatly with the years of the 1960s. If the present number of children per family holds for this probable increase in household formations, then the population trend will again experience an increase in its tempo. It is not difficult to assume that by the end of 1985 the present population of the United States will have been increased by over 100,000,000 to a total of 270,000,000 American citizens and consumers. Moreover, with the shorter work week stimulating living in suburbia and exurbia and offering more leisure time for using services and goods, consumption can well be subject to a very important acceleration which will increase markedly even its present relative importance in our economy.

Within this framework of a growing economy in general and an expanding consumption segment in particular, it is arresting that the proportion of our nation's income which has been represented by department store sales has, over the past decade, remained static.

A Challenge

Here, indeed, is challenge. For it offers to those who would seek careers as commercial leaders, on the one hand, the inescapable fact of a fertile economic field for cultivation and, on the other, the undeniable truth that much of the opportunity has not yet been fulfilled.

It should seem clear, even upon only casual examination, that as a device for the distribution of goods and services to the consumer—particularly to Mrs. Consumer—the department store gives evidence of possessing very substantial factors of strength. It has size which helps to make it an important place in the community; it has the ability to retain well-paid and able executives; and it has the power of acquainting itself with the needs of the local area. It offers the satisfaction of a broad segment of consumer needs. It usually owns a reputation and standing which assure quality of products to the buyer. Its strength and size and location usually give it a call on capital from the various sources of funds for debt or equity financing.

Over the years, the department stores have been faced with competition from many quarters. The mail order, the drug store, and variety store have grown in power and volume. But, as the years rolled by, each of these competitors took on more and more the characteristics of the department store. Each sought to obtain its volume from the consumer markets by becoming more and more a unit made up of multiple departments—a department store in fact. When imitation is such a common denominator, then the form of the department store seems, indeed, to have been tried, tested, and proven. The faults the "Department Store" possesses, if there be any, do not seem to lie in its form.

The Department Store Problems

Time will allow me to review only a few of the problems of the department store in the effort to discover whether its difficulties are inherent in the situation, transitional in the changing pattern of our economy, or representative of the potential that could be converted into greatly improved results. The problems and difficulties assigned to present-day department store operation are not inconsiderable.

I am told that to hold its profit, the department store must maintain an average growth of sales of 4% to 5% annually. In fulfill-

Continued on page 28

*A talk by Mr. Mazur in Tobe lecture Series in Retail Distribution, Harvard Business School, Cambridge, Mass., Nov. 14, 1957.

Private Management —A Public Trust

By JAMES F. OATES, JR.*

President, The Equitable Life Assurance Society of the United States

Life insurance head comments on the encouraging growth of the gas industry and points out that about 60% of the gas industry's debt is owned by life insurance companies. The necessity of a perennial battle against inflation is stressed by Mr. Oates who terms this the enemy of every man, woman and business in the nation.

Since 1945 through Dec. 31, 1956 the actual increase in dollars invested in the gas industry by six life insurance companies is as follows: 1945, pipeline companies' debt securities $55 million; 1956, $1,470,000,000. This increase is about 27 times the 1945 total. The gas distribution companies' debt securities: 1945, $187 million; 1956, $591 million (better than 3 times the 1945 total). However, the 15 largest life insurance companies, as of Dec. 31, 1956, owned $1,902,876,000 of the pipeline debt securities and $915 million of the gas distribution debt securities—a total of $2,817,-888,000. These 15 life insurance companies represent 72.3% of the total assets of all life insurance companies. The investment in the gas industry comprises 4.05% of the admitted assets of these 15 insurance companies.

James F. Oates, Jr.

More significant, perhaps, is the fact that on Dec. 31, 1956, the total debt securities of the entire gas industry totaled $6,565,000,000. Of this amount about 43% was held by the 15 largest life insurance companies. Since these companies hold 72.3% of all insurance assets, it would follow that about 60% of the gas industry debt is owned by the life insurance companies.

Big Business—Its Challenges and Obligations

Public utilities and life insurance companies have in common the fact that they are relatively large business concerns. They share the discomfort of continual and persistent charges that being big, they abuse their power and are necessary evil. Where public service is being rendered by a business concern, the vulnerability to the careless and unthinking charge of evil in bigness is more immediate and apparent.

We know that bigness is not evil. As a matter of fact, only men are evil and only men are good. Bigness is neither evil nor good, *per se*, and I submit there are as many evil men in little business as there are in big business.

As a matter of fact, the larger the responsibility and the greater the field of service obligation, the clearer it is to the thoughtful manager that the public interest must come first. As a man's responsibilities increase he learns inevitably that he must act with an increased sense of responsibility. Believe me — the rule that the public interest must come first is an ideal which is the height of realism.

We, of course, all know that there are great economic advantages to bigness. It is only the large concerns which can do certain of the big jobs in the hour of national need. It is the large companies that provide the vast sums needed for successful research on the frontier of advancing knowledge. We who have responsibilities in large enterprises must highly resolve to accept a sense of stewardship and to avoid the abuse of our power and thereby keep for America the manifest economic advantages of bigness.

Authority Based on Consent of Governed

Of course, all thinking men realize that authority comes from below. In our Nation the people are sovereign. Every business enterprise exists only because it was permitted to be created under laws enacted by the State or Nation through the legislative process created by the people. Every business manager knows that, while appointment to official position comes from a superior or a board of directors, that appointment must be continually confirmed and reconfirmed by the official's subordinates for the authority to be exercised effectively. A business manager's authority actually comes from his subordinates and he exercises that authority as a result, in truth and in fact, of the consent of those subordinates. An appreciation of these circumstances brings, it seems to me, a healthy sense of humility and a knowledge that we must serve our fellow workers well to deserve continued responsibility.

Public Enemy at Large

There is another important topic to which I should like to refer. It has to do with the reliability of the dollar. Insurance companies charge rates for their contracts providing protection, which rates are carefully computed and fixed in observance of regulatory principles based on statutory law. Gas utilities charge rates for their services to the public in accordance with rules also derived from statutory law. Neither industry can be fairly compensated for its services or achieve its optimum service potentials unless and until the cancer of inflation is exorcised from the American economy.

The rates of a utility should at all times (without disastrous lag) be adequate to cover wages and other costs, taxes, a fair and reasonable rate of return on the invested capital, and a depreciation charge adequate to meet the contemporaneous cost of doing business arising from the continuing consumption of plant. I cannot get out of my mind the conviction that inflation has rendered unfair and potentially disastrous the practice of fixing the cost of depreciation allowed in rates in terms of a percentage of original dollar cost. Either so-called economic depreciation must be recognized for rate purposes or the process of inflation must be stopped if the financial health of many regulated utilities is to be fully maintained.

It is said by some that, since insurance companies by their contracts are committed only to pay out dollars, they should have no concern over inflation beyond the requirement of having dollars available when payable. It is, however, obvious that the full mission of life insurance cannot be realized and its economic optimum potential achieved unless we can return to the policyholders, or their beneficiaries, not only nominal dollars, but dollars having equivalent purchasing power to those received.

Life Insurance—a Force Against Inflation

Insurance is still, in these days of high taxes, the one best available vehicle for a man to provide protection for his family and his business, and security for his future period of retirement. It is, indeed, the only way a young man, and even some of us older fellows, can even begin to have funds available if we should die too soon or live too long. As you know, insurance has never been sold in greater volumes or to larger number of policyholders than it is today.

It is also true that the average size of the policies being sold has increased during the period of inflation. If the same proportion of a man present and increased income as invested today in insurance as before the period of inflation, then the purchasing power of insurance proceeds has been relatively protected by simply buying more face amount of insurance. The continuing growth in the average policy being sold today reveals that the problem raised by inflation has been recognized by the American public and partially protected against in this way, but the protection is, in my opinion, inadequate.

It is also true, although sometimes overlooked, that during the period of recent years following the major effects of inflation, the premiums themselves are being paid in inflated dollars. It was only the premiums paid before inflation that represent dollars received having a purchasing power substantially in excess of the dollars now being paid out to the beneficiary or returned to the policyholders.

Nevertheless, inflation is the number one enemy of insurance, as well as the number one enemy of every man, woman and business in the nation. The fight against inflation must be kept up on all fronts. It is the job of everyone. I urge all, on every available occasion, to support the sound financial and monetary policies which have, in recent months, been courageously and steadfastly pursued by the Treasury and the Federal Reserve Board. I believe that Mr. William McChesney Martin, Jr., was right when he recently said that it was an illusion to believe that a little continuing inflation was wholesome. When businessmen begin to count on inflation and plan for it, they necessarily help to create it with resulting chaos and infinite human suffering.

Combating Inflation—an Educational Job

The savings of the American people, the savings of stockholders and the savings of our policyholders stand in jeopardy. I am proud of the position which the organized life insurance industry is now publicly taking to educate the American people as to the evils of inflation. An extensive program of advertising will soon be brought to your attention based on the theme that fighting inflation is everybody's job. These advertisements will reach 50,000,-000 Americans. They will be 14 in number and will appear in 535 daily papers over a period of time beginning Oct 14 and ending next spring. They will emphasize that all of us can help stop inflation by looking for real value in everything we buy, by being more thrifty than ever before, and by insisting, as taxpayers and as voters, on values from our Government, too.

Those of us in the life insurance industry have particular satisfaction in the realization that every dollar paid in insurance premiums helps, *pro tanto*, to close the gap between saving and spending. The purchase of life insurance is anti-inflationary. Insurance premiums are monies saved by the policyholders. They are invested in the economy (in part to expand your plants) and to create an increased flow of consumer goods and services. These savings are not like many loans made from commercial banks, which simply increase deposits, add to the supply of money and represent additional funds that are spent but which were not first saved. We of the life insurance industry believe that the life insurance agent has the right to satisfaction in knowing that the business he writes not only protects the security of the policyholder and his family, but also serves to protect the purchasing power of his other savings and his earnings.

It seems to me that the insurance industry is very wise to step into the front line and face the facts of life through the campaign of the Institute of Life Insurance, which I have just mentioned. Surely, the responsibility of protecting the interests of the policyholders requires such an effort. That responsibility cannot be met by blindness or by acting as if inflation did not exist or by simply refusing to talk about it.

Growth and Development in the Gas Industry

The past ten years have brought tensions, preoccupations, disappointments, but also joys and achievements. They brought comradeship, great personal satisfaction from personal relationships and the satisfaction which inevitably come from participating in a virile, growing, public service industry. But—God knows, we have all had our worries and concerns. Agreement can be reached on one basic conclusion—that nobody in the gas industry has been bored. As I look back, I think particularly of the growth and development of the PAR plan in the fields of research and promotion including TV; how the natural gas pipelines have developed in physical extent, financial strength and service capacity; how gas reserves have been discovered in increasing quantities. We have seen titanic dreams realized offshore in the Gulf of Mexico. And we haven't seen "nothin' yet."

We have watched the Institute of Gas Technology and the American Gas Association laboratories perform greater and more effective service. We have watched our appliances improve. We have seen accounting and customers' service methods advancing. We have seen improvements in regulatory theories spring from enlightened and realistic concepts. A fair value rate base is growing in acceptance. Fair field prices for controlled pipeline production is an accepted theory of rate making (although still fuzzy in implementation). We have seen great advances in the development of synthetic natural gas storage reservoirs accompanied by agonizing heartaches, but also by real measures of victory.

Industry United as Never Before

The gas industry has also moved in pronounced fashion forward in the public relations and human relations fields. Employees are receiving advanced benefits, including pension protections. (The life insurance industry certainly favors these plans when covered by group insurance.) Attitude surveys are accepted tools. The American Gas Association, the Independent Natural Gas Association of America, and the Gas Appliance Manufacturers Association have joined forces in industry cooperation as a single integrated whole to bring to the consciousness of the American people the great miracle of automatic, safe, economic and convenient gas services. The industry has become united as never before. For example, the general agreement on acceptable amendments to the Natural Gas Act cannot help but create confidence in the ultimate enactment and approval of that most important legislation.

It is recognized that this is a man-sized industry and, therefore, has man-sized problems, but as I review the areas of progress which I have observed, I cannot help but feel a great sense of durable satisfaction over that progress. There will be no end to the supply of worries. There will always be sickening frustrations and heartbreaking disappointments. Obstacles will be in the path but progress will ever be steady because of the strength of the industry and the great importance that its service be rendered efficiently, honestly and economically.

*From a talk by Mr. Oates before the 39th Annual Convention of the American Gas Association, St. Louis, Mo.

Customers Brokers Committee Chairmen

The Association of Customers Brokers announces the Chairmen of their various committees for 1957-1958:

Activating: Mrs. Hazel S. Anderson, Gude, Winmill & Co.

Education: Michael Kourday, Hayden, Stone & Co.

Entertainment: Sam Minsky, Hardy & Co.

Grievance: Daniel F. Davison, Hayden, Stone & Co.

Legal & Research: Richard M. Ross, Dean Witter & Co.

Membership: Alan C. Poole, Hemphill, Noyes & Co.

National Chapters: Armand E. Fontaine, Merrill Lynch, Pierce, Fenner & Beane.

Pension: Leo J. Larkin, Carl M. Loeb, Rhoades & Co.

Professional Ethics: Albert F. Frank, Ladenburg, Thalmann & Company.

Public Relations: Albert P. Gross, Bear, Stearns & Co.

Speakers: Gordon V. Price, Laird & Co.

Uptown Managers: John Leavy, Bache & Co.

Welfare: Gerald L. Wilstead, Hallgarten & Co.

The Association also announces that its annual Christmas Party will be held Dec. 16 at 4:15 at Whyte's Restaurant. Price including gratuities, $8.00. Reservations should be made with A. Frank, Ladenburg, Thalmann & Co.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Kenneth M. Campbell, Cuyler W. McCuthan, and Alfons F. Uriwal have joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Congress and Shelby Streets.

Mark D. Litt to Be Partner in Asiel Co.

Mark D. Litt, member of the New York Stock Exchange, on Dec. 31 will be admitted to partnership in Asiel & Co., 20 Broad Street, New York City, members of the New York Stock Exchange.

Robt. W. Baird to Admit

MILWAUKEE, Wis.—On Jan. 1 Robert W. Baird & Co., 110 East Wisconsin Avenue, members of the New York and Midwest Stock Exchanges, will admit Brenton H. Rupple and Harold J. Luedeman to partnership.

R. W. Pressprich Opens San Francisco Office

SAN FRANCISCO, Calif.—R. W. Pressprich & Co., members of the New York Stock Exchange, have opened a branch office at 605 Market Street under the direction of Gordon D. Williams. Mr. Williams was formerly in charge of the San Francisco office of Baxter & Co.

The High Price of Money And Industrial Development

By MARCUS WALLENBERG*
Chairman of the Board, L. M. Ericsson Telephone Company
Stockholm, Sweden

Aware that low rates of interest are a prerequisite for economic expansion, internationally known Swedish banker-industrialist suggests how capital supply flow can be increased. Mr. Wallenberg castigates creeping — foreseen — inflation in discussing its accompanying characteristics and dangerous consequences, and calls attention to some of the paradoxes of tight money that occur when wage increase demands continue and built-in stabilizers are utilized. Asserts cheap money is no alternative to tight money, and would limit taxes to 50% of profits and income, keep government spending below 30% of G. N. P., and require token payments for public social services.

From some quarters it has been argued that creeping inflation should rather be taken as a symptom of progress and should not be deplored. This is a **dangerous fallacy.** It overlooks the basic fact that inflation tends to become **foreseen** and will create serious dislocations. A foreseen inflation is developing when everybody in their economic arrangements and actions is calculating with a certain future fall in the value of money. Apart from yearly demands for raises, wages will also generally be linked to the current price index. The usual and moderating time-lag between price advances and compensatory wage increases is thus eliminated and the inflationary process is speeded up. Index-linked wages are likely to upset government budgets as it has proved difficult for governments to resist the temptation to circumvent economic and political complications temporarily by subsidies. However, over a period this latter method is bound to fail and at intervals the price level must be adjusted correspondingly.

Structural dislocations on the money and capital markets is another unavoidable effect of foreseen inflation. A systematic flight from money into real assets will adversely affect the volume of time deposits in commercial banks and savings institutes. Insurance savings will be hit as well. All this means a shrinking capital market except for equity money. Expedient and necessary long-term financing e.g. of housing will have to be taken over by the Government. However, the Government will find itself in a precarious situation and face the same great difficulties as everybody else to float long-term loans on the market. More fuel on the fires of inflation will be added as the Government will have to resort to short-term financing in the banks of the public debt. This is the situation e.g. in my country. Ideas are coming forward for discussion to try and divert more money to the long-term market by introducing indexed claims and liabilities. This, however, is no cure to the **real** problem as secondary effects will only cause the inflationary process to set a brisker pace as with index linked wages.

Another characteristic of foreseen inflation is the recurrence of balance of payments crises. If all trading partners always were exposed to inflationary tendencies of equal strength external balances need not be upset. However, the same degree of inflation in all countries would be a mere coincidence as experience shows with unbalance on current account hitting various countries from time to time at different times. The brisker the pace gets of inflationary process the more vulnerable external trade development will become.

Retreat From Keynesian Policies

Inflation has haunted most countries since the war and different remedies have been tried. In many countries this formidable task of shaping economic policy was embarked upon with dangerous over-optimistic Economic politicians entered the postwar period with ambitious appetite to shoulder all sorts of responsibilities but their confident mood of success relying on Keynesian economics from the thirties and forties is changing gradually in a most inglorious way. Now a rather frustrated search for alternative means of action is taking place. What has been partly overlooked when shaping economic policy in the last few years is that society and its institutions has been undergoing in most countries deep changes. Political peculiarities of modern democracy and monopolistic trade unions cause an ever expanding public sector, income transfers and rising wage claims. During election campaigns political parties heavily mortgage the national product. At annual wage rounds trade union officials naturally consider it as their jobs to demand higher remuneration for labor. It is in the logic of the system that this will mean, among other demands, pressing for higher money wages. Even in spite of threatening unemployment workers may press for higher wages confident that those who might be unemployed will be taken care of by the Government. Fiscal attempts to stop the pressure on prices by mopping up excess purchasing power, created by extensive and growing public expenditure and inadequate savings, are sure to be counteracted by compensatory wage claims and other money incomes. In this way a limit has been imposed on the possibilities to leave sufficient real room for an expanding public sector. Even if it is difficult to mention figures of this character experience from different countries point to 30% of the Gross National Product as a maximum cut of the national cake for the public sector. It seems as if in a free society private individuals and organized groups of various common interests react against fiscal burdens caused by such large public expenditure and demand compensatory money raises feeding the fires of inflation. Further, a large public sector operating without that sensitive compass, the free market mechanism, looses flexibility to follow changes in economic conditions and thus hinders required adjustments. Such a state of condition exposes also the national economy particularly to the influence of inflationary forces and to any disequilibrium in the internal and external balance.

All these changes constitute built-in unstabilizers and it is no wonder that even other devices than taxes, e.g. Government regulations, interventions, investment controls, price freezing etc. have failed to correct the economic situation. As in country by country the futility of heavy taxes as well as these other methods has been well demonstrated and the risks foreseen inflation were menacing more and more, Governments have had, sooner or later, recourse to tight money. Political consideration has delayed this step in many countries but today higher rates of interest is without exception.

Tight Money and Wage Increases

Looking, however, at the effects of tight money it is quite possible that there might be some risk that the same factors that have made other means of economic policy unpractical will as well challenge tight credit. The built-in unstabilizers might not be corrected by dear money. If this is so the desired breathing pause in economic expansion brought about by tight money will not result in necessary adjustments. Instead of lower prices and slower wage boosts we might get decreased production and less employment coupled with even higher prices and wages.

If unions press home their repeated wage demands and the Central Bank refuses to furnish more money necessary to enable business transactions to take place at inflated monetary levels general illiquidity will spread throughout the economy. As firms in this situation will not be able to pass on higher wage costs in the form of higher prices it will be impossible to finance business activity unless labor abstains from their demands. Lay-offs might become the only alternative. If new wage claims are presented in spite of growing unemployment the situation would deteriorate still more. The Government already feeling the squeeze of general lack of liquidity would face an acute liquidity crisis due to growing liabilities caused by unemployment. The paradox could happen that available money financed only a smaller production at higher costs and prices instead of a larger production at lower costs and prices.

Cheap Money Is No Alternative

This gives indeed a gloomy picture of possible problems that might emerge in connection with tight money. However, in any circumstance I would like to recall again your attention, to the disastrous consequences of the so-called **foreseen** inflation. It should be clear to everybody that cheap money is today no alternative to tight money. Liquidity technically created by central bank money in disregard of real scope for capital formation would certainly pave the way for an accelerated fall in the value of money. This is an intricate dilemma if no way out is found and we will for a long time to come be faced with an inadequate supply of capital for economic progress. This would be all the more serious as industrial countries must pay due attention to the influence of the present economic situation on the capital flow to under-developed areas with pressing needs for capital to finance development.

Lack of capital resources in advanced countries means that projects with a relatively low earning power are cut off. Moreover, in underdeveloped areas the capital flow to such countries is bound to be reduced. Present rapid technical development has created new domestic investment opportunities in an increasing scale something that contrasts clearly to the reduced investment opportunities e.g. in the thirties. This will tend to keep more money than usual at home in these industrial areas. At the same time as we experience reduced credit facilities and improved earning prospects in industrial countries the capital flow usually ready to respond to international differences in profit opportunities is discouraged by political uncertainties, threats of nationalization and transfer difficulties — conditions which are all more characteristic for the investment climate in underdeveloped countries than in advanced.

When Higher Interest Rates Do Not Attract

However, apart from capital directed because of international differences in investment opportunities there is another type of capital flow governed by international differences in interest rates. Such capital is often too short-term to finance long-term development and responds to relative differences in the state of liquidity and interest rates. Capital resources attracted because of higher rates of interest could, however, also be furnished by the long-term capital market. This source of international finance was once very important but a long record of defaults has made it less tempting for investors to invest their money in long-term foreign claims. It has been difficult to forget big amounts of defaulted bonds and claims which has backfired on those slow to fulfill their engagements in the form of i.e. higher rates. In addition capital markets in advanced as well as less advanced countries have been too adversely affected by inflationary distortions to function in a normal way. There are thus many reasons why higher money rates of interest in less developed countries than in advanced countries are not a sufficiently powerful magnet for capital to flow. This will be all the more so if—as is often the case—such higher rates do not even compensate for a faster fall in the value of money.

No Real Capital Formation

The disquieting signs in the economic situation in developed countries and the implications for less advanced areas of the resulting scant supply of capital indicate a serious situation. Economic policy has in the main proved to be impotent to deal with the built-in unstabilizers formed by political and institutional set-ups reaching for immediate and impossible consumption levels. Insufficient room is left for real capital formation in a period of unrivalled investment opportunities introducing new techniques or developing less advanced areas. There is a risk that events take a turn that would not only hamper industrial progress and economic development but jeopardize achievements already reached. A serious warning should be sounded against the idea that the required capital supply could be secured by various forms of forced savings including such obligatory pensions as is now talked of in various countries. Such systems would not be effective without giving up basic freedom. Experiences from certain countries show how forced savings have failed to be anti-inflationary as the impact of this measure has been eluded by counteractions taken by people not wanting and not needing to accept the imposed hardships. Such countersteps could include bigger wage demands and diversions of savings from voluntary accounts to forced accounts. On the other hand a country like the Soviet Union has managed to ex-

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*An address by Mr. Wallenberg before the International Industrial Development Conference, sponsored by Time-Life International and Stamford Research Institute, San Francisco.

Smashing the Barriers of Inertia and Complacency

By HON. ROBERT S. KERR*
United States Senator from Oklahoma

Internationally we are face to face with a graver danger than that following Pearl Harbor, Senator Kerr declares in urging the President "to use the full power of his office to smash the barriers of inertia and complacency" so as to remove us from a position of a "poor second." Turning to the domestic oil industry problems, the Congressman calls for: passage of previously defeated amendment to the Natural Gas Act in 1958 Congressional session repelling expected attack upon depletion tax allowance, and for a solution to the oil import problem.

Congress has twice — once in 1950, and once in '56—passed amendments to the Natural Gas Act. We must, if possible, do so again in 1958. It was never the intent of Congress that the cold, dead hand of Federal control be used to shackle either the production, or producers, of oil or gas in a free America.

Robert S. Kerr

There is no choice between the political parties on their voting record in the passage of these bills, or in the matter of their veto. Both bills were passed with bipartisan support. The vetos were equally bipartisan and equally unjustified.

If this great industry is to produce the ever-increasing quantities of natural gas needed for the continued growth of our economy in peace or war, we must not only again pass such an amendment to the Natural Gas Act, but it also must become a part of the law.

You know that the depletion factor provided in the Internal Revenue Code for more than a quarter of a century has been under attack for many years, and will be under attack again next year. Every effort should be made to nullify this attack, and, if the truth is adequately presented and fairly considered, the attack will be repelled.

Much credit is due to those in this industry who have looked for and found additional oil reserves outside the boundaries of our country, and have made them available to supply any need for crude oil in our country which cannot be met by our domestic production. It is necessary that access to this foreign production be kept and preserved. It is just as necessary that an environment be provided and maintained in which our domestic producers can continue to prosper and meet their huge responsibilities by helping to guarantee an adequacy of oil for our country. A way must be found, and by men of good will, shall be found, to achieve both of these necessary objectives.

Ours is a government of, for, and by the people, and that means all of the people—farmers, workers, small business people, big business, oil business, professional people, and men and women in every phase of our great American industrial economy.

The right of petition to your Congress is guaranteed to you by the Constitution the same as it is to all other groups in America. You owe it, not only to your representatives in Congress, but to yourselves to see to it that adequate information is always available to them. Thus only, can you hope to receive equal and just treatment from the government in which you have such a great interest, and toward the expenses of which you make such substantial contributions in the form of taxes.

I know some of you say you will have no part of politics. Let me remind you that you can make it your business to keep out of politics if you choose, but nothing you can do will ever keep politics out of your business.

Therefore, if you do not see to it that your representatives are informed about the needs and equities of your business, who do you think will do this for you? There are too many well intentioned but uninformed people in Washington, including some in the Congress who have long made a whipping boy of the oil industry. This is injurious both to you and to our country. Your continued patient and intelligent effort will enlighten them and serve you well.

As a Senator from Oklahoma, I have been aware that agriculture is Oklahoma's greatest industry. As such it is entitled to full equity and justice before the law. I am equally aware that the oil and gas business is Oklahoma's second largest industry, and is just as much entitled to the same kind of equity and justice before the law as is Oklahoma's great agricultural industry.

I remember that it was my privilege to speak to the American Petroleum Institute at their meeting eight years ago.

Eight Years Difference

Many elements of our environment are the same today as then, but there are also many differences, and upon a proper understanding and evaluation of those differences depends the future, not only of your industry, but also of your country, and of the free world.

Here are just a few of those differences: The daily average domestic production of crude oil for that year, 1949, was 5,046,400 barrels. For 1957, it is 7,268,900 barrels. Daily average import of crude and refined products in 1949 was 645,400 barrels; in 1957, their average is 1,541,800 barrels.

In 1949, the U. S. Treasury was paying approximately 1% on 90-day bills and one-year certificates, and a little less than 1½% on notes. Our long-term bonds were selling at a premium so as to yield approximately 2.2%. Today the government is paying 3.75% on 90-day bills and 4% on one-year certificates and notes. Our long-term bonds are now selling at about 14% below par, or on a basis to yield 3.88%.

In fiscal '49, we spent $13 billion on national defense; in fiscal '57, we spent in excess of $43 billion on national defense.

Since 1950, the rate of industrial growth in Russia has been just about double that of our own. The most significant fact in this connection is that during the past two years, while their rate of increase has continued unabated, our level of industrial production has been practically at a standstill.

In 1949, the combined military strength of the United States was greater than that of any other nation on the earth; today, we have been reduced to second place as a military power in the world.

In 1949, the United States was the undisputed leader of the world in scientific knowledge, industrial production, position, and prestige. The last few weeks have demonstrated that in some of the most important and vital fields of scientific knowledge and progress, we are no better than a poor second today.

Our Greatest Danger

On Oct. 4, the Russians launched Sputnik No. 1, a satellite weighing 184 pounds, which has now traveled around the world nearly a thousand times at 18,000 miles per hour in an orbit as far out as 560 miles.

On Nov. 3, the Russians launched Sputnik No. 2, a satellite weighing more than half a ton, which is now traveling around the world in an orbit ranging as far out as a thousand miles from the surface of the earth. And what have we, who call ourselves the greatest nation in the history of the world, done in this field thus far? We are still talking about getting ready to launch a satellite that weighs six pounds!

The free world has been shocked by these developments. The American people and our Defense Department have been rocked back on their heels. We have been caught short in the cold war in which we have been engaged now for more than a decade.

The rockets which launched these satellites had to be far more powerful than any that we have designed, or yet seriously worked on.

Thus, it is perfectly clear that Russia is far ahead in the development and production of the Intercontinental Ballistic Missile, the most decisive weapon yet conceived by the mind of man.

Yet, a more tragic fact is that they are getting further ahead of us in this regard, daily. It has been authoritatively stated that if the Russians were to stop now in both the improvement and production of their Intercontinental Ballistic Missile, it would take us, at the present rate of development, two years to get to where they are now.

Unless we move vigorously and rapidly to close that gap, achieve equality, and reestablish our superiority, the whole future history of our country will accordingly be determined—not by us—but for us.

This set of facts has shattered the concept which others have had as to our position of superiority in the field of scientific progress and achievement. It also shocks us into a sober realization that we would be kidding ourselves if we do not immediately recognize that we are today face to face with the gravest situation in our history.

An attitude of complacency at this time is an invitation to national suicide. We cannot, like an ostrich, stick our head in the sand to hide from the truth, with our tail feathers flapping in the breeze.

Yet, Clarence Randall, Special Assistant to the President (on foreign affairs), is quoted recently as having released from the White House, this statement: Sputnik No. 1 is a "silly" bauble. He further said he was "gratified" the Russians had beaten the United States in the launching.

And, on Oct. 8, our then Secretary of Defense, Charles Wilson, called it "a nice scientific trick." He further said: "I would not say this country is doing all it could (in the satellite and missile fields), but it would be pretty unpopular to increase taxes."

Just recently, Secretary of State Dulles made the understatement of the year. In reference to the Russian satellites he said, "It looks as though in some respects they are somewhat ahead of us." Then he went on to shock reporters with the statement: "I don't think we want to have an unbalanced society of the kind that they have."

No Complacency

Of course, we don't want an unbalanced economy. Only those of little confidence would think we would have to have an unbalanced economy to keep pace with Russia in any vital field of endeavor. Only a few Russians and no Americans believe they can outdo us in any necessary effort.

If that kind of complacency is permitted to determine the actions of our government, it means we are playing Russian roulette with our national existence.

We must face up to the fact that the launching of these two satellites by Russia, evidencing as they do the superiority she has achieved in the field of Intercontinental Ballistic Missiles, confronts our country with a graver danger than the one we faced after Pearl Harbor.

After Pearl Harbor, there was no complacency, high nor low. There was no official facade of unconcern or disdain. Neither was there panic. Nor should there be either of these today.

After Pearl Harbor everyone knew we were in a shooting war, but we also knew that we had what it would take to win. Today, we must realize we are in a cold war, now becoming more deadly than the shooting war forced upon us at Pearl Harbor, and we must have the same response and action, high and low. If we do this, we can find great comfort in the certain knowledge that we still have what it takes to win.

After Pearl Harbor, we knew that we had weapons which were as good as those of the enemy, that we were capable of producing better weapons than the enemy, and that we had only to develop the facilities with which to produce them.

Today, we are confronted by an enemy with superior weapons which we do not have and which we do not yet know how to produce.

During and since World War II, we have demonstrated that the ability to build the greatest military power in the world depended upon research, yet we have now permitted a Godless nation, and one that was far behind us in the field of scientific ability, progress and research, to go around us and ahead of us in the development of the decisive Intercontinental Ballistic Missile.

Educational Incentives

When we met here in 1949, we had more scientists, and we trained more scientists than Russia. Today, she is graduating from two to three time as many each year as we. We have watched Russia develop a program whereby their youth have had every encouragement to become scientists. We have provided neither adequate encouragement, nor incentive, nor proper reward to our own youth to do so.

We have also failed to encourage or reward adequately our teachers. In Russia, the profession of teaching is most highly honored and paid. The professor is respected by all and paid accordingly. Over there they often receive many times as much pay as the plumber. Over here they rarely are paid as much.

According to the United States Office of Education, in 1950, the United States graduated 53,000 engineers from our colleges and universities, while Russia produced only 32,000. But in 1956, we graduated only 26,000, while Russia's output rose to 71,000. In other words, Russia is now training over twice as many engineers as they did seven short years ago, and we are producing less than half as many as we did at that time.

Your great industry has proven the value of scientists and engineers. You have learned the value both of quantity and of quality, and certainly the only thing more important than numbers is the quality and individual ability of those making up the numbers.

In the 4th Century, the Roman Emperor, Constantine, "The Great," wrote: "We need as many engineers as possible. As there is a lack of them, invite to this study, persons of about 18 years, who have already studied the necessary sciences. Relieve the parents of taxes and grant the scholars sufficient means." That advice was not heeded, and the Roman Empire fell.

The brutal but smart Russian dictators have heeded it and vastly expanded it. Thereby, they have surged ahead of us in the scientific fields in which they have chosen to make their greatest effort and threaten us in others. We who claim to be the world's most modern and most civilized nation have permitted barbarians to utilize the wisdom of antiquity, to maneuver a nation of peasants into a position of technological superiority.

Nearly 2,000 years ago, Jesus of Nazareth said, "And ye shall know the truth and the truth shall make ye free."

As never before, we must know the truth, and we must face up to it if we would continue to be free.

Criticizes Eisenhower's Speech

Now the President spoke to the American people last Thursday night to reassure us and give us the picture of our position in the field of guided missiles and satellites. He gave us many previously published facts, and some facts concerning our military strength which had theretofore been treated as top secrets. We were, of course, happy to get this information.

However, it was far from reassuring to me when he said that the Russians "quite likely" are ahead of us in some missiles and "special areas," and that it is entirely possible that "we may fall behind on an overall basis in the years to come."

I was also disappointed after he made these admissions to hear him say that he could meet this crisis merely by the appointment of another presidential assistant, even though he named one of the ablest scientists in America.

He already has half a dozen scientific agencies to advise him. They include the National Academy of Science, the President's Advisory Committee on Science, the President's Advisory Committee on Organization of the Government with a division of scientific research, the Inter-departmental Committee on Science, as well as the Atomic Energy Commission.

In addition to these, there are approximately 60 different government sponsored agencies and committees or other groups carrying on some types of scientific activities. It is fine to add the illustrious Doctor Killian to his group of scientific advisors, but what he must do is to mobilize, and centralize, and utilize the brain power and man power he now has subject to his direct control. He must smash the walls of secrecy between the different branches of the military services now going their separate ways in search of a common goal. He must realize that even the different branches of the Defense Department must "hang together" or that we all, will "hang separately."

I was sorry that he didn't even

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*An address by Senator Kerr before the 37th Annual Meeting of the American Petroleum Institute, Chicago, Ill.

Our Reporter's Report

The investment market is experiencing a transformation such as comes along only once in a great while. And for the moment, at any rate, borrowers who agreed to non-callable clauses for five or ten years in raising new funds quite recently, probably wish they had waited a bit.

Within a period of four or five weeks the investment situation has completely reversed itself. Only that long ago it was a "buyer's market" and the buyers were really making the most of it. Top grade borrowers were paying close to 5% for money after having had the experience of borrowing well under 3% only a few years back.

But now, it appears that we are once more in a "seller's market." True we are not back to the days of federally-forced "cheap money," but certainly it appears that yields are likely to be tapering for a while what with the Federal Reserve definitely moving away from its stiff money policy toward a condition of more liberal credit.

This week saw the first issue to be offered at a yield of less than 4% snapped up in brisk manner by investors. Chesapeake & Potomac Telephone Co.'s 36-year 4⅛s were priced to yield 3.98%.

Only a few weeks back, American Telephone & Telegraph Co.'s latest issue of 5 percent was brought to market offering a 4.90% yield and moved sluggishly until the Federal Reserve central banks reduced their rediscount rates.

Since that time the bond market, new issue and secondary, has been moving forward under a gathering head of steam.

Shift From Equities

Finding the business picture more than a little uncertain, especially from a near-term point of view, people and institutions which make a practice of putting part of their funds into bonds and a portion in equities at the moment are leaning more strongly to debt securities.

Even the portfolio managers for the major institutional investors who ordinarily would be primarily interested in closing out their books for the year, are apparently willing to take time out to look at new issues reaching market.

Currently the situation is aggravated a bit by the fact that new emissions are not too plentiful. But the calendar is building and the turn of the year should see a marked pickup in new offerings even though the pace of capital expansion is seemingly destined to be slower in the new year.

Reinvestment Demand

Market observers are disposed to look for a bit more normal conditions as regards much-touted January "reinvestment demand." Interest in the stock market, together with extremely modest yields of recent years, had tended to distort such buying.

But with stocks a bit the worse for wear, it seems likely that potential investors of year-end funds will be looking more toward fixed-term securities.

And with the available supply of new material quite likely to be running a little behind recent years, the pressure of such demand should be reflected accordingly.

Sparse Week Ahead

In keeping with the seasonal trend over the years, bond men will be able, for the balance of this month, to turn their attention to the task of working out necessary year-end adjustments.

Certainly the new issue calendar for the ensuing week is anything but robust. It boasts only four issues at the moment, and these are small at best.

During the week bankers are slated to offer $6,000,000 of Series B ordinary shares of American Israeli Paper Mills, Ltd. The only other issues of consequence are Consolidated Cement Corp.'s $5,000,000 of debentures and 155,000 shares of Simplicity Pattern Co., Inc. common stock, also due for market via the negotiated route.

Reinholdt & Gardner Absorbs Hill Bros.

ST. LOUIS, Mo. — Reinholdt & Gardner, 400 Locust Street, members of the New York Stock Exchange, have announced that they have acquired the investment banking and brokerage business of Hill Brothers. All of the partners and many of the members of the Hill Brothers' staff have joined Reinholdt & Gardner.

Newburger & Co. to Admit Two Partners

PHILADELPHIA, Pa. — Newburger & Co., 1401 Walnut Street, members of the New York and Philadelphia-Baltimore Stock Exchanges, on Jan. 1 will admit Albert J. Berkow and Alfred A. S. Whitaker to partnership. Mr. Whitaker has been with the firm for a number of years in the cashier's department. Mr. Berkow is sales manager in the mutual funds and retail sales departments.

Francis I. Du Pont To Admit G. R. Foote

On Jan. 1 Gordon R. Foote will become a partner in Francis I. du Pont & Co., 1 Wall Street, New York City, members of the New York Stock Exchange. Mr. Foote has been with the firm for many years.

Sade & Co. Admits Walters as Partner

WASHINGTON, D. C.—Sade & Co., Investment Building, members of the New York Stock Exchange, on Jan. 1 will admit Harold M. Walters to partnership. Mr. Walters is manager of the firm's trading department.

Goodbody & Co. to Admit A. M. Seaber

MIAMI, Fla.—On Jan. 1 Alfred M. Seaber will be admitted to partnership in Goodbody & Co., members of the New York Stock Exchange. Mr. Seaber is manager of the firm's Miami office, 14 Northeast First Avenue.

E. S. Cowgill Joins Wilson, Johnson Co.

SAN FRANCISCO, Cal.—Elvyn S. Cowgill has become associated with Wilson, Johnson & Higgins, 300 Montgomery Street, members of the Pacific Coast Stock Exchange. Mr. Cowgill was formerly an officer of Waddel & Reed, Inc.

John M. Stine has also joined the staff of Wilson, Johnson & Higgins.

New J. M. Dain Office

EDINA, Minn.—J. M. Dain & Company, Inc. has opened a branch office at 166 Southdale under the direction of J. Putnam O'Grady.

From Washington Ahead of the News

By CARLISLE BARGERON

The failure of our satellite down at Cape Canaveral, Fla., instead of bringing about a national dejection, should clarify the atmosphere in the tremendous propaganda we have been experiencing since the Russions got their sputniks into the air.

Carlisle Bargeron

First, there is the attitude of the Democrats. Faced with the fact that they sharply reduced the Eisenhower budget at the last session, particularly that of the military, they have not been so bold yet as to say we need a greatly increased appropriation for missiles. There is considerable agitation to this end but the Democratic spokesmen — Senator Lyndon Johnson, Speaker Sam Rayburn at al, have shied away from going this far.

They went up to the White House recently for a talk with President Eisenhower who sought to assure them that our defenses were not being neglected. Being politicians of the opposite party they couldn't accept this but they didn't suggest more money should be spent. They got their heads together and came up with a "sense of urgency" theme. That's what worried them, they said, the Administration just didn't seem to have a "sense of urgency." Apparently, they didn't find Mr. Eisenhower running around the table and flailing his hands.

Well, there seems to have been a definite "sense of urgency" behind the Cape Canaveral fiasco. To much of one, in fact. The Administration was definitely and excitedly trying to get that thing in the air.

Another agitation that has sprung largely from the so-called liberals is that we have not paid the scientists enough, that we don't cater to them enough and that we are not training enough youngsters to be scientists—also that we would have been ahead of the Russians had security clearances not been taken away from Oppenheimer and Condon, had there not have been the "McCarthy witch hunting."

Well, can it be successfully contended now that the Cape Canaveral missile would have gone into the air if we had given the scientists a 10% increase, if we had been kinder towards them, if we had glorified them, given them the best seats at the opera as the Russians do? Suppose Oppenheimer and Condon were still enjoying government security favor, that we were educating 5,000 additional young scientists, would the satellite have gotten into the air?

Cape Canaveral proved that we had the satellite—no shortage of scientists is involved, no shortage of money. Manifestly we haven't had enough tests but no lack of scientists or money is involved. And as to the Administration being complacent and lacking "a sense of urgency" the Cape Canaveral episode would seem to be a complete answer. What is needed is more feet on the ground, not any "senses of urgency" or any "bold and imaginative" steps as the Administration is charged with not having taken.

I have before me a piece of propaganda from the public power group, those who want to ring the country with atomic TVA's. For more than 20 years they have been trying to ring it with conventional public power systems. They see now hope for their program through atomic plants.

The propaganda before me makes what is intended to be a startling disclosure that Britain is already seven years ahead of this country in nuclear power plant construction, and that Russia is believed to be making enormous strides.

It can also be pointed out that Britain is ahead of us in derby hats and that Russia far excels us in caviar. Those countries need nuclear energy for power plants. They don't have the coal, the oil in the abundance that we do.

There is not the slightest doubt in the world that our private utilities can build nuclear plants. But they can't get the cost down to compete with fossil fuels. To build more expensive nuclear plants simply in order to be able to say that we have something the British and the Russians have would be the height of absurdity, not that we are not likely to do that.

Cartwright, Valleau Co. Formed in Chicago

CHICAGO, Ill. — Cartwright, Valleau & Co. has been formed with offices at 141 West Jackson Boulevard. Officers are Levering Cartwright, president; Harry Valleau, vice-president and treasurer; Roger White, secretary; and Wayne Olson, assistant secretary. Mr. Valleau formerly conducted his own investment business Harry O. Valleau & Co. in Chicago.

Helpful and Threatening Forces Facing the General Contractor

By JAMES D. MARSHALL*
Executive Director, Associated General Contractors of America
Washington, D. C.

Mr. Marshall praises AFL-CIO Building Department head for his recent wage moratorium proposal in warning that the industry may be pricing itself out of the market. The contractors' spokesman asks business firms to cease using their maintenance crews for construction work which is said to abet jurisdictional rivalry, monopolistic barriers against craft unions, and higher costs. Concurs in President Eisenhower's anti-inflation appeal by calling for wage increases reasonably limited to productivity increases, and castigates industrial worker competition in prefabrication and other industries which compete with work done on the site.

It was in Atlantic City in the Fall of 1936, 21 years ago, that the national AGC and its chapters first adopted a policy which permitted working with the local and international construction unions and the Building Trades Department in an effort to solve the problems of the many general contractors who employed workmen represented by the building trades unions. The following convention of the AGC confirmed this policy and it has been my duty to deal with the mutual labor problems and the regulations of the Federal Government affecting employment and the labor organizations.

James D. Marshall

A few years later, Atlantic City was again to play an important part in the relations of construction employers and the union group, when, for the first time, a committee from the AGC met with the union's Executive Council to develop a program of joint effort in solving mutual problems without government intervention. The meeting resulted in such a program and the Executive Council, through the presidents of the constituent unions, put many thousands of construction workers back to work on projects which had been stopped by jurisdictional disputes.

Although the building trades unions and employers participated in development of the NRA codes of fair competition of 1934, it was not until the advent of preparation for defense and the emergency of World War II that the AGC staff and committees met with the groups jointly to tackle serious problems.

During the World War II effort, and again during the Korean emergency, our joint efforts kept government intervention into our relations to a minimum by the creation of the Wage Adjustment Board of the industry and later the Wage Stabilization Board to deal with the government control of wages in a realistic and orderly manner.

With the passage of the Taft-Hartley Act the construction industry was faced with a new problem — being regulated by a Federal law specifically intended for industries that employ men continuously for a given period of time with union representatives of such employees. In the construction industry, however, men are employed to perform a specific piece of work on a specific job and then laid off to be employed by another employer from the pool of construction labor available.

It was soon recognized that the practice of the Building and Construction Trades Department to determine and enforce the jurisdiction of its unions over certain specific work had been prohibited by the act.

Instead, it appeared—and the courts have so held—the employer alone had the right to make the assignment, and that union affiliation of the workman could no longer the sole reason for that assignment.

If the construction industry was to continue the most effective use of respective skills of the various trades, developed by mutual apprenticeship programs and the customary organization of the work crews, then the employers of the industry had to forego their privilege of making assignments as they please and instead, by agreement, make assignments in accordance with customs of the industry and certain previous decisions recognized and interpreted by a board representing all of the building trades unions and the employers.

The AGC, together with the other national associations of mechanical and specialty contractors, joined with the Building Trades Department to form the national Joint Board for the Settlement of Jurisdictional Disputes. This Joint Board, recognized by the National Labor Relations Board, constitutes a sufficient means of settlement of the jurisdictional disputes under the terms of the act. The NLRB need not step in as long as the decision of the Joint Board is complied with.

This Joint Board has continued for 10 years through a period when construction has had a continuing increase in volume each year above the previous year's all-time record. Jurisdictional disputes have not been eliminated but they have been reduced in number and duration far below what they would have been, at a time of record construction volume, without such a board.

The construction industry, with a large portion of its employees drawn from the building trades unions, has been one of the marvels of the age and recognized by military men as one of the most essential elements in winning the war. Today it provides through the contract method of construction the speediest, most expert and economical method of new construction, reconstruction, alteration and repairs ever devised for serving America's commercial and industrial enterprises.

Through these 21 years, during which the AGC and I have been in contact with the building trades unions, I had constant hope that our mutual efforts could continuously improve our relations and the position of our industry.

Today, I as an individual, am thoroughly discouraged, and because of recent developments, I am fearful that all of our efforts are to be curtailed and hampered by rivalry among the unions of organized labor in high places, beyond the authority of the Joint Board for the Settlement of Jurisdictional Disputes.

Checking Rising Wage Rates

I am also deeply concerned that unless some means are found to stop the contribution to inflation of the rising wage rates, we may be pricing ourselves out of a market for private investment in construction, and for the government's dollar invested in public works. We are also competing with certain industrial unions for alteration and repair of the industrial plants of the nation.

Gray Wage Plan

However, I find that President Richard J. Gray of the AFL-CIO Building Trades Department has offered a program to check wage rises in 1958 which, would do much to allay any fears as to our future market if this plan, or some similar plan, can effectively operate among building unions.

The President of the United States last January cited the dangers of inflation and called upon business and labor leaders to think well upon their responsibilities. The AGC pledged its support to this proposal by the President and recommended that both employers and labor representatives limit increases in wages and other hourly costs to those reasonably related to improvement in productivity, or necessary because of increased cost of living.

The cooperation of labor's great organization in continuing a high productivity and stabilizing wage levels will make such a program possible.

Use of Maintenance Workers

The rivalry between the industrial unions and building trades unions threatens to destroy the effectiveness of construction to other industries. Agreements which are demanded by industrial unions that construction, reconstruction, alteration or repair must be performed by their maintenance workers actually constitutes a restriction and restraint of trade against the construction industry. These agreements will result in increased costs, poor workmanship and inefficiencies not justified by any benefits which could accrue to the workers of either group by raiding the customary employment of the other.

Asks Business Cooperation

Surely, the managements of our great production industries do not of their own choice want to do construction work with their own maintenance forces, composed of production workers affiliated with the production union.

An industrial maintenance crew sufficient to perform the usual construction and repair operations is limited in its experience and, in a sense, unskilled. It is permanently on the payroll but with intermittent employment. The contract construction system of performing this work furnishes at a moment's notice, the organization, methods and skilled workers constantly employed in all types of competitive construction work. When the immediate industrial project is completed they are off the payroll of the industrial plant, so to speak, and employed by the contractor in some other plant.

I stated before that throughout the relationship with the Building Trades Department we have tried to work in solving problems without asking the Federal Government for help. The AGC has not up to this time sponsored any legislation to control our relationships. Our committees have cooperated with labor leaders to try and develop amendments to make the Taft-Hartley Act work in construction. This was accomplished under the lead-

Continued on page 29

*An address by Mr. Marshall before the 50th Anniversary Convention of AFL-CIO Building and Construction Trades Department, Atlantic City, N. J., Dec. 3, 1957.

THE MARKET... AND YOU

By WALLACE STREETE

The stock market was back in an undistinguished rut for the most this week again, with the business news no help to constructive sentiment and tax selling still around to keep the list reactionary.

* * *

A major deterrent to investment sentiment was a steel production schedule of below 70% which, except for a strike period, was a low since 1954. Also being watched closely — and still showing no exceptional upsurge over previous Christmas shopping levels—are retail sales. The latest reports were confusing because of a different situation over the Thanksgiving Day holiday, so the new figures due tomorrow are being awaited eagerly.

* * *

It is no secret that the capital goods industries are having their problems, but so far consumer purchasing has been holding up well and helping keep the wheels turning as capital goods outlays shrink. If all the recent recession talk, and layoffs in many areas, make consumers curtail their purchases, the outlook for well into 1958 will have to be recast.

Better Acting Groups

Some groups were able to stand out a bit, as the sulphurs when Mexican prices were boosted since it was the competition from this source that has been putting the profit pinch on the domestic producers. Aircrafts were among the better-acting issues more times than not, interest in them being bolstered by the published backlogs and new orders, plus the prospects of continued high activity as missile programs get pushed. Most have been well depressed below their peaks so in general prices are not out of line with economic realities.

* * *

An organization winning recognition from several analysts for missile work performance is the little-known four-year-old Litton Industries which already is an important factor in electronic fields. In one line — magnetrons—it already is second largest producer.

The company is planning mergers with Monroe Calculating Co. and Aircraft Radio Corp. to broaden its lines which are now mostly military. And, as was pointed out repeatedly, a quarter of the spending for missiles goes into electronic devices and controls to make them operate. The company is not unknown in civilian lines and has an electronic computer on the market that is about the size of a typewriter and sells at an unusually low price for such a machine.

Sliding Steels and Autos

The glaring weaknesses were in the steels and autos and it was becoming common to find a dozen steel issues as well as the Big Three of the auto industry all selling at new lows for the year simultaneously, which is hardly of comfort to the market. It was a new note for the technicians since in past market swings there has been a rather large time interval between when the two groups reached highs or lows. Today, however, so much of the steel demand stems from the auto business that the groups necessarily must be linked in any study of the market. And neither has shown any ability to put on a rousing upsurge in what for both is supposed to be a busy seasonal period.

* * *

Apart from the aircraft-missile items, the oils showed fair stability at times when the going was rough and the food shares were also able to put on a front of good defensive action. The foods, particularly, were highly favored by market analysts without yet showing any ability to move out of the narrow ranges in which they have idled for many months.

In the Defensive Section

Foremost Dairies, one of the largest firms in the business, has held in a swing of less than half a dozen points and lately has lolled almost at midcenter. The company has been making progress in controlling expenses after the rapid series of postwar mergers that helped it climb to its imposing stature of today. This indicates continued improvement in earnings and projections are for around $1.50 this year against $1.38 last year and well covering the $1 dividend. On this payment the yield is well into the 6% bracket, an above-average figure in general and particularly for a defensive section item. The merger-acquisition phase of the company's life at least temporarily is over, according to its officials.

* * *

Hershey Chocolate, largest producer of chocolate and cocoa items both for consumers and for other processors, has also been available around a 6% yield. Because of the effect of wide fluctuations in the price of cocoa beans, Hershey has had a more volatile market life but still hasn't swung over an arc of a full 15 points. It too, has a well-sheltered dividend and, in addition, a small "float" of stock since about 70% of the issue is privately held.

Consumer Issues

Other "consumer" issues where sales are expected to hold up well were among the other favored items, including those like Revlon that have been well deflated from previous peaks. The yield on Revlon runs around 6% and is well covered by earnings. The firm's profit, incidentally, increased almost sensationally from 61 cents three years ago to above $3 this year. Earnings projections indicate the final figure will be around $3.35. The stock sold as high as $40 earlier in the year but lately has been available at around $27 against the low of $21.

* * *

Colgate-Palmolive, one of the three top soap outfits, was also held promising in the soft goods lineup. Like the others in this highly competitive industry, heavy promotional expenses are necessary at times and were credited with causing last year's dip in profit. This year, despite a drop in domestic sales, earnings were higher and the dividend is amply covered. It has been available at around 6½% despite a dividend record unbroken since several years before the turn of the century.

Ward Still Neglected

Montgomery Ward, also a purveyor to the consumer, has done little since its management was changed to indicate that the new expansion program is attracting any investor attention. In part this has been because the heavy expansion and expenses incident to store modernization have been at the expense of earnings. But with its aggressive merchandising steps underway now for around a year, expanded earnings in the future could be within sight. The strong cash position of Montgomery indicates that the dividend is secure and it represents a return of better than 7%.

[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.]

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

On Dec. 31 Harold A. Bray will retire from partnership in Bacon, Whipple & Co.

Hugh H. Goodsite will withdraw from partnership in Collin, Norton & Co. Dec. 31.

Durwin D. Algyer will retire from partnership in Goldman, Sachs & Co. Dec. 31.

Knox B. Phagan, Jr. will retire from partnership in La Grange & Co. Dec. 31.

Halsey, Stuart Group Offers Brockton Ed. Co. 4⅝% Bonds

Halsey, Stuart & Co. Inc. and associates offered yesterday (Dec. 11) $3,000,000 of Brockton Edison Co. first mortgage and collateral trust bonds, 4⅝% series due Sept. 1, 1987, at 102.25% and accrued interest, to yield approximately 4.49%. Award of the bonds was won by the group at competitive sale on Dec. 10 on a bid of 101.25%.

Net proceeds from the sale of the bonds, together with proceeds from the earlier sale of 30,000 shares of its 6.40% preferred stock, will be used by the company for the purchase of $4,200,000 principal amount of debentures and $800,000 par value of common stock of Montaup Electric Co.; the latter will use the funds to pay a portion of bank loans contracted in connection with the installation of a new 100,000 kilowatt generating station, expected to be placed in service in 1959. The balance of the proceeds received by Brockton Edison will be applied to reducing currently outstanding short-term bank loans incurred for construction purposes.

Brockton Edison Co., a member of the holding company system of Eastern Utilities Associates, is engaged in the distribution of electricity in Brockton and other Massachusetts communities, having an aggregate population of about 168,000. It also has a substantial interest in Montaup Electric Co., electric generating company, which supplies Brockton Edison with all but a minor portion of its electric requirements.

The bonds will be redeemable at regular redemption prices ranging from 106⅞% to par, and at special redemption prices receding from 102½% to par, plus accrued interest in each case.

Operating revenues of Brockton Edison during the 12 months ended July 31, 1957 totaled $8,993,637 and net income amounted to $1,086,213.

Associated in the offering are: Shearson, Hammill & Co.; Stroud & Co. Inc.; and Thomas & Co.

Phila. Secs. Assn. to Hear

PHILADELPHIA, Pa. — Arthur B. Sinkler, Chairman and President of Hamilton Watch Company, will address a luncheon meeting of the Philadelphia Securities Association on Friday, Dec. 13, at the Barclay Hotel. William A. Webb of DeHaven & Townsend, Crouter & Bodine, is in charge of arrangements.

Joins Goodbody Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Stephen J. Grosse has become affiliated with Goodbody & Co., National City East Sixth Building. He was previously with Merrill Lynch, Pierce, Fenner & Beane.

Career Opportunities in the Securities Business Discussed

Group of the younger men connected with Wall Street investment banking firms, in pointing up opportunities for successful careers in the securities industry, describe functions and responsibilities in each of the five departments of the business in which they are now or were previously engaged: Buying; Sales; Syndicate; Research, and Municipal. Panel moderated by Maitland T. Ijams, President of the Investment Association of New York.

A feature of the Seventh Annual Forum on Finance, held at the American Stock Exchange in New York City, was a meeting devoted to a discussion of the opportunities open to young men for successful careers in the securities and brokerage industry. By way of illustrating the point, a group of the younger men in Wall Street described the functions of the specific departments with which they are intimately familiar. The Panel was moderated by Maitland T. Ijams, of W. C. Langley & Co., who is President of the Investment Association of New York. Participants included Vance Van Dine, **Buying Department**, Morgan Stanley & Co.; W. Mayo-Smith, **Sales Department**, Merrill Lynch, Pierce, Fenner & Beane; John F. Bryan, **Syndicate Department**, Smith, Barney & Co.; Walter P. Stern, **Research Department**, Burnham & Co., and Edmund G. Anderson, **Municipal Department**, B. J. Van Ingen & Co., Inc.

The text of the talks (with the exception of the one by Edmund G. Anderson which was not available) are reproduced herewith:

By MAITLAND T. IJAMS

W. C. Langley & Co., N. Y. City
President, Investment Association Of New York

I am going to have the pleasure of introducing five gentlemen to you who will speak on "Career Opportunities in Wall Street," in regard to their special fields. These fields are Buying, Syndicate, Sales, Research and Municipals. But before I do that I thought you would be interested to hear some statistics about the young man in Wall Street and what he earns. In both 1951 and 1954 the Investment Association polled its members on such subjects as their present compensation, what they expected to earn in the future, and certain other background information. I have the results of these polls before me now, and with your permission will give them to you briefly.

Maitland Ijams

We broke down the ages into three brackets, namely, 25 to 28, 29 to 32, and 33 to 35. In 1951 the youngest bracket made an average of $4,600 a year. In 1954 the same age bracket made $5,500 a year, an increase of $900. In 1951 the middle age bracket made $7,300 a year and by 1954 they had increased their average compensation to $9,000, in increase of $1,700. The oldest group (and I might point out parenthetically that membership in the Association is limited to men in our business 35 years or under) made an average of $9,000 in 1951 and by 1954 were able to increase that to an average of $11,500, an increase of $2,500 in the three year period.

Anticipated Incomes

As far as anticipated average income, the youngest age group thought they would be making about $13,000 within five years and $22,000 in ten years. In other words, they expected to quadruple their earnings in ten years. The middle group expected to make $21,000 within five years and $30,000 within ten years. They expected to better than triple their present earnings within ten years. The oldest group expected to make $22,000 within five years and $33,000 within ten years. This again is approximately three times what they are making now.

This is interesting because it shows that as our members get older and presumably wiser, their optimism is not dampened as far as their hopes for earning power are concerned. They have had a steady increase in earning power, as shown by the earlier figures I gave you, and on the average do not feel that they will see any diminution of this earning power in the next decade.

97% of our members attended college, and almost 25% of them have graduate degrees. Half of them majored in business subjects while at college. Their average number of dependents is 1.8. Three quarters of them, approximately, receive "fringe benefits" such as profit sharing, group life and group health insurance, and about 40% of them are working for employers who have a pension plan or retirement plan. In 1951 60% had to use their financial resources in order to live. This figure went down gratifyingly to 50% in 1954. Whereas 85% of our members in 1951 planned to stay in the security business, by 1954 97% had made such plans, thus indicating, perhaps, that the more they knew of the business, the better they liked it.

I hope this has given you some idea of our composite or average member, and I am only sorry that these figures are not more up to date. I can tell you, however, that we expect to conduct another poll, and should this be the case we will be very glad to provide copies thereof.

By VANCE VAN DINE

Morgan Stanley & Co., N. Y. City

I believe investment banking to be the most interesting, exciting and vital job a young man could have as he faces the world of tomorrow. Estimates of the population, national income, power production and industrial output of a generation hence are constantly being revised upward. The capital requirements to finance this growth will dwarf anything we have heretofore seen. Investment bankers will have to use all the ingenuity of which they are capable to find new methods of financing, new sources of funds, new techniques to marshall the resources of the nation. What more challenging career could a young man ask?

Vance Van Dine

The basic decisions as to the necessity, type and amount of financing, and the development of a definite plan of financing are the work of the Buying Department. You have heard these functions described here by some of the top men in the business, and I shall not presume to enlarge on what they said. What I shall endeavor to do is to show you how a young man fits into them.

Qualifications

The first concern of a young man choosing our business is getting a job—therefore a word is in order as to the qualifications that are sought. Of course every business looks for men with intelligence, initiative, resourcefulness and willingness to work hard, and we are no exception. Perhaps integricty is our most important requirement, since we are privy to the most closely-guarded secrets of the corporations whose securities we underwrite, many of whom are competitors of each other. If one of us tried to capitalize on inside knowledge we have about impending financing, for example, we would not only no longer merit the confidence of our client, but the leak might easily prevent the plan from being consummated at all.

As for educational requirements, it is most important to have a sound liberal education at the undergraduate level. There has been a pronounced recent trend by investment banking firms toward business school graduates, although other considerations can still outweigh the lack of an M.B.A. A few have law degrees and find it very helpful, since there is a great complex of legal problems in preparing new security issues. Many firms send their new employees to night courses in finance and business administration, and some have extensive on-the-job training courses.

One more word about the availability of Buying Department jobs. The number of major firms that manage underwritten issues is small with the majority of them in New York City. While the Investment Bankers Association lists 800 members throughout the country, most of them are distributors who participate in underwriting groups formed by the managing underwriters. Hence the description which follows applies primarily to jobs in a relatively small number of firms, which do not employ men in numbers anywhere nearly comparable to those of industry.

Initial Duties

So much for getting a job. Once installed in a Buying Department, what does our neophyte do? It is a sure bet that that his initial duty will involve some pretty boring statistical drudgery. New issues are evaluated by comparing them with already outstanding issues, and someone must set down a host of comparative figures and ratios. This job falls to the trainee. It is drudgery, to be sure, but at the same time it teaches the new employee practical security analysis and begins to give him a basis for making his own judgments as to security values.

Once versed in security analysis, our embryonic investment banker may be allowed to work on a Registration Statement. Here the work becomes truly fascinating. One aspect of this work, quite at variance with the general experience of working for a large corporation, is the immediate opportunity to work with the top-level people both in the companies you are financing and in your own organization. A Registration Statement necessarily requires the participation of the top officers of the company, since it must include *all* material information about the company. Thus the average drafting conferences include at various times the President, the Treasurer, the various department heads, and the company's auditors, engineers and general counsel. (While this is a talk on career opportunities within the securities business, I should mention here that top performance in contacts with people such as these can and occasionally does lead to offers of jobs in other industries.)

In our firm each issue is worked on by a team, consisting of a Buying Department partner, a relatively senior staff member and one or two juniors who sit in on conferences and participate in decisions throughout the course of the issue.

One of the first Registration Statements I worked on was a huge issue for one of the country's major corporations. We worked in the Board Room, which was surrounded by portraits of the founders of the company. I had read a great deal about these men, and suddenly here they all were, staring down at us from the walls. And sitting around the table were their modern-day counterparts, the current group of men who run the company and whose statements make the business headlines of today. Quite an experience for a young man in such an early stage of his career!

Plant Inspection

The Buying Department also involves a large amount of travel, since the best place to prepare a Registration Statement is right on the spot where the company is located. An important part of the investigatory function of the Buying Department is inspecting the plant and other facilities of the company, an the young man in this work will soon have been through a great variety of industrial plants. Furthermore, questions inevitably come up in drafting a Registration Statement which can only be answered by recourse to company files or to an engineer or other official who has personal knowledge of the facts. In a year a young man may travel almost enough to equal a trip around the world without actually leaving the country, although we have sold issues for foreign governments, and in these instances, young men in our firm did go abroad. And in such cases one deals not with corporation Presidents but with Prlime Ministers, Finance Ministers and Ambassadors.

Not every issue is for a giant corporation. A couple of years ago we did an issue for a rapidly growing young company manufacturing a new type of electronic equipment. Here we had to determine first that such equipment had a future, and secondly that this company would play a role in that future. Again, we underwrote the first public offering of a company which operates offshore oil drilling barges in the Gulf of Mexico. There we flew all along the Louisiana coast studying oil exploration activity. We watched a crew battling to control a fire on an offshore well, and went aboard drilling barges engaged in drilling new wells. Thus you can see that among the opportunities available to a young man in our business is that of helping to pioneer new industries.

Another job falling to the younger men is the collection of documents. Every Registration Statement includes a myriad of exhibits, certificates and consents, and these must be assembled and checked.

He will be responsible for the printing of the Registration Statement, and will spend long nights at the printer reading proof. He will sooner or later be sent to Washington to file a Registration Statement with the SEC and he may participate in discussion with members of the Commission's staff. He will handle the distribution of prospectuses to the underwriting roup and to large numbers of institutions and dealers.

Vehicle of Communications

There is an Information Meeting for the members of the underwriting group, which may be held at the location of the company. In such cases the young man will make travel arrangements for the other underwriters, hire meeting places, and so on.

Most communications with the other members of the group are handled by the junior member of the team, including advice as to the time and place of signing the agreements among underwriters. He will conduct this signing, and a group of 250 or more underwriters is usually signed up in little more than a half hour.

When the offering has been completed it is followed by the closing, at which the money and securities are exchanged. Here again, the young staff member is responsible for making sure that all supporting documents such as certified charter, directors' resolutions, legal opinions, and so on are received. His last job will be to assemble a file of all pertinent documents in connection with the issue for further reference.

So far this discussion has been confined to the preparation of a Registration Statement. However, as you know, there are many other services performed by the Buying Department of an investment banking firm, and in which a young staff member will participate. In a private placement, for example, he may go along with the sales personnel to the purchasing institution and help describe the company. Or he may help to work out the terms of a merger or to evaluate a closely-held company, or write a memo for a corporation on stock split or dividend policy. Such work leaves room for a great deal of ingenuity and initiative. Many firms have New Business Departments allied with the Buying Department, in which young staff members tour various sections of the country calling on local dealers, institutions and industrial companies seeking financing or advisory opportunities for their firms.

Often the Buying Department's functions are availed of by the Sales Department. Sometime ago, for example, we underwrote one of the largest new common stock offerings in history, and we sent teams, which included company officers, Sales and Buying Department personnel, across the country to explain the company to institutions and dealers.

Room at the Top

In much of the foregoing I have said the young man in a Buying Department may "help" in the activities described. In the beginning this involves a certain amount of pencil-sharpening. But he is exposed to the top negotiations at all times, and unlike corporations where there exist effective barriers between the young man and the top management, here he is allowed to carry just as much weight as he is capable of assuming. His ideas will be listened to, and acted on, just as soon as they are good ideas. And there is no rigidity at the top, an is an industrial corporation where someone must retire before a young man can move up. In this business there will always be room at the top for the industrious and resourceful. Furthermore, because of the age gap occasioned by the depression and war years, the time is fast approaching when this will be a young man's business, run by the people who have entered it since World War II. You have heard already about the Investment Association, which is making every effort to better prepare its young members for that day.

I should like to conclude with a story that to me typifies much of the romance and color of the business I am in.

A few years ago we had an issue for another major company. It fell to me to take the Registration Statement to their main offices in another city to be signed by all the officers and directors. Meeting each of these men in their offices and talking briefly with them was, of course, absorbing and instructive. The last one I met was the President. It was then about five o'clock in the afternoon, and he asked me how I was going back to New York. I told him I had an airline ticket on an evening plane. Whereupon he said, "I am leaving for New York in 20 minutes. Why don't you come along with me?" And a few minutes later there I was, one of the most junior people in the firm, high up in a company plane with the President of one of the largest industrial corporations in the world, discussing the problems and plans of his company! It is experiences like this, which I don't think are given to young men in many other businesses, that make the investment banking business to me the most interesting and exciting thing I could do.

The young man of today stands on the threshold of a dramatic era in the development of his nation. I plan to have a part in building it, and I invite any young man of enterprise and vision to join me.

* * *

By W. MAYO-SMITH

Merrill Lynch, Pierce, Fenner & Beane, New York City

While selling has never given me a chance to ride in the personal plane of the president of a large corporation, or to fly over the Gulf of Mexico observing oil exploration, still I have the same enthusiasm for the sales end of this business as Vance Van Dine has for the buying end.

W. Mayo-Smith

Selling securities is similar to other types of sales work insofar as you have to have both products and customers. In my opinion, that is where the similarity ends. In almost no other type of sales work is such a premium placed on a thorough familiarity with the goods you are selling, general knowledge, and imagination.

Background Reading

Obviously, the first problem confronting a salesman is to gain a profound understanding of what he has to sell. This involves good training, initially, followed by reading, reading, reading. It means reading the research reports and ideas put out by his own research department as well as those put out by the competition. It means reading the so-called trade publications — newspapers, magazines, and reports of financial services.

Then, as anything that happens anywhere in the world can well affect the securities market, this reading should also be of a general nature. It should cover not only financial developments, but every other development that might affect the state of the economy, domestic politics, foreign policy, etc.

The purpose of all this reading should be to develop ideas both on the future of the market as a whole, and on the securities which he feels are particularly attractive for various investment objectives. These securities are the merchandise on his shelves. They are his bread and butter. He should be thoroughly familiar with them but not tied to them as our business is subject to constant changes

Once a salesman has a sound knowledge of his securities and completed his inventory with ideas, his next step is to go out and get customers. In our industry, we divide customers into two categories — institutions and individuals. By institutions, I mean savings banks, insurance companies, pension and profit sharing funds, and mutual funds. While in a broad sense, the aims of institutions and individuals are similar, the sales approach differs greatly. As a rule, a salesman will specilaize in one group or the other, while for many the ideal is a mixture of both.

Must Be Sophisticated

Institutional accounts are either assigned to a salesman or brought in by him after thoroughly and lengthily exposing the prospect to his and his firm's recommendations. As institutions tend to be more sophisticated buyers and sellers, so must the salesman be sophisticated, not only in the ideas that he presents, but in the manner in which he presents them. I do not mean to imply by this statement that there are not sophisticated individual investors or that institutions are always more successful in their security selections.

Individual accounts are rarely assigned. The salesman acquires them by following up the leads he himself developed or that were created by the advertising and promotional campaigns or by the reputation of his firm. The task of following up a lead involves constantly exposing the prospective investor to your security recommendations whether by mail, telephone, or personal visit. It is both frustrating and rewarding. Fortunately, the number of casual penny postcard inquiries that materialize into excellent accounts, stimulates the whole process. Also, it becomes apparent that confidence in your inventory coupled with persistence, repeatedly leads to success.

Buying Recommendations

Once the customer is in the fold, the salesman then carries out his recommendations by buying and/or selling securities. The recommendations that he has made are obviously tailored to the needs of each individual, whether the emphasis is on safety of principal, current income, or capital appreciation. They are also tailored to his prejudices, tax status, and temperament. In many instances, the salesman helps the customer in the formation of his investment objectives.

After the initial action in the account has been completed, the salesman then supervises the account, usually by cross-indexing the client's holdings so that he is in a position to relay information pertaining to the client's securities which he feels is meaningful.

I mentioned at the beginning of this talk that I felt that selling securities was not only different from other types of selling, but that it was more rewarding and exciting because of the fund of knowledge required and the amount of imagination needed. This is true because there is no price competition in selling securities. Commission rates are uniform, so that it doesn't cost an individual any more to buy 50 shares of General Motors from me than from any other salesman. It is true because most investors and potential investors have a greater interest in the disposition of the funds they worked hard for than in any other phase of their economic life.

The success or failure of a securities salesman lies in his ability to obtain and develop leads, and to convince prospective customers of the soundness of his particular inventory of ideas. This approach is subject to continual change as he is dealing with a wide variety of individual needs, prejudices, and temperaments, in addition to active and inactive markets. In the last analysis, he is his own sales manager, his own production manager, and his own merchandising manager.

Sales Opportunities

No talk would be complete without mentioning the opportunities that exist in the selling phase of our business. While I certainly do not advocate everyone in this country owning securities, I feel that there is a definite need to expand stock ownership from the present 8.5 million security holders. It has been estimated that U. S. corporations will have to raise $360 billion by 1960 in order for this country to maintain its present living standards. A good part of this money will be raised through the issue of securities which will in turn be bought by institutions and individuals. Increasing the number of potential investors in order to raise this amount of capital will require a vast program of education. In this connection, it is a great pleasure for me to be able to talk to you today on the subject of opportunity in selling. Needless to say, another facet of it is compensation.

While compensation varies widely between firms, I would say that a starting salary of $4,000 was about average for a college graduate. There are no upper limits to salary and title. It depends entirely on a salesman's success.

As for background and training, an individual does not have to have a graduate degree or a large following to be a success. In this respect, the business has changed over the past 40 years. The ability to shoot in the low 70s, mix a good martini, and know some rich widows used to be very important for a succesful sales career, but these blessings, while still useful, are by no means necessary today.

Conclusion

In conclusion, I feel that for the individual who does not emphasize a high starting salary, security in terms of stable compensation and fringe benefits, *or* for an individual who wants a large measure of personal freedom in his everyday work, *or* for an individual who realizes that knowledge and imagination are prerequisites for an interesting job, the sales end of our industry offers a fascinating career. The work affords variety in terms of ideas and clients: it requires business techniques which in most industries are restricted to top management, and it has sufficient pressure to prevent boredom and yet not lead to ulcers.

* * *

JOHN F. BRYAN

Smith, Barney & Co., N. Y. City

I would like to try to give some indication of the opportunities in syndicate work for young men contemplating careers in investment banking. Perhaps we should make sure at this point that we are thinking together regarding syndicate activities. The term "syndicate" as used in the investment business denotes a group of investment firms joined together under the terms of a syndicate or underwriting agreement, to underwrite and/or distribute an issue of securities.

One function of syndicate work is wise selection of the firms invited to become members of an underwriting account. In general, the qualifications considered important are (1) that each such firm have sufficient capital to assume the underwriting liability, and (2) that it has previously demonstrated its ability to distribute satisfactorily the type of security being underwritten. These qualifications are determined over the years by records of past performance for firms all over the country. Such records provide syndicate personnel with knowledge of the nature of the business of a given firm, the type of clientele with which it deals, its distributive capacity, and its net worth. As sizeable financial commitments are frequently made by telephone and word of mouth, a syndicate manager must know both the capabilities and reliability of the hundreds of investment firms who may be potential syndicate members.

Syndicate personnel participate in discussions with the buying and underwriting departments for the purpose of determining the type of security to be sold by the prospective issuer and in regard to underwriting compensation, offering price, or yield, and various other matters. In this capacity the department is a link between the sales and underwriting departments and provides the latter with an informed feel of current conditions in the security markets.

Non-Manager Functions

When my firm participates in a syndicate managed by another firm, it is the responsibility of our syndicate department to obtain and pass on to the sales department information regarding the contemplated offering price and yield of the security, redemption features, conversion terms, and underwriting compensation. When the issue in question is released for public offering, the syndicate department keeps the sales department informed of the progress of the offering, the identity of large institutional buyers, if any, and at frequent intervals the number of bonds or shares remaining unsold.

When a firm acts as account manager in competitive bidding, the syndicate department forms the underwriting account and is responsible for obtaining and tabulating institutional interest. It conducts the bidding meetings of the group at which each member of the syndicate is expected to express the views of his firm in respect to price and compensation. The syndicate manager supplies guidance and leadership for the account, but the account members should not follow blindly. A well informed syndicate representative with the correct feel of the market frequently represents the difference between a profit and a loss

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Career Opportunities in the Securities Business Discussed

to his firm in a competitive bidding account.

Seek Participations

A smaller firm may be less departmentalized and one individual may represent both the sales and syndicate departments. As the smaller firm seldom manages accounts, the principal job of the syndicate man is to make sure his firm is included in the accounts in which it is interested. To accomplish this he makes every effort to convince the larger firms that his firm has the necessary capital and the type of distribution needed by the syndicate managers. More often than not, many years of hard work are required to establish a small firm as a desirable syndicate member and even then the presence of an alert syndicate man is essential if the firm is to be consistently invited into the more desirable accounts.

In competitive bidding, the smaller firm, like the larger one, must protect its interests by doing its own research work and by sending to the price meetings a representative capable of independent judgment and with authority to make important decisions.

As you know, the principal function of the investment banker is to find private funds for industry via the purchase and sale of securities. To accomplish this, both the security and the terms must be carefully tailored to meet not only the needs of the corporation but also the requirements of current market conditions, and determination of the latter is an important responsibility of the syndicate department.

Bright Future

If there is a future in our business and I feel sure there is, I believe it to be particularly bright in the syndicate field. Top syndicate men are usually partners or officers of their respective firms which indicates the importance of the work and to some extent the opportunity it presents. In addition, you are perhaps familiar with the age gap in Wall Street. During the 30's and early 40's, very few young men entered the investment business which means that in say another 10 years many of the financial leaders of today will have retired and will be succeeded by younger men. In most cases the smaller firms have not been able to train younger men as have the larger firms, and the latter have not been able to train enough of them. The industry is looking for intelligent young men with good personality and pleasing appearance, who are at ease in meeting and dealing with people. The right man for syndicate work must be quick and accurate with figures, have a facile mind, sound judgment, and the ability to make correct decisions under pressure. He must be thorough in all he does and willing to work long hours for prolonged periods.

Given these attributes and the opportunity to work with a top man for 5 to 10 years, we might have the makings of tomorrow's syndicate head. I say "might" because there are other factors involved. It seems that an individual either has the *feel* for securities or he doesn't.

But, if a young man has the necessary qualifications and is willing to work hard and intelligently for 5 to 10 years, there would seem to be many opportunities ahead in our business and particularly in syndicate work.

WALTER P. STERN

Burnham & Co., N. Y. City

Research men used to be called "statisticians" although I think the term is a misnomer. Research conjurs up an image of a little man sitting on a stool with a green eyeshade and a ten column work sheet spread in front of him. Unfortunately, he stutters when he speaks so that he is placed off in the back where he will not have to talk to anyone. However, there is more to research than statistics — in fact, statistics alone do not prove anything. This is perhaps best illustrated by the fact that one can show a perfect statistical correlation between the consumption of whisky and the pay of schoolteachers in the U. S. A statistician would tell you that this proves one of two things—either people have to get drunk to vote school teachers more money or when teachers get paid more they spend it all on whisky! You can draw whatever conclusion you want. But the moral is clear — there is more to research to statistics.

Walter P. Stern

What Does a Research Department Do?

Perhaps the best way to explain Research is to describe briefly some of the duties a Research Department may perform. This can probably best be illustrated by a brief description of how we operate at Burnham and Company—a medium-sized diversified brokerage-investment banking firm where we have a larger-than-usual (two partners and nine analysts) Research Department.

The main job of our Research Department is to keep a close watch on all news developments that affect or may affect securities; this may range from the Middle Eastern political crises to the development of new products—such as the recently introduced Pyroceram (by Corning Glass). In following these developments we subscribe to and read carefully dozens of business and industrial publications and newspapers as well as several financial services. We conduct field investigations of many companies' operations as well as checking frequently with officials of these companies.

As an end-point we prepare analyses of important developments affecting various industries and companies, some for our various periodicals, some for other public distribution and some simply for internal use within our own firm. In addition, we perform some other duties such as answering inquiries and analyzing clients' portfolios, providing background information for our new business or buying department, and/or helping in pricing decisions on prospective underwritings.

Prerequisites for Research Job

What kind of individual fits into this sort of career? We feel there is no one background that best qualifies a man for research. As an example—one of the most successful analysts I know distinquished himself by his polo-playing and capacity for holding whisky at such a far off school as the University of Arizona. He had a rather diversified background, serving successively as an intelligence officer in the Army, then in a family business, then into Wall Street as a salesman, then back to work for one of the secret agencies in Washington, then back to Wall Street as a salesman and then to Research where he now heads up a very successful department.

More specifically, in hiring research people at Burnham and Company we look for first, brightness and/ or innate ability and secondly, initiative and/or aggressive thinking. Everything being equal we would prefer someone with a top-notch academic record—that is, preferably in the upper tenth of his class. In adition, we like either business school training and/or equivalent business experience. However, the main prerequisite is a bright, alert mind.

Research and a Career in Securities

How does research work fit into a career in the securities business? I think it can be groken down two ways. First, *research is probably the best background that one can have to go into virtually any other aspect of the securities business.* Secondly, and more important, it can be and often is *a very lucrative field in itself.*

Taking first, Research training as a jumping-off point for other phases of the securities business, a knowledge of securities and securities' values is invaluable background for practically any and every niche in Wall Street. It is quite common for the prospective Wall Streeter to spend anywhere from a week to three years in Research as training for other ends of the business—be it sales, buying, syndicate or some other phase. I think it is useful here to draw an analogy between the investment man and the doctor. When one goes to the doctor for advice, he feels himself in better hands if the doctor can analyze the illness and prescribe the cure himself, rather tha nhave to consult with his associates pleading lack of knowledge. In a like vein, when one seeks financial advice, the investment advisor, account executive or financial consultant should be equipped to prescribe a cure himself rather than have to fall back on his research department. A knowledge of security analysis is essential background for virtually every phase of the business—it is probably wise for anyone embarking on a serious career in Wall Street to have a sound grounding in Research fundamentals.

Research a Career in Itself

Turning to Research as a career in itself, there are many avenues than can be pursued — although progress and financial reward resulting will depend very much on the individual himself.

Perhaps the outstanding method is making money through one's own wise selection of securities because of the first hand information available to him. I need only cite two examples to prove the point. One is a man, now Research partner of a very successful investment banking firm who has often told various audiences how he left the hallowed walls of Harvard (and a teaching career) with less than $15.000 in his pocket. Some years later, he told his accountant not to bother him with details when he passed his third million. His method—smoking a pipe. Having spent much time in Research he merely picked securities wisely and smoked his pipe; the longer he smoked the richer he got. There are many others who can be pointed to as examples of research careers leading to financial success, such as Ben Graham, author of the standard text on *Security Analysis* and a one-time prominent lecturer at Columbia University, who started from nearly nothing to become one of the outstanding financial success stories on Wall Street.

Turning to the more mundane careers, Wall Street Research men break into *three types:* The great majority of research men are *reporter-analysts.* Almost anyone with a reasonably broad education and/or above average level of intelligence, can with training, learn to gather the essential facts on a company or industry, analyze them, and present them in readable form. With a minimum of supervision the reporter-analyst can produce a usable report. But here he stops unless he can render an *opinion* or *decision* a stock or industry which is of value. His salary of economic worth is probably limited to say $8-10,000 (top) a year.

Going beyond this is the top Research man — the *Decision Maker* (as I believe he was termed in a recent article by a prominent analyst). The *Decision Maker's* great assets is *competent judgment based on knowledge and experience.* He uses the reporting and analysis of others (plus his own work) and drawing on wide personal experience with industry and the market (and a sense of timing and values) is able to arrive at a responsible decision. This may be used in deciding on recommendations of which securities to buy or the pricing of an underwriting—any place where a competent decision is needed.

The Decision Maker (as opposed to the analyst-reporter) can usually command extremely high compensation (we'll say as a guess $15,000 up to perhaps $75-100,000 a year) be it a lucrative partnership, a high salary, or other responsibilities such as running a fund or heading a Research Department. The good analyst, who in addition can sell (himself or securities) as a competent authority, can usually succeed as a *salesman*—either drawing a large individual following who direct business to him in return for his advice, or more likely, in today's financial community, as an institutional salesman. Today with institutions assuming an ever-increasing role in the securities markets, there are growing opportunities for research men — particularly industry specialists or experts—to attract an institutional following, which can lead to very lucrative institutional commission business. Institutional investors are sophisticated. They prefer talking to a research expert rather than the average run-of-the mill salesman. As the institutions grow in importance — as they are presently doing—the research specialist who is able to talk to them on their own level should also become of increasing importance. *Research-salesmen* as a group, are becoming some of the first-ranking money-makers for both themselves and their firms in Wall Street.

Summary

To summarize, a career in Research is useful in two ways—either as a training ground for practically any and all other aspects of the business, or as a career in itself. As a career it offers the opportunity for the analyst to put his own money to work, because of the first-hand information available to him. Or on a more mundane level, if the Research man is good, he can make a fair living from *analyst-reporting* work. Beyond this, if he can assume the role of either a "*Decision Maker*" or *salesman* he has the opportunity of making some of the "real big money" on Wall Street.

Hugh Johnson, who was Bernard Baruch's statistician once said:

"If you are ready and able to give up everything else—to study the whole history and background of the market and all the principal companies whose stocks are on the board as carefully as a medical student studies anatomy—to glue your nose to the tape at the opening of every day of the year, and never take it off until night—if you can do that, and in addition, have the cool nerves of a great gambler, the sixth sense of a clairvoyant, and the courage of a Lion, you have a Chinaman's chance (of making money in the market)."

I think it is easier than that—and I think the Research Department is the best place to do it.

Merrill Lynch Group Offers Chesapeake & Potomac Tel. Debs.

Merrill Lynch, Pierce, Fenner & Beane, as manager of an underwriting syndicate on Dec. 10 offered a new issue of $30,000,000 Chesapeake & Potomac Telephone Co. of Maryland 36-year 4⅛% debentures, due Dec. 1, 1993, at 102.761% and accrued interest, to yield 3.98%. The underwriters won award of the debentures at competitive sale on Dec. 9 on a bid of 102.077%.

Net proceeds from the financing will be used by the company to repay advances from its parent organization, American Telephone & Telegraph Co., and the balance will be applied toward general corporate purposes, including extensions, additions and improvements to its telephone plant.

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

The Chesapeake & Potomac Telephone Co. of Maryland is engaged in the business of furnishing communication services, mainly local and toll telephone service, in the State of Maryland. On Sept. 30, 1957, the company had 1,071,006 telephones in service, of which nearly 57% were in the City of Baltimore and Anne Arundel Counties adjacent thereto, and about 23% were located in the Counties of Prince Georges and Montgomery adjacent to Washington, D. C. Services of the company also include teletypewriter exchange service and services and facilities for private line telephone and teletypewriter use, for the transmission of radio and television programs and for other purposes.

For the nine months ended Sept. 30, 1957, the company had total operating revenues of $82,490,002 and net income of $10,016,405. Also at Sept. 30, 1957, capital stock equity amounted to $214,858,186; advances from A.T.&T. totaled $20,925,000 and funded debt was $25,000,000. At Dec. 31, 1951, capital stock equity was $118,901,529; advances were $12,725,000 and there was no funded debt.

G. H. Walker & Co. Will Admit 2 Partners

G. H. Walker & Co., members of the New York Stock Exchange, on Jan. 1 will admit Roy W. Jordan and William W. Sellew, Jr. to partnership. Mr. Sellew will make his headquarters at the firm's New York office, 1 Wall Street, New York City. Mr. Jordan will be located at the Clayton, Missouri office, 8224 Forsyth Boulevard.

Geo. K. Baum Company Adds Two to Staff

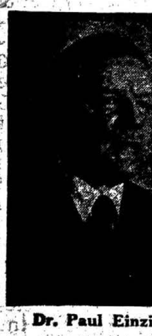
KANSAS CITY, Mo. — Dean Rausch and Calvin A. Caulfield have been added to the sales staff of George K. Baum Company, 1016 Baltimore Ave. Mr. Rausch was formerly with the First Securities Company of Kansas; Mr. Caulfield was with the Investment Department of the Kansas City Life Insurance Company.

Inflation Through Arbitration

By PAUL EINZIG

Wage inflation resulting from submission of labor-management disputes to arbitration is deplored by Dr. Einzig who points out that arbitrators are not guided by any recognized set of rules and would hardly allow overriding requirements of the national economy to enter into their decision-making process. The noted British economist criticizes reliance frequently played upon cost of living and productivity criteria, in such cases, in holding these are damaging and misleading guides.

LONDON, Eng. — The firmness displayed by the Government in respect of wage demands by railway employees and National Health Service employees has not failed to impress the trade unions. It is true, there is no weakening in their wage claims, but they now appear to be less bellicose in the matter of enforcing those claims. While a month ago threats of strikes were made as a matter of course, in recent weeks there has been more talk in trade unionist circles about submitting the wage claims to arbitration. Instead of applying brue force, they are thinking of resorting to a much more subtle method to achieve their end. They are afraid that in existing conditions strikes are apt to be prolonged and costly and their outcome is apt to be doubtful. So they may prefer to become law-abiding and agree to a peaceful settlement of their disputes, by submitting them to arbitration.



Dr. Paul Einzig

Under the British system, employers and employees are represented in equal numbers on tribunals of arbitration, and the chairman is appointed by the Minister of Labor from a panel of "impartial" persons such as academic economists, lawyers, retired senior officials, etc. For all practical purposes it is almost always the chairman whose decision matters, for the representatives of employers and employees naturally support their respective sides. This means that, should the wage disputes of the major industries be submitted to arbitration, it would be the choice of chairmen of the tribunals that would determine Britain's economic trend.

There is no recognized set of rules on which the arbitrators can base their decisions. Each chairman has to elaborate his own set of principles. Some of them may want to make wage increases dependent on productivity. Others may want to aim at "fair" differentials between wages in various branches of industry. Others again may consider it their duty to maintain real wages by adjusting money wages to the increase in the cost of living. Decisions may represent a compromise between these and other principles.

The great question is, will the arbitrators be willing and able to base their decisions on the overriding requirements of the national economy? In many cases an unanswerable case can be made out in favor of granting wage increases, viewed from the point of view of the particular groups of employees concerned. But the sum total of these unanswerable cases is inflation. No doubt some arbitrators will be fully alive to this aspect of the problem. Even so they may take the view that their job is not to run the economic policy of the country but to secure a fair deal to the group of employees whose fate they are called upon to determine.

To link wage increases to increases in productivity is a highly involved task. Economists, politicians, trade unionists and employers are only just beginning to study it in detail. Hitherto those who advocated it remained exasperatingly vague. It is only quite recently that attention has been drawn to the inflationary danger that is liable to arise from giving employees in progressive industries their full share in the increase of their productivity. This would leave nothing for satisfying the wage demands in industries which have not contributed towards the increase in production. Yet unless those demands are also met the static industries are liable to lose their manpower that would be attracted to progressive industries by the higher wages. This is only one of the many ways in which faulty decisions based on productivity are apt to swell the inflationary stream.

It is impossible to apply rigidly the principle of maintaining the differentials, for there is no accepted set of differentials. If an arbitrator awards increases to employees who, in his opinion, are underpaid compared with other groups of wage-earners, this does not prevent other arbitrators from granting further increases to those other groups. Differences in the opinions about differentials, and the natural desire of most arbitrators to err on the side of the employees involved in their respective disputes, are liable to lead to a perfectly vicious spiral of wage increases.

Perhaps the worst of all inflationary dangers connected with arbitration arises from the desire of arbitrators to compensate employees for the decline of their real wages arising from the increase in the cost of living that has taken place since their previous increase of wages. For one thing, as far as major industries are concerned, the previous increase in wages is bound to have contributed to the increase in the cost of living that has followed it. The task of an arbitrator who would have to decide the extent to which wage increases were the cause or the effect of price increases would not be enviable.

Fortunately, there is no need for solving this problem, provided that arbitrators realize the little-known fact that a rise in prices tends to become reversed if it is not followed by a corresponding increase in wages. In the absence of an increase in wages, consumer incomes are not sufficient to pay for an unchanged volume of goods at their higher prices. The result is a decline in demand which should tend to restore prices to their previous level. This means that in the absence of an increase in money wages, real wages will tend to become restored through a fall in prices.

This seems to be an obivous rule, based on common sense, simple arithmetic and the oldest, simplest, and most important of all economic laws — the law of supply and demand. Yet it seems to be ignored by economists. Its realization by the trade unions would go a very long way towards bringing non-stop inflation to a halt. And if it is too much to expect trade unions to admit that, in the absence of upward adjustment of money wages, price increases are bound to be purely temporary, perhaps it is not too much to expect impartial arbitrators to realize it. Otherwise Britain is doomed to continue to suffer the curse of wage inflation, and there will be little advantage in the substitution of arbitration for strikes.

Customers' Brokers Urge Margin Cut

The Association of Customers' Brokers of New York and the affiliated Stock Brokers Associates of Chicago have joined in requesting the Federal Reserve Board to reduce margin requirements on listed securities from 70% to 50%. Maintaining that credit presently extended on securities is not excessive, particularly when compared with that in other sectors of the economy, these groups feel that limiting credit on securities to 30% is unwarranted discrimination, since rates of 50% to 95% prevail on such items as real estate, automobiles, appliances, etc. They observe further that 50% margin does not encourage rampant speculation and that high margins tend to direct some security buying into low-priced speculative issues rather than into the better grade higher-priced issues.

Halsey, Stuart Group Sells Wisconsin P.S. Corp. 4$\frac{3}{8}$% Bonds

Halsey, Stuart & Co. Inc. on Dec. 6 headed a group of underwriters offering $7,000,000 of Wisconsin Public Service Corp. 4$\frac{3}{8}$% first mortgage bonds, due Dec. 1, 1987, at 101.257% and accrued interest. The underwriters were awarded the bonds on Dec. 5 on a bid of 100.52999%.

Proceeds from the sale of the bonds will be used to pay outstanding short-term bank loans incurred for construction and for construction expenditures during the remainder of 1957.

The new bonds will be redeemable at the option of the company at prices ranging from 106.26% to 100%, and for sinking fund purposes they are redeemable at prices scaled from 101.20% to 100%, plus accrued interest in each case.

Wisconsin Public Service Corp. is engaged principally in furnishing electricity and gas in an area of about 10,000 square miles in north central and northeastern Wisconsin and an adjacent part of upper Michigan. Approximately 80% of its operating revenues is received from the sale of electricity, approximately 19% from the sale of gas and less than 1% from bus service. The largest cities served are Green Bay, Sheboygan, Oshkosh and Wausau.

Two With Bingham, Walter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Lester W. Kimball and Otto P. Walters have become associated with Bingham, Walter & Hurry, Inc., 621 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Kimball was previously with Leimert-Kreiger & Co.; Mr. Walters was with Hill, Richards & Co.

Correction

In the FINANCIAL CHRONICLE of Nov. 28, in announcing that Sheldon S. Leighton would engage in a securities business from offices at 90 Broad Street, New York City, it was reported that Mr. Leighton had previously been associated with Merrill Lynch, Pierce, Fenner & Beane, and Cornelis de Vroedt, Inc. We are informed that this was in error, Mr. Leighton having never been associated with these firms.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

Occasionally we hear commendations about a stock that has had a long uninterrupted dividend record; and probably few investors are aware that the record for dividend longevity is held by the banks. We have before us a leaflet that lists a large number of stocks traded on the New York Stock Exchange on which unbroken dividend payments run from 20 to 94 years. Now, 94 years of uninterrupted payments is an excellent record, and its holder, American News Co. has reason for pride in such a performance.

But let us take a look at the banks. In this group the record holder is First National of Boston, which has maintained an unbroken record since its organization in 1784, 175 years. Close behind is Bank of New York, Alexander Hamilton's bank, which has provided its shareholders with payments for each year since 1785, or for 174 years. The second oldest New York bank, Bank of Manhattan, before the merger with Chase National, was organized in 1799 by Aaron Burr; but its dividend record was broken around 1847, which still leaves it with a respectable showing some 111 years.

If we go afield from New York City, we find Second National and National Shawmut of Boston with records of 124 and 121 years respectively. In Philadelphia, Pennsylvania Company (now merged with First National of that city) had a run of 130 years; Girard 121 years. Many of the larger banks in the interior, Chicago, Cleveland and the West Coast, suffered interruptions in the depression years of the 1930's.

Returning to New York, we find that City Bank's unbroken span started in 1812, 146 years ago; Chemical's 131 years ago. And a remarkable addition to this record of Chemical's is the fact that the only changes in its dividend rate have been upward; it has never reduced an existing rate. Only one other New York bank is able to boast having weathered the 1930 depression years with an unreduced dividend, United States Trust.

A few of the insurance companies have long records, none, however, with a few exceptions approaching those of the banks. North River Insurance has paid continuously since 1838, about 120 years; Hanover Fire since 1853. Of course, the reason for most of the breaks in the records of the older companies was either the great Chicago fire, or the Boston conflagration, or that of Virginia City, all three catastrophes having hit the industry hard enough to bankrupt many companies, and cause dividend breaks among the larger and stronger carriers.

There are a few little known insurance companies that have good dividend records, such as Philadelphia Contributionship for the Insurance of Houses from Loss by Fire, organized in 1752.

The large New York banks came through their period of trial, the depression years, better than most industrial groups so far as maintenance of dividend payments was concerned.

The following parallel comparison uses the customary thirteen leading banks of New York City, with the thirteen industrial, railroad and utility companies, listed on the stock exchange, which show the longest continuity dividendwise.

	Years of Unbroken Div. Rec.		Years of Unbroken Div. Rec.
American News	94	Raybestos Manhattan	60
Pullman Co.	91	Procter & Gamble	60
Erie & Pittsburg	88	Bank of New York	175
Pittsburgh, Ft. Wayne	86	First National City	145
Gold & Stock Teleg.	81	Chemical Corn	131
Amer. Tel. & Tel.	76	Chase Manhattan	110
Washington Gas Light	73	Hanover Bank	106
Commonwealth Edison	68	U. S. Trust	104
Consolidated Edison	67	Guaranty Trust	66
Boston Edison	67	New York Trust	64
Beech Creek RR.	67	Bankers Trust	55
Westinghouse Air Brake	67	Empire Trust	53
West Va. Pulp & Paper	63	Irving Trust	51
U. S. Playing Card	62	Manufacturers	49
Parke Davis	61	J. P. Morgan & Co.	17

The average for the listed stocks is approximately 75 years, versus about 87 years for the list of banks. However, J. P. Morgan & Co., Inc., the corporation, has been a corporation only 17 years. Before that it had a long record as a private partnership. Also, the listed issues constitute a broad list not only from an industry sense, but geographically. If we were to use in the list of banks some outside New York, such as First National of Boston and the two other older Boston banks, with several in Philadelphia thrown in, the average for the banks would be far larger.

Surely, if a stock is to be chosen for dividend continuity it should be a bank stock.

Continued from page 6

What Market Policy Now?

ing or vacationing roughly one-third of the time he has been in office. (2) The Administration's philosophy seems to be one of reigning rather than ruling. (3) There is a degree of reliance on Cabinet and Staff work not known for several generations.

In this connection, — and I'm speaking as an American rather than as a Republican—it seems to me that the probability Vice-President Nixon will assume more leadership is far from frightening. (a) We would not be losing anything, for we heretofore really didn't have much in the way of national leadership. (b) The powers behind-the-scenes obviously will do everything in their power to keep the business "ball" rolling —which means an exceptionally easier money policy, bigger defense spending, etc. (c) We eventually could have a truly bi-partisan Government and this would mean a more united nation politicaly than ever before in history. Lastly, it's my personal opinion that the Eisenhower myth is out of the stock price level.

Spending and the Deficit

As Will Rogers used to say—and this is a little before my time —I see by the papers that we face a budgetary deficit this Government fiscal year—that our defense spending will increase a few billion dollars in the coming fiscal year. No question about it, the Government has a vested interest in the nation's prosperity. Its spending not only is enormous in dollars — but is more important than ever before in peace-time history in relation to the nation's Gross National Product. Furthermore, the whole nation has accepted the philosophy of a managed economy; everybody relies on the Great White Father to bail them out of their troubles.

I doubt that increased defense spending in itself can turn the business tide. Its impact is too localized. We can, however, see a lift in public psychology — and psychology helps make stock prices. In other words, bearing in mind that it's our business to capitalize on psychology, we've got to keep the possibility of longer-term disillusionment in mind at the same time that we're willing to accept a temporary turn in the tide.

Mind you, I'm not trying to minimize the role the Government plays in our lives. Rather, my point is that it will take time to correct the inevitable maladjustments and abuses — and there is little or no likelihood a major bull market is starting now. This is the reason why I said earlier that December 1957 is a field day for the sophisticated speculator and a difficult period for the long-term investor.

The one unmistakably constructive development resulting from Washington's recognition of the economic "facts of life" is being reflected in the bond market — which I believe is in a major uptrend. Actually, the turn came a month or two ago—when it was obvious that the demand for credit would ease significantly, that the banks would be less pressed for money than during 1956 and the first half of 1957. Today, we have the Federal Reserve Board on our side—and now that their "foot is off the brake," the next move will be to step on the accelerator. The flood of new corporate issues has slowed to a trickle—which means the seasonal factor is on the plus side of the ledger, too.

Fact that there are capital gains opportunities in the bond market points up the need to be flexible. Doing nothing is sheer suicide. If you blind your eyes to a particular field of speculation, the merry-go-round will pass you by.

In my book, there's more room on the upside in the stock market, too. But the opportunities are going to be a little bit off the beaten path — they won't necessarily be in the obvious or most popular groups. For example, a case can easily be made for the following stocks:

Deere;
CIT;
St. Joseph Lead;
Penn-Dixie Cement;
American Radiator;
Wilson;
Cities Service;
St. Regis Paper;
Alco Products;
Burlington Industries;
Houdaille Industries;
Inter. Tel. & Tel.

But the point of all this is threefold: (1) Ours is a business of calculated risks—and price is the acid test of any philosophy. (2) This is a time for unorthodox thinking. (3) The key to success is faith, ability, courage and perspective.

Wm. Roberts Sec. Of Managed Funds

ST. LOUIS—W. Munro Roberts, Jr., senior partner of the law firm of Heneghan, Roberts & Cole, has been appointed secretary and general counsel of Managed Funds, Inc., Hilton H. Slayton, President of the nationally-distributed mutual fund group, announced.

Roberts, who will continue with his law firm, has been a legal advisor to Managed Funds since 1951. In 1955, he became a stockholder of Slayton & Co., national retail distributor of the fund group, and a Vice-President and Director of Mutual Fund Distributors, Inc., its wholesale underwriter. He was elected to the Managed Funds Board of Directors last year.

Since 1948, Roberts has been an assistant law professor at Washington University in St. Louis, where he completed his legal education the same year.

Arthur P. Abbott

Arthur Pope Abbott passed away at the age of 85. Mr. Abbott had been associated with Price, McNeal & Co., New York.

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The High Price of Money And Industrial Development

tract forced savings with considerable success but at what price we all know.

As ordinary means of economic policy fail, Governments might intrude on freedom of business and labor in vain efforts to sustain economic progress and secure a stable value of money. To keep away from more regulations we need however, a radically new departure in economic policy. Even if the trend appears to be serious it is certainly not without a chance to be adjusted.

Limits to Taxation

If I should advise policy makers where to start I would suggest to take into account the following three facts: first, that people want progress; second, that they expect it to be reflected in more purchasing power put at their disposal and third and most important that Governments have virtually no possibilities to stop people in a **successful** way from **trying** to enforce their wants — save by tampering with basic freedom. As we have seen this last point is what has changed the basis for economic policy. This being so we can—apart from moderating excessive trade union demands and election promises — do no better than limiting the public sector and drastically promoting voluntary savings to invest more to get more goods. This policy would have to include a general overhaul of taxation not to punish savings and productivity as now. Savings should be deductable from tax. It must pay to save and to work. Taxes on profit and income above 50% are clearly hostile to progress. The more we exceed this limit of 50% taxes on individual and corporate profits the more vulnerable our national economy gets. Simultaneously and connected herewith will the expansion of the public sector above a take-out of 30% of the Gross National Product subject the stability of a free economy in a free society to dangerous and upsetting strains and pressure.

Without giving up fundamental ideas of a fair sharing of the burdens social policies should be revised to avoid encouraging apathy and instead introduce even by a small token payment a process of thinking by every individual whether it is worth while using social facilities or not. In many countries there are indeed a great need to overhaul and improve social legislation with a view to help those needing support. Such improvement could in many instances well be financed by restricting such social legislation which spreads its benefits over a large majority whether they need help or not, just, in other words, for political reasons. This last-mentioned kind of political gift stimulates consumption whereas social policies in the first-mentioned real sense will increase production.

Capital Funds' Economies

Furthermore existing capital funds should be more economized with. As a result of capital scarcity and a growing public sector various Government controls have been introduced on credit markets. To avoid investments being selected at random, regulations hampering the smooth functioning of money and capital markets should be put an end to. Here as everywhere the market mechanism is our best ally in our efforts to secure an allocation of resources in accordance with consumers' wants. We cannot afford to scrap such a useful tool stimulating careful appraisals of best production alternatives to foster productivity.

Such a policy is relevant both to advanced and less advanced countries. Regarding the latter countries I would like to add that they could do no better than to try to develop a credit system functioning on the base of professional ability. This would foster development and greatly enhance possibilities for capital movements. Foreign investments should be the outcome of a common consideration of the merits and creditworthiness of projects proposed.

I have now given my views on how I think the problem of an adequate capital supply could be eased. Low rates of interest are a prerequisite for economic expansion but they could not be introduced until necessary economic conditions are prevalent. However, I believe that a new approach could create a situation where on **real** grounds rates of interest could be lowered. In this way the finance of progress in industrial countries would be facilitated and the underdeveloped countries would be made participants in the benefits of international flow of capital proportionally to their ability to create an atmosphere favorable to foreign investments.

Charles T. Hill to Be Partner in Dixon & Co.

PHILADELPHIA, Pa.—Charles T. Hill will become a partner in Dixon & Company, Philadelphia National Bank Building, members of the New York Stock Exchange, on Jan. 1. In the past he was with Francis I. du Pont & Co.

Dreyfus Co. to Admit Three New Partners

Dreyfus & Co., 50 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Raymond W. Schibowski, Leonard V. Segal and Howard Stein to partnership. Mr. Segal and Mr. Stein are managers of the firm's investors service department.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The promotion of Jean M. Lindberg from pension trust officer to Assistant Vice-President in the trust department of the **Chase Manhattan Bank, New York,** was announced on Dec. 5 by George Champion, President.

Other trust department changes included the appointment of Henry T. Knittel to Pension Trust Officer and the naming of James J. Menaghan, Robert P. Potter and Risdon G. Wright as Assistant Treasurers.

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The **First National City Bank of New York** on Dec. 10 announced the appointment of five Assistant Vice-Presidents and three Assistant Cashiers.

New Assistant Vice-Presidents are James F. Clingen, formerly an Assistant Cashier, overseas division; James J. Hoolan, John J. Reynolds and F. Thomas Ward, all previously Assistant Cashiers, domestic division, and Charles J. Wilkens, domestic offices division, formerly a Manager.

Ransom G. Banker, Richard B. Dickson and Robert D. Siff are the new Assistant Cashiers. Mr. Banker is with the overseas division, Mr. Dickson with the domestic division and Mr. Siff is assigned to the transportation department.

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The First National City Bank of New York on Dec. 6 opened a new office at Idlewild International Airport.

Located in the new International Arrival Building, the office becomes the second at the airport and the 77th in greater New York.

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City Bank Farmers Trust Company, New York, announced on Dec. 4 the appointment of Alfred H. Howell as a Vice-President. Mr. Howell is in the Investment Department of the Pension Trust Division.

Other appointments approved by the Board of Directors were as follows:

Harold C. Michael, former Assistant Trust Officer to Assistant Vice-President; Edward C. Silberbauer, from Assistant Secretary to Assistant Vice-President; Robert T. Luginbuhl, from Assistant Secretary to Assistant Vice-President; Frank X. Healey, to Assistant Trust Officer.

* * *

Mr. Theodore C. Bothmann has been appointed an Assistant Trust Officer of **Chemical Corn Exchange Bank, New York,** it was announced on Dec. 6 by Harold H. Helm. Mr. Bothmann is a member of the bank's Personal Trust Department at 30 Broad St.

Walter R. Williams, Jr. has also been elected to the Lower Midtown Advisory Board of Chemical Corn Exchange Bank. Mr. Williams is Vice-President and Treasurer of **Union Dime Savings Bank, New York.**

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Edward M. Townsend, former Assistant Manager, has also been appointed Assistant Secretary of the bank it was announced on Dec. 12. Also appointed was Allan R. Trimmer who becomes Assistant Manager of the bank's Credit Department at 165 Broadway. Mr. Townsend is located at 100 Park Avenue.

The bank also elected James A. Roe to its Queens Advisory Board, on Dec. 11.

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J. Luther Cleveland, Chairman of the Board of **Guaranty Trust Company of New York,** has announced the election to the bank's Board of Directors of Thomas Lee Perkins.

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George F. Gorman, Charles F. Trayes and James R. Wilson were elected on Dec. 10 as Vice-Presidents of the **Empire Trust Company, New York,** according to an announcement by Henry C. Brunie, President of the bank.

Mr. Gorman, who will be Vice-President in charge of the personal trust division of the trust department was formerly an Assistant Vice-President.

Mr. Trayes, formerly Comptroller, will be Vice-President and Comptroller.

Mr. Wilson will be Vice-President in charge of the corporate trust division of the trust department. He was formerly an Assistant Vice-President.

The board of directors of Empire Trust Company on Dec. 10 declared a regular quarterly dividend of 1½%, or 75 cents a share, on the capital stock of the company, payable Jan. 8, to stockholders of record, at the close of business, Dec. 20.

At the same meeting the board of directors recommended that at the Annual Stockholders' Meeting on Jan. 13, the authorized capital stock of the company be increased from the present 104,000 to 103,160 for the purpose of declaring a 4% stock dividend payable to stockholders of the company in the ratio of one share for each 25 shares then held.

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Stockholders of the **Federation Bank and Trust Company, New York,** have subscribed fully the bank's offering of 118,900 shares at $21 a share on a one-for-three basis. As a result of the financing, the bank's capital funds have been increased from $2,500,000 to $10,000,000, including 484,518 shares of $10 par value each.

In announcing completion of the financing, Thomas J. Shanahan, President, reported that directors had voted the regular quarterly dividend of 30 cents and a year-end extra of 5 cents on the increased number of shares. The dividends are payable Dec. 24. They bring to $1.25 a share cash dividends declared this year. In addition, two stock dividends of 2½% each were paid.

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At a special meeting of the board of trustees of **Buffalo Savings Bank, Buffalo, N. Y.** held Nov. 26, Mr. Kilgore Macfarlane, Jr. was selected as President to succeed Mr. Bryant Glenny who will become Chairman of the board. Mr. Macfarlane is now President of **The Schenectady Savings Bank, Schenectady, N. Y.** He will be formally elected to his new office at the Annual Meeting of the board of trustees in January of 1958.

Mr. Macfarlane was elected Vice-President and a member of the board of trustees of The Schenectady Savings Bank in 1942—and President six years later. He was previously Vice-President and Trust Officer of the **First National Bank of Princeton, Princeton, N. J.** He has also been associated with the **First National City Bank of New York** and the **Marine State Bank of Seattle.**

He is a Director of the **Savings Banks Trust Company.**

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The Board of Trustees of **The Bowery Savings Bank, New York,** on Dec. 9 appointed Hilda M. Hoffman, Howard E. Barker, Stephenson Outhwaite and Albert S. Doolittle, Assistant Vice-Presidents.

Miss Hoffman was promoted from Assistant Secretary and Statistician. Mr. Barker was formerly Deputy Controller and Mr. Outhwaite and Mr. Doolittle were Assistant Treasurers.

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Maurice E. Hickey, Cashier of the **East River Savings Bank, New York,** was honored at a luncheon given on Dec. 6 by George O. Nodyne, President.

The luncheon celebrated Mr. Hickey's 40th anniversary with the bank. He joined East River Savings Bank in 1917 as stenographer and was appointed Cashier in 1949. In August 1957 he was given the additional title of Assistant Secretary.

Mr. Hickey has the distinction of being the oldest member of the staff in years of service at the bank.

* * *

The First National Bank of Herkimer, Herkimer, N. Y., with common stock of $400,000; and **The Middleville National Bank, Middleville, N. Y.,** with common stock of $50,000, will merge effective as of the close of business Nov. 22. The consolidation was effected under the charter and title of "The First National Bank of Herkimer."

At the effective date of consolidation the consolidated bank will have capital stock of $475,000, divided into 11,875 shares of common stock of the par value of $40 each; surplus of $475,000; and undivided profits of not less than $97,511.

* * *

Approval was given by the New York State Banking Department to the **State Bank of Pearl River, Pearl River, N. Y.** to increase its capital stock from $150,000 consisting of 15,000 shares of the par value of $10 each, to $180,000 consisting of 18,000 shares of the same par value.

* * *

Marine Midland Trust Company of Central New York, Syracuse, N. Y., received approval from the New York State Banking Department to increase its capital stock from $2,800,000 consisting of 280,000 shares of the par value of $10 each, to $3,100,000 consisting of 310,000 shares of the same par value.

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Chittenden Trust Company, Burlington, Vt. announce the passing of Mason W. Huse, Executive Vice-President, on Nov. 27.

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The Shrewsbury Office of the **Worcester County Trust Company, Worcester, Mass.,** will open on Dec. 16, according to an announcement by President Edward L. Clifford.

A preview of the new office in the Fairlawn Shopping Center at the intersection of the Boston Turnpike and Maple Avenue will be given to town officials and banking associates on Friday evening, Dec. 13. An Open House for the public will be held from 2 to 5 p.m. the following day, Saturday, Dec. 14.

This is the last of three offices opened by the bank this year. The Auburn Office opened April 29 and the Holden Office opened Sept. 23.

Mr. Albert E. Needham will be the Manager. He started with the bank in 1930 as a messenger, and just prior to his election as Manager was supervisor of the bank's Time Sales Finance Department at its 295 Park Avenue Office.

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The Board of Directors of **The Edison Bank, of Edison, N. J.,** announce the election of Mr. Frank A. Wanner as Director and Executive Vice-President effective immediately.

Mr. Wanner was employed by several New York City banks from early in 1925. He obtained his basic banking experience as a Junior Officer with the former **National Iron Bank, of Pottstown, Pa.** (since merged with another National).

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Mr. Joseph C. Wilkinson, President of the **Upper Darby National Bank, Upper Darby, Pa.,** and Geoffrey S. Smith, President of the **Girard Trust Corn Exchange Bank, Philadelphia, Pa.,** on Dec. 6 jointly issued the following statement:

"A proposal of merger of the Upper Darby National Bank and the Girard Trust Corn Exchange Bank has been approved by the Board of Directors of both banks. It is proposed that the shareholders of the Upper Darby National Bank will receive four shares of Girard Trust Corn Exchange Bank stock for five shares of the Upper Darby National Bank stock. A formal plan of merger is now being prepared by counsel for official action by both boards, and for submission to the shareholders of both banks for their approval, as well as to the State and Federal regulatory authorities.

"All officers and employees of the Upper Darby National Bank will become members of the staff of the Girard Trust Corn Exchange Bank. The Board of Directors of the Upper Darby National Bank will serve as an advisory board, with Mr. Joseph C. Wilkinson as its Chairman. Mr. Wilkinson will also be a member of the Board of the Girard Trust Corn Exchange Bank. Mr. Donald L. Helfferich will be a Senior Vice-President. Mr. Wilkinson and Mr. Helfferich will be in charge of the entire Upper Darby bank system assisted by Mr. W. Harvey Smock and Mr. G. L. Toole, who will be Vice-Presidents.

"The proposed merger would join the 26 offices of the Girard Trust Corn Exchange Bank in Philadelphia and Montgomery County with the 12 offices of the Upper Darby National Bank in Delaware County. The combined bank would have total resources of over $705,000,000 and have the largest branch banking system in the Philadelphia metropolitan area.

* * *

Girard Trust Corn Exchange Bank, Philadelphia, Pa., opened its 25th office on Dec. 4. The new branch is located on 22nd Street near Indiana Avenue.

Mr. Vadenais, Assistant Treasurer of the bank, heads a staff which includes Edwin G. Siner, Assistant Manager.

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The acquisition of the **Merchants National Bank of Quakertown, Pa.,** by **Provident Tradesmens Bank and Trust Company, Philadelphia, Pa.,** will take place over the week-end of Dec. 13.

Provident Tradesmens has announced the appointment of the following officers at the Quakertown and Sellersville offices. Quakertown and Sellersville—R. W. Krueger, Assistant Vice-President. Quakertown — A. S. Laubach, Assistant Treasurer; N. R. Beck, Assistant Treasurer; I. Moyer, Assistant Auditor. Sellersville — M. S. Moyer, Assistant Treasurer.

This acquisition will give Provident Tradesmens 19 offices located in Philadelphia, Bucks, Delaware and Montgomery counties.

* * *

The Board of Directors of the **Bank of Virginia, Richmond, Va.,** promoted three officers and elected three new assistant cashiers, at the regular meeting held on Dec. 6.

Frank T. Hyde, of the bank's 8th and Main Streets office, was named a Vice-President. William L. Tiller, Cashier, became Vice-President and Cashier. John T. McGrann was promoted from Assistant Trust Officer to a Trust Officer.

The three new Assistant Cashiers are Lemuel W. Boykin, Manager of the Richmond bookkeeping and transit department; Howard W. Brown, Auditor in the bank's office in Roanoke (Va.), and Herbert A. Perry, Manager of the office at Staples Mill Road and Broad Street in Richmond.

Mr. Hyde joined the Bank of Virginia in September, 1945. He was elected an Assistant Cashier on July 11, 1949, and an Assistant Vice-President on Dec. 7, 1951. Since the latter date he has been Assistant officer-in-charge at the bank at 8th and Main Streets.

Mr. Tiller joined the bank on Dec. 7, 1937, and served in numerous assignments, including that of Senior Accountant, until Oct. 10, 1942. He returned to the bank on March 1, 1946, to become Supervisor of the loan discount department. Mr. Tiller was elected Assistant Cashier in December, 1949, and Assistant Vice-President on June 6, 1952. He became Cashier on Dec. 12, 1955.

Mr. McGrann joined the bank on Dec. 3, 1956, as an Assistant Trust Officer, coming to Virginia from the trust department of the **First National Bank of Cincinnati.**

Mr. Boykin began his banking career in 1948 and came to The Bank of Virginia on July 1, 1957, after previously being associated with the **Wachovia Bank and Trust Company at Winston-Salem, N. C.**

Mr. Brown was with the **Equitable Trust Company in Wilmington, Del.** before and joined The Bank of Virginia in Roanoke as a lead teller on Jan. 1, 1953, became an audit clerk the following month and was named Auditor on June 5, 1953.

Mr. Perry joined the bank on Sept. 15, 1947. He had assignments as teller, supervisor of the discount department, supervisor of the savings and loan departments, in the adjustment department and as a loan interviewer. When the bank's new office at Staples Mill Road and Broad Street opened on Sept. 11, 1956, Mr. Perry became its first Manager.

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By the sale of new stock, the common capital stock of the **Lynchburg National Bank and Trust Company, Lynchburg, Va.,** was increased from $800,000 to $1,000,000 effective Nov. 26. (Number of shares outstanding—50,000 shares, par value $20.)

* * *

President Francis H. Beam of **The National City Bank of Cleveland, Ohio,** announced on Dec. 4 the appointment of two branch office managers both of whom are rejoining National City after serving with other Cleveland companies.

Arthur V. Hook has been appointed Manager of National City's Westgate Office in the Westgate Shopping Center, and Ben McEnteer has been named Manager of the bank's Rocky River Office located at Detroit and Lake Roads.

From 1933 to 1941 Mr. Hook was associated with National City in the Investment Analysis Department.

Before first joining National City in 1948, Mr. McEnteer had more than 15 years of banking experience, including eight years with the Federal Reserve Bank. While with the bank previously, he was in the Correspondent Bank Division.

James G. Cornell has also been appointed Manager of the new Puritas-150th Office of **The National City Bank of Cleveland, Ohio.** The new office, National City's 19th, is now being built on Cleveland's southwest side and is expected to open early in January.

With National City since 1945, Mr. Cornell has held various positions with the bank both at the Main Office and at several branches. Since July, 1954, he has been Assistant Manager of National City's Brookpark-Pearl Office.

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Dwight J. Townsend will join the **Oglesby-Barnitz Bank & Trust Company, Middletown, Ohio,** on Jan. 1, as Assistant Vice-President, it has been announced by Russell S. Weatherwax, President of the bank. Mr. Townsend's duties will be the field of advertising and public relations.

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The State Bank of Whitehall, Whitehall, Mich., and **The Muskegon Bank & Trust Company, Muskegon, Mich.,** consolidated under charter and title of the latter bank. A branch was established in the former location of The State Bank of Whitehall.

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First National Bank & Trust Co., Tulsa, elected J. S. Freeman a director.

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City National Bank & Trust Co., Oklahoma City, elected Howard J. Bozarth President, succeeding the late Daniel W. Hogan, Jr. J. J. Bolinger and Warren B. White were appointed directors.

* * *

Al J. Ruch was elected President of the **First National Bank of Clayton, St. Louis.** He will succeed Kent Ravenscroft, who resigned.

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A charter was issued by the office of the Comptroller of the Currency to **The First National Bank of Rogersville, Rogersville, Tenn.** to open a new bank. Tom H. Rogan will be President and Charles B. Cowan Cashier. The bank will have a capital of $200,000 and a surplus of $100,000.

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Dr. Wilson B. Emery, Vice-President of the Petroleum Division of the **American National Bank, Denver, Colo.,** has been appointed to the bank's board of directors.

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The Casper National Bank, Casper, Wyo., changed its title to the **First National Bank of Casper,** effective Dec. 2.

* * *

The Royal Bank of Canada, Montreal, Can., has announced the appointment, effective Jan. 1, of H. L. Mann as supervisor of branches in Colombia, S. A. He succeeds D. Robertson, Supervisor since 1950, who is retiring on pension.

Mr. Mann joined the bank in 1919, he has occupied a number of important posts, principally in Venezuela and Peru. Since October, 1957, he has been Assistant Supervisor of branches in Colombia, with headquarters in Bogota.

Outlook for Business in 1958

Brisk advance in second half of 1958 and a real increase in Gross National Product for 1958, amounting to $13 billion over 1957, is predicted by Prudential Insurance Company economists. Some expectations are: (1) $11 billion consumer expenditure rise; (2) $5 billion increase in government spending; (3) gradual increase in money supply compatible with real output growth, and (4) no marked lowering of interest rates due to continued strong demand for loanable funds.

A "moderately good" advance in the nation's economy, accompanied by a leveling of consumer prices, is predicted for 1958 in a

Gordon W. McKinley **Carrol M. Shanks**

detailed economic forecast released by Carrol M. Shanks, President of the Prudential Insurance Co.

The advance will push the Gross National Product—the value of all goods and services produced in the United States—to a record high of nearly $450 billion.

This represents an increase of $13 billion over the estimated GNP for 1957.

Will Be a Real Increase

The "leveling in consumer prices will mean that this advance will be real, and not illusory" like 1957's, says the forecast, which is prepared annually by Dr. Gordon W. McKinley and his staff of Prudential economists.

They point out that at least half of the $21 billion increase that took place this year has been attributable to inflated prices, not to increased output of goods and services.

While they believe that "hesitation" will continue to keynote business activity during the next few months, they look forward to a "brisk advance" in the second half of the year.

The Prudential economists say the advance will be largely due to a gradual shift in the buying habits of the American public, which will increase its purchases of home appliances, automobiles and other durable goods.

Significant Factors

In forecasting the main segments of the U. S. economy they predict:

(1) Business capital expenditures will be down $3 billion from 1957.

(2) Home buying will be up $1 billion.

(3) Consumer spending will rise by $11 billion.

(4) Government spending will increase by $5 billion, with the Federal Government accounting for $2 billion of the increase and state and local governments $3 billion.

(5) Foreign exports will decline $1 billion.

The economists note that the volume and distribution of consumer spending have "provided the principal key to the business situation during the past year." They point out that "consumer purchases of non-durable goods and services have risen steadily and rapidly, but durable goods sales have shown no increase at all."

As a result, "In the midst of general prosperity and rising prices, excess capacity has appeared in many durable goods lines" and manufacturers have felt the impact.

"The revival of durable goods buying will stem partly from a normal resumption of consumer interest as goods purchased in previous years begin to wear out or become outmoded, and partly from an increase in demand associated with the rise in new housing construction. It will also be stimulated through an increase in credit buying. Many of the goods purchased on credit in the big year 1955 are now free of debt."

Conclusion

In conclusion the Prudential economists say:

"Sound monetary policy has carried us through a difficult period of adjustment, and has succeeded in curbing what could well have turned into a really serious rise in consumer prices.

"As the threat of inflation eases, and consumer expenditures resume a pattern similar to the distribution of our industrial capacity, it will be possible for the Federal Reserve to provide a gradual increase in the money supply compatible with the growth in our real output.

"This is unlikely to cause a marked easing in interest rates because the demand for loanable funds in the coming year will continue strong. Increased availability of money in 1958 will, however, make possible the undertaking of many projects which have been deferred up to now because of lack of funds."

Reynolds Installs New Wire to Coast

Reynolds & Co., nationwide investment firm, has inaugurated a 3,000 mile, high-speed private wire network, leased from Western Union, interconnecting its New York headquarters with San Francisco and 10 California branches.

Control office equipment has been installed in the San Francisco headquarters which, according to William Rice, resident partner, provides the California branches instantaneous communication with the San Francisco and New York offices.

Rice says this will mean added speed and accuracy to the customer in placing orders and receiving quotations and other pertinent market information.

The wire system, equipped with high-speed printing telegraph machines transmits messages at the rate of 4,500 words per hour.

Reynolds has California branches in Sacramento, Stockton, Berkeley, Oakland, Santa Rosa, San Mateo, Stonestown, Santa Cruz, Salinas and Carmel.

Halsey, Stuart Group Offers B. & O. Ctfs.

Public offering of $3,435,000 Baltimore & Ohio RR. 4¼% equipment trust certificates maturing annually Dec. 1, 1958 to 1972, inclusive, was made on Dec. 6 by Halsey, Stuart & Co. Inc. and associates. The certificates, first instalment of an issue aggregating $6,870,000, were priced to yield from 4% to 4.25%, according to maturity.

Issuance and sale of the certificates are subject to the authorization of the Interstate Commerce Commission.

The entire issue of certificates is to be secured by 1,000, 70-ton, open-top hopper cars estimated to cost not less than $8,600,000.

Other members of the offering syndicate include: Dick & Merle-Smith; R. W. Pressprich & Co.; Baxter & Co.; Ira Haupt & Co.; McMaster Hutchinson & Co.; and Shearson, Hammill & Co.

Morgan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Carroll V. King, Elmore E. Loranger, Newell Stoughton, and Raymond C. Taper are now with Morgan & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange.

Four With Schwabacher

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Cal.—Robert G. Bodenlos, William S. Orchison, Henry C. Peeples and William E. Willett have joined the staff of Schwabacher & Co., 100 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Securities Salesman's Corner

By JOHN DUTTON

Following Leads

There are many methods of obtaining prospects who may be interested in investing in securities but in this week's column we would like to make a few suggestions that we have found helpful in converting these "suspects" into customers. A "suspect" is a person or institution that you have reason to believe would be interested in buying securities. A "prospect" however, is one that you know is interested in buying and selling securities, that has the funds available, and that you can see at a favorable time and place, and last but not least can make his or her own decisions.

First Step — Qualify

Because you have seen a name in the paper of some social celebrity that has just bought an expensive yacht, or you have a list of prominent local citizens that are interested in community affairs, does not automatically make these people "prospects" for **you.** But if you contact these people by telephone and letter and you are able to make an appointment to see them you can determine whether or not they are "prospects." You must then qualify them on the basis of ability to invest, desire to invest, and whether or not they can make their own decisions—then you and your firm can begin to cultivate their good will and confidence. This is where your constructive approach to their own investment needs and requirements begins—until that time you are only probing to determine whether or not you should try to develop an account.

Segregate Your Prospects

After you have determined that a lead is a "prospect" and worth following, keep good records. I have found that 3 X 5 plain white cards are handy for this purpose and you can make all necessary brief notations on them that you will need.

Here are some of the things you should know about a "prospect." Type of securities owned. Is he a specialized investor for example, in tax exempts, special situations, low priced speculations, Mutual Funds, or does he have a program? What are his objectives investmentwise, growth or income? Does he have any particular objection to talking with you over the phone, at his home, his office? Would he like to know about "new issues" and syndicated offerings? What are his interests and his hobbies, do you know any of his friends? The names of his wife and children and the children's ages if obtainable can also be helpful. Also, keep a record of every contact you have made and the date, whether by phone or letter as well as personal call.

These notations should be brief but informative. Don't overload yourself with detail but if you have called Mr. Investor on Nov. 12 about an issue of bonds, just write "11/12 offered Atl. Rfg. 4½'s. 87 — not now, see next month." Keep your cards up to date every day. When you make a phone call record results immediately, you will find it takes very little effort and time if you do it this way.

Use Judgment in Working Leads

There is no set rule that you can follow as to how long you should keep a "prospect." Some people should be discarded after the third attempt to do business, others the first, and some should be kept in your "active prospect" file for months. Many salesmen keep "prospects" in their files long after they should have discarded them. Work only the "prospects" that you have reason to believe will be able to do some business with you within the next six months, unless it is a special situation where some expected funds or an estate settlement may come about at a later date. Spend your time where it will be productive—you can't hatch a glass egg.

Also, don't neglect the smaller accounts but find the time to service them by telephone if possible. They will understand that you want to give them the best of service but that it can be done by telephone in most instances, rather than by lengthy personal conferences. In this respect, the telephone is the best vehicle you can use to service clients, make appointments, and discuss particular investment situations. After your foundation of confidence has been established and you have begun to do business with a client, he will welcome a brief telephone conference and he can make decisions just as well over the telephone as in a personal interview.

In summary, qualify "suspects," classify "prospects" and work your "prospects" intelligently. Don't waste time on those who do not QUALIFY as potential investor clients such as those who (1) haven't the need for securities; (2) can't make their own decisions; (3) or who may not be in a position for one reason or another to do business with you.

Work "prospects" that qualify—who can buy securities, make their own decisions; and with whom you can establish a relationship based upon friendliness and confidence.

Albert Harris Cited For Service to Chicago

CHICAGO Ill.—Albert W. Harris, former Board Chairman and President of Harris Trust and Savings Bank, Chicago, has been named one of 102 Chicagoans cited for distinguished achievements and for contributions to their city. The outstanding Chicagoans have been named as part of the Jesuit centennial celebration in the city.

More than 9,000 persons submitted nominations for the citations. The recipients, including Mr. Harris, will be honored at a centennial celebration dinner Dec. 12. Among the dinner guests will be Cardinal Stritch, Mayor Daley, and other church, civic and business leaders.

Mr. Harris, still active in his office daily, celebrated his 90th birthday November. His citation reads, in part as follows:

"For more than 50 years the dean of Chicago bankers has been active in the financial, charitable and religious life of Chicago. He founded the Chicago Community trust, gave his Lake Geneva estate to the Chicago Boys club, and in recent years has supported his church, St. James Methodist, in its transition to an interracial congregation. Harris is a former Board Chairman and President of the Harris Trust and Saving Bank, which his father founded."

Two With Boren Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Dennis G. Merenbach and Julius Fabian have been added to the staff of Boren & Co., 9640 Santa Monica Boulevard. Both were previously with Bennett-Gladstone-Manning Company.

Thos. Graham Cited by Municipal League

LOUISVILLE, Ky. — The National Municipal League has cited

Thomas Graham

Thomas Graham, The Bankers Bond Co., Inc., and President of the Louisville Board of Sinking Fund Commissioners, as a "distinguished Citizen," for his services to his community.

Robert H. Hale With Kay Co. in Houston

HOUSTON Tex. — Robert H. Hale has joined Kay & Company, Inc., 2316 South Main Street, as a registered representative, Maurice Karkowski, owner of the firm, announced.

Mr. Hale, a native of Boston, attended Harvard University. He served with the U. S. Navy during World War II, and received his promotion to Commander while in the active Reserves after his tour of duty.

Formerly employed by First Boston Corporation and Goldman, Sachs & Co., of New York, Mr. Hale will manage the trust and mutual fund accounts of Kay & Company.

Newburger, Loeb to Admit R. L. Stern

Newburger, Loeb & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Robert L. Stern to partnership. Mr. Stern has been with the firm for some time.

Thomson & McKinnon Partner

On Jan. 1 Thomson & McKinnon, 11 Wall Street, New York City, members of the New York Stock Exchange, will admit Elsie G. Kiernan to limited partnership.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market, in spite of its fast recovery from the depressed levels at which it has been selling, is still in good technical condition. Reports tend to show that Treasury obligations continue to move into strong hands and there are no indications that this trend will be of short duration. To be sure, profit taking will be encountered from time to time, but, since the prevailing opinion is that lower interest rates and easier credit conditions are to be expected, setbacks in quotations should turn out to be buying opportunities.

The trend in the government market is still toward the extension of maturities, but this does not mean there is not a large demand for near-term governments, with Treasury bills the bellwether of the most liquid obligations. In addition, there are reports of a growing demand for the intermediate term issues.

Further Ease in Money and Credit Expected

The money market continues to be on the favorable side and this is in spite of almost negligible help from the monetary authorities. The ease in the money market, up to now can be attributed mainly to the change in psychology, and a decrease in the demand for loanable funds from the deposit banks. To be sure, there have been open market operations by the Federal Reserve Banks, but these ventures so far have been pretty much of modest proportions. It is evident that the demands for money and credit increases at this time of the year, but the Central Banks have not been overgenerous so far in making it easier for the member banks of the system to meet these demands.

Nevertheless, the money market as a whole seems to adhere very strongly to the opinion that money and credit conditions will get easier with the passage of time. Also, the money market believes that the ease which is being looked for in interest rates and credit will be made possible by some real tangible developments on the part of the monetary authorities.

Fast Rise in Bond Prices Justified

The action of the bond market, and this takes into consideration all types of issues—corporates, tax-exempts as well as the governments—has been very much on the constructive side. This demand has pushed prices up, and yields down, sharply in a very short period of time. The fact that the recovery in fixed income bearing obligations has been so fast has created a mild amount of caution among certain operators in the bond market. Naturally, profit taking of modest proportions is to be expected from time to time in a bond market which has gone ahead as rapidly as this one because it has been very much of a one-way street on the upside. Technical factors, however, will be improved by having more bonds move into strong hands which should come with a not too sizable setback in prices.

Admittedly the recovery in the bond market from its lows has been fast and furious, but it should be kept in mind that prices of many of these securities were carried down to levels that were well out of proportion to the existing economic conditions. Inflation had taken its toll of the bond market and this meant that at times it was a thoroughly disorganized affair, in which there were no bids for very high grade merchandise. Accordingly, with a change in money market conditions, which are now favorable to fixed income bearing obligations, it is not at all surprising that the initial stages of the recovery be as fast and rapid as it has been because of the severely depressed level at which it had been selling.

Lower Reserve Requirements Still a Possibility

Reserve requirement changes are still being looked for, although this does not seem to be quite as burning a topic as it was the last week or so. Nevertheless, it is the belief of most money market specialists that reserve requirements will be reduced, because this is one way in which ease will be brought into the money market.

More Distant Maturities Favored

According to reports the government bond market is now getting a demand for its obligations from buyers that have not been interested in Treasury securities for a long time. These acquisitions are tending towards the longer end of the list, which indicates that lengthening of maturities is still going on in an important way. Most of the switches which are being made likewise show a preference for the more distant maturities.

Ralph E. Samuel Co. To Admit R. S. Gordon

Ralph E. Samuel & Co., 115 Broadway, New York City, members of the New York Stock Exchange, on Jan. 2, will admit Robert S. Gordon to partnership.

I. M. Simon & Co. Will Admit G. N. Sardi

ST. LOUIS, Mo.—I. M. Simon & Co., 315 North Fourth Street, members of the New York and Midwest Stock Exchanges, on Jan. 1 will admit George N. Sardi to partnership.

Hibbard E. Broadfoot

Hibbard E. Broadfoot, retail sales manager for Hayden, Stone & Co., passed away suddenly Dec. 5th at the age of 63.

Stillman, Maynard to Admit P. J. Lagemann

Stillman, Maynard & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Peter J. Lagemann to partnership.

N. Y. Investment Ass'n Annual Dinner

The Investment Association of New York is holding its annual dinner on Dec. 11 at the Waldorf-Astoria Hotel. Eugene R. Black, President of the International Bank for Reconstruction and Development will be guest speaker.

With Cruttenden, Podesta

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Joseph S. Miles is with Cruttenden, Podesta & Co., 524 17th Street.

Continued from first page

As We See It

ing outstanding scientists and mathematicians. In this respect Czarist Russia certainly could not be termed "backward," except possibly with respect to the degree of general participation in intellectual pursuits. For a time the rulers of Communist Russia did not appear to value real science greatly and did not permit the development of conditions conducive to its growth and fruition. There is, however, every reason to believe that World War II opened Stalin's eyes with regard to the importance of scientific study, particularly as it relates to military matters. A number of leading German scientists were taken to Russia and soon apparently were used as a sort of center of scientific endeavor to which a vast deal of time and materials were devoted.

The Spies Helped

Information obtained from trusting peoples abroad by the Russian spy system was fed into this mill. Meanwhile a dozen or so years ago the Kremlin began systematically to build up an educational system designed to develop well trained scientists and engineers in abundance—an example of foresight not matched elsewhere in the world. All this manpower and all this technological training seems to have been devoted first and foremost, if not exclusively, to the development of instruments of war. In view of all this it is hardly strange that very remarkable progress has been made in these chosen fields. And since so many of our engineers and scientists have been largely engaged not in devising new instruments of death but in the creation of things the people have shown they want and are willing to pay for, it hardly is strange that Russia has caught up with us and even passed us in these limited fields she has chosen for concentrated effort.

Whether Russia is particularly interested or not, the discoveries of pure science often have implications and applications which can not be foreseen and which may well in the future govern our relative progress not only in things military, but elsewhere. Thus the system of training scientists and engineers that the Kremlin has developed, and the emphasis the Kremlin now places upon these matters, must not be overlooked in this country if we wish to make certain of maintaining our lead or even of not being outdistanced in the future in more than one direction. We have, or many of us have, grown too much disinclined to undertake the hard unremitting toil of mastering science and mathematics—and this reluctance is reflected in the attitude of the generation now growing up. Here is a matter we must not neglect.

All Beside the Point

But all this has exactly nothing to do with the relative merits of the communist and democratic systems as instruments for the satisfaction of human wants and needs or for the creation of conditions most conducive to economic well-being. There is absolutely nothing new in the fact that a totalitarian regime if intelligent, vigorous and in full control can develop and produce armament of the most advanced and effective kind as well as democratic nations. Hitler proved it—if any proof were needed. There is no reason to doubt that a dictatorship can concentrate its manpower and its brain power on other specific projects with similar success. Ability at the top and full control are about all that is required for such a task as this.

What we must never forget is that it is a far cry from any or all of this to an effective economic or social system. Such a system must, first of all decide what of a million and one things must be produced, and in what amount. That it does by the simple processes of the market place. No dictator and no group of men no matter how well-intentioned or how wise could possibly make all these decisions in such a way that the people get what they most want. And, since in a democracy men and women are working to get what they want, they are much more ready to give their best than they would be under orders from a dictator who chooses for them what they are to have—this fact becomes the more evident as a society moves upward from the production of the bare necessaries of life. Let it not be forgotten that Hitler and the Kremlin achieved their armament successes at the expense of consumer satisfaction. And they were able to do it because they had life-and-death control over the rank and file.

Moreover, unlike the problem of making and improving armament, full and free competition is possible and immensely profitable in meeting the needs and the wants of the people in their everyday life. That means, among other things, that he who makes the best mousetrap at the lowest cost survives to keep on producing them. The less efficient turn to other pursuits or, if they are not able to survive as producers on their own, they must and will contribute to the welfare of the human race as employees of the more efficient. It was Adam Smith who first made it clear to all who would listen how and why this system of *laissez-faire* worked to the best advantage of the rank and file whose wants and wishes are supreme in a democracy. His explanations are as valid as they were when delivered to an excited world.

Continued from page 3

The Most Controversial Issues Facing the American People

is doubly true in international relations. We must not allow our judgment as to the strength of the Soviet Union to be colored by our natural dislike for a system which has used such ruthless means to accomplish its objectives.

Evaluates Communist Gains

In this context, let us examine the assets and liabilities of the Communist movement. Forty years ago there were 80 thousand Communists in Russia. Not one government in the world was under Communist domination. Today, one billion people and 12 formerly independent nations are under the domination of the Communist government of the Soviet Union. With the Soviet Union these positive results have been accomplished.

The weak, obsolete military establishment of the Russia of 1918 has been transformed into one of the most powerful military machines in world history.

A backward, primarily agricultural, economy has been replaced by a modern industrial plant in which steel production is 12 times as much, petroleum 11 times as much, coal 16 times as much, and electric power 111 times as much as it was in 1917.

Russian science has moved from the 18th to the 20th Century in the space of 40 years.

These things have not been accomplished without great cost. On the debit side we find:

The standard of living of the average Russian not only has not kept pace with the rate of improvement in the free world but actually is little better today than it was 40 years ago.

The income of the average Russian industrial worker today is only 2/10ths of 1% higher than it was in 1917.

In that same period the income of the average American industrial worker went up 484%.

The average Russian has poorer housing and poorer food than he had 40 years ago.

Except for the elite few of the privileged class, Russia today, as in 1917, is a gigantic poorhouse by free world standards.

In summary — the Communist system has been good for the State and bad for the people.

There have been human costs also — more difficult to measure but even more significant in character. Twelve proud nations have lost their independence. Countless millions guilty only of opposition to the Communist regime have been sacrificed on the altar of the new class. The priceless freedoms we cherish have become casualties of Communist conquest.

What we must realize, however, is that despite these obvious liabilities, the men in the Kremlin planned it that way. They are willing and determined to sacrifice independence, freedom, and the standard of living of their people for the greater objective of world domination. How do they plan to accomplish this objective?

Just two weeks ago, Mr. Khrushchev gave us the answer. He said: "We declare war upon you. We will win over the United States. The threat to the U. S. is not in the ICBM but in the field of peaceful production. We are relentless in this and will prove the superiority of our system." Ponder over this thought a little.

In this connection, we must not forget that in gaining domination over a billion people in 40 years, the Communists have relied primarily not on traditional military aggression across national borders but on other methods.

A Clear Challenge

The challenge to the free nations, therefore, is clear. We must not only strengthen our military establishment; but we must meet and surpass our competitors in the economic and other vital nonmilitary areas where they have already launched an offensive.

Let me tackle head-on what I realize is one of the most controversial issues confronting the American people today. At a time when we are necessarily increasing defense expenditures at home, should we cut our Mutual Security Program abroad?

I realize that many sincere people put the "give away" tag on these programs. Let us look at the facts. The $3.9 billion mutual security request that will go to Congress next month is indivisible with our national interest. Three-fourths, or $2.9 billion, would not be questioned by any reasonable businessman. Why does it go for military aid to countries which are on the perimeter of the Communist world? If these nations did not maintain their own military forces with our help, we would have to undertake the task alone. What would it cost? On the average, it would cost us five times as much to station Americans abroad in these countries as it does to aid them to do the same job. This, in itself, would be economically idiotic.

Another factor, largely overlooked, is that this country cannot at the same time provide the manpower and the material to maintain the free world's guard of the frontiers — the steel ring around the iron curtain.

It is the area of the additional $1 billion that we run into the heaviest controversy. This $1 billion for loans and technical assistance goes primarily to countries which are not joined by alliances with the United States. Why do we aid countries of this type? Let us look at the stakes involved:

One billion people in the uncommitted countries of Asia, the Near East and Africa hold the balance of power in the world.

They are determined to have economic progress.

They would prefer to have it under conditions in which they can retain their independence and freedom.

But if the capital necessary for this development does not come from the free world, they will be forced to turn to the Communist world to get it.

If they do this, the inevitable result will be Communist domination.

Mark my word. If the Communists gain control of the peoples and resources of the uncommitted nations they will hold the whip hand over the rest of the world.

You Can't Buy Friends

You often hear it said: "You can't buy friends." I agree completely. The purpose of our aid is not to buy the friendship of these countries and not to make them satellites. We aid them in order to toughen their economic and political fiber to a point where they can be independent of any foreign domination, including our own—because national independence based on political and economic stability is completely incompatible with international Communism.

Our program of loans and technical aid to these countries is as essential to our survival as the production of missiles and aircraft. I do not suggest that these programs alone will accomplish our objective.

In the long run the primary and preferred source of capital for newly-developing countries must and should be private investment rather than government loans and grants. That is why our new developmental loan fund will be channeled into private investment where possible. That is why also government policies must be developed which will encourage United States private investment in these areas. And that is one of the reasons why our policies must also encourage greatly expanded trade so that a pattern of commerce with the free rather than the Communist world will be established with these countries.

I should like to add a word with regard to the principles upon which our trade policy is based. Trade is essential to the cause of peace. In Cordell Hull's words, "either goods will cross borders or soldiers will." World tensions will not be eased until the flows of trade minimize the traditional fears and jealousies of nations.

Trade is essential in keeping our allies. For example, if Japan cannot trade with the free world, she will have no alternative other than to trade with Communist China.

Trade is essential to our own economy. This year we shall export over $8 billion worth of nonmilitary goods. The jobs of over 4.5 million Americans depend upon our export and import trade. Trade cannot be a one-way street.

Importance of Trade

For these and other compelling reasons the Administration is asking Congress to extend the Reciprocal Trade Act for a five-year period. There will be considerable objection to this proposal because of the possible effect on some domestic enterprises. I do not suggest that there is an easy, pat answer to this problem. But the basic interest of the U. S. demands that the barriers to trade must be reduced.

One final buttress to our Mutual Security Program is our overseas information service. A modern concept of sound industrial public relations is to inform the people properly of the activities of a company. It is just as simple and equally as sound a concept that the United States, which does much that is good in the world, should tell its story to the peoples of the world. This is particularly important when our competitors, the Communists, are spending an estimated five times as much each year as we are in the propaganda and information field.

You have no doubt read some of the caustic criticisms of our information program. I would not for one instant contend that everything we have done in this field has produced results. But I am sure you will agree with me when I say that public relations for a business is at best an inexact science. In the case of government where the problem is selling ideas rather than goods, the problem is infinitely more difficult.

We must not allow our failures in this field to blind us to the fundamental truth that it is penny-wise and pound-foolish to spend billions to create a good product and then not spend the few millions necessary to sell it.

Let me sum up the case bluntly. If we take a worm's eye view of the world conflict and cut foreign aid, hamstring reciprocal trade and emasculate our information program, the billions we spend for missiles and submarines and aircraft will be going right down a rat hole. The strongest military establishment in the world will not save our freedom if we fail to meet the threat which the Communists present in the nonmilitary areas.

As I spoke of our information program, I am sure some of you must have asked this question—what do we have to sell?

As you are keenly aware, one should never make the mistake of meeting a competitor solely on the ground he selects. We must never forget that the free nations have something to offer to the world which the Communists cannot match.

Mr. Khrushchev has suggested that the Communist and free worlds should enter into an era of peaceful competition. All Americans would welcome a broader extension of the peaceful competition that Mr. Khrushchev says he favors. Military strength and economic progress are important, but they are not everything. Let us compete in the full range of human desires.

Our Allies

Let me illustrate my point. That NATO meeting is being held 10 days from now in Paris. We are fortunate in the fact that the group of nations with whom we will be meeting have a combined economic and military strength which, added to ours, assures security against attack. But to us they are far more than valued military allies and trusted friends. They are our spiritual ancestors, the cradle of the ideals of democracy and freedom that form our American heritage.

There will be Great Britain, the land of the Magna Carta and the source of our common law.

There will be France whose soil has been reddened by repeated battles fought for freedom and democracy and whose culture has reached the highest levels the human mind and spirit has achieved.

There will be Germany harnessing its tremendous skills to the cause of freedom and European unity.

There will be Italy assuming again its rightful place of leadership in the western world.

These and other great nations associated with them in the defense of Europe have given to the world, not only military strength, but an invaluable heritage of science, art, music, literature, law and religion.

To the people of the Soviet Union we say study our courts of law, our churches, our libraries and universities. Study our economic and social systems. They are not perfect we grant. But has the individual citizen ever fared better in all recorded history than he has under a system of political freedom, free economic initiative, and respect for the human mind and spirit?

Let us compete also in disinterested friendship to the millions of people on earth now in poverty and destitution who rightly seek their share of the wealth God has given to all his children.

Let us say again, as we said in the past to the Russian people that our military power will never be used in aggressive attack against them or any other people. It will never be used except in defense of freedom. If the leaders of the Soviet Union would seek peace and progress for individual citizens of the country and not simply empty power, the crushing burden of armament which the Russian people bear today could be lifted.

We have no illusions that good alone will correct all the evils of the world. But we must never tire of ceaselessly waging peace on all fronts at the same time we are maintaining the military and economic strength which will deter war.

I realize that I have expressed views with which some of you may disagree. May I emphasize, however, that while we may disagree on methods, we share devotion to the same basic principles.

Affirms Private Enterprise

I believe that the most productive source of a people's progress is private rather than government enterprise. I do not believe we should spend one cent for government activity in a field where private enterprise can or will do the job. It is because I believe the system of free competitive private enterprise is the best man has devised and is worth fighting for that I favor those government expenditures in the military and economic fields which are absolutely essential to save our nation from those forces that would destroy it.

I do not offer the adrenalin of crisis or of clear and present danger. There is no panacea for the problem we face. And yet our total danger is great. We are in the midst of a world conflict in which the Sputniks are but a single episode. Call it a cold war; or a contest for men's minds; or a race for outer space.

Call it whatever you will. It is, as Mr. Khrushchev has bluntly told us, a war of many phases—military, political, economic, psychological, a total war, calling for all our resoluteness, determination, patriotism, and faith. We must meet the challenge.

We must summon our brains, our fortunes, our imaginations, and a dedication to the full mobilization of all faiths, all creeds, and all peoples—to the cause of peace and freedom for the world.

Homer O'Connell & Co. Expands Staff

Homer O'Connell & Co., Incorporated, 120 Broadway, New York City, have announced the association with them of Theodore J. Moynahan as sales manager. Mr. Moynahan was formerly with Coburn Middlebrook, Inc. Also joining the firm are Z. Joseph Dalski, Ernest J. Hall, William J. Hanley, Fred W. Piper, A. Joseph Paul of Elizabeth, N. J., James A. Roberts of Syracuse, and Rodney B. Squiers of Elmira.

Homer O'Connell & Co. has opened a branch office at 614 Central Avenue, East Orange, N. J. under the direction of Stuart A. Buckman. Richard S. Sanborn, L. L. Robinson and Henry Van Campen are with this office.

With J. A. Zinn Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — Allan B. Clink is now connected with J. A. Zinn & Company, Penobscot Building.

Continued from page 11

Areas of Challenge In Mass Consumption

ing its requirement of growth, the department store faces powerful and increasing competition for the consumer's dollar, for its share of the national disposable income. All kinds of services are growing in the nation. Travel has become a large business; and travel may indicate expenditures of money for hotels, for railroad tickets, for buses, planes, and ships—both at home and abroad. Department store volume totals about $11 billion annually. Expenditures made for travel amount to about 1½ times this figure.

An automobile is almost as essential to the American household as a home. We average one car per household; and it seems likely that this ratio will increase. Seventy percent of the annual purchase of automobiles are made with the help of instalment financing. These purchases and this lien on the funds of the family budget compete with the goods offered by the department store. Food absorbs about one-fourth of the expenditures of the American family. We like to live well and with a maximum of ease. At the same time, we are almost a servantless population. Fewer than 3% of our households employ paid domestic help. We replace human service with mechanical devices. We are depending more and more on food that is not only packaged in a factory but is semi-prepared or entirely prepared before it reaches our kitchens. Cakes and pies require simple additional operations in the kitchen to be ready as hot, freshly baked products for consumption by the family. The same is true of bread, fish, and meat. The result is more ease for the housewife, but also a larger average check for the grocer or supermarket.

However, the competition the department store faces for the consumer's dollar has still additional combatants. The department store finds that it must compete with the mail order company—or mail order store, with the specialty shop, the drug store, the supermarket, and the discount house. Each has cut for itself a piece of the pie, and seeks continuously to enlarge the slice either by multiplying the number of its units, or multiplying the number of departments and expanding the assortment of the products it offers for purchase.

Competitive Opponents

These are formidable competitive opponents for the consumer's dollar. Many of them offer goods at lower prices—without the services the department store expects to give or is expected to give. Some have been quicker than the department store to seek locations nearer to the centers of population in our changing pattern of living. Others have learned how to present and sell their products better.

Retailing in general and department store retailing in particular depend upon people rather than upon physical or mechanical devices. For some little while, our economy has been experiencing a shortage of labor; and that shortage promises generally to obtain over the next few years. This means usually that for many jobs the quality of labor is likely to be something less than the highest.

On the other hand, wages continue to increase. In industry, an effort is usually successfully made to offset increased wage costs by increased productivity through mechanization or automation. This pattern is not easily followed by retailing which uses little if any mechanization.

In the changing scheme of economic things, the long-established stability of retail districts and locations has undergone far-reaching modification. It used to be that the successful department store of the community marked the 100% location and practically guaranteed permanent anchorage for the area. With the development of decentralized areas of living and the growth of suburbia and exurbia, urban locations have assumed elements of uncertainty. Shopping districts within the city show evidence of the effects of competition from shopping centers developed along the city's perimeter.

New areas of living and working offer the department store the alternatives of drawing customers to itself along longer lines of traffic-crowded thoroughfares, or establishing branches to service these regional centers and incidentally to compete with its downtown main store establishment. The former appears to be an increasingly difficult battle. The latter demands hugely increased investment in plant and fixtures. The capital needs of branch stores quickly become substantial. The favorable effect of the sales of the branch are often offset, at least for a while and at least in part, by the loss of profits of the main store from which sales are diverted to the branches.

Problem From Changing Pattern of Living

The problem the department store has in meeting the changing pattern of living is not inconsiderable. However, there could well be within this development of decentralization, a significant potential for the same department store. It would appear inevitable that numbers of our population and family formations will, in the future increase more rapidly than in the recent past. Housing these families will force us to build our homes farther and farther from the centers of our cities. Combined with this force, there must be included the factor of traffic conditions within the cities and the effect of the shorter work week which gives days instead of hours of leisure and *family* living.

As roads are built to convert longer distances into shorter time spans, working opportunities will both follow and anticipate decentralized living. And one can be certain that schools, churches, and shopping centers will be integral parts of these new living areas.

What agency is better equipped to satisfy an important segment of the needs of those who dwell in these new communities? The indications are that the department store branch is almost an essential center or core of these new shopping centers. Even when the smaller stores of a center have found the going rough, the department store unit has usually given a good account of itself.

In the problem of planning for the future development of shopping centers, there is and will be an area of challenge that should intrigue the future leaders of department stores. For here is a field in which apprenticeship to the past offers far less than imagination for the future. What a list of essential questions present themselves for necessary answers.

Should a branch be established? If so, when and where? What size should both the center and the branch store be, how designed? How should the branch store be organized and operated in relation to itself and to the main store? How should it be financed?

Here, indeed, are challenges which should appeal to young talents because both problems and promise exist in full measure.

Once the development of a branch store or branch stores is under way, the resultant consequences upon the main store demand careful study and intensive action. If the sales volume of the branch or branches is obtained at the expense of the main store, it will be essential either to find methods of replacing in the main store the volume that has been diverted or to reorganize its operation and expenses so as to live profitably within the shrunken pattern. The elements of change that have been injected into the elderly gentleman merchant in the frock coat and striped trousers promise new approaches to, and rapid modification in old, well established principles and practices.

Increased Productivity Per Space Unit

Any reasonable study of the statistics of department store history indicates clearly that department stores must seek and find increased productivity per square foot of space and per manhour of operation.

The challenge to obtaining increased productivity *must* be met successfully. The gamut of factors that contribute to increased productivity is, indeed, too great even to run in a summary manner. However, many of them relate to better selling.

Better selling is a broad term. In a sense, it *should* relate to the whole operation of the department store; and even in its narrowest meaning, selling covers much more than the actual relationship between customer and sales person.

If selling is to improve substantially ,then it is essential, of course, that the function of selling as a part of the awareness of department store management should be more fully recognized as important. There must always be an awareness that buying is usually done by the gross—or at least in multiple units, whereas selling is almost always done piece by piece to one customer at a time. Selling is concerned with a huge multiple of single units and individual transactions. Failure to recognize this fact merely neglects its significance; it resolves no problems.

Change in Emphasis Needed

Moreover, in the proper recognition of the importance of selling, there should result a change of emphasis from buying to selling. It may even be that department store organizations of the future will recognize that the function of selling demands that the status and stature of those who direct the selling function must rank equal with those in merchandising.

Selling personnel are important in the department store and will continue to be as long as service and not self-service remains an integral part of appeal. Therefore, the selection, education, and reward of selling personnel will increase in importance. However, for many reasons, the area of potential improvement of selling personnel is limited. Therefore, auxiliary and supplementary aids to selling must and will become increasingly important if productivity is to be raised to its required level and if we are to convert a larger percent of shoppers into buyers than the 33% which presently obtain.

Layout to make buying easier must be improved. Presentation of assortments from the customer's point of view must replace entirely the assembly of stocks upon the basis of resource markets. Fixtures must be continuously studied and redesigned to make them self-selling and contributory to lower cost operation. The same is true of display, lighting, packaging, and tagging. The progress made by the supermarkets in these aspects of retailing is both impressive and productive. Department stores must at least equal what the supermarkets have done.

A True Community Center

To a very important degree, the department store represents a true community center for almost every woman. It should offer to her not only the opportunity to satisfy her needs, but also an environment and presentations which she should find instructive and dramatic. It should present new products to satisfy her existing desires and needs and to stimulate new ones as well. And there should be an element of glamour or even excitement in the framework in which she sees these products and which glamour and excitement can become part of her enjoyment and satisfaction in the products when she uses them and enjoys them in her home.

Moreover, if sales personnel are to increase their effectiveness, they must obtain every possible benefit of the aids that will help to educate them concerning the buying motives for the products and also help in the self-selling by the customer herself.

In the recent past, there has been substantial progress in the development of packaging that "sells." A great deal remains to be done. Here and in advertising, window and interior display, and lighting and tagging that help to sell products, the opportunity for research and improved results is enormous. The fields available for future leadership are broad. The challenge is great, and the results of successful effort should be significant and rewarding.

Even in merchandising and buying, the long recognized "leading" segments of department store organization, there is a challenge to seek and find increased productivity. Most existing methods must be subjected to careful scrutiny in order to discover better understanding, better methods, and better results.

The department store is *the* voting place where, every day, American women indicate many of their preferences. Here they maintain a daily poll in which they register their desires, their likes, and their dislikes.

It is essential, of course, that there be available for these women's votes an adequacy of the samples of products sufficient to serve as an assortment ballot. Moreover, it is equally essential that there be a rapid and accurate measurement of this sampling so that full assortments in inventories can be provided to shoppers as quickly as possible during the period of their maximum buying interest and enthusiasm. It is also important that as consumers' interest fades, this be quickly identified so that stocks can be reduced and losses avoided.

There are already in existence the devices that promise to add enormously, even revolutionarily, to the prospects of a better, even a new type of management approach and treatment of merchandising problems and methods. The electronic data processing device is young in its technical development and much younger in the knowledge of its full and proper use. It would seem that most of the talk one hears about electronic data processing relates to its saving of labor and its substitution for clerical help. This is important; but it will probably prove to be far less significant than the contribution the electronic data process will make to new techniques of management planning, operation, and control of future industry and commerce. The electronic data process device is very likely to play a truly great role as a new mechanism for management, maybe for a new type of management. For the executives of tomorrow, there will exist the double task, first, of giving the proper program to the giant mechanical brain that possesses neither initiative nor volition of its own and, second, of interpreting the mass of material that can tumble forth with breathless speed, either to create awful confusion or to supply a magnificent guide for operation.

The effect of this new method of assembling and interpreting data should be to improve sales results by the selection of better assortments of line, style, color, material, size, price, and other important details. With better selling, a larger percentage of shoppers should become buyers; more sales per square foot and per employee should result. Therefore, costs should be lower and profits higher.

Lower Markdowns Feasible

The electronic data processor should add another important factor to higher profits. Through the better coordination of stocks and sales, lower markdowns should result. As opposed to an annual volume of department store sales of $11 billion, losses through markdowns total $600 million. This is nearly equal to the total profit on these sales. If an improvement of 2% of sales is effected through lower markdowns as the result of the proper use of electronic data processing, the over-all profit of department stores would be dramatically increased.

Here, indeed, is an exciting potential for all of industry and commerce. But it could well be that its greatest service and contribution will be to retailing generally and to department stores in particular. The electronic data process device promises to give information in minute detail about products, sales, inventories, operations, and people. Better merchandising, better expense control, better selling, and better service are available and should be the result of the proper uses of these devices. The cost of the electronic data unit is and will remain substantial. Therefore, large, well-established, and well-financed corporations are likely to be the important owners or users of the electronic data processing units. To the department store, there can come the combination of the values of large size and the benefits of very skillful operations based upon detailed knowledge of buying, selling, and relationship with individual customers' specific needs and desires.

What a field of challenge lies here to be explored and cultivated by the well-trained executive of tomorrow. Here is an opportunity, the fulfillment of which will draw its inspiration far less from experience and the past than from imagination and the future. Herein lies the requirement to discover new and better ways of advancing a very old art and a very new profession.

As a nation, we spend annually seven or more billions of dollars mostly for applied and a small amount for basic research. For this latter aspect, the inescapable indications are that we spend too little and not too well. We must increase both the quantity and quality of our effort. However, practically all of what we spend for research is unrelated to distribution or retailing.

The record of the department store perhaps should have been better; it has not, however, by any measurement, been poor. It has lacked the effervescence of aluminum and electronics; but, on the other hand, it has evidenced a stability of earnings and a safety of dividend yield which are characteristics not to be under-estimated. Department stores have lacked explosive growth; but they have also avoided the mercurial fluctuation of the profile of an economic "scenic railway."

When once the department stores have learned to initiate and apply proper programs of research, and fulfill more adequately their true potential, then in the share of our great and growing domestic consumers market their own future growth should be promising indeed.

No one can forsee what science and design will create for future consumers and what needs and desires men and women will wish to fulfill. One can only be sure that the desires will grow as our standard of living advances. It may be that planes will replace cars, that packaged nuclear energy will serve as space heaters and coolers, that electronic ranges will replace electricity and gas to cook and bake prepared foods, that glass and steel and plastics will replace wood and wool and cotton. Whatever the products may be, future research will either improve them or even create them; whatever these products prove to be, retailing will be charged with offering and delivering them as parts of an improving standard of material living to the men, women, and children of our nation. And within the retailing activity of the future, there is every reason why the department store under progressive leadership should grow and prosper.

Railroad Securities

Bangor & Aroostook Railroad

Earnings of Bangor & Aroostock Railroad in the final months of this year have shown marked improvement over the first half. It is officially estimated the full year will show approximately $6.00 a share as compared with $8.50 a common share reported in 1956.

In the first 10 months of this year Bangor earned $5.23 a common share as compared with $7.64 a share in a comparable 1956 period. A large factor in the earnings picture is the high quality of the Maine potato crop this season which reportedly has been equal to that of any ever grown in the State before. This, coupled with reduced yields in various middle west growing areas and the Red River Valley of North Dakota, has brought about early potato shipments which have run well ahead of a year ago. October loadings were 1,105 cars against 611 cars in the like 1956 month.

Loadings of paper and pulp wood have been below those of last year. The expansion of the paper industry in the territory served has done much to diversify the traffic of this road which, historically, has been called the "Potato Road." Those close to the carrier expect fourth quarter shipments of paper to approximate those of the 1956 period more closely. However, it is anticipated there will be a continued sharp reduction in pulp wood shipments.

The current financial position of the Bangor continues to be more than adequate. Net current assets as of September 30, 1957, amounted to $2,461,005 as compared with $2,472,452 on the like 1956 date. Funded debt due in one year amounted to $1,630,763 as compared with $1,893,925. This debt consists mainly of equipment trust maturities which are comfortably covered by depreciation of equipment which indicates there will be no strain on cash resources. It also might be noted that estimated earnings for the year are after heavy sinking fund deductions.

The road is regarded as being in excellent physical condition both in respect to roadway and equipment. It has purchased a number of new pulpwood cars to serve that growing industry as well as refrigerator cars to haul potatoes. Beginning in 1947, Bangor began to institute its dieselization program and in 1952, operations both freight and passenger were completely dieselized. It is interesting to note that during its slack seasonal period it has made arrangements with the Pennsylvania RR. to lease at least 15 diesels for six months each year for a minimum of 14 years.

The road has simplified its capital structure and extended its debt maturities. In April of 1950, the Interstate Commerce Commission, in a proceeding under the Mahaffie Act, authorized modification of company's bonded debt, extending consolidated refunding 4s from 1951 to 1976, increasing rate to 4½% and redesigning the bonds as first mortgage 4½s. In some proceedings, the collateral trust 4s were raised to 4½s and were extended from 1951 to 1961. Fixed and contingent sinking funds for the collateral trusts totalled $300,-000 per year and a secondary sinking fund for benefit of first mortgage bonds was equal to 25% of amount by which income after fixed charges for preceding year exceeded $800,000, with further provision that when collateral trusts were no longer outstanding, the $300,000 sinking fund would apply to first mortgage bonds and secondary sinking fund would be eliminated. In 1954, collateral trust bonds were retired by issue of an additional $2,000,000 first mortgage 4½s, thus eliminating secondary sinking fund.

As of Oct. 1, 1955, company issued $4,000,000 5⅛% income promissory notes due Oct. 1, 1995, proceeds of which were used to redeem and retire entire issue of 5% preferred stock. Notes provide for annual sinking fund payments of $40,000 through 1960, $80,000 from 1961 through 1965 and $114,-000 from 1966 through 1994.

In February, 1956, company reduced par value of common stock from $50 to $1 per share and issued 29,761 additional shares of common and, on March 2, 1956, as a part of the same plan, the company issued $8,000,000 first mortgage 4½s, series A, due Feb. 1, 1976, carrying an annual sinking fund obligation of $100,000. Proceeds from sale of stock and bonds were used to redeem and retire entire outstanding amount ($10,-040,000) of first mortgage 4½s. Currently, there are outstanding only 179,810 shares of common stock on which dividends of 60¢ quarterly have been paid or at an annual rate of $2.40.

Arthur R. Rapp with C.I.T. Financial

CHICAGO, Ill.—Arthur R. Rapp, formerly with A. G. Becker & Co., Chicago investment bankers, has been named to the treasurer's staff of C. I. T. Financial Corporation as Midwestern representative, C. John Kuhn, Treasurer, announced in New York.

Mr. Rapp will be concerned primarily with the sale of commercial paper. He will make his headquarters at 221 North LaSalle Street, Chicago.

Elected to Committee Of NASD Dist. 9

NEW ORLEANS, La. — Ladd Dinkins of Ladd Dinkins & Co., New Orleans, was elected a member of District Committee No. 9 of the National Association of Securities Dealers. The district consists of the states of Alabama, Florida, Georgia, Louisiana, Mississippi, South Carolina and Tennessee. Mr. Dinkins fills the unexpired term of T. J. Feibleman, who has resigned.

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Helpful and Threatening Forces Facing the General Contractor

ership of Secretary of Labor James P. Mitchell.

It is hoped that restrictive agreements that are demanded by the industrial unions will be prohibited and the practice stopped in the very near future.

If this cannot take place promptly, it seems certain that the construction employers will have to resort to laws controlling restraint of trade and monopoly. If the present laws are inadequate to stop this abuse of the union-shop agreement, permitted under Federal law, it is probable that the industry and the public may be forced to seek such legislation.

It is hard to conceive that in this country the Federal Government, in its effort to support the organization of labor unions, would permit its sanctions to be used to create the European type of cartel, horizontally across an entire industry, toward a complete monopoly of everything connected with it.

This is one reason why I am seriously discouraged.

As to our wage levels, and other hourly costs, I am sure that the construction employers feel that the construction worker today ranks first in application to the job, expenditure of energy and intelligence, and does not resist reasonable efforts to increase productivity.

It is also believed that the building construction worker in the large city where the average hourly wage rate is $3.21, compared with the national average of $2.06 per hour for the industrial worker, receives adequate compensation for his work. His wage rates have improved faster than the cost of living.

But the contractor and the construction worker, organized or unorganized, has serious competition to meet in today's market. Their services can easily be priced out of the market, in spite of our efficiencies, by the psychological effect of a few wage rates approaching $5 an hour.

The industrial worker is a menancing competitor to us. Prefabrication in factory of many construction processes competes with work done on the site. Even the factory-built trailer and automobile compete, in some degree, with the home-building industry and retard the development of the permanent community.

Investment by government agencies in highways, power developments, and other public works can compete with other expenditures of public funds only so long as the public thinks it is getting its money's worth.

In closing, let me state I still have hope that the wise leaders in the labor movement will prevail in their determination to solve these problems. I am sure insofar as they can do so, the construction employers will continue to cooperate if a solution is in sight. However, I am sure they realize that the general contractor will resist most vigorously the destruction of his market, either by (a) unwarranted and misunderstood payments to the construction worker, or (b) the misuse of the privileges provided by government to organized labor so as to restrain the contractor from his normal market and create a monopoly in an industry which he cannot work with his efficient methods.

Joins Jensen Stromer

(Special to THE FINANCIAL CHRONICLE)

MARYSVILLE, Calif.—Fred J. Carom is with Jensen and Stromer, 426 East Fifth Street.

Public Utility Securities

By OWEN ELY

Gas Pipelines Disturbed by Memphis Decision

On Nov. 21, Judge Washington of the U. S. Circuit Court of Appeals for the District of Columbia threw a legal H-bomb at the gas utility industry and the regulatory commissions, in Decision No. 13,666. The case was based on the 1956 decision of the Supreme Court in the Mobile case (United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U. S. 332) as well as the earlier Sierra Pacific case. The question was whether the rule in the Mobile case would apply on a broader basis, where gas supply contracts have pledged payment under designated rate schedules **"or any effective superseding rate schedules."**

The United Gas Pipe Line Co. contract with the City of Memphis *et al.* provided that the rate to be charged should be "the effective rate on file with the Commission," which was assumed to mean that the pipeline's customers would have no recourse under the contract but to pay any increase in rates filed by United Gas and duly approved by the FPC. Moreover, it was assumed that five months after filing, United Gas could begin collecting the higher rates, as usual, "under bond."

The decision, however, apparently upheld the "sanctity of contracts" and indicated that each party to the contract must agree to any change in rates. Under this interpretation, filing with the commission under Paragraph 4 is a mere formality. Unless and until all parties to the contract have agreed to a change, the matter could not come before the commission for regulatory consideration. Moreover, the commission has no authority to intervene in any way, either to help the parties to negotiate a new schedule of rates, or to arbitrate between them. But the Court stated, "If such a new rate schedule has been properly agreed upon and is filed pursuant to paragraph 4 (d), the Federal Power Commission may then under paragraph 4 (e) undertake to review the new rate by ordering a hearing on the 'lawfulness' of the new rate filing; and the commission may suspend temporarily, the non-industrial part of the new rate."

Thus in all cases where parties to a contract don't agree on an increase in rates—and in how many cases would there be such agreement?—The FPC would be virtually powerless to intervene. While it is true that it has broader powers under paragraph 5 (a) than under paragraph 4 (e), such power would apparently only apply to investigating the reasonableness of **new** contracts, or of revised contracts fully agreed on. Moreover, if paragraph 5 (a) is used in place of 4 (e), the practice of putting rate increases into effect under bond after the commission has suspended them for five months would not be permissible. In a footnote two of the three judges indicated their general preference for action under paragraph 5 (a).

The decision, according to some commentators, not only stops the Federal Power Commission from deciding pending cases involving contract rates, but might even throw in doubt past decisions over previous years. In other words, the commission may have been operating in an "illegal" manner for years, based on the new interpretation of the Act.

This naturally seems strange to utility analysts who are accustomed to regard pipelines as utilities. Under this decision they would seem to be classed more as industrial companies. Even if a pipeline should be earning too much or too little in relation to the rate base, the commission apparently would have no powers to regulate its rates except (1) when a contract is first filed, with its escalator clauses, etc.; or (2) when all parties agree to a change in the contract. The implication seems to be that escalator clauses in existing contracts would again become fully operative (their legal status has been in doubt), although "most favored nation" clauses are probably still outlawed.

However, the old regulatory status appears likely to continue pending final word from the Supreme Court. The FPC has decided to petition for a review of the Circuit Court's decision. Chairman Kuykendall has indicated that in the commission's opinion the effect of the decision —while technically aimed at protecting the customers of a pipeline—would really be quite adverse to them because the financial stability of many pipeline companies might be placed in jeopardy, thus affecting the quality of existing service and retarding or preventing the growth of the industry.

Obviously, if the whole basis of the pipeline earnings has to be readjusted (many pipelines are collecting a considerable percentage of revenue under bond) this might make it difficult for them to finance. The pipeline companies would have to cancel plans to obtain more gas reserves, and their customers would thus be barred from selling more gas at retail for househeating or other purposes. Retailers would have to go back to using standby manufacturing plants on a larger scale, which would probably raise costs to consumers.

As a practical indication of this result, Natural Gas Pipeline Company of America (a subsidiary of Peoples Gas Light & Coke Company) postponed a $40 million issue of first mortgage bonds scheduled for Dec. 10, to await further study of the possible effect on the company of the Memphis decision.

The decision has had a rather depressing effect on the price of some pipeline stocks although this has not been uniformly true—an exception is American Natural Gas which might be less affected than other pipelines since it contracts to deliver gas to its own subsidiaries. In the week ended Dec. 4, Standard & Poor's Index of six pipeline stocks declined 2% while the stocks of 11 gas distributors advanced 2%, and electric utility and telephone stocks also gained 2%. As a result of this and other regulatory uncertainties, Colorado Interstate and El Paso Natural Gas have been especially hard hit. The former has been selling recently around 40 compared with this year's high of 81½ and the latter around 25 vs. the high of about 44½.

De Coppet & Doremus Admit

On Jan. 1 De Coppet & Doremus, 72 Wall Street, New York City, members of the New York Stock Exchange, will admit Townsend P. Coleman to limited partnership.

Delafield & Delafield Admit

Walter B. Delafield on Jan. 1 will become a partner in Delafield & Delafield, 14 Wall Street, New York City, members of the New York Stock Exchange.

Continued from first page

Is Business Cycle Obsolete?

tability was widely accepted among economists and taken for granted among businessmen.

In contrast to the disputes of theory in earlier days, the modern approach to the problem of the business cycle is more practical and more pragmatic. The greater availability of statistical information has made it clear that individual sectors of the economy show wide diversity of behavior; at no time do all components of business activity move in the same direction. In the present environment, when the question of the obsolescence of the business cycle is raised, the real object of speculation is the obsolescence of major business downturns. Bluntly and directly, how valid is the notion that the American economy has at last become depression-proof?

A Changed Economy

Varied and in many respects dramatic innovations have taken place in the past quarter century in our economy and in our economic and political institutions. We are living in an environment different in many important respects from that which existed prior to the collapse of the early 1930's or even at the time of the more moderate recession of 1937-38. New goals as well as new tools of economic policy have emerged; Congress has declared the maintenance of high employment to be an objective of the Federal Government. And with these developments has come increased confidence in the ability of Government and business to avoid serious contractions in production, employment and credit.

The hope that our economy may now be better equipped to avoid major business declines is founded in large part on the stronger defenses against recession that have been put up over the years; unemployment benefits, price supports, deposit insurance and the like. Also, it is assumed that Government action to counteract an economic downturn will be more prompt, more vigorous and consequently more effective than in the past. Another source of faith in a more stable economy is its greater diversity and the almost uninterrupted growth it has demonstrated in the postwar era. Finally, total investment spending has for years been in a rising trend, and if the level should continue to be well maintained, a pronounced decline in business would be unlikely.

However, not all of these factors and considerations appear of equal efficacy in reducing the probability of a cyclical downturn. A more detailed evaluation of their role is necessary to reach a point of view.

Built-In Stabilizers

A major category of depression antidotes consists of the so-called built-in stabilizers which are designed to moderate the impact of an easing in aggregate economic activity upon incomes or prices. These stabilizers respond fairly sensitively and automatically to changes in business conditions. The highly progressive nature of our personal income tax rates, for instance, cushions the effect of a cut in wages and salaries upon take-home pay without requiring a revision of tax laws or changes in fiscal policy. Unemployment benefits rapidly soften the blow of layoffs upon incomes and consumer spending. Although agricultural price supports tend to retard necessary adjustments in the economy as a whole and hinder the most efficient allocation of resources, they do restrain declines in the prices of farm commodities and moderate the drop in farmer's purchasing power.

These built-in stabilizers cannot prevent, nor are they intended to prevent, cyclical fluctuations in total business activity. Moreover, they have not been tested in a clearly unfavorable economic environment. Nevertheless, they doubtless have a moderating effect upon incomes and consumer expenditures in periods of business decline.

The record of American business fluctuations over many years shows that business depressions usually have been accompanied by serious troubles in the credit markets. Ordinarily these troubles have involved a spiral of credit contraction and a scramble for liquidity on the part of important lenders, notably the commercial banks; upon occasion, as in the 1930's, a breakdown of public confidence has culminated in runs on banks and has contributed importantly to the depth and duration of the depression. In the past quarter century, arrangements have been devised to prevent the deterioration of public confidence in financial institutions and to ease the problems of institutions that may encounter liquidity problems. Such arrangements include Federal insurance of bank deposits and of shares in savings and loan associations, the increased lending powers of the Federal Reserve, and the easier accessibility of the member banks to Federal Reserve credit in the event of widespread financial stress. There is, consequently, considerably less prospect today of a credit squeeze leading to widespread calling of loans, forced liquidation of inventories and a resultant downward spiral in production and commodity prices.

These stabilizers are not, however, designed to deal with a basic cause of past trouble in the credit markets, namely, the rapid expansion of short-term credit to finance transactions in securities, commodities, business inventories or real property, frequently at rising prices. The use of short-term credit for the acquisition of listed stocks is subject to regulations which probably cover the great bulk of such credit, but in other areas, reliance must be placed upon the good judgment of lenders and borrowers. Some mistakes and some losses will, of course, prove inevitable. Nor should it be concluded that present institutional arrangements rule out the possibility and even the probability that some borrowers may eventually find themselves compelled to restrict their operations as a result of the excessively optimistic assumption of debt during a boom. Nor do they rule out the prospect of losses to lenders who have permitted their credit standards to decline.

An additional stabilizing force of some significance in our economy is the great size, in absolute and relative terms, of government budgets, and the fact that government expenditures may not follow the cyclical fluctuations in business activity. Spending by state and local governments has displayed substantial immunity over the years to declines in business activity, the rising trend is strong and persistent, and only the most serious business decline could be expected to change its direction. Spending by the Federal Government has also increased materially and now represents 11½% of our gross national output, compared with 5% in 1937 and slightly over 1% in 1929.

Nevertheless, despite the sharp rise in government spending over the years, the proportion of our national output represented by outlays on durable goods in the private sector is fully as large today as it was in 1929; these outlays, until the postwar era, have been fairly volatile. Thus, unless spending on durable goods is now less volatile than it has been, the greater importance of Government spending, *per se*, has probably not contributed decisively to economic stability.

Government Policy

Some Government measures, particularly in the field of housing, helped temper the business setback in 1954, and while financing terms here have already been liberalized to such an extent that there may not be many strings left to this bow in the event of another business sag, further Government action is conceivable in providing guarantees for financing transportation, urban redevelopment or state and local projects. By and large, however, effective action by the Federal Government to halt a business downtrend, although a widespread expectation, may be a more debatable and uncertain prospect than is generally assumed.

At one time, the development of a contracyclical fiscal policy was considered a most promising tool for the attainment of a more stable economy. In large measure, this expectation has not been fulfilled. Of necessity, the bulk of Government expenditures is determined by the requirements of national defense rather than the business cycle, and volatility in Federal spending has been evident also in the civilian items of the budget. Tax policy, too, has not been geared conclusively to changes in business conditions; the tax reductions in 1954, for instance, were made according to a time schedule established by earlier legislation rather than by the trend of the economy, and there has been no attempt to raise taxes to counteract inflationary pressures during the past two years.

In any event, diagnosis of the economic outlook is always difficult, especially at the crucial turning points. Moreover, because of the time required to formulate an appropriate program, obtain Congressional approval where required, and translate plans into actuality, substantial lags are to be expected before the effects upon the economy become visible. In practice, therefore, fiscal policy seems too cumbersome to serve as a flexible tool of economic policy; it would be unwise to rely upon rapid, decisive and successful action in the event of a business decline.

Credit Policy

Credit policy is far less afflicted by the deficiencies of fiscal policy. It can be adapted rapidly to changing appraisals of the business outlook; policy can be shifted gradually and can, if necessary, be reversed swiftly as the economic picture unfolds. Even so, however, the ability of credit policy to cushion a recession is not unlimited; the limitations have been recognized clearly and described repeatedly by responsible Federal Reserve officials.

Much depends upon business developments in earlier phases of the business cycle. In 1954, for example, credit ease doubtless helped to moderate the sag in business and set the stage for the ensuing investment boom, but it must be recalled that the earlier advance in business activity—that of late 1952 and early 1953—had been brief, fairly moderate, and relatively free of important maladjustments. If, however, more serious and sustained imbalances are permitted to develop—such as costs and prices of important commodities advancing faster than purchasers' incomes, industrial capacity becoming excessive, debt rising more rapidly than underlying earnings, and expectations of sales, production or profits soaring to unreasonably optimistic levels — an easing of credit may be considerably less effective in cushioning an economic downturn and stimulating a quick recovery.

This suggests that the efficacy of credit policy to moderate a cyclical decline cannot be taken for granted, and that good results achieved in one period cannot be uncritically accepted as a guide to the future. Unless credit policy is successfully employed in restraining a boom, it may be less able to stem a subsequent correction should the economic tide run strongly in the opposite direction.

The Growth Trend

After the end of World War II, the American economy embarked upon a wave of tremendous expansion, sufficient in strength and momentum to override the contractive forces which made their appearance from time to time. Economic trends in recent years have resembled those in the decade following World War I, when expansive forces were sufficiently vigorous to overcome the mild contractions in 1924 and 1927.

The recent postwar environment has been unusually favorable to rapid economic advance. We emerged from the war with tremendous blacklogs of demands for goods of all kinds, including capital assets and consumer durable goods, and these demands were enhanced by huge requirements from abroad. At the same time, individuals and corporations as well as state and municipal governments enjoyed unusually high liquidity as a result of wartime accumulations of cash and Treasury securities, while debts had been reduced very substantially. Also, the Korean War gave the economy a sharp fillip — not only by way of enhanced defense spending but also through programs to expand our industrial base.

Thus, incentives to capital investment were real and strong, the more so as savings were abundant and interest rates, until recently, remained low. In addition, the rapid wartime growth of population continued in the postwar years; research and technological progress opened vistas for new processes, new products and new markets; and a large defense establishment added to the needs for materials and industrial facilities. Despite these exceptional incentives, however, the statistical evidence suggests that the physical volume of national output in the postwar period has advanced no faster than in other periods of pronounced growth, and despite the big investment boom of 1955-57, there have been distinct signs of a slowing down in the past half-decade as a whole.

Furthermore, many of the expansive forces which have kept the economy operating close to capacity throughout most of the postwar period have weakened or evaporated in recent years. The wartime backlogs of demands by consumers as well as business have long been filled, and the only area of our economy where backlogs traceable to war and depression may still be found is that of public facilities, the construction of which continues in a clearly mounting trend. Current savings, meanwhile, have not kept pace with demands for investment capital, individuals as well as business corporations and government units have greatly added to their debt burden, and liquidity has declined materially throughout the economy.

Prospects for long-term expansion remain bright, bolstered by recent population trends and by the demonstrated results of research, scientific development and technological progress. However, the growth trend in the future, as in the past, may not by itself rule out significant corrections and fluctuations in business over the short term. In fact, it has been argued that a dynamic economy may be particularly susceptible to cyclical fluctuations, since such an economy customarily exerts a larger portion of its productive effort in the durable goods industries where there are greater temptations for overconfidence and overoptimism, and probably also greater inducements for the unwise expansion of credit. Thus, the prospects for long-term expansion are not by themselves a guarantee against cyclical instability.

Broader Economic Base

Some assurance against serious recession may be derived from the increased size and diversity of the American economy. Employment in manufacturing and mining accounts for a smaller share of total employed than in past years, while employment in Government and in the service industries, which are considered more stable and less exposed to the hazards of the business cycle, has increased in importance. This may have improved somewhat the prospect for "rolling readjustments" and mitigated the probability of a simultaneous decline in various major sectors of activity.

Nevertheles, we cannot firmly assume that the service industries will continue to display the strong growth trends of recent years or be as little affected by recession as they have been in the past. On the contrary, much of their rapid growth in recent years appears due to rising incomes especially in the lower brackets, longer vacations, and other gains in living standards that reflect the generally full employment of the postwar era. They may thus become more vulnerable to economic fluctuations in the future.

Despite greater diversification, moreover, the strategic and possibly volatile sector of private spending on durable goods, as already noted, has not diminished in importance. The three major sectors of our economy which have displayed considerable cyclical instability in prewar years—private construction activity, producers' durable equipment and consumer durable goods — still comprise about as large a proportion of the gross national product, namely, 23%, as in 1929. Thus, our economy could still face troublesome problems if these categories, and especially expenditures on capital goods, should weaken materially.

Sustained Investment Spending

Total outlays for capital goods have been remarkably strong in the postwar era; after a decade of generally rising investment activity, new peaks were reached in 1955 and 1956. Fluctuations in such major sectors as business spending on plant and equipment and residential construction, however, have been significantly broader than in outlays for fixed capital in the aggregate; it is thus conceivable that capital expenditures especially in the private sector of the economy may display greater volatility in the years ahead.

Business plant and equipment spending, a prime stimulant to the economy in recent years, now appears to be topping off a major cyclical rise and to be facing a test that is likely to continue throughout 1958 at least. It is evident that some industrial companies have been overly optimistic in their planning, at least over the near term; moreover, there has been a tendency for companies to forecast an increase in their share of the market over the years, so that estimated demands for individual companies often add up to substantially more than can reasonably be expected for the industry as a whole. Today, several important industries have idle capacity, markets are becoming more competitive, labor costs are continuing upward and profit margins have come under pressure. Moreover, sales in 1957 have frequently not measured up to expectations. Consequently, outlays for plant and equipment, especially on the part of industrial companies, will show fairly sharp declines in the months ahead.

Residential construction, which provided considerable support to the economy in the 1954 business downturn, has receded in the past two years, and while the trend now appears to have bottomed out, it is difficult to see a renewal of a big boom in housing in the years immediately ahead. Home building costs have advanced more rapidly than have personal incomes, and the financing terms of the Government's housing agencies have already been liberalized drastically in the course of the past decade. Building activity will probably continue to be bolstered by large demolitions and the rising number of households, but it may be well in the 1960's before an upsurge in family formation, reflecting the rising birth rate of the 1940's, adds to housing demands on a big scale.

Sustained strength in private non-residential building has been a source of encouragement to the economy for some time. Much of this strength has been attributable to the boom in commercial construction, such as office buildings and shopping centers, but recently some signs of excess capacity have begun to appear in these categories. With most of the immediate urgencies met, it seems reasonable to assume that the trend of these expenditures may become more responsive to weakness in general business, should it occur, than has been the case for many years.

Public Works

Construction by state and local governments is one area of capital spending which is likely to continue expanding for an indefinite period. The highway program will become increasingly important in the years ahead, and shortage of schools, hospitals, water and sewage facilities remain acute. The presence of these needs of course, does not assure that they will be rapidly translated into actual expenditures, especially since state and municipal governments are facing mounting difficulties as the result of debt ceilings, rising tax rates, and the increased cost of borrowings, and these difficulties are being compounded by spectacularly mounting construction costs. Thus, although the growth trend for this type of expenditure continues strong, it is not impossible that fluctuations in the annual rate of expansion may become more significant.

The consumer, finally, whose enthusiastic buying has repeatedly been a source of strength to capital programs in the postwar era, may provide less support in the event of a business sag in the future. Consumers are now well stocked with most types of durable goods, terms on instalment loans have been relaxed substantially during the postwar decade, and the public has been fairly aggressive in the use of credit. As a consequence, consumer spending on durable goods could well become more vulnerable in periods of economic slack than in 1948-49, when the postwar gap in the automobile market had not yet been filled, or in 1953-54, when strength in consumer spending followed the lifting of production and credit controls imposed in the wake of the war in Korea.

Reaching a Conclusion

In appraising the resistance of the American economy to depression, it would assuredly be a mistake to ignore the implications of the many sweeping changes of recent decades, but it would be equally unrealistic to accept the present economy as an altogether new phenomenon to which past experience no longer applies. The postwar era has been too short and the combination of circumstances too unusual to support definite convictions regarding the obsolescence of major business recessions. However, when stock is taken of the complex and often conflicting forces at work in our economy, some plausible conclusions seem to emerge.

(1) A number of measures and institutions have been introduced into our economy which promise to relieve in a substantial way some of the hardships experienced in previous business recessions. The enhanced protection of incomes through unemployment benefits, social security, and pension programs augurs for greater stability of consumer spending under conditions of economic adversity.

(2) These and other stabilizing forces can undoubtedly check the momentum of economic contraction and help prevent initially mild corrections from gaining cumulative force. Also, the likelihood of credit liquidation on a large scale, such as occurred in the early 1930's, has been materially reduced. The prospect of preventing the development of a cumulative downward spiral has thus been enhanced; it has not, however, been eliminated altogether.

(3) The list of effective recession antidotes in our economy appears substantially smaller than many optimists believe. Fiscal policy may reasonably be expected to temper a protracted decline and set the stage for recovery but is unlikely to nip a recession in the bud.

(4) It is highly probable that the degree of short-term support to be derived from the long-term growth trend has been overrated, and that excessive faith has been placed in the continuation of a high and rising trend of expenditures on capital goods.

(5) In some respects, confidence in the obsolescence of serious or protracted business setbacks may actually increase the probability of a decline. Business optimism is a prerequisite to economic progress, but it must be accompanied by awareness of the continuing uncertainties of economic life.

(6) The pattern of business fluctuations in our times has been repeatedly and forcefully affected by development on the international scene. In fact, world affairs have been a dominant influence upon the course of the American economy through most of the past 20 years. Unfortunately, we must assume that international tensions will remain as a potential source of economic unsettlement for an indefinite period, thus casting additional uncertainty upon the stability or instability of our economy in the future.

Despite the progress made in moderating the impact of economic downturns and limiting their repercussions, therefore, it seems both prudent and realistic to allow for a recurrence of cyclical setbacks in our economy in the years ahead. This does not imply that serious and sustained downswings of the business cycle must and will occur. Given a continuation of the business caution that marked the earlier postwar years, the achievement of greater stability in the trend of production costs, and an economic policy determined to curb excessive rates of expansion in business, credit, and prices, we may succeed in holding cyclical declines to reasonably moderate proportions. Even so, however, we would do well to reckon with the possibility that future business corrections may be more pronounced than the two adjustments—in 1948-49 and 1953-54—hitherto experienced in the postwar period.

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the summer of 1953. When the Reserve authorities realized that business activity was turning down they changed their credit policies. They engaged in open market operations. They lowered the Reserve requirements twice. They created a great deal of excess reserve balances which the banks utilized to buy government securities. In 1954 the commercial banks of the country bought $5,600,000 of securities, creating that much new money. Interest rates went down sharply. The availability of bank credit increased rapidly.

Results of Cheap Credit

In 1954 the government passed the Housing Act of that year. Under that act, a veteran could buy a home without any down payment at all. In many parts of the country when a veteran bought a home, not only did he not have to pay down one penny but actually because he was so kind and consented to buy the home, he was given a bonus. The low money rates in the Housing Act set in motion the following forces:

One, it created a housing boom of major proportions. In 1955 the number of home starts aggregated 1,329,000. The low money rates, the abundance of credit, induced many lenders to lengthen the terms under which they would finance the purchase and sale of automobiles; whereas, before the terms were 24 months, they were lengthened to 36 months, and suddenly cars became very cheap. When an American buys a car, he does not ask: how much is it? but how much per month? And if, instead of paying 24 months you pay 36 months, obviously that car is so much cheaper.

There was a cartoon in one of the papers in which Penny asked her father, "Why don't you buy a convertible?"

He says, "Penny, it costs more."

She says, "Oh, no, Daddy. It doesn't cost any more. You only pay longer."

As a result of this we produced and sold nearly 7½ million cars.

Now let's see, we had a housing boom of major proportions; we had a great automobile boom; two very vital industries in the country were booming. And these two booms generated purchasing power. It gave the people a great deal of money to spend, and suddenly industry throughout the land was confronted by a shortage. Steel was very hard to obtain. In 1955 I need not explain how easy it was to buy all kinds of steel. Aluminum wasn't bought; that was allocated. Other commodities were in short supply. Ours is a system of free enterprise; when industry throughout the land saw that there was such a great demand for goods, they made themselves ready to meet it.

The housing boom and the automobile boom set in motion a very great investment boom. How great the investment boom was you can see from these very few figures. In 1954 American industry spent $26,830,000,000 on new plant and equipment. In 1955, $28,700,000,000, and in 1956, $35 billion.

To this should be added a great boom in office buildings. In New York around 52nd Street and Madison Avenue one can see the office building boom with the naked eye.

What then was the effect of the investment boom? What were the effects of the huge spending of money by industry on new plant and equipment? The effects were briefly as follows:

Effect of Investment Boom

That the productive capacity of the country increased very materially. Today the productive capacity is greater than the effective demand. All the shortages have been eliminated. Most industries, if not all, are operating below capacity. Competition is exceedingly keen. There seems to be a profit squeeze.

Is this anything new? Is it surprising that business activity is slowing down? Let's look back. Could it have been foreseen? Obviously. A housing boom, and an automobile boom set in motion a great demand for goods and services. Industry tried to meet it. They spent a great deal of capital on new plant and equipment. Those in the oil industry know it better than anybody else. Now it is spending money to increase production, to increase productivity, and here is where we are today.

What then is the situation today? The situation today then is as follows:

Describes Current Situation

One, the investment boom has temporarily come to an end.

Two, capital expenditures by corporations are decreasing and in all probability the decline in 1958 will be greater than is at present expected or estimated. The latest estimates are to the effect that capital expenditures in 1958 will be 7% smaller than in 1957. I do believe that the decrease in capital expenditures will be more than 7%.

Also, the office building boom is beginning to slow down. There aren't so many new tenants able and willing to move into these new offices.

Three, exports seem to have reached their peak and because of the dollar shortage that prevails in a number of countries, because of the restrictions that have been imposed in a number of foreign countries, and because there is evidence that boom in Europe also is coming to an end, exports from the United States in all probability in 1958 will be smaller than during the present year.

Four, money is still tight. The availability of money remains reduced and, as you know, better than I do, interest rates are still high.

Five, the economic sentiment has undergone a change. People are not as optimistic as they were a few months ago, and in a free economy the attitude of the people towards the future plays a very important role.

Six, inventories are beginning to decrease. Up to the end of September, inventories continued to rise. Some of the increase in inventories was involuntary in character; people could not sell their goods. Right now we see already the beginning of a decline in inventories.

And finally, the bull market in equities apparently has come to an end and the equity market has an important bearing on the sentiment of the people. All of us own some securities. If they are up, well we have made some money; we feel pretty good. If they are down, in the evening when we sit and read the paper, the face gets longer and longer. Somehow or other, the old lady doesn't ask any more for a new hat. The old rug seems to be still good. She senses that there is something wrong and there is no time to ask for any increase in expenditure. I know what happens in my home and in all probability in everybody else's.

Executives of companies in charge of finance, when they see the equity market decreasing, it raises somehow or other a question in their minds. What does it forecast? What does it mean? What will the reaction of the people be? And almost involuntarily, financial officers have a tendency under these circumstances to sharpen their pencils. Somehow or other the expense account is too big. That trip wasn't necessary. Somehow or other $25 for a copy of *My Fair Lady* seems entirely out of proportion. And all this has an impact on business activity.

This is the situation today. And now comes the question: where do we go from here? What lies ahead? I will be utterly frank. I don't know. Nobody knows. Nobody knows what the future holds in store for us. And it is just as well that we don't know what tomorrow will bring. The only thing one can do is to analyze the forces as we see them. Weigh them, measure them. Reach certain conclusions and then pray that we may be right.

Future Forces at Work

Now what are these forces? The best way to analyze what lies ahead of us is to take the gross national product of the country. The gross national product is composed of all the goods and services produced in the country. It divides itself into three parts: one, investment; two, government purchases of goods and services; three, consumption expenditures by individuals.

Let us analyze these three sectors of the economy. Investments—there is no question in my mind that private investments by corporations will go down. I indicated already that I believe that "decline in capital expenditures will be greater than the present" estimates. Capital expenditures by corporations on plant and equipment will decrease. The office building boom is coming to an end. And I don't see any new major force in the immediate future to change this picture.

Government expenditures. Unless the public debt is increased, Federal Government expenditures cannot increase. The debt limit imposed by the government today is $275 billion. Only the Congress can increase the debt limit. The Congress is not in session. When the Congress reconvenes I don't know whether the first order of business will be to increase the public debt. But until the public debt is increased, the Federal Government is in the position of the housewife to whom the husband gives a certain weekly allowance and cancels all charge accounts. The government has to live on its income.

Now here arises an uncertainty. Whether it will take place or not I don't know, but we have to watch it. If it doesn't take place, then the outlook is one way. If it does take place, the outlook is different. And the uncertainty that arises at this point is this—the country is scared. Our pride was hurt. We as a nation always have prided ourselves that we are first in science, first in engineering, and suddenly the Russians have beaten us in science and that hurts. Our pride was hurt, and whenever something goes wrong with the United States, the reaction of the people is: why don't we do something about it? And the easiest thing to do is to spend money.

The Money Remedy

Money can be created by the stroke of the pen. While I don't know much, I don't think money is the sole solution. Money can be created by the stroke of the pen but scientists don't grow on the trees. They have to be trained. But be that as it may, if let us say after the Congress reconvenes in January, the pressure on the part of the people to do something is so great that the Congress votes to increase the public debt, let us say, from $275 billion to $285 billion or $300 billion, then what will the result be? People will say—here we are back at the old stand.

We have returned to deficit financing. Deficit financing means more inflation. What is the use?

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Let's buy equities. If we need a home, let's buy it today. If we need a plant, let us build it today. Because when we return to deficit financing, the inflationary forces will reassert themselves. Whether the government will do it or not, I don't know. But should this be the case, then you will know that there is a real danger that the inflationary forces will reassert themselves and that this in turn will set in motion forward buying by management, and by individuals. The long-range consequences will not be good but the immediate outlook for business will be changed.

Increase in Public Debt

However, I do not believe that this will take place. Now, note, I say "believe." I don't say it is my opinion, because an opinion has to be based on facts. I say it is a belief and you can't argue with a man's belief. I believe that the administration does not wish to return to deficit financing. It may be that the public debt will be increased but only by $2 or $5 billion in order to give the Treasurer room to move around in. And if you see in January that the administration asks for an increase in the public debt of only $2 or $5 billion, then you know that the economic forces will prevail, that the forces of inflation will not reassert themselves. This being the case, having expressed my belief that this will be the attitude of government, I can't see where the expenditures by the Federal Government can materially be increased.

That brings us to consumer expenditures. These divide themselves into three parts: durable goods, nondurable goods; and services. I am certain in my own mind that expenditures for nondurables which includes your product will increase. I am quite sure in my mind that expenditures for services will increase. But I doubt whether the sale of durable goods in 1958 will be as high or higher than during the present year. Why? Prices are high. Nobody will lengthen the term of sale beyond three years. In the meantime, interest rates have increased. Other charges have increased and the automobile prices themselves are somewhat higher. The people are heavily indebted and a great many of them are desiring to get out of debt.

Sees Downward Trend

Then, employment opportunities don't look as favorable as they were a year ago. There won't be the opportunity to work overtime. And the opportunity to obtain a job for two or three hours additional a day will not be as great. And therefore I reach the conclusion that expenditures on durable goods will not increase. And therefore, if you will look at the economic picture of the country, you will find this—outside of government, there is no major force to push the economy upward in the immediate future. On the contrary, you can see a number of forces which will push the economy down.

We do know however that the government will intervene. After all, the government under the obligation of the Employment Act of 1946 will endeavor to maintain the economy stable and growing

Interest Rate Decline

What will the government do? What can the government do? First, money rates will go down. A decline in money rates in the immediate future is to be expected. But the decline in money rates does not act immediately. There is a time lag between the decrease in money rates and its impact on business activity, as we have seen in 1953 and 1954.

Two, there is a possibility that individual income taxes will be reduced. But please don't spend the money yet. If there is a decrease in the income tax, and it is still highly doubtful, it will not be applied to you or to me. It will be primarily for the lowest income groups, partly economic, but primarily political. The Lord made more in the lower income groups than in the higher income groups and they all vote. It is quite certain that lowering the money rate will stimulate public works; the demand for public works is still very great and a lowering of interest rates and an increase in bond prices is bound to have an impact on public works, and it may even in time revive home building.

But I come back — unless the government reverts to large-scale deficit financing, which I do not believe will take place, and should it take place would there really be a great calamity? But unless this takes place, we are headed for a downward readjustment.

Sound Adjustment

Now a readjustment is painful but is it sound or unsound? That is the most important question. Let us put it this way. When a child has overeaten, what do the parents do with a child? They give him castor oil. Now it isn't a pleasant task to give a child castor oil but we know it is good for it. We have overdone in home building in 1955. We oversold automobiles in 1955. We overexpanded on plant and equipment. We went heavily into debt. We didn't inquire as to—can this continue forever? Now we know that if one overdoes it today, the smart man will go on a little diet tomorrow.

Now is that bad? In my humble opinion, a readjustment is desirable because it could remove some of the maladjustments which I will analyze in a moment and lay the foundation within a relatively short period of time, for an upturn. I admit "relatively short" is a good hedge word. I don't tell you how long. But in a relatively short period of time we will again resume the upward course.

But right now the question before us is this: Will the pattern of this readjustment be similar to the one of 1953-1954? Or even milder? If you remember the readjustment of 1953-1954 was very mild.

Will it be more pronounced as was the case in 1948 or 1949? Or are we really in for some more serious decline? That is the question.

Now here again if I were to state that I do know—even though I have qualified myself as an authority and an expert—you will say "This fellow Nadler is some liar." Or "he must have a crystal ball which is not available to anybody. He must have gotten it from the Sputnik." I don't know. Nobody knows. And again the only thing that we can do is to analyze the underlying economic forces and see what comes out. We have strong forces and we have weak forces, and the strong forces in the economy are these:

Strong Forces At Work

One, the disposable income in the hands of the people is great. The economic security of the people of the United States is unrivaled and unmatched. Not only do we have social security of various forms but also we have s u p p l e m e n t a l unemployment benefits in many industries, and the people have a large volume of liquid savings at their disposal. To be sure, there are people who have nothing. They prefer to go on relief. But a great many people have money saved up just for such an occasion.

Two, we do know that local government expenditures will increase. The population in the United States is growing at a rapid rate. There is a great need for schools, for highways, and there is a great need for playgrounds and hospitals. And as I said before, the moment money rates go down and the supply of savings and capital increases, public works will increase materially.

Finally, our e c o n o m y is dynamic. Whether we have a readjustment or not, the increase in population will continue. Whether we have a readjustment or not, the number of babies born in 1958 in all probability will be as great as 1957, if not greater. The moment a baby is born, it becomes a customer from the textile industry to the steel industry.

Moreover, research goes on. Billions of dollars are being spent on research. Research creates new products, new methods of doing business, makes old machinery and equipment so much more obsolete and while capital expenditures by corporations will go down, they will still be larger than in 1955. You see, therefore, we are not dealing here with a sick economy. We are dealing with a baby that went to a party and overate a little and needs some dose of castor oil.

While this is so, we must not overlook the fact that certain maladjustments have crept into our economy, and these maladjustments briefly analyzed are as follows:

Weakening Forces

One, discrepancies in wages. In some industries wages are so high that the people in the lower income brackets cannot afford to buy their product. For example, in metropolitan New York the cheapest home costs $18,000. Now how many people can afford to buy a home for $18,000? The cost of labor in the building industry has gone up to a point where the average American cannot buy a home without a government subsidy, nor can he move into a new apartment without a government subsidy. And I wonder whether this is not true in a number of other industries?

Two, the productive capacity of the country is very great, and while I know that the economy is highly dynamic and growing, I wonder whether for the immediate future and the word "immediate" again is a good hedge word because I don't know for how long, as to whether the productive capacity is not too great, whether industry stimulated by the great demand for goods in 1955 did not overdo the over-expansion in 1956? I am quite sure, although I don't know, that many industries are raising the same question.

Three, private indebtedness is very large. During the last ten years private indebtedness has gone up by $300 billion. The boom —the great postwar boom—was based to a considerable extent on borrowed money. Question: will the people be willing to borrow on the same scale as before, or not? Will industry be willing to borrow on the same scale as they did before? Who knows? A great deal will depend on psychological forces. A great deal will depend, for example, on what happens to the equity market. A great deal will depend on the attitude of the consumer, whether to spend or save. And all this plays a very important role in our economy because nearly 50% of all the expenditures are optional in character. Only about 50% are necessities.

And thirdly, a great deal will depend on the international political situation. And who can predict that? We find, therefore, that while inherently the economy is sound, while inherently our economy is dynamic and growing, yet there are certain maladjustments which if they should converge at the same time could cause the decline in business activity to go farther and last longer than is expected today.

Conclusion

Now what conclusions can one draw? And the conclusions that I draw briefly are these:

One, the boom has run its course, and we are in for a period of readjustment. Every readjustment is painful because during a period of readjustment the men are being weeded out from the boys. A few weeks ago I delivered a talk and I said that the men are being separated from the boys, and one man turned to me and he said: "Professor, what do you mean by that?" And when somebody addresses me in public as "professor" and doesn't dignify me with the title of "Mister" I know he is no friend of mine. So I told him "I will give you the answer."

I said, "Did you ever notice when a man and a boy come to a mud puddle? The man invariably will walk around. The boy walks through it. And I looked down and I said, "I think I can see mud on somebody's shoes."

A readjustment is painful and in your dealings with customers, make sure that they don't have mud on their shoes. The boys are being weeded out from the men. Competition is keen and will become keener and the weak and inefficient will fall by the wayside.

Two, unless we revert back to large-scale deficit financing, we are in for the readjustment. This readjustment in my opinion is on the whole sound because it will bring the forces of inflation to an end. It will lead to an increase of productivity of machines and labor and will lay the foundation for a better future.

Three, no matter how pessimistic you may be, a depression of major magnitude is not in the making. All the forces which brought it about in 1930 are not present. A major depression cannot take place. And I am old enough to know when I use the word "cannot" that I must have thought it over carefully.

Finally, this readjustment that is taking place at the present does not negate the long-range future. It is merely an interruption. The long-range future of the United States remains as favorable as possible. We hope that during this period of readjustment some of the maladjustments will be eliminated and that the integrity of the dollar will be maintained. The man who will retire in the next few years will be able to look forward with greater confidence to the purchasing power of the dollar than today. It is a painful process but a sound one. It does not detract from the fact that a long-range outlook for the United States is as brilliant as ever.

Chairman: Gentlemen, Mr. Nadler — and I say "Mister" after what he said—has agreed to answer some questions so if you would like to have any questions from the floor we would like to have them.

Questioner: I would like to ask Mr. Nadler two questions. I would like to get his opinion, if he would express it, on two trends. One, the long-range interest trend and the long range trend for labor rates.

Mr. Nadler: If I understand the question correctly, what is the long-term trend, A, for interest rates; and B, for wage rates? Is that the question?

Questioner: Yes.

Mr. Nadler: I take it when you say long-range you mean five or ten years or thereabouts?

Questioner: Yes.

Mr. Nadler: I'm glad you mentioned that. Five years from today I will be long retired. I am quite sure nobody will remember even my name and therefore I can tell you—accurately—what will take place in the next five to ten years.

One, as far as labor is concerned, wage rates will continue to go up. In all probability in the year 1967 wages in your company as well as in all other companies represented here will be much higher than at present. Of that I am certain.

But the productivity will also be higher.

What money rates will do in the long run will depend on whether the forces of inflation reassert themselves again. It is hard to say. After this readjustment is over, when business activity resumes its upward course, if we have again a spiral between prices and wages, then money rates will go up. If, on the other hand, we enter a period of relative price stability then I believe that money rates in the future will not be higher, let us say, than what they are right now.

To answer your question directly. As far as money wages are concerned, they will go higher. In all probability they will be accompanied by an increase in productivity. As far as money rates are concerned, it will depend on whether the forces of inflation reassert themselves again or not. Does that answer your question?

Questioner: On the question of labor rates, do you anticipate that the labor rates will go up faster than productivity so as to impose a greater burden on the economy?

Mr. Nadler: The question is—will labor rates go up faster than productivity? I believe in the immediate future, during this period of readjustment, productivity will go up faster. What happens later, who can tell? I'll tell you this—very often people come to me and ask me: what is the long-range picture? I tell them honestly I don't know. They look at me and say "Why, you are a professor and you don't know?"

So I tell them this. Suppose that somebody had come to you in 1928 and told you that five years later the United States would be in the midst of the greatest depression, what would you have said? You would have turned around and said, "Mister, what have you had for breakfast — coffee or Bourbon?" Right? And yet what happened? How can one predict the long-range future? The short-range is more difficult to predict b e c a u s e people remember.

As far as the short-range outlook is concerned, productivity will increase. There is a very good chance that commodity prices will level off, that for the time being—let us say for the next 12 months —the forces of inflation will be curbed and controlled. There is a very good chance that during the next 12 months money rates will go down but to come before a group of businessmen and tell them what the long-range outlook is would be kidding myself, and I am too old to kid myself. Does that answer the question?

Questioner: Mr. Nadler, I believe you restricted your statement about what the next Congress would do upon the basis of belief and of course, as you suggest, that could not be argued. But with the political atmosphere existing and in next fall of 1958 with very important elections coming up which would control the lower house and the Senate, do you think that politically a party would want to go into these elections without doing what is necessary? When you say that the only major force that is in existence which could affect this situation up or down, is it your view, sir, or belief that as far as politics is concerned, they would be willing to go into that election next year upon that basis?

Mr. Nadler: If I were to tell you I know what the Congress will do—well, that would be some prediction. But I tell you what I believe in. Surely. The government could spend a great deal of money. But what good would it do? It would merely renew the forces of inflation. Some wages would go up. Others would not. The people who are retired would be able to buy less and less. College professors wouldn't be able to eat twice a day. You wouldn't be able to get school teachers and inflation inevitably, if continued for a prolonged period of time, leads to a severe setback.

Two, suppose the government decides to increase spending. Well, the first thing—you have got to have blueprints. It takes time. It isn't that the appropriation has been made by the Congress and then a button is pushed and immediately the economy goes up. I believe that if the Congress, when it convenes, practices economy and reduces taxes, let's say across the board for everybody 5%, this in itself would create an economic atmosphere which would do a great deal more for business than if the government were to revert again to deficit financing. And fortunately, we have a great many members in the House and the Senate on both parties, who realize that deficit financing leads merely up a blind alley, that a real solution is to cut out all the fat where it isn't needed. Leave the muscle untouched.

Lower taxes would give the economy a boost that the economy needs. Look what happened in 1954 after—you know, we figured out our income tax statement and we found that we paid less. Then we spent more. But what the Congress would do — does anybody know? Not even a commentator can tell you and, as you know, they have pipelines direct to on high, but even they don't know.

Questioner: Mr. Nadler, I am not trying to restrict anybody else from asking questions, but what effect do you think the guided missile program of the government will have on the government's expenditures to us for petroleum products?

Mr. Nadler: Honestly, I don't know. I tell you this—I am not greatly concerned about the petroleum industry. No, not at all, but I do know whether we have a readjustment or not, people will use their cars just the same as before. On the contrary, if they have a little more leisure because of no overtime, they will use it even more. It is still the cheapest way of giving the family a holiday. I think the government will fly more jets and I imagine although I don't know, that if you want to shoot up some rockets you have got to have some petroleum products. The petroleum industry like any other industry under the influence of the great boom of 1955 is a little overexpanded. I don't think you have to be too pessimistic about the oil industry.

Halbert, Hargrove Adds

(Special to THE FINANCIAL CHRONICLE)

LONG BEACH, Calif. — Robert J. Boyd is now connected with Halbert, Hargrove & Co., 115 Pine Avenue.

Joins Crowell, Weedon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Jay Shaw Smith has joined the staff of Crowell, Weedon & Co., 650 South Spring Street, members of the Pacific Coast Stock Exchange. Mr. Smith was previously with Fewel & Co.

With First California

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Yukio Matsumoto is now with First California Company Incorporated, 647 South Spring Street.

Continued from page 7

What Market Range in 1958?

39. A decline to 37-36 on this index would be roughly the equivalent of 400-385 on the Dow-Jones Industrials. This would seem a logical stopping point.

Volume Studies and the Technical Pattern

Breadth-of-the-market studies of volume, new highs and lows, advances and declines, etc. are also used to throw some light on the technical pattern. The graphs of volume are interesting. I use a 25-week moving average of total volume of trading on the New York Stock Exchange which in turn is broken down into volume on days in which the market advanced and declined. This longer term graph shows that volume of trading reached its peak as early as March 1955 at the time of the Fulbright investigation. That was the time that such issues as Bellanca, Penn-Texas, U. S. Hoffman Machinery reached their highs. It was the height of speculative optimism.

Since that time, total volume has dropped sharply. The greater part of the loss in total volume has been caused by a drop in upside volume. The 25-week moving average of downside volume has remained relatively steady. This implies that the downward tendencies in the market have so far been caused by loss of upside momentum rather than investment liquidation. This could change, of course, but there is no immediate indication of such a change. The shorter range 10-week moving average of volume has acted about the same as the 25-week graph, but has a more favorable pattern for the shorter term. This implies a possible advance deeper into the 450-470 area before the lows are again tested.

The most discouraging part of the technical outlook is the fact that a great many potential patterns have been destroyed by recent market action and it will take a long period of time to build them up again. However, all potential patterns have not been destroyed. There are still a number of groups and individual stocks that have constructive technical patterns. In many cases, these issues have not been the favorites of recent years.

Changing Stock Styles

It is possible that entirely different groups may furnish the leadership during the consolidating and adjusting period of a year or more. Styles in stocks, like styles in fashions change rapidly. The leaders of a former advancing phase are not always the leaders of the next. The reasons for these changes in popularity are mainly fundamental, but often are psychological as well. The leaders of the 1942-1946 rise, for example, were mainly in the consumer group. Department stores, distilling, food chains, dairy and farm equipment were groups that showed away above average increases while the popular leaders of the 1953 to 1956 rise like the office equipments, chemicals, oils and steels did little better than equal the 129% rise in the Dow-Jones Industrials from the 1942 low to the 1946 high. International Business Machines which recently rose 576% from May 1, 1952 to Aug. 1, 1957 did only a bit better than the averages in the 1942-1946 rise. It was outpaced by such stocks as Federated Department Stores, National Dairy Products and American Stores. Obviously, the fundamentals which caused the rise from 1942 to 1946 in some of the stocks mentioned above are entirely different today. However, some of the issues in the consumer goods group are presently showing relatively favorable technical action and are certainly not overpriced at present levels.

Importance of the Consumer

Basically, the American economy depends mainly on the consumer. The machinery of the economy is geared, either directly or indirectly, to satisfy his wants. In order to satisfy the terrific expansion in demand which will occur over the next decade, industry has, over the past five years, embarked on the greatest expansion in its history. Billions of dollars have been put into the capital goods needed to create increased productive capacity. This, of course, sharply improved the earnings of the capital goods producers, the makers of machinery and other capital items. Meanwhile, temporary excess capacity in many consumer industries caused pressure on profit margins and retarded any increase in earnings. This has, of course, been reflected in share prices. From September 1953 to August 1956, Standard & Poor's Index of capital goods stocks advanced 141% while the consumer goods index advanced only 76%. As the business boom grew apace, government authorities have taken steps, via tight money, to curb it. Some of the effects of these steps are being felt today. Backlog of capital goods companies are, in many cases, down, and earnings are in a declining phase. Prospects for some capital producers stocks are, therefore, somewhat dimmed. They probably will not go much lower, but chances for sizable price appreciation appear not too favorable over the nearer term.

What effect will all this have on companies producing or selling direct to the consumer? The answer is—very little. Total personal income continues at a high level. So do wage and salary receipts. Retail sales have continued to reach new highs. There appears to be little indication that the demand for consumer goods will not at least continue at current high levels and perhaps rise moderately. Meanwhile, as demand rises, excess capacity can be utilized. Heavy costs connected with large capital expenditures will, to a great extent, be ended. A perfect example is found in the retail trade industry where store chains have expanded sharply over the past few years. Heavy start-up expenses are already beginning to moderate in many companies. Thus, as sales continue to improve, profits will also improve moderately. It is worthwhile to note that, as consumer incomes rise, a larger and larger portion is spent on so-called "luxury" items.

Thus a very slight uptrend in consumer disposable income can be multiplied heavily in retail, appliance, and other consumer sales. Thus, improved profits seem likely in many cases, not only for 1957 but in 1958 and beyond. There is, in addition, ample evidence that the bright future has not already been discounted. Many consumer goods companies, due to their lack of growth over the past few years, are priced most reasonably in relation to earnings and are, in many cases, affording generous yield from well-covered dividends. Thus, in a mixed market, a large degree of downside protection is present.

Strong Grounds

Groups showing the best relative strength action during recent weeks include food chains, aircrafts, finance, tobacco, food products, containers, baking, fertilizer, electronics, retail chain, farm machinery, utilities, drugs and soft drinks. Most of these groups, it will be noted, are in the consumer or consumer durable field. Some of the relative firmness can be ascribed to the defensive nature of the industries involved but, on the other hand, many individual issues in these groups have built up fairly sizable base patterns over the past year or two. From a technical viewpoint, they could stage a good percentage advance.

The food chain group, for example, contains quite a few stocks with interesting potentials. I consider **American Stores** as an attractive issue. Earnings for the 12 months ended March 31 totaled $5.92 and $6.25 is expected for the same period ending March 31, 1958. The $2 annual dividend has been supplemented by a 5% stock dividend each year since 1953. Also attractive in this group are **First National Stores; Grand Union Co.; Winn-Dixie Stores;** and **Jewel Tea.**

Another group showing excellent technical action is the electronics issues. This group has done little marketwise for almost three years, but the technical patterns forming suggest that some of the electronics-TV issues could again assume a more important role during advancing phases. My outstanding favorite is **Zenith Radio.** The recent out-of-court settlement of the company's suit against Radio Corp. of America will add to cash and the decision by the FCC on subscription television systems could be of great interest to Zenith. Its system is known under the trade name of PHONEVISION. Competition has been intense in the radio and television field, but in a comparatively bad year, Zenith may increase earnings to $15 or $16 a share in 1957 as against $12.55 reported for 1956. Other attractive issues in this group include **Magnavox; Motorola; Raytheon;** and **Hoffman Electronics.**

I also believe the retail store group has interesting profit potentialities. The group has been dormant for a long time but several individual issues are showing good technical action. One of the more interesting issues is **Gimbel Bros.** The stock has held in the 22-31 range for two years. An eventual upside penetration of this range would indicate a sizable percentage. In the meantime the yield is over 6% and Gimbel is selling at only 7.6 times earnings based on the $3.75 earned for the 12 months ended July 31. **Federated Dept. Stores** also appears attractive. I like **American Can** and also like **Lily Tulip** for longer term holding.

In the food group, my first choice would be **General Foods** which has been in a consolidating range for two years. In the farm equipment field, **J. I. Case** is speculative but has a most interesting upside potential.

Drugs Attractive

The drugs also appear attractive, but they have been in an uptrend for quite some time and have probably already had a good portion of their advance. There are two drugs that appear a bit behind the group. They are **Abbott Laboratories** and **Johnson & Johnson.** The aircrafts, the current speculative favorites, could also move higher.

There is a second classification of group action. These groups appear, in general, to have started to form re-accumulation or base patterns but may require more time. These groups should be bought during periods of price weakness. They include airlines, building stocks, chemicals, electrical equipment, glass, natural gas, liquor, meat packing, paper, rubber and even our long forgotten friends, the textiles, which are showing some indication of basing out. None of these groups show signs of an immediate move but should be watched closely for possible change in trend.

There is a third classification of groups that have not yet started to base out and may require a long time to do so. They could be somewhat vulnerable in the further ups and downs we anticipate in the market over the next year or so. In this group are air-conditioning, aluminums, automobiles, machinery, mining and smelting, oil, railroads and steel.

In a broad sense, it appears that consumer groups should show better action over the next year or so than the capital goods issues. To put it another way, the "lights" should act better than the "heavies."

The General Market

As for the general market, I would expect that the market will experience the usual cross currents in December due to tax loss selling and switching. Because of the downward trend of recent months, the December low will probably be reached late in the month. This will be followed by the usual year-end rally into next year. Just how far this rally will carry is problematical. The heavy overhead supply at 450-470 should prove a pretty substantial upside barrier. I would use such a rally, if it occurs, to lighten holdings in the third group mentioned above. A testing of the October lows in early Spring is to be expected. If business deteriorates no more than now expected, the October low of 416 may hold. If the October low is penetrated, a further decline to the 400-385 level is a probability. Therefore, in my opinion, the possible range in the Dow-Jones Industrials for 1958 might be 470 high and 385 low. The last half of the year should be more favorable than the first half. Extreme selectivity will be a feature of 1958.

Chicago & No. Western Equip. Tr. Ctfs. Offered

Halsey, Stuart & Co. Inc. and associates are offering today (Dec. 12) $1,545,000 of Chicago & North Western Ry. Co. 5¼% equipment trust certificates, maturing annually Jan. 1, 1959 to 1973, inclusive.

The certificates, first installment of an aggregate of not more than $3,690,000, are priced to yield from 4.75% to 5.25%, according to maturity. Issuance and sale of the certificates are subject to authorization of the Interstate Commerce Commission.

The entire issue of certificates is to be secured by 200 70-ton mill type gondola cars and 275 70-ton covered hopper cars, to cost not less than $4,632,025.

Associates in the offering are: R. W. Pressprich & Co. and McMaster Hutchinson & Co.

Dr. Joseph D. Hubbard

Dr. Joseph D. Hubbard, well-known business and government economist and financial and business author for the past 34 years, passed away Dec. 10 at the age of 67.

Since 1945 Dr. Hubbard has been economist for Union Service Corporation of New York City, which supplies investment research to Tri-Continental Corporation, the nation's largest diversified closed-end investment company, and three mutual funds — Broad Street Investing Corporation, National Investors Corporation and Whitehall Fund, Inc.

With Taylor & Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — George T. Whitson has become associated with Taylor and Company, 439 North Bedford Drive. He was formerly with Julian Francis & Co. and Edward T. Cronin Company.

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 Hospital & Supply Corp.**
Nov. 29 (letter of notification) 1,300 shares of common stock (par $4). **Price**—At market (around $41 per share). **Proceeds**—For working capital. **Office**—2020 Ridge Ave., Evanston, Ill. **Underwriter** — Taylor, Rogers & Tracy, Inc., Chicago, Ill.

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 Life & Casualty Insurance Co., Fargo, N. D.**
Dec. 3 filed 101,667 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each two shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—For capital and surplus accounts. **Underwriter**—None.

American Provident Investors Corp.
Feb. 15 filed 50,000,000 shares of common stock (par one cent). **Price**—$2 per share. **Proceeds** — For working capital and general corporate purposes. **Office**—Dallas, Tex. **Underwriter**—Peoples Securities Co., J. D. Grey, of New Orleans, John S. Tanner, of Dallas, and C. L. Edmonds, of Houston, three of the 22 directors, are Chairman, Vice-Chairman and President, respectively.

Anita Cobre U. S. A., Inc., Phoenix, Ariz.
Sept. 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz.

★ **Arden Farms Co.**
Nov. 26 (letter of notification) 21,428 shares of common stock (par $1). **Price** — $14 per share. **Proceeds** — To liquidate obligations. **Office**—1900 W. Slauson Ave., Los Angeles 47, Calif. **Underwriter**—None.

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.

★ **Associated Grocers' Co. of St. Louis**
Nov. 22 (letter of notification) 3,000 shares of common stock to be offered in units of 12 shares to member-share holders or prospective members. **Price** — At par ($100 per share). **Proceeds**—To reimburse the company's treasury for cash expended in the repurchase of shares of stock held by member-shareholders when he withdraws. **Underwriter**—None.

★ **Bamm Corp., New York (12/23)**
Nov. 29 (letter of notification) $300,000 of 6% 5-year convertible sinking fund debentures (subordinated) due Jan. 1, 1963 and 30,000 shares of common stock (par one cent) to be offered in units of $100 of debentures and 10 shares of stock. **Price**—$100 per unit. **Proceeds**—To retire bank loan and for working capital. **Business** — Manufactures and rents commercial coffee brewing machines. **Office**—515 Madison Ave., New York. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

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.

★ **Cambridge Electric Light Co.**
Dec. 9 filed $4,500,000 of 30-year notes, series B, due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc. and F. S. Moseley & Co. (jointly). **Bids** — Tentatively expected to be received in January.

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 Illinois Light Co.**
Nov. 22 (letter of notification) 6,315 shares of common stock (no par) to be offered to employees pursuant to a stock purchase plan. **Price**—At 90% of average closing prices on the New York Stock Exchange during five days period prior to purchase. **Proceeds**—For construction, improvement or extension of facilities or for general corporate purposes. **Office**—316 S. Jefferson Ave., Peoria 2, Ill. **Underwriter**—None.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla **Underwriter**—Aetna Securities Corp., New York. **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.

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) being 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. The offer will expire on Dec. 23. **Underwriter**—None. Statement effective Nov. 21.

★ **City Loan & Finance Co.**
Nov. 27 (letter of notification) 2,000 shares of common stock (par $1); 980 shares of 6% non-voting preferred stock (par $100) and $200,000 of certificates of investment issued in denominations of $25 to $10,000. **Price**—At par. **Proceeds**—To make loans on a secured basis. **Office**—531 11th St., Douglas, Ariz. **Underwriter**—None.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10c). **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. (12/13)**
Nov. 1 filed $20,000,000 of convertible junior subordinated debentures due 1972. **Price** — To be supplied by amendment. **Proceeds**—To liquidate deferred credits and short-term debt, to construct additional facilities and to provide working capital. **Office**—Ponce, Puerto Rico. **Underwriter**—The First Boston Corp., New York.

Consolidated Cement Corp. (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.

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.

● **Duralov Co., Scottdale, Pa. (12/16-20)**
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.

★ **Expanded Shale Products Inc.**
Nov. 26 (letter of notification) 60,000 shares of common stock (par $1) and $180,000 of 6% redeemable debentures maturing Dec. 15, 1967. **Price**—Of stock, $2 per share; of debentures, at par. **Proceeds**—For exploring and developing mineral properties with objective of producing expanded shale. **Office**—728-29 Symes Bldg., Denver 2, Colo. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

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.

★ **Farrow Enterprises, Inc., Westminster, Md.**
Dec. 3 (letter of notification) $150,000 of 6% 20-year income debentures due Jan. 1, 1978 and 15,000 shares of common stock (par 10 cents) to be offered in units of $500 debentures and 50 shares of common stock. **Price**—$550 per unit. **Proceeds**—To repay loans for equipment and working capital. **Underwriter**—None.

First International Fire Insurance Co.
Aug. 26 (letter of notification) 100,000 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For capital and surplus and for first year's deficit. **Office**—3395 S. Bannock St., Englewood, Colo. **Underwriter** — American Underwriters. Inc.. Englewood, Colo

First Leaseback Corp., Washington, D. C.
Nov. 27 filed [illegible] 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.**
Nov. 12 filed 2,499,116 shares of common stock (par one cent) being offered for subscription by common stockholders of record December 6, 1957, on the basis of one new share for each two shares held; rights to expire on Dec. 20, 1957. **Price**—$2 per share. **Proceeds**—To repay bank loans and for real estate operations and financing. **Underwriter**—Eastman Dillon, Union Securities & Co., New York. Food Fair Stores, Inc., owner of about 45% of the outstanding common stock, has indicated that it intends to exercise its subscription rights.

● **Ford Home Leases, Inc. (12/20)**
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.

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. **Offering**—Indefinitely postponed.

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.

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NEW ISSUE CALENDAR

December 13 (Friday)
Commonwealth Oil Refining Co.------**Debentures**
(The First Boston Corp.) $20,000,000

December 16 (Monday)
American Israeli Paper Mills, Ltd.--**Series B ord.**
(Lee Higginson Corp.) $6,000,000
Duraloy Co.------------------------**Common**
(Mortimer B. Burnside & Co., Inc.) 69,000 shares
Roach (Hal) Productions-----------**Common**
(S. D. Fuller & Co.) $1,125,000

(December 17 (Tuesday)
Electro Instruments, Inc.----------**Common**
(Bear, Stearns & Co. and Paine, Webber, Jackson & Curtis) 150,000 shares
Louisville & Nashville RR.------**Equip. Trust Ctfs.**
(Bids noon EST) $8,700,000
Simplicity Pattern Co., Inc.---------**Common**
(Merrill Lynch, Pierce, Fenner & Beane) 155,000 shares

December 18 (Wednesday)
Northern Pacific Ry.------------**Equip. Trust Ctfs.**
(Bids noon EST) $3,750,000

December 19 (Thursday)
Consolidated Cement Corp.-----------**Debentures**
(Merrill Lynch, Pierce, Fenner & Beane) $5,000,000
Litecraft Industries, Ltd.-------------**Debentures**
(P. W. Brooks & Co., Inc.) $500,000
Litecraft Industries Ltd.--------------**Common**
(P. W. Brooks & Co., Inc.) $250,000

December 20 (Friday)
Dalton Finance, Inc.------------------**Debentures**
(McDonald, Holman & Co., Inc.) $500,000
Ford Home Leases, Inc.----**Debentures & Common**
(Philipson & Co.) $250,000

December 23 (Monday)
Bamm Corp.----------------**Debentures & Common**
(Willis E. Burnside & Co. Inc.) $300,000

January 2, 1958 (Thursday)
Wisconsin Southern Gas Co., Inc.---------**Common**
(Offering to stockholders—to be underwritten by The Milwaukee Co., et al) 19,326 shares

January 7, 1958 (Tuesday)
Columbus & Southern Ohio Electric Co.----**Bonds**
(Bids 11 a.m. EST) $14,000,000
Minnesota Mining & Manufacturing Co.--**Common**
(Goldman Sachs & Co.; Kidder, Peabody & Co.; and Piper, Jaffray & Hopwood) 115,000 shares

January 9, 1958 (Thursday)
Connecticut Light & Power Co.--------------**Bonds**
(Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co.) $30,000,000
Washington Water Power Co.-----**Bonds & Debens.**
(Kidder, Peabody & Co.; Blyth & Co., Inc.; White, Weld & Co.; and Laurence M. Marks & 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 17 (Friday)
Royal Dutch Petroleum Co.-----------------Common
(Offering to stockholders—to be underwritten in U. S. by Morgan Stanley & Co.) between $200,000,000 and $250,000,000

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
Portland Gas & Coke Co.-----------------**Preferred**
(Lehman Brothers) $5,000,000

January 23, 1958 (Thursday)
Great Northern Ry.------------**Equip. Trust Ctfs.**
(Bids to be invited) $5,700,000

February 4, 1958 (Tuesday)
Central Power & Light Co.-------------------**Bonds**
(Bids to be invited) $12,000,000

February 7, 1958 (Friday)
American Telephone & Telegraph 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

February 24 (Monday)
Pennsylvania Electric Co.-------------------**Bonds**
(Bids 11 a.m. EST) $29,000,000

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★ Hotel Taft Associates, New York
Dec. 9 filed 1,197 participations in partnership interests. Price—$10,000 per unit. Proceeds — To purchase from Hotel Taft Co. the land and hotel building known as Hotel Taft. Underwriter—None.

International Staple & Machine Co.
Oct. 14 (letter of notification) 20,000 shares of 6% cumulative preferred stock of which 10,000 shares are to be offered to the public and the remainder to stockholders of record Oct. 10, 1957 in exchange for seven shares of common for each share of preferred. Both subscription and tenders for exchange must be received on or before Nov. 30, 1957. Price—At par ($10 per share). Proceeds —For working capital. Office—497 Union Trust Building, Pittsburgh 19, Pa. Underwriter—None.

Intra State Telephone Co.
Sept. 27 filed 4,900 shares of common stock being offered for subscription by common stockholders on the basis of one new share for each two shares held of record Oct. 18, 1957; rights to expire on Dec. 16, 1957. Price—At par ($100 per share). Proceeds—To reduce bank loans. Office—Galesburg, Ill. Underwriter—None. Statement effective Oct. 23.

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.

★ Kilroy (W. S.) 1958 Co., Houston, Tex.
Dec. 5 filed $3,000,000 of participating interests in the W. S. Kilroy 1958 Co. Oil and Gas Exploration Program. Price—In minimum amounts of $25,000. Proceeds—For acquisition and exploration of undeveloped oil and gas properties. Underwriter—None.

★ King Pharr Canning Operations Inc., Cullman, Ala.
Nov. 25 (letter of notification) $200,000 of 6½% sinking fund debentures dated Dec. 1, 1957 and due Dec. 1, 1977 (with common stock purchase warrants). Price—At par. Proceeds — To retire notes payable. Underwriter — Berney Perry & Co., Inc., Birmingham, Ala.

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.

★ Lahontan Mines Co.
Nov. 29 (letter of notification) 1,000,000 shares of common stock (par 25 cents). Price — 30 cents per share. Proceeds—For mining expenses. Office—139 North Virginia St., Room 202, Reno, Nev. Underwriter—None.

★ Lawndale Shopping Center Affiliates
Nov. 26 (letter of notification) $300,000 aggregate amount of participations in limited partnership interest ($10,000 minimum participation). Proceeds—To form a shopping center and for working capital. General Partners—David Berg, 315 E. 68th St., New York 21, N. Y.; Samuel Adler, 347 E. 39th St., Paterson, N. J.; Robert Sillins, 234 W. 48th St., New York, N. Y.; Al Schwartz, 19 South Drive, Great Neck, N. Y.; Irene Zambelli, 20 E. 65th St., New York, N. Y.; William Adler, 43 Windham Place, Glen Rock, N. J.; Jack Warsaw, 541 Hamilton St., Allentown, Pa. and David Rabey, 880 5th Ave., New York, N. Y. Underwriter—None.

● Litecraft Industries Ltd. (12/19-20)
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. Office — Passaic, N. J. Underwriter — P. W. Brooks & Co., Inc., New York.

Magdalena Mining & Milling Co.
Nov. 7 (letter of notification) $260,000 of 7% sinking fund debentures due 1960 and 65,000 shares of common stock (par $1) to be offered in units of one $100 debenture and 25 shares of common stock. Price — $100 per unit. Proceeds — For mining expenses. Office — 1260 Simms St., Lakewood, Colo. Underwriter—Peters, Writer & Christensen, Inc., Denver, Colo.

Mascot 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.

★ Minnesota Mining & Manufacturing Co. (1/7)
Dec. 10 filed 115,000 shares of common stock (no par). Price — To be supplied by amendment. Proceeds — To Estate of John C. Dwan, a former director of company. Underwriters—Goldman, Sachs & Co. and Kidder, Peabody & Co., both of New York; and Piper, Jaffray & Hopwood, Minneapolis, Minn.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. Price—At par ($1 per share). Proceeds — For capital expenditures, including construction of motel, roadside restaurant and gas station. Business—Has been processing and selling of gravel. Office—203 Broadway, Monticello, N. Y. Underwriter—Walnut Securities Corp., Philadelphia, Pa.

Mortgage Clubs of America, Inc.
Aug. 19 filed $1,000,000 of participation units in second mortgages of real estate to be offered for public sale in units of $100, plus a sales commission of $10 per unit to the company. Proceeds—To be invested in small loans secured by second mortgage on home properties. Office —Springfield, Mass. Underwriter—None. Charles Hershman is President.

Motel Co. of Roanoke, Inc., Roanoke, Va.
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 Bowlero, Inc., Cleveland, O.
Dec. 4 filed $900,000 of 5% 10-year debenture bonds, 9,000 shares of 4% non-cumulative preferred stock (par $100) and 15,000 shares of common stock (par $10) to be offered in units of $9,000 of bonds, 90 shares of preferred stock and 150 shares of common stock. Price—$19,500 per unit. Proceeds—For erection and operation of two bowling sports centers. Underwriter—None. William N. Skirball is President.

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. Statement has been withdrawn.

Pacific Petroleums, Ltd.
Oct. 11 filed 1,603,993 shares of common stock (par $1), of which 1,588,993 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 Dairies, Inc.
Dec. 3 (letter of notification) 50,000 shares of common stock (par 50 cents). Price—$4.50 per share. Proceeds—For equipment and working capital. Office—35 York St., Brooklyn 1, N. Y. Underwriter—None.

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.
Nov. 22 filed 326,500 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.

★ Pittsburgh-Des Moines Steel Co.
Nov. 29 (letter of notification) 5,750 shares of common stock (no par), of which 1,920 shares are to be offered for account of selling stockholder, and 3,830 shares for company. Price—$52 per share. Proceeds—To purchase steel inventory items. Office—Neville Island, Pittsburgh 25, Pa. 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 pilot 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.

★ **Resolite Corp., Zelienople, Pa.**
Dec. 6 filed 20,000 shares of common stock to be offered for subscription by stockholders of record Dec. 1, 1957 in the ratio of 3½ new shares for each 10 shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—To pay $100,000 outstanding obligations and for improvement and rehabilitation of plant and facilities. **Business**—Fiberglass panels. **Underwriter**—None.

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 outstanding 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.

★ **Scott Paper Co.**
Dec. 5 filed 10,000 memberships in the company's Employees' Stock Purchase Plan for 1958, together with 60,096 shares of common stock which may be purchased and distributed under the plan.

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.

★ **Shop Rite Foods, Inc.**
Dec. 2 (letter of notification) 9,400 shares of common stock (par $5). **Price**—$13.50 per share. **Proceeds**—For general corporate purposes. **Office**—617 Truman, N. E., Albuquerque, N. M. **Underwriters**—The First Southwest Co., Dallas, Tex., and Minor, Mee & Co., Albuquerque, N. M.

● **Simplicity Pattern Co. Inc. (12/17)**
Oct. 10 filed 135,000 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.

★ **Southern Airways Inc.**
Nov. 26 (letter of notification) 31,000 shares of common stock (par $3) to be offered under an Employee Stock Purchase Plan. **Price**—$3.25 per share. **Proceeds**—For future development program. **Office** — Municipal Airport, Atlanta, Ga. **Underwriter**—None.

● **Southern Colorado Power Co.**
Oct. 21 filed $1,780,780 of convertible debentures due Dec. 1, 1972 being 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.

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.

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.

★ **Tekoil Corp., Dallas, Texas**
Dec. 9 filed 677,403 shares of common stock, of which 377,403 shares are to be issued for the account of selling stockholders and the remaining 300,000 shares issued from time to time in exchange for oil and gas properties. Of the 377,403 shares, 132,558 shares, 61,392 shares and 47,606 shares, respectively, are to be issued as dividends to stockholders of Texolina Oil Co., Mountain Valley Oil Corp. and Trigg Drilling Co.; while 57,239 are to be offered immediately to the public, while the balance of 78,613 shares are to be similarly offered in the near future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

● **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. Statement effective Nov. 29.

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 Waterloo, Ia., is President.

Ulrich Manufacturing Co.
Sept. 24 filed $600,000 of 6% sinking fund debentures and 30,000 shares of class A common stock (par $1) to be offered in units of $500 of debentures and 25 shares of stock. **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans, to repay all or part of an outstanding 5% term loan and/or provide additional working capital. **Office**—Roanoke, Ill. **Underwriter**—White & Co., St. Louis, Mo., on a best-efforts basis.

Union of South Africa
Sept. 12 filed $15,000,000 10-year external loan bonds due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—For transportation development program. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Postponed temporarily.

United 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.

★ **Washington Water Power Co. (1/9)**
Dec. 11 filed $20,000,000 of first mortgage bonds due 1988 and $10,000,000 of sinking fund debentures due 1983. **Price**—To be supplied by amendment. **Proceeds**—To retire a like amount of short-term notes. **Underwriters** — Kidder, Peabody & Co., Blyth & Co., Inc., White, Weld & Co. and Laurence M. Marks & Co., all of New York.

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.

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

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. and Eastman Dillon, Union Securities & Co. (jointly); Harriman Ripley & Co. Inc. **Offering** — Expected to be made in May or June, 1958.

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● Baltimore & Ohio RR.
Bids will be received by the company at 2 Wall St., New York 5, N. Y., early next year for the purchase from it of $3,435,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 Power & Light Co. (2/4)
Dec. 9 it was reported company plans to issue and sell $12,000,000 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.; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co.; Lehman Brothers and Glore, Forgan & Co. (jointly); Blyth & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly). **Bids**—Tentatively expected to be received on Feb. 4.

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.

Cincinnati Gas & Electric Co.
Nov. 8 it was reported company plans in 1958 to 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.

★ 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.

★ Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell in 1958 about 250,000 shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly).

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.

★ Consolidated Edison Co. of New York, Inc.
Dec. 3 it was stated that about $60,000,000 of new bonds may be sold next year to repay bank loans incurred through August, 1958. **Underwriter**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

★ Great Northern Ry. (1/23)
Bids are expected to be received by the company on Jan. 23 for the purchase from it of $5,700,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Illinois Central RR.
Bids are expected to be received by the company early in January for the purchase from it of a new issue of equipment trust certificates to an amount sufficient to finance three-fourths of the cost of new equipment. **Proceeds**—Together with other funds to buy 70 new locomotives, costing approximately $12,250,000, and $250,000 of spare parts. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Huzler.

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.

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.

★ Louisville & Nashville RR. (12/17)
Bids are expected to be received by the company up to noon (EST) on Dec. 17 for the purchase from it of $8,700,000 equipment trust certificates to mature annually in 1-to-15 years. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

★ Mississippi Power & Light Co.
Dec. 4 it was reported company plans to issue and sell, probably in May or June of 1958, $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Equitable Securities Corp. and Shields & Co. (jointly); Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Kidder Peabody & Co. (jointly); The First Boston Corp.

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.

★ New Orleans Public Service Inc.
Dec. 4 it was reported company plans to issue and sell $6,000,000 of first mortgage bonds in the Spring of 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lee Higginson Corp.; Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); Kidder, Peabody & Co. and Stone & Webster Securities Corp. (jointly); White, Weld & Co.; Salomon Bros. & Hutzler.

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.

★ Northern Pacific Ry. (12/18)
Bids are expected to be received by the company up to noon (EST) on Dec. 18 for the purchase from it of $3,750,000 equipment trust certificates due annually Jan. 9, 1958 to 1973, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ Pennsylvania Electric Co. (2/24)
Dec. 4 it was reported company plans to issue and sell $29,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—Tentatively scheduled to be received up to 11 a.m. (EST) on Feb. 24.

★ Portland Gas & Coke Co. (1/22)
Dec. 3 it was reported company plans to issue and sell 50,000 shares of cumulative preferred stock (par $100). **Proceeds** — To reduce bank loans and for construction program. **Underwriter**—Lehman Brothers, New York.

Public Service Electric & Gas Co.
Aug. 1 it was announced company anticipates it will sell in 1958 $25,000,000 of preferred stock. **Proceeds**—For construction program. **Underwriter**—May be Merrill Lynch, Pierce, Fenner & Beane, New York.

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. (1/17)
Dec. 9 it was announced company plans to offer to its stockholders around Jan. 17, 1958 the right to subscribe for additional capital stock sufficient to raise between Fls. 800 million and Fls. 1,000 million (equivalent to $211,000,000 and $263,000,000). **Price**—To be governed by market conditions prevailing at time of issue. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Stanley & Co. and associate expected to underwrite about 60% of issue, and the balance by European financial institutions. **Registration**—Expected around Dec. 20.

Seaboard Air Line RR.
Nov. 18 it was reported company plans to issue and sell $5,445,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Shell Transport & Trading Co., Ltd.
Oct. 3 it was announced company plans to offer to stockholders early in 1958 between £40,000,000 and £55,000,000 additional capital stock (equivalent to $112,000,000 and $154,000,000). **Price** — To be governed by market

conditions prevailing at time of issue. **Proceeds**—For capital expenditures. **Underwriter**—Morgan Grenfell & Co., Ltd., London, England.

★ Southern Nevada Power Co.
Dec. 3 it was announced company plans to raise in mid-1958 between $5,000,000 and $6,000,000 new capital, about two-thirds of which will be through bond financing and the balance through common stock financing. **Underwriter**—For stock, may be Hornblower & Weeks, William R. Staats & Co. and The First California Co. (jointly). For bonds, to be determined by competitive bidding. Only bidders in 1956 for $4,000,000 bonds were Halsey, Stuart & Co. Inc.; Hornblower & Weeks and William R. Staats & Co. (jointly).

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.

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.

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.

• Wisconsin Southern Gas Co., Inc. (1/2-3)
Dec. 9 it was reported company plans to offer to stockholders for a 14-day standby, an additional 19,326 shares of common stock on a 1-for-6 basis. **Underwriters**—The Milwaukee Co., Milwaukee, Wis.; and Harley, Haydon & Co. and Bell & Farrell, Inc., both of Madison, Wis.

Continued from page 5

Learning About Our Economic And Financial Processes

situation of small business, particularly unincorporated business.

We in the Federal Reserve today can take no credit for the tradition of basic research that features the System's program of economic intelligence. The origins of the tradition trace to the climate of enlightenment associated with the System's formative period. We do, however, appreciate its values and we also do what we can to keep the tradition strong and vital. We believe that the dissemination of knowledge gained through research of a fundamental character conducted under Federal Reserve auspices helps to widen the public's understanding of financial processes and, thereby, public understanding of the "systematic reason" of the Federal Reserve policies. We further believe that public awareness of the value we place on such knowledge as necessary background for meeting practical problems is a source of public confidence in the System and gives moral strength to System policies.

Discusses C. E. D.'s Financial Inquiry

The Committee for Economic Development has recently announced its sponsorship of a national commission on money and credit to conduct a broad three year inquiry into the public and private monetary and credit policies of the United States. We in the Federal Reserve System welcome the undertaking of a new commission, and expect to cooperate fully in furnishing information for its use.

With the changes that have taken place in our financial system over the past five decades, notably in the direction of increasing complexity, there is much unknown that needs to be discovered. One of the major tasks of the new commission, therefore, will be to develop fresh knowledge. Basic research will be one of its primary tools. The time schedule for the commission will unfortunately limit the research that can be undertaken under its auspices, and the blueprint which it drafts for a desirable monetary and credit organization in the modern setting will inevitably be deficient by virtue of the still unknown. The commission, however, can perform an extremely useful public service by recognizing these gaps in knowledge, and indeed by providing an inventory of them. Such an inventory will give fruitful direction to the fundamental financial research undertaken in the future.

In discussion, thus far, I have made a distinction between basic or fundamental research and applied research, and I have illustrated from the insurance research program and from that of the Federal Reserve System what I have in mind by basic research. The implications of fundamental research are subtle and far reaching, and so are the reasons why it should be valued so highly.

Basic Research

Basic or fundamental research, as I view it, is pursuit of the unknown and the consequent enlargement of the sphere of the known. Its end is the creative mind, charged with intellectual power to perceive new relations, interactions, and combinations—in short, a mind capable of generating new ideas.

It is out of the cumulative discoveries of fundamental inquiry, sometimes far fetched or inconsistent with accepted beliefs and often random in the timing of their revelation, that usable knowledge in the end emerges. But the stream of usable knowledge in the shape of tested hypothesis and demonstrated principle cannot be expected to flow in steadily expanding volume unless the springs of useless or disinterested knowledge are constantly feeding the stream at its source. Thus, it may be said that knowledge sought as an end in itself by the free ranging human intellect, without care for its immediate utility, is incomparably the most useful of humanity's resources.

Basic research in the current climate is too often thought of as a way of gaining knowledge that is uniquely appropriate to the natural sciences; indeed, as a monopoly or quasi-monopoly of these sciences. This limited way of viewing basic research impresses me as being decidedly out of focus. At least, in my conception, it is as applicable to social, political, economic, and financial phenomena as to those of the physical and biological world. And society itself is certainly as delicate a mechanism as a man-made moon, an ICBM, or a biological organism.

To understand the whole of this modern world, we need to view it as a whole. The struggle between the free nations and Russia is only partly military. It is, most importantly, a contest for man's mind, aspirations, and needs, and thus of economic, social, and political systems. We must be prepared to meet the challenge on all fronts, not just on the front of the sciences contributing most directly to military might.

Essential Research Conditions

A pertinent question to ask about basic research relates to the elements that make it flourish. An answer to this question will differ, no doubt, from one person to another, and certainly each will answer it according to his experience and education. In all humility, I offer the points that have struck me as elements as I have pondered the matter against the background of a long experience in coping with research administrators and research budgets in private activity and in government.

As first and foremost of the elements, I would list disinterestedness of support. Creative minds, informed by self-generating intellectual drives, are required for fundamental inquiry. Experience suggests that such minds, to have full scope for functioning, must be free from the limitations of particular ends, and must feel that they are not "kept" merely for utilitarian purposes.

As a second essential element, basic research would seem to me to be neither empirical primarily nor predominantly abstract in character. Rather, in its most fruitful form, it combines empirical observation with abstract analysis, so that, on the one hand, observation is imaginatively related to other accumulated knowledge, firmly established or tentatively accepted as a first approximation, and, on the other hand, analysis is disciplined by facts observed from reality.

Thirdly, as an element, and particularly in the social science fields which embrace finance, I would emphasize the role of static and historical description of institutions and processes. The identification and comprehension of institutional functions is as basic an intellectual requirement as there is for these fields, and historical perspective on institutional arrangements and interrelations is clearly compelling for the assessment of institutional change, adaptation, or innovation.

As a fourth element, I would stress the ampleness of resources for the support of basic research so that exigent pressures that result in premature finds are kept to a minimum. Premature conclusion of the research inquiry impresses me as a particular bane of social science inquiry. Such inquiry is uniquely tinctured with public interest and we may properly expect its product to work its way eventually into the general stream of knowledge about society. But the product needs to be cultivated to full scholarly maturity for the work to be productively done, and too frequently the product falls short of such maturity.

Finally, there must be the element of dignity for the endeavor and for the scholar or scholars engaging in the research. We have not given the social science scholar either the emoluments or the honors which are consistent with the importance of his role and which are necessary for attracting to these fields of knowledge the talent that they merit.

Basic research, then, is a far reaching concept. It has, it seems to me, two major aspects. First, the pursuit of knowledge for its own sake seems to be the condition indispensable in enabling the human mind continually to extend its own reach. Second, fundamental inquiry opens the way to applied knowledge and technology, and the practical benefits gained will be in proportion to the width and depth of that opening. It is particularly gratifying that the insurance industry has recognized the vital importance of such research in the area of financial processes and has sponsored a long-range program consistent with the elements which are requisite to a fruitful contribution.

Suburban Electric Co. Bonds Offered by Halsey, Stuart Group

Halsey, Stuart & Co. Inc. and associates are offering today (Dec. 12) $4,500,000 of Suburban Electric Co. first mortgage bonds, series B, 4½% due Dec. 1, 1987, at 101.656% and accrued interest, to yield 4.40%. The group won award of the bonds at competitive sale yesterday (Dec. 11) on a bid of 100.5399%.

Net proceeds from the financing will be used by the company to retire $3,647,314 of short-term indebtedness, and the balance will be applied to the reimbursement of the company treasury for the cost of, or to the payment of indebtedness incurred for net plant additions subsequent to Aug. 31, 1957.

The series B bonds will be redeemable at general redemption prices ranging from 106.16% to par, and at special redemption prices receding from 101.66% to par, plus accrued interest in each case.

Suburban Electric Co. is engaged in the purchase and sale of electricity in Everett, Malden, Medford, Melrose, Revere and Wintrop, Mass. The area served, located north of Boston, is suburban, industrial and residential in character, covers 29 square miles and has an aggregate population of about 257,500.

For the 12 months ended Aug. 31, 1957, the company had gross operating revenues of $10,926,654 and net income of $882,132.

Associates in the offering are: Dick & Merle-Smith; Courts & Co.; New York Hanseatic Corp.; Wm. E. Pollock & Co., Inc.; Clayton Securities Corp.; Freeman & Co.; and Thomas & Co.

With Murch & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio.—L. Nelson Pressly is now with Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange.

Paine, Webber Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Richard D. Longacre is now with Paine, Webber, Jackson & Curtis, Union Commerce Building.

Joins Ohio Company

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, Ohio.—Edward H. McDowell has joined the staff of The Ohio Company, 51 North High Street.

Business Man's Bookshelf

Algeria at Work—Key facts of the Algerian economy—French Embassy, 972 Fifth Avenue, New York 21, N. Y. (paper).

Antitrust in Perspective—Milton Handler—Columbia University Press, 2960 Broadway, New York 27, N. Y., $3.

Automatic Computers: A Systems Approach for Business—Ned Chapin—D. Van Nostrand Company, Inc., 120 Alexander Street, Princeton, N. J. (cloth), $8.75.

Contributor's Income Tax Deduction Guide—J. K. Lasser Tax Institute — American Visuals Corporation, 460 Fourth Avenue, New York 16, N. Y. (paper), 25c (quantity prices on request).

Current Economic Comment for November, 1957 (articles on Administered Prices: Their Nature and Behavior, Jules Backman; Alternatives to Tight Money, George S. Tolley; Recent Patterns of Economic Development in Mexico, Pedro C. M. Teichert; Veblen: A Centenary Memorial; A Stuart Hall; Pay TV: An Attempted Revolution within Cultural Industry, Dallas W. Smyth; New Locks on the State Till, Lloyd Morey; etc.)—Current Economic Comment, University of Illinois, 205 David Kinley Hall, Urbana, Ill. (paper).

Director Looks at His Job—Edited by Courtney C. Brown, and E. Everett Smith—Columbia University Press, 2960 Broadway, New York 27, N. Y., $2.75.

History of the Dollar—Arthur Nussbaum—Columbia University Press, 2960 Broadway, New York 27, N. Y., $4.50.

Looking Ahead in Industrial Relations in the United States—Reprint of address by Secretary of Labor James P. Mitchell at the Massachusetts Institute of Technology—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y. (on request).

1958 U. S. Master Tax Guide—Designed to simplify preparation of 1957 income tax returns and to assist in handling everyday Federal tax problems—Commerce Clearing House, Inc., 522 Fifth Avenue, New York 36, N. Y., $3.

Toward the Gold Standard in International Relationship? Study of monetary and economic situations in international relationship — W. Wentholt & Co., 175 Van Eeghenstraat, Amsterdam.

Form Click Inv. Co.

PENSACOLA, Fla. — Click Investment Company Inc. has been formed with offices at 1206 North Palafox Street to engage in a securities business.

Mutual Funds

By ROBERT R. RICH

Affiliated Chief Explains Year's Portfolio Changes

Annual report of Affiliated Fund, Inc. shows net assets of $346,447,346 at Oct. 31, 1957, fiscal year end, equivalent to $5.49 a share. Asset value a year earlier, after adjustment for a capital gain distribution of 26 cents, was $5.69 a share—a net decline in year of 3½%, as compared with a 9.9% decline in Standard & Poor's 500 Stock Index. Dividends from income in year totaled 23 cents, unchanged from previous year on an unadjusted basis, but 4½% higher when adjusted for capital gain distribution.

"The decline in our shares was quite small," President Harry I. Prankard, 2nd, says in his letter, "partly because about 12% of our assets were held in cash or short-term Government bonds but more importantly because the readjustment that has been taking place favors the type of stocks in which we have the bulk of our assets invested.

"The readjustment comes after a general rise in the prices of common stocks of many years' duration. In that rise, certain stocks found exceptional favor with investors. They represented companies which do well in periods of great industrial expansion, especially those producing machinery, equipment, and other durable or capital goods. In the past few years, however, the prices of many such stocks advanced to levels so high as to make them seem to us to be relatively unattractive for investment. The slowing of capital expenditures, the rise in productive capacities, and the resulting increase in competition for business volume which has been taking place have had an adverse effect upon the prospects of these companies.

"At the same time, stocks of many other companies with equally good records of growth in earnings in the postwar years experienced more moderate advances and never sold at prices which seemed to us to be unattractive. The stocks of a number of such companies are found in the service industries, among the producers of consumers nondurable goods, and, to some extent, among the producers of fuel and raw materials. The services and products offered by these companies are consumed or use up in a relatively short time. The demand for such services and products is relatively constant and it tends to increase with the growth in population. There is every reason to expect the stocks of these companies to perform relatively well while the current readjustment continues.

"Looking further ahead, as the imbalances in the relative prices of securities and in the economy are corrected, we expect to add the stocks of companies manufacturing durable and capital goods to our portfolio at attractive prices. We select stocks on the basis of the management's judgment as to which of them offer the greatest values in relation to their market prices without limitation as to the industry in which the company operates."

In concluding Mr. Prankard states: "Our policies are flexible so that our management people can do the things and make the type of investments at any particular time which seem to us to be most advantageous to the shareholders: Under some circumstances, we borrow money; under other circumstances, we invest a portion of our assets in short-term bonds; and under all circumstances, we invest in the securities which we believe represent the best values in relation to market prices."

The report shows 14% of Affiliated's net assets in cash and short-term Government bonds and 86% in stocks. The largest stock holdings were: 9.8% in Electric Light & Power, 9.1% in Natural Gas and 9.9% in Drug shares. Oil shares account for 6.4%; Food and Tobacco 6.2% each, and Banking 7.5%.

The report mentioned that 30,000 stockholders, 22% of the total, are currently having their dividends automatically reinvested in additional shares. Also, it pointed out that a 20-cent distribution of profits realized in the year is to be made Dec. 12 to shareholders of record Nov. 1.

Economy Will Have Many Problems in 1958

One must assume that the economy will have many problems over the coming year, Hugh Bullock, President of Dividend Shares, Inc., told shareholders in the mutual fund's 25th annual report.

The fund had total net assets of $195,529,831 and was owned by more than 87,000 persons and institutions at its fiscal year-end on Oct. 31, 1957.

During the past year, the fund's management pursued a conservative policy in view of the uncertainties in the economy, he said. Emphasis was on stocks in relatively stable companies and industries, and reserves were also increased during most of the year. In the course of the market decline during October, however, these reserves were used in part to make substantial purchases of common stocks. At the end of the fiscal year, cash and U. S. Government bonds represented 13.7% of assets and common stocks 86.3 per cent.

In appraising the outlook, Mr. Bullock told the shareholders, it should be emphasized that the market by its decline has already anticipated trouble to a substantial degree. Although it is difficult to time the duration and extent of any economic change, particularly in its incipient phase, there are certain encouraging aspects. Foremost among these, he said, is the relatively low level of credit employed in the securities markets, and of debt which must be liquidated in a hurry. This gives the stock market an element of strength that it has lacked in the past.

"Another encouraging factor is the rolling nature of the adjustment that has already taken place," Mr. Bullock pointed out. "Not all facets of the economy are reaching a peak at one time. Consumer durable goods have been depressed for several years, and the Federal Reserve by its policy has had for some time a sobering effect upon the residential construction industry, and probably in the field of public works. Also, to combat recession, the government and the monetary authorities have considerable weapons at their disposal which can be used with effectiveness, particularly if their use is well timed.

"Over the longer term, of course," the shareholders were told, "the future is encouraging. In the present international political environment, our economy cannot afford to falter. Domestically, the trend of population will sooner or later correct any present plant over-capacity. The problem of the future is not less but more production. If the problem of inflation can be mastered, we can look forward," Mr. Bullock said, "to a sound, healthy economy in which all elements of the population may benefit."

Incorporated Income Fund Stays Defensive

The third annual report of Incorporated Income Fund reveals that the list of investments remains primarily in common stocks, with a continuance of the policy adopted in 1956 of a somewhat greater concentration in the so-called defensive issues including public utilities, finance and food manufacturing.

Increase, in the 12 months period, of 87% in the number of Incorporated Income Fund stockholders, from 16,000 to 30,000, is shown, together with a 56% increase in total net assets from $48,722,141 to $75,849,138. The report notes that included in the gain in stockholders is a gratifying increase in the number of accounts held by fiduciaries and institutions.

Confidence in the long term prospects for continued expansion of the nation's economy is expressed. With reference to the year immediately ahead, the report states that the economy should operate at a satisfactory rate, with record state and local spending expected and Federal expenditures probably higher than previously estimated because of accelerated missile and satellite development programs and other defense outlays. A continuation of consumer spending at high levels seems likely.

"Meanwhile," the report states, "the lift given to business confidence by the Federal Reserve Board's move to easier credit could well act as a stimulus to future business spending restoring, in time, optimism to the investing public as well.

"The present period of generally lower stock prices appears to management to offer excellent opportunities for the fund to lay the groundwork for good future income in the years ahead. Indeed, prices, in its view, are such that stocks of many leading corporations, some with good growth possibilities, have become attractive investments for current income."

On the long term outlook, the report comments:

"Population is growing at the rate of about 3,000,000 a year which could mean a total of 200,000,000 persons 10 years from now, or 30,000,000 more than today. If personal incomes and living standards continue to rise, as we believe probable, spending for necessities and for luxuries will increase. Well managed business enterprises will profit accordingly with increased dividends a likely result."

National's Sales

November purchases by investors of the National Securities Series of mutual funds were $5,805,151, the highest November sales in the firm's history and 33% over the same month last year, reports E. Waln Hare, Vice-President of National Securities & Research Corporation. For the first 11 months of 1957, purchases of National total $74,439,068, an increase of $23,972,833 or 48% over same period last year.

With Halbert, Hargrove

(Special to The Financial Chronicle)

LONG BEACH, Calif. — Robert C. Burdett and John T. Parks have become affiliated with Halbert, Hargrove & Co., 115 Pine Avenue. Both were previously with Gill-Harkness & Co.

Keystone Growth Fund Expands Fast in Year

Purchase of Keystone Growth Common Stock Fund S-3 shares exceeded liquidations by a margin of better than seven to one in the last fiscal year, S. L. Sholley, President, disclosed in his annual report to shareholders for the year ended Oct. 31. Net sales for the period totalled more than $8 million.

In a separate report for the Keystone Medium Grade Bond Fund B-2 covering the same period, Mr. Sholley listed regular distributions from net investment income totalling $1.02 for the year, a return of 4.67% based on the fiscal year-end asset value of $21.84.

The elimination of air transport and railroad issues and the addition of drug, business and office equipment, and finance securities was noted in S-3. In this Fund, Keystone reduced steel holdings and added to its oil shares to the extent that each category represents about 12% of the portfolio.

As of Oct. 31, the Keystone S-3 portfolio had 46 issues embracing 14 industries. Major additions included 8,600 shares of Lilly (Eli) & Co. "B" and 12,000 Schering Corporation in the drug field, 9,000 Halliburton Oil Well Cementing Co. and 11,000 Louisiana Land and Exploration Co. among the oils, and 3,500 Lincoln National Life Insurance Co. and 4,000 National Life & Accident Co. in the insurance category.

In addition to regular distributions of 35 cents per share from net investment income, S-3 paid a special capital gains distribution of 98 cents per share aggregating $1,786,000.

Keystone's Medium Grade Bond Fund B-2 portfolio had 36 issues at the end of the fiscal year, representing railroad, utilities, industrial and financial, and foreign groups.

Wellington Sales

In spite of stock market uncertainty during the months of August, September and October, 1957, Wellington Fund sales for the three month period hit an all time high, according to A. J. Wilkins, vice-president.

Sales for each of the above mentioned months of 1957 as compared with similar months of 1956 are:

	1957	1956
August	$8,706,766	$7,497,052
September	6,522,238	6,444,278
October	8,889,800	7,889,734
Totals	$24,118,804	$21,831,064

This impressive record, Mr. Wilkins added, attests to the fact that more investment dealers are recommending conservative, well-balanced mutual funds and that more investors are turning to mutual funds for professional investment management.

York Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.— Hugh D. Clatterbuck is now connected with York & Co., 235 Montgomery Street, members of the Pacific Coast Stock Exchange. He was previously with Bennett-Gladstone-Manning Company.

B. D. Bartlett Adds

(Special to The Financial Chronicle)

CINCINNATI, Ohio — William A. Friedlander has been added to the staff of Benj. D. Bartlett & Co., 313 Vine Street, members of the New York and Cincinnati Stock Exchanges.

With Schirmer, Atherton

(Special to The Financial Chronicle)

BOSTON, Mass. — Garrett J. Nagle, Jr. is now with Schirmer, Atherton & Co., 50 Congress St., members of the New York and Boston Stock Exchanges.

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Smashing the Barriers Of Inertia and Complacency

mention any United States earth satellite program. The American people are entitled to know what our plans are in this respect.

He said, "What the world needs today even more than a giant leap into outer space is a giant step towards peace." We all need and want that, but, unfortunately, we are living in the same world with Russia and they have already made a giant leap into space. Before we can hope to take the first step toward a just and abiding peace, we, too, must prove to the world that we, also, can leap into outer space—and do it mighty soon.

Two Questions

Somber as are the facts with which we are confronted today, we know that America has the strength, the physical, mental, and spiritual resources, and the ability, to regain the ground we have lost. But we must ask ourselves two questions:

(1) Can a free people continue to meet the challenge of powerful dictatorships which are determined to conquer the world?

(2) Do we have the fortitude to pay the price to guarantee our continued security, even if it takes "blood and sweat and tears" for years to come?

The answer is "yes"—it comes like rolling thunder from 173 million Americans. We are determined to re-establish our position of equality, and superiority, in military strength and power to any nation, or group of nations in the world.

To achieve these aims we can do no less than did the embattled founders of this Republic, who in their great Declaration of Independence declared: "And for the support of this Declaration with a firm reliance on the protection of divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor."

Under God, we of this generation must renew that pledge today; we must unite as we have never united before, not only with each other, but with our allies. We must bring about the full mobilization of our abundant spiritual, mental, and physical resources.

The President of the United States—great patriot that he is—must call upon the nation for its greatest effort. The people are crying for bold and courageous leadership. He must provide it! He must order full steam ahead for a united and mobilized nation. He must outline our objectives and give us a safe time table for their achievement.

He must use the full power of his office to smash the barriers of inertia and complacency.

The people want him to, and expect him to do this, and, regardless of party affiliation, they will support him wholeheartedly in such an undertaking.

It is apparent that there have been faults and mistakes by those in high places, but we cannot win the future by rehashing past errors. The great Churchill once said, "If we open a quarrel between the past and the present, we shall find that we have lost the future."

Under God we must develop and maintain an undying resolve that we will prove worthy of our free way of life by sustained, and continuing, all out effort to do this job no motter what it may cost.

We cannot afford and we will not do less than our best until this job is done.

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The State of Trade and Industry

reported, stemmed from the "substantial" closing out of 1957 cars in preparation for the new models. However, this coincided with a levelling off in manufacturers' stocks in October in contrast to the increase of October, 1956.

The agency put the book value of all manufacturing and trade inventories at $91,000,000,000 at the end of October on a seasonally adjusted basis, more than $3,000,000,000 ahead of October a year ago. Manufacturing inventories totalled $54,100,000,000, a drop of $100,000,000 from the end of September. All of this decline came in the durable goods sector.

The last time the total book value of manufacturing and trade inventories fell was from the end of November to the end of December, 1954, when it went from $77,100,000,000 to $76,900,000,000 on a seasonally-adjusted basis.

Retail inventories at the end of October were $24,200,000,000 on a seasonally-adjusted basis, down about $150,000,000 from the end of September and reflecting the sell-off of stocks of 1957 cars. Wholesalers' inventories, at a seasonally-adjusted figure of $12,800,000,000, were unchanged from the end of September.

Last year's increase in inventory accumulation over 1955 totaled $4,000,000,000, an official noted, while for the present year the rate is running well below this.

Total manufacturing and trade sales from the end of September to the end of October were off about $600,000,000 on a seasonally-adjusted basis, and were some $200,000,000 below the same figure in October, 1956, the department declared. Manufacturing sales were off some $200,000,000, as were wholesale sales. Manufacturing, wholesale and retail sales were each off about $200,000,000 from the end of September, it further observed. Compared with October of last year, manufacturing sales were $700,000,000 lower, on a seasonally-adjusted basis.

Automotive production increased last week to 167,133 units from 132,107 during the previous week's holiday-shortened period, "Ward's Automotive Reports" declared on Friday last.

"Ward's" counted the latest week's United States output at 144,574 cars and 22,559 trucks compared with 114,795 and 17,312 last week.

The statistical agency noted "production-softening" in passenger cars for December but no letdown in truck production.

"Ward's" reported that December car assembly has been cut 6.8% below the volume originally planned for the month. A resurgence in heavy-duty model ordering, however, is putting new strength in truck industry operations.

The reporting service said that, based upon December output schedules, the auto industry in entire 1957 will operate at 106% of the 1956 level in passenger car assembly and at 98% for trucks.

Built the past week was the industry's 1,000,000th truck of the year; passenger car building in entire 1957, originally set for 6,200,000, will miss that mark, reaching 6,158,000 units.

"Ward's" noted continued use of overtime in car assembly at Chevrolet the past week, but a discontinuance of such work at Ford Division. General Motors Corp.'s "come-back" continues to highlight auto production and sales, it added.

Steel Output Expected to Drop to 69.4% of Ingot Capacity

Estimates of steel ingot production for 1958 range from 108,000,000 to 115,000,000 tons, "Steel" magazine reported on Monday, last.

Some 114,000,000 tons will be turned out in 1957, compared with 115,000,000 in 1956 and the record 117,000,000 in 1955, it further stated.

If output next year falls in the middle of the range now estimated, it will be only about 5% below the 1955 high. No one, it adds, is expecting a pickup the remainder of this year, but there is hope for a modest upturn in steel buying in 1958's first quarter.

Steelmaking operations dropped two points last week. The national ingot rate was at 71.5% of capacity, equivalent to about 1,830,000 net tons. Except for holiday and strike periods, it is a new low since autumn, 1954.

The slump in scrap prices continues. "Steel's" composite on No. 1 heavy melting grade last week eased another 67 cents to $32.33, a new low since mid-October, 1954. The finished steel composite remains unchanged at $146.03.

Reflecting the sluggishness in business, warehouse sales are off 15 to 20% from last year's. Warehouse price quotations are giving way to pressure. On the West Coast, distributors have cut quotations across the board. Some mills are taking lots that formerly went to jobbers. More freight is being absorbed.

Most steelmen are looking to consumer goods, notably automobiles, to generate sufficient demand early in the new year to support steelmaking operations at a profitable level. Expectations are that requirements for heavy durable goods will be lower next year.

Construction, off seasonally, should rise next quarter. Contracting railroad demands should be offset partially by growing shipbuilding activity and defense needs may broaden as 1958 advances.

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 69.4% of capacity for the week beginning Dec. 9, 1957 equivalent to 1,777,000 tons of ingot and steel for castings, as compared with an actual rate of 71.5% of capacity, and 1,831,000 tons a week ago.

Steel operations are again expected to register a three-year low for the third straight 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 77.7% and production 1,990,000 tors. A year ago the actual weekly production was placed at 2,522,000 tons or 102.4%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Climbs in Post-Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday Dec. 7, 1957, was estimated at 12,315,000,000 kwh., according to the Edison Electric Institute. Output the past week advanced with the resumption of more normal activities following the Thanksgiving Holiday.

The past week's output rose 702,000,000 kwh. above that of the previous week and by 268,000,000 kwh. or 2.2% above that of the comparable 1956 week and by 889,000,000 kwh. above that of the week ended Dec. 10, 1955.

Car Loadings Declined 12.5% In Holiday-Week

Loadings of revenue freight for the week ended Nov. 30, 1957, were 79,041 cars or 12.5% below the preceding week, due to the Thanksgiving Holiday, the Association of American Railroads reports.

Loadings for the week ended Nov. 30, 1957, totaled 553,722 cars, a decrease of 198,424 cars, or 26.4% below the corresponding 1956 week and a decrease of 170,064 cars, or 23.5% below the corresponding week in 1955. The 1957 week included the Thanksgiving Day Holiday while 1956 and 1955 did not.

Automotive Output Turned Sharply Higher In Post-Holiday Week

Passenger car production for the latest week ended Dec. 6, 1957, according to "Ward's Automotive Reports," turned sharply above that of the previous period, which included the Thanksgiving Holiday.

Last week's car output totaled 144,574 units and compared with 114,795 (revised) in the previous week. The past week's production total of cars and trucks amounted to 167,133 units, or an increase of 35,026 units above that of the preceding week's output, states "Ward's."

Last week's car output advanced above that of the previous week by 29,779 cars, while truck output increased by 5,247 vehicles during the week. In the corresponding week last year 167,576 cars and 24,091 trucks were assembled.

Last week the agency reported there were 22,559 trucks made in the United States. This compared with 17,312 in the previous week and 24,091 a year ago.

Canadian output last week was placed at 4,360 cars and 996 trucks. In the previous week Dominion plants built 8,739 cars and 1,396 trucks and for the comparable 1956 week 3,712 cars and 1,911 trucks.

Lumber Shipments Rose 2.4% Above Output in Holiday Week Ended November 30th

Lumber shipments of 485 reporting mills in the holiday week ended Nov. 30, 1957, were 2.4% above production, according to the National Lumber Trade Barometer. In the same period, new orders were 11.8% above production. Unfilled orders amounted to 26% of stocks. Production was 22.1% below; shipments 18.1% below and new orders were 1.0% above the previous week and 11.6% below production for the like week of 1956.

Business Failures Rose Sharply in Post-Holiday Week

Commercial and industrial failures increased to 287 in the week ended Dec. 6 from 235 in the preceding holiday week. While casualties were slightly higher than a year ago when 270 occurred and exceeded considerably the 219 in 1955, they remained 3% below the pre-war level of 297 in the similar week of 1939.

Failures involving liabilities of $5,000 or more rose to 252 from 203 last week and compared with 225 of this size a year ago. Small casualties with liabilities under $5,000, edged to 35 from 32 in the previous week, but fell short of the 45 recorded in the corresponding week of 1956. Twenty-two businesses failed with liabilities in excess of $100,000 as against 19 in the preceding week.

Wholesale Food Price Index Registered a New High for Year

Continuing last week's sharp uptrend, the Dun & Bradstreet wholesale food price index rose to $6.42 on Dec. 3, from $6.36 a week earlier. This was a new high for this year, and the highest in two and a half years, or since June 21, 1955, when it was $6.49.

The current figure at $6.42, compares with $6.14 a year ago, or a rise of 4.6%.

Up in wholesale price the past week were wheat, corn, beef, hams, sugar, cottonseed oil, cocoa, raisins, prunes, steers, hogs and lambs. Lower in cost were flour, rye, barley, bellies, butter, milk and eggs.

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 Turned Slightly Higher In Latest Week

Price increases on flour, livestock, lard and cocoa helped boost the general commodity price level last week. Although the Dun & Bradstreet daily wholesale commodity price index rose to 276.94 from 276.64 a week earlier, it was noticeably below the 301.27 of the comparable date a year ago.

Increased bookings in both Spring wheat bakery flours and in hard Winters resulted in a slight rise in flour prices during the week. Orders for other flours were limited. Purchases of sugar expanded substantially and prices were sustained at the levels of the preceding week. Sugar deliveries for the week ended Nov. 23 totaled 154,272 short tons, compared with 143,778 a week earlier and 134,968 in the similar 1956 week, according to the United States Department of Agriculture. The cumulative total of deliveries for the year so far amounted to about 7,791,000 tons against 3,087,000 in the comparable period a year ago.

Weather and crop reports and news of a possible expansion of the Government's farm export program were the major influences on grain trading and prices the past week. While reports of

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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. 15	§69.4	*71.5	77.7	102.4
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 15	§1,777,000	*1,831,000	1,990,000	2,522,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Nov. 29	6,829,350	6,832,370	6,711,570	7,132,65
Crude runs to stills—daily average (bbls.)	Nov. 29	†7,807,000	7,699,000	7,580,000	8,114,00
Gasoline output (bbls.)	Nov. 29	27,205,000	26,715,000	27,024,000	27,043,000
Kerosene output (bbls.)	Nov. 29	2,292,000	2,061,000	1,902,000	2,386,00
Distillate fuel oil output (bbls.)	Nov. 29	12,554,000	12,138,000	12,077,000	13,779,000
Residual fuel oil output (bbls.)	Nov. 29	7,322,000	7,107,000	7,354,000	8,567,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Nov. 29	185,105,000	183,390,000	181,410,000	175,401,000
Kerosene (bbls.) at	Nov. 29	32,661,000	32,942,000	34,264,000	34,595,000
Distillate fuel oil (bbls.) at	Nov. 29	167,594,000	169,877,000	175,129,000	153,498,00
Residual fuel oil (bbls.) at	Nov. 29	58,807,000	59,286,000	59,343,000	44,389,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Nov. 30	553,722	632,763	713,994	752,146
Revenue freight received from connections (no. of cars)	Nov. 30	548,125	573,999	590,734	608,778
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 5	$200,970,000	$378,727,000	$147,911,000	$323,309,000
Private construction	Dec. 5	75,807,000	169,814,000	77,323,000	207,186,000
Public construction	Dec. 5	125,163,000	208,913,000	70,588,000	116,123,000
State and municipal	Dec. 5	118,735,000	191,389,000	58,622,000	79,848,000
Federal	Dec. 5	6,428,000	17,524,000	11,966,000	36,275,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Nov. 30	8,090,000	*9,480,000	9,820,000	10,869,000
Pennsylvania anthracite (tons)	Nov. 30	374,000	490,000	393,000	666,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Nov. 30	158	155	122	197
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 7	12,315,000	11,613,000	11,914,000	12,047,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 5	287	235	266	270
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 3	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Dec. 3	$66.42	$66.42	$66.42	$63.04
Scrap steel (per gross ton)	Dec. 3	$32.00	$32.33	$33.33	$65.17
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 4	26.075c	26.025c	26.125c	35.675c
Export refinery at	Dec. 4	22.800c	22.725c	23.325c	34.400c
Lead (New York) at	Dec. 4	13.000c	13.500c	13.500c	16.000c
Lead (St. Louis) at	Dec. 4	12.800c	13.300c	13.300c	15.800c
‡Zinc (delivered) at	Dec. 4	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Dec. 4	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Dec. 4	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Dec. 4	91.500c	88.875c	89.750c	108.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 10	93.28	93.19	87.63	89.57
Average corporate	Dec. 10	90.63	89.51	88.67	96.69
Aaa	Dec. 10	98.41	96.38	94.26	100.65
Aa	Dec. 10	93.97	92.35	91.62	98.73
A	Dec. 10	89.78	89.09	88.81	96.54
Baa	Dec. 10	81.42	81.17	81.05	[illegible]
Railroad Group	Dec. 10	87.86	86.78	87.05	95.01
Public Utilities Group	Dec. 10	90.48	89.37	88.67	97.31
Industrials Group	Dec. 10	93.52	92.50	90.48	97.62
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 10	3.07	3.08	3.58	3.35
Average corporate	Dec. 10	4.37	4.45	4.51	3.96
Aaa	Dec. 10	3.85	3.98	4.12	3.71
Aa	Dec. 10	4.14	4.25	4.30	3.83
A	Dec. 10	4.43	4.48	4.50	3.97
Baa	Dec. 10	5.07	5.09	5.10	4.34
Railroad Group	Dec. 10	4.57	4.65	4.63	4.07
Public Utilities Group	Dec. 10	4.38	4.46	4.51	3.92
Industrials Group	Dec. 10	4.17	4.24	4.30	3.90
MOODY'S COMMODITY INDEX	Dec. 10	392.8	389.4	383.6	441.7
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Nov. 30	237,804	250,778	358,296	287,435
Production (tons)	Nov. 30	269,285	295,993	292,063	252,372
Percentage of activity	Nov. 30	86	94	94	86
Unfilled orders (tons) at end of period	Nov. 30	355,159	388,664	481,299	407,812
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 6	108.68	109.26	109.55	109.56
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 16	1,534,060	1,373,960	1,703,110	1,471,320
Short sales	Nov. 16	537,830	376,150	414,360	332,930
Other sales	Nov. 16	1,042,710	1,020,470	1,463,990	1,100,100
Total sales	Nov. 16	1,580,540	1,396,620	1,878,350	1,433,030
Other transactions initiated on the floor—					
Total purchases	Nov. 16	347,750	306,560	323,270	301,440
Short sales	Nov. 16	126,400	103,800	93,100	33,000
Other sales	Nov. 16	361,920	223,190	313,170	277,040
Total sales	Nov. 16	488,320	326,990	406,270	310,040
Other transactions initiated off the floor—					
Total purchases	Nov. 16	561,681	470,810	576,645	437,360
Short sales	Nov. 16	163,120	132,150	116,360	86,080
Other sales	Nov. 16	472,680	345,180	574,937	546,779
Total sales	Nov. 16	635,800	477,330	691,297	632,859
Total round-lot transactions for account of members—					
Total purchases	Nov. 16	2,443,490	2,151,330	2,603,025	2,210,120
Short sales	Nov. 16	827,350	612,100	623,820	452,010
Other sales	Nov. 16	1,877,310	1,588,840	2,352,097	1,923,919
Total sales	Nov. 16	2,704,660	2,200,940	2,975,917	2,375,929
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. 16	1,244,973	1,277,297	1,791,226	1,011,611
Dollar value	Nov. 16	$51,551,986	$52,512,111	$73,447,547	$53,691,886
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 16	960,910	911,726	1,144,528	759,690
Customers' short sales	Nov. 16	23,100	27,646	30,134	7,084
Customers' other sales	Nov. 16	937,810	884,080	1,114,394	752,606
Dollar value	Nov. 16	$39,971,650	$38,131,123	$49,034,626	$37,982,944
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 16	246,160	182,280	209,830	177,750
Short sales	Nov. 16	------	------	------	------
Other sales	Nov. 16	246,160	182,280	209,830	177,750
Round-lot purchases by dealers—					
Number of shares	Nov. 16	522,180	589,640	837,240	438,280
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. 16	1,228,980	979,860	961,750	588,330
Other sales	Nov. 16	11,260,460	9,200,470	13,242,310	9,944,750
Total sales	Nov. 16	12,489,440	10,180,330	14,204,060	10,533,080
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Dec. 3	117.8	117.8	117.5	116.0
Farm products	Dec. 3	91.4	*91.6	90.5	86.9
Processed foods	Dec. 3	106.2	*106.0	105.1	103.2
Meats	Dec. 3	92.3	91.5	90.1	78.7
All commodities other than farm and foods	Dec. 3	125.6	125.6	125.6	124.5

*Revised figure. ¶Includes 997,000 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
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of August	143,449	142,041	92,046
Stocks of aluminum (short tons) end of Aug.	192,976	179,366	36,717
AMERICAN HOME LAUNDRY MANUFACTURERS' ASSOCIATION—Month of September:			
Total home laundry appliance factory unit sales (domestic)	572,719	460,962	592,047
Combination washer-dryers	19,749	11,640	9,056
Washers	384,299	329,046	393,575
Dryers	164,468	116,601	183,668
Ironers	4,203	3,475	5,748
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of October	9,195,000	*8,977,906	11,048,513
Shipments of steel products (net tons)—Month of September	6,171,674	6,229,853	7,058,028
AMERICAN PETROLEUM INSTITUTE—Month of August:			
Total domestic production (barrels of 42 gallons each)	234,739,000	235,816,000	247,189,000
Domestic crude oil output (barrels)	210,379,000	213,052,000	223,046,000
Natural gasoline output (barrels)	24,347,000	22,743,000	24,120,000
Benzol output (barrels)	13,000	21,000	23,000
Crude oil imports (barrels)	38,954,000	36,585,000	31,029,000
Refined product imports (barrels)	13,584,000	13,040,000	12,339,000
Indicated consumption domestic and export (barrels)	270,580,000	268,579,000	268,875,000
Increase all stocks (barrels)	16,697,000	16,862,000	21,682,000
AMERICAN ZINC INSTITUTE, INC.—Month of October:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	81,492	77,455	93,493
Shipments (tons of 2,000 pounds)	79,333	72,985	106,848
Stocks at end of period (tons)	155,925	153,766	88,810
Unfilled orders at end of period (tons)	31,466	32,379	53,425
COKE (BUREAU OF MINES)—Month of Sept.:			
Production (net tons)	6,296,653	6,518,060	6,454,600
Oven coke (net tons)	6,160,642	6,369,395	6,303,000
Beehive coke (net tons)	136,011	148,665	151,600
Oven coke stock at end of month (net tons)	2,599,551	2,544,906	2,810,832
COPPER INSTITUTE—For month of October:			
Copper production in U. S. A.—			
Crude (tons of 2,000 pounds)	101,818	94,195	107,730
Refined (tons of 2,000 pounds)	129,832	117,078	136,379
Deliveries to fabricators—			
In U. S. A. (tons of 2,000 pounds)	114,203	102,925	113,353
Refined copper stocks at end of period (tons of 2,000 pounds)	166,976	176,813	106,120
DEPARTMENT STORE SALES—FEDERAL RESERVE SYSTEM—1947-49 Average=100—Month of November:			
Adjusted for seasonal variations	126	120	131
Without seasonal adjustment	152	126	158
EDISON ELECTRIC INSTITUTE—			
Kilowatt-hour sales to ultimate consumers—Month of September	47,549,105	47,975,984	44,868,393
Revenue from ultimate customers—month of September	$793,554,000	$796,383,000	$742,652,000
Number of ultimate customers at Sept. 30	54,948,670	54,817,533	53,690,914
INTERSTATE COMMERCE COMMISSION—			
Index of Railway Employment at middle of October (1947-49=100)	77.1	76.9	82.3
METAL PRICES (E. & M. J. QUOTATIONS)—November:			
Copper—			
Domestic refinery (per pound)	26.339c	26.335c	35.696c
Export refinery (per pound)	23.109c	22.931c	34.466c
††LONDON, prompt (per long ton)	£187.929	‡‡£186.484	£280.455
††Three months, London (per long ton)	£191.887	‡‡£190.038	£281.727
Lead—			
Common, New York (per pound)	13.500c	13.692c	16.000c
Common, East St. Louis (per pound)	13.300c	13.492c	15.800c
††Prompt, London (per long ton)	£83.167	£85.905	£118.369
††Three months, London (per long ton)	£83.327	£86.505	£116.955
Zinc (per pound)—East St. Louis	10.000c	10.000c	13.500c
§§Zinc, Prime Western, delivered (per pound)	10.500c	10.500c	14.000c
††Zinc, London, prompt (per long ton)	£67.527	£69.179	£100.767
††Zinc, London, three months (per long ton)	£67.063	£69.215	£96.761
Silver and Sterling Exchange—			
Silver, New York (per ounce)	90.368c	90.625c	91.375c
Silver, London (per ounce)	78.173d	78.739d	81.301d
Sterling Exchange (check)	$2.80261	$2.79982	$2.78246
Tin, New York Straits	89.359c	91.875c	110.630c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$226.957	$231.615	$255.000
¶Antimony, New York boxed	36.590c	36.590c	36.470c
Antimony (per pound), bulk Laredo	33.000c	33.000c	33.000c
Antimony (per pound), boxed Laredo	33.500c	33.500c	33.500c
Platinum, refined (per ounce)	$84.000	$84.000	$104.000
†Cadmium, refined (per pound)	$1.70000	$1.70000	$1.70000
‡Cadmium (per pound)	$1.70000	$1.70000	$1.70000
§Cadmium (per pound)	$1.70000	$1.70000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.60000
Aluminum, 99% grade ingot weighted average (per pound)	28.100c	28.100c	27.100c
Aluminum, 99% grade primary pig	26.000c	26.000c	25.000c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	64.500c
Bismuth (per pound)	$2.25	$2.25	$2.25
MOTOR VEHICLE FACTORY SALES FROM PLANTS IN U. S.—AUTOMOBILE MANUFACTURERS' ASSN.—Month of October:			
Total number of vehicles	417,936	341,407	445,122
Number of passenger cars	327,733	282,372	352,140
Number of motor trucks	89,958	58,820	92,684
Number of motor coaches	245	215	298
PORTLAND CEMENT (BUREAU OF MINES)—Month of September:			
Production (barrels)	30,884,000	31,406,000	29,643,000
Shipments from mills (barrels)	30,511,000	35,365,000	29,935,000
Stocks (at end of month—barrels)	20,195,000	20,019,000	15,532,000
Capacity used (per cent)	104	104	109
RAILROAD EARNINGS CLASS I ROADS (ASSOCIATION OF AMERICAN RRs.)—Month of September:			
Total operating revenues	$873,036,285	$929,898,462	$874,413,336
Total operating expenses	673,135,427	701,304,043	657,360,127
Operating ratio	77.10	75.42	75.18
Taxes	$91,589,737	$108,701,965	$100,369,575
Net railway operating income before charges	84,248,246	96,438,894	97,623,319
Net income after charges (estimated)	65,000,000	81,000,000	78,000,000

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ¶Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange. ‡‡Corrected figure.

Louisiana Port Bonds Offered to Investors

The First National City Bank of New York is manager of an underwriting syndicate which is offering an issue of $19,400,000 State of Louisiana, Greater Baton Rouge Port Commission, 5%, 3¼% and 3.30% bonds, due Nov. 1, 1960 to 1977, inclusive.

The bonds are scaled to yield from 2.60% to 3.40%, according to maturity. Proceeds from the sale of the bonds will be used to pay the cost of acquiring and constructing port facilities under jurisdiction of the Greater Baton Rouge Port Commission.

Other members of the offering syndicate include:

The Chase Manhattan Bank; Chemical Corn Exchange Bank; Guaranty Trust Company of New York; Harris Trust and Savings Bank; The First Boston Corporation; Harriman Ripley & Co. Incorporated; Phelps, Fenn & Co.; R. W. Pressprich & Co.; The Philadelphia National Bank; Carl M. Loeb, Rhoades & Co.; Clark, Dodge & Co.; L. F. Rothschild & Co.; F. S. Moseley & Co.; Dominick & Dominick; Shearson, Hammill & Co.; J. C. Bradford & Co.

Jobin & James Inv. Formed

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, Fla.—Jobin & James Investments, Inc. has been formed with offices at 242 Beach Drive North to continue the investment business of Gerard R. Jobin Investments Ltd. Officers are Robert A. James, president and secretary, and Gerard R. Jobin, executive vice-president. Both were partners in Gerard R. Jobin Investments.

Tackaberry With Provost

(Special to THE FINANCIAL CHRONICLE)

SANTA ANA, Calif.—Dewey T. Tackaberry has become associated with K. L. Provost & Co., 325 North Broadway. Mr. Tackaberry was formerly Costa Mesa Manager of Fewel & Co. In the past he conducted his own investment business in Los Angeles.

Joins Dewey, King

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Robert J. Parker has joined the staff of Dewey, King & Johnson, 53 State Street.

McDonnell Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich. — James A. White has been added to the staff of McDonnell & Co., Buhl Bldg.

Continued from page 41

The State of Trade and Industry

the President's illness had a slight effect on grain prices early in the week, the influence was discounted at the end of the period.

Bookings in wheat slackened during the week with prices slipping somewhat. Purchases and prices of oats were close to those of the preceding week. There was a slight rise in the buying of rye and soybeans and prices climbed moderately.

Trade estimates that weekly purchases of cocoa from Ghana would be less than earlier estimates stimulated cocoa buying. Both cash and futures prices climbed noticeably. Warehouse stocks of cocoa fell slightly to 150,302 bags compared with 302,246 a year ago. Arrivals for the season to date totaled 2,978,853 bags as against 2,677,659 in the similar period last year.

A moderate increase in transactions helped coffee prices rise somewhat for the week. In the period ended Nov. 23 Colombia exported 121,322 bags of which 95,322 were for the United States. Although domestic trading in rubber sagged, prices remained close to those of a week earlier.

There was considerable gain in hog buying last week and prices advanced appreciably. Receipts in Chicago were below those of a week earlier and the comparable 1956 period. A decline in receipts helped stimulate cattle buying which resulted in slightly higher prices than the week before. Buyers increased their orders for lambs and prices rose moderately. Reports of favorable growing conditions resulted in sluggish trading in soybean oil and a slight price decrease. While trading in lard was unchanged, prices rose somewhat.

Trading in cotton futures was sluggish at the beginning of the week following reports of the President's illness and the fluctuation of the stock market, according to the New York Cotton Exchange. Official announcement of an increase in the Government's mid-November parity price encouraged trade at the end of the week, but cotton futures prices dipped slightly. Exports of domestic cotton for the week ended Tuesday amounted to about 107,000 bales compared with 145,000 bales in the previous week and 106,000 bales in the similar 1956 period. Total exports for the season through Nov. 26 were estimated at 1,619,000 bales as against 1,981,000 bales in the comparable period a year ago.

Trade Volume for Latest Week Declined Six to Two Percent Below Like Period In 1956

Despite rainy weather on Saturday and snow on Wednesday in some regions, post-Thanksgiving and Christmas sales promotions helped consumer buying climb noticeably over that of the prior week in the period ended on Wednesday of last week. Best-sellers were traditional gift items, women's and girls' apparel and furniture. A noticeable year-to-year decline in over-all retail trade was attributed to one less shopping day this year due to the Thanksgiving holiday.

The total dollar volume of retail trade in the week ended this Wednesday was 6 to 2% below a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: West South Central States —2 to +2%; South Atlantic and East South Central —4 to 0; New England and Mountain —5 to —1; West North Central —6 to —2; East North Central and Pacific Coast —8 to —4 and Middle Atlantic States —9 to —5%.

Activity in most textile markets sagged during the week. Trading in woolens and worsteds fell moderately, but prices were unchanged. The call for carpet wool in Boston and Philadelphia remained at the level of a week earlier. Although there were some scattered orders for print cloths, transactions in cotton gray goods were sluggish. Volume in man-made fibers and industrial fabrics improved appreciably.

Re-orders for toys, dolls and games expanded somewhat and volume was slightly higher than a year ago. The call for upholstered chairs, dining room furniture, and case goods continued at the level of the preceding week, while interest in Summer outdoor furniture decreased somewhat. A slight gain occurred in purchases of draperies, floor coverings, and linens. Buyers noticeably increased their orders for glassware, gifts and china.

Wholesale food buying advanced again the past week. Interest in flour, rice, cocoa and coffee climbed substantially, offsetting declines in poultry, fresh produce and some dairy products.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Nov. 30,* 1957 decreased 20% below the like period last year. In the preceding week, Nov. 23,* 1957 an increase of 4% was reported. For the four weeks ended Nov. 30, 1957 a decline of 7% was reported. For the period Jan. 1, 1957 to Nov. 30, 1957 an increase of 1% was registered above that of 1956.

Retail trade sales volume in New York City last week declined 5 to 10% below the level of the like period a year ago, estimates of trade observers reveal.

The heavy snowstorm experienced last week was a major factor in the lower volume of sales.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Nov. 30,* 1957 decreased 22% under that of the like period last year. In the preceding week, Nov. 23, 1957 an increase of 10% (revised) was reported. For the four weeks ending Nov. 30, 1957 a decrease of 5% was registered. For the period of Jan. 1, 1957 to Nov. 30, 1957 the index registered an increase of 2% above that of the corresponding period of 1956.

*Comparisons are affected by the fact that Thanksgiving Day was one week later this year than last.

Armstrong, Jones Adds

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich.—Jay D. McGinty, Samuel A. Monahan, and Arthur W. Parker are now connected with Armstrong, Jones, Lawson & White, Incorporated, Penobscot Building, members of the Detroit Stock Exchange.

Two With Union Security

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Jerome R. Batina and John R. Vilim are with Union Security Co., 29 South La Salle Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The most important and far-reaching boundary dispute in the 167-year history of the Supreme Court of the United States is pending. The tribunal is expected to act on it sometime in 1958.

Indirectly hundreds of millions of dollars, or even billions, in oil and natural gas and other minerals are involved. No one knows. New jurisprudence is expected to be established.

Originally the complaint was filed by the Federal Government, through the Department of Justice, against the State of Louisiana where practically all of the rich oil and natural gas reserves have thus far been discovered. However, the suit has been broadened. The amended complaint also includes, Texas, Alabama, Mississippi and Florida.

In the initial action the Federal Government asked the Supreme Court to declare that the boundary of Louisiana in the Gulf of Mexico is three miles from shore. Louisiana claims at least three marine leagues, or some ten miles from shore.

Ickes' Originated Action

The Federal Government never became seriously interested in the Gulf of Mexico lands until the days of the New Deal. Secretary of Interior Harold Ickes led the attack on the states of California, Louisiana and Texas. Thus far, however, no great discoveries have been made off the Texas coast, but practically all of the vast reserves have been made offshore in Louisiana.

Major and independent oil companies have invested many, many millions of dollars in marine operations. New Orleans is becoming more and more important as a center of petroleum activities, both offshore and inland as are several smaller Louisiana communities.

Both the Federal Government and the State of Louisiana each has collected many millions of dollars in leases and royalties. But the income for each has just begun, despite the fact that it costs a producing company substantially more to produce oil and natural gas offshore than it does on land.

$100 Million in Escrow

About $100 million is being held in escrow from leases in Louisiana alone just in the disputed areas where the State claims the lands belong to the state, and where the Federal Government claims it has jurisdiction.

Associate Justice Tom Clark, a Texan appointed to the tribunal by former President Truman, has turned out to be about the most conservative member of the court. However, he is expected to excuse himself in ruling on the boundary dispute because he was attorney general of the United States when the original tidelands suits were brought by the Federal Government.

All Oil Companies Affected

Major and independent oil companies all over the nation are keenly interested in the outcome of the suit. Only when the dispute is settled will some companies know whether they will be doing business with the States or the Federal Government. Some oil company spokesmen assert that it makes little or no difference whether their dealings are with the States or the government in Washington.

Congress passed the Submerged Lands Act in 1953. In 1947 and 1950 in suits by the Department of Justice against California, Louisiana and Texas, the Supreme Court held that coastal states did not own the seabed off their coasts, but that the resources of the submerged lands (outside the boundaries) belonged to the Federal Government. On the heels of these decisions there was a widespread demand to transfer some of the resources to the coastal states.

Warren May Not Participate

At the time of the 1947 Supreme Court decision holding that the Federal Government had "paramount rights" over the resources of the submerged lands, the now Chief Justice of the United States, Earl Warren, was Governor of California. Thus, he was opposing the demands of the Federal Government.

Today Chief Justice Warren heads the liberal members on the Supreme Court. He may excuse himself in the boundary dispute involving only the Gulf States. Other members of the socalled liberal bloc on the tribunal include another Eisenhower appointee (in addition to the Chief Justice), William J. Brennan, Jr. Others are Justices Hugo L. Black and William O. Douglas, both appointees of President Franklin D. Roosevelt.

All Gulf States Party to Suit

The State of Louisiana has filed numerous briefs in support of its contentions that its boundaries extend three leagues from shore, rather than three miles. Furthermore, Louisiana maintains that its boundaries are coextensive with the boundaries of the United States and extend to the edge of the continental shelf. Therefore, the state contends that the Federal Government can only exercise powers granted to it by the Constitution.

Because the Louisiana boundary contentions are so interwoven in the issues involving the other states bordering on the Gulf of Mexico, the Supreme Court decided that in order to make a proper determination of the issues all other Gulf states should be made parties to the suit. The states still have a few weeks to answer the suit of the Federal Government.

Eisenhower Endorsed States' Rights

The Republican platform of 1952 bore a plank that the States should be accorded title to the submerged lands within their historic boundaries. Subsequently President Eisenhower in stump speeches advocated that the States be given recognition and jurisdiction over their historic boundaries.

In a speech at New Orleans on Oct. 13, 1952, he said: "So, let me be clear in my position on the tidelands and all submerged lands and resources beneath inland and offshore waters. As I have said before, my views are in line with my party's platform. I favor the recognition of clear legal title of these lands in each of the 48 states."

At Houston the following day, President Eisenhower said: "The people of the great state of Texas in their rapid development of its vast resources offer striking evidence that even wise men can make mistakes.

"Just 107 years ago, the United States Senate decided that the public lands of Texas were not worth $10,000,000. This was the public debt of Texas, when Texas was annexed to the Union. So the United States said to Texas: 'keep your debts—and keep your lands. We don't want either.'

"And so the State of Texas paid off the $10,000,000 debt to the Republic. It kept its 200,000,000 acres of lands—including the submerged area extending three marine leagues seaward into the Gulf of Mexico."

After his election, President Eisenhower made two or three supporting statements in behalf of the legislation providing for the states to have title over the submerged lands within their historic boundaries.

Thorny Questions

Thus, the big and thorny questions before the black-robed justices are how far do the boundaries of these states extend out into the Gulf of Mexico. One of the questions of vast importance is, whether or not some states have only three miles from shore while other states have nine nautical miles or three leagues. Some constitutional lawyers contend that the various states were admitted to the Union on equal footing.

Another question that no doubt will be watched with interest by foreign countries is: Do the boundaries of the United States extend to the full limit of the continental shelf in the Gulf of Mexico, and if so, is it not true that the boundaries of the various states are coextensive with the National boundaries in the Gulf?

Big Money Involved

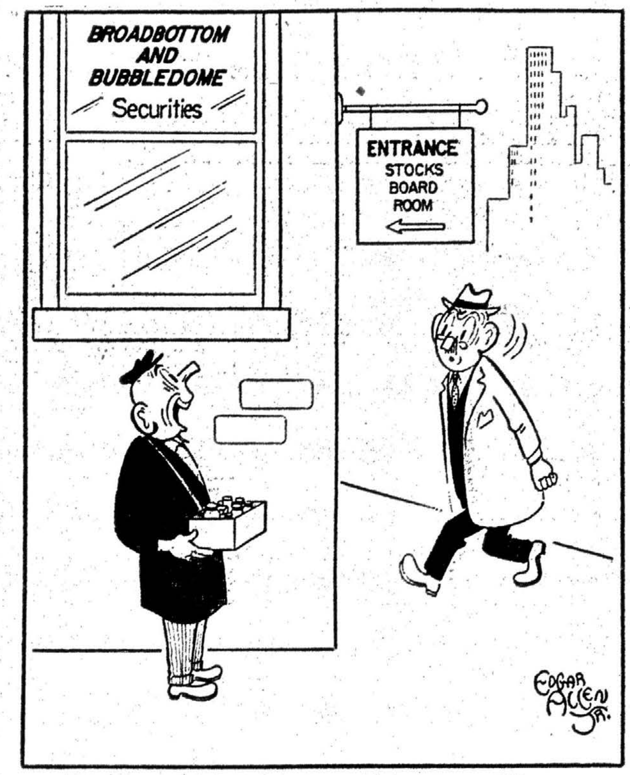
Geologists and expert oil men predict that the submerged lands hold tremendous wealth that will yield hundreds of millions of dollars to both the Federal Treasury and the treasuries of the various states.

Meantime, the State of Louisiana presented its arguments to the Supreme Court eight months ago. However, with the complaint broadened to include the other Gulf states, the attorneys general of those states are preparing their written arguments. They will also be given a chance to present oral arguments before the court makes its important ruling.

The states of Alabama, Florida, Mississippi and Texas will contend in their arguments, like Louisiana, that the boundaries of the states of the Union and the United States are one and the same under the American system of dual sovereignty. The decision of the Supreme Court on the question of boundaries will have international interest.

[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



"Step right up! Getcha aspirin, tranquilizers, smelling salts!"

NASD District No. 10 Elects to Comm.

Announcement has been made of the election of three new members to District Committee No. 10 of NASD. They are: Herman B. Joseph, President, Joseph, Mellen & Miller, Inc., Cleveland; John A. Kruse, partner, Prescott & Co., Cleveland; and John B. Greene, partner, Greene & Ladd, Dayton. The district consists of the states of Ohio and Kentucky.

IBA 1958 Convention At Miami Beach

The Investment Bankers Association of America will hold its 1958 convention at the Americana Hotel in Miami Beach, Florida, Nov. 30 to Dec. 5.

Two With Columbine

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Alfred W. Matthews, Sr. and William J. Ottersberg are now with Columbine Securities Corp., 1575 Sherman.