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EDITORIAL

As We See It

It is quite possible that the President will find the task of holding on to such limited fiscal prudence as has been achieved about the toughest that he will face during the coming year. The Chief Executive himself is on record with the belief that any large increase in defense expenditures must be offset by curtailment of outlays elsewhere. That long-time champion of fiscal soundess, Senator Harry F. Byrd, has made it equally clear that he regards such adjustments as absolutely essential. There have been others, of course, who have given at least lip service to the need of limiting total Federal outlays and of avoiding further large increases in the national debt.

We only wish there were more of these champions of good sense in national finances, and that all of them were as earnest as Senator Byrd has long shown himself to be. We shall have need of all such level heads as can be found and marshalled against the forces that are building up for loose fiscal management in the early future, and indeed against those who would like once more to glorify huge deficits as "bold" programs moving in defiance of what they would like to have us believe is moldy tradition. Any notion of prudent spending and resolute avoidance of additional debt at this time is in serious danger from several quarters.

First of all, there are the politicians, particularly in the Democratic party, who would like to make as much capital as they can from the alleged failure of the Administration to keep abreast of Russia in the matter of armament. There are all too many of these who are inclined

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Broadening the Market for State and Municipal Bonds

By GEORGE WENDT*

Vice-President, The First National Bank of Chicago

Improvement in the bond market and attempts to broaden the market for tax-exempts are two of several principal matters covered by Mr. Wendt in discussing the higher price outlook in the immediate future. Toll road bonds' situation lead the Chicago banker to conclude that, until conditions change for the better, there is little likelihood for those bonds to reappear in any significant amount. In contrast to toll road bonds, the growing importance of revenue bonds in general in past decade indicate to the author that this will comprise a considerable share of municipal financing.

In a similar paper on "Municipal Bonds" made a year ago, it was stated that a substantial amount of tax-exempt bond issues could be expected during 1957. Figures compiled for the ten months ending Oct. 31 disclose a record volume of long-term municipal financing exceeding $5,600 million, 20% above the preceding year's ten-month total. Revenue bond accounted for 25% of that amount. In that astronomical total were many king-sized flotations ranging from $5,000,000 to $85,000,000 each. The number of flotations, averaging about 23 separate issues daily, increased 4% for the period.

George B. Wendt

In November a year ago, municipal bond approvals exceeded $2.5 billion, an all-time record for the postwar years.

Bond elections scheduled last month were slightly under a billion dollars and latest reports indicate approximately 90% received the go-sign. The lesser amount of bonds placed on the ballots is attributable to roads and veterans' aid, which constituted $1.4 billion

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*An address by Mr. Wendt before the Conference of Bank Correspondents, The First National Bank of Chicago, Dec. 2-3, 1957.

Investment Opportunities in Missile-Rocket Industry

By DR. SIMEON HUTNER*

Pulsifer & Hutner, Investment Managers, New York City

While one may know there is a good deal of growth ahead in the missile and ancillary field, one may not know the ramifications and characteristics of firms in this burgeoning industry which investors should consider in their investment decisions. With this in mind, Dr. Hutner lists and reviews contractors, many of whom are not to be identified solely with aircraft or missile industry, who are engaged in rocketry, anti-missile missiles, electronic guidance systems, high energy fuels, intermediate chemicals, etc. Says opportunities for investing in space age permits any degree of risk one wishes to assume.

Any industry that can grow by 10,000% in seven years is bound to attract the attention of analysts and investors. Though the industry is still small, the number of firms participating in it in some way is enormous. All that I can do in this paper is review the broad divisions of the industry and try to indicate who is doing what appear to me to be the more important jobs and the ones that promise most growth. In order to provide something more in the way of background data, I have compiled a list of contractors which appears as Table II. Of these I shall have time to discuss only a few which look attractive as investments.

Dr. Simeon Hutner

Rocketry Growth Ahead

The growth of the missile industry from about $21 million in 1951 to $2.5 billion in 1958 (government's fiscal years) has produced an impact on the economy which cannot be ignored. With prospects that this figure will increase

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*An address by Dr. Hutner before the New York Society of Security Analysts, Dec. 4, 1957.

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This Week's Forum Participants and Their Selections

EDWARD H. BRADFORD

Manager, Research Department

F. L. Putnam & Company, Inc.

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General Waterworks Corp.

There is no doubt about it, when Howard Butcher, III, addressed the new York Security Analysts last June he was talking about "the security HE liked best"—GENERAL WATERWORKS. Mr. Butcher is Chairman of the Board and, it might be pardonable to add, he also knows a great deal about the company.


E. H. Bradford

"I believe that General Waterworks Corporation common stock will deservedly increase faster, percentagewise, than 95 out of 100 of all the so-called 'growth stocks'," is what Mr. Butcher said. The record will justify this statement, as far as the past is concerned. The company buys, operates and sells water and telephone properties. Since Butcher's group took over the original 22 properties from the Arkansas Power & Light Company, in 1942, GW's assets have risen to $70 million—or 23 times what they were. A deficit of $2,000 in equity at the time of acquisition has been changed to an equity today of $8 million. The growth formula has been simple — reinvestment and leverage.

Stated briefly, General Waterworks buys properties at less than book value and finances them as highly as possible. Earnings are retained and more properties bought. As evidence, an item of $4,785,000 in the Annual Report measures the extent to which certain properties were bought below book. Borrowing is indicated in the extreme instance of one property in which GW's equity was 10% against a 35-year REA Mortgage at 2% interest for the remaining 90%. The properties are operated and improved. There is an excellent cash throw off. Earnings, after dividends on the preferreds, are ploughed back. As a courtesy, common stockholders are paid stock dividends. For several years, 4% in stock was paid twice a year; but, since 1954, the vogue has been for 3% twice a year . . . or 6% annually. For those who demand the hard feel of coin, there is a ready bid on the dividend distribution.

Articles have been written by academicians . . . including the Harvard Business Review . . . defining the attributes of "Growth" stocks in which the erudite analysts take great pains to point out a distinction between expansion, appreciation and capital regeneration. So far, however, most of the authors fail to note the most common characteristics of "growth" . . . namely, speculative risk. In general, "growth" depends on research, new methods or latest demand. So often, like the best laid plans of mice and men, money spent on these three "gangs agley." Research is always expensive — and not always successful; while new methods are, frequently, replaced by newer methods . . . as "fusion" has been replaced by "fission" to the embarassment of Atlas Corp. and other "growth" holders of corporate gieger counters. Latent demand is hard to come by as titanium promoters will testify. Growth . . . in the case of General Waterworks, however . . . is not speculative. It is like "Love and Marriage" a "Many Splendored Thing" that goes hand-in-hand with what Mr. Butcher refers to as that very stable and non-speculative demand for the "One essential for life and living anywhere"—WATER.

The Academicians also neglected to note that a growth stock is usually one that sells at a prohibitive relationship to both earnings and assets. Again, this is NOT so with General Waterworks, which sells on a "bargain-basement" basis in both respects. Let me quote from Mr. Butcher's table.

	Per Share
Book Value	$9.50
Original Cost Value	14.50
Rate Base Value	23.00
Sale to Municipalities somewhere between	30.00 and $50.00
Earnings Value	18.75 or 24.00
Recent Price	12⅝ Bid 13¾ asked

This table clearly shows that General Waterworks is underpriced as a "growth" stock.

To highlight another difference, General Waterworks . . . unlike most "Growth" stocks . . . is management owned. It used to be difficult to get enough stock out of the management to make a market; but now there are about 2,400 preferred and common stockholders and the situation is better. Capitalization includes $30 million of debt; $7 million of preferred; and, as of last June, 837,000 shares of common.

Growth is where you find it! In each of the 10 years, 1947 through 1956, General Waterworks' revenue has increased . . . and, in eight out of the 10 years, net has increased. The figures for 1957 are not yet available but are expected to be more-of-the-same. Revenues rose to $9.5 million in 1956 from $2.8 million in 1947—an increase of 3.3 times; while net rose to $1.2 million in 1956 from $300,000 in 1947—or four times. Constant stock dividends require an adjustment of the per-share earnings to arrive at a comparison. The holder of 100 shares in 1947 would hold . . . assuming retention of all stock dividends . . . 186 shares in 1956 and 197 shares at the end of 1957 (nearest fraction). Per-share earnings, after adjustment, would be $1.25 a share in 1956—compared to an adjusted 34 cents in 1947. Earnings include profits from the sale of properties. Estimates indicate that operating earnings should run to from $1.10 to $1.25 a share, while profits from property sale will average out at about 75 cents a share. Earnings, therefore, have a potential of $2 a share.

Growth is most conspicuous, however, in book and market value. The holder of 100 shares in 1947 had a book value of $347—as compared to a 1957 book of $1,970. The 1947 market is not well defined, but might reasonably be set at $500 for 100 shares (if anything, a high figure). Today, these shares have a market with stock dividends of $2,462.50 — almost five times their cost of 11 years back.

In conclusion . . . GENERAL WATERWORKS' growth . . . like "Old Man River" . . . should "Just keep rolling along." The analogy is an apt one . . . for it depends on the flow of water. As our friend Howard Butcher says: Water is getting harder and more expensive to obtain and people are demanding more of it per capita every year and there will be more "capitas" next year.

BRUNO KAVALER

Securities Analyst

Spingarn, Heine and Co.

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New York City

Arkansas Louisiana Gas

The security I like best should combine the dynamic characteristics of an industrial company showing above average growth with the defensive qualities of a public utility, giving its owner good appreciation possibilities with relatively small downside risk.


Bruno Kavaler

I believe Arkansas Louisiana Gas meets these qualifications. It is a completely integrated natural gas company, serving a population of about one million in Arkansas, Northern Louisiana and Eastern Texas, which derives about half of its earnings from non-utility operations.

Its low gas rates — supposedly the lowest in the country for a comparable gas utility — are its best selling point and the main attraction for industries to move into the company's service area.

Industrial sales, primarily to the aluminum giants, Reynolds Metals and Alcoa, but also to oil, lumber, paper, cement and steel companies, amount to about 80% of its total sales volume. Its excellent competitive position in relation to other energy sources not only assures a great growth potential for the future, but makes it also relatively easier for the company's aggressive management to obtain higher rates. Rates for large industrial customers in Arkansas were raised in April 1955 from 14¢ to 18¢ per MCF and will again be raised by 2½¢ by July 1, 1958. Other customers will also pay higher rates in accordance with recent findings of the Arkansas Public Service Commission. These increases should add about 40¢ after taxes to common share earnings. The company may also be granted a rate increase in Louisiana before long, if it should be successful with its present court litigation in that state.

The most distinguishing feature of Ark La Gas is the fact that it is permitted to charge the "fair field price" for company owned gas by a law passed by the Arkansas state legislature in March 1957. The passage of this law has been a tremendous stimulant for the company in expanding its exploration activities in 1957 more than threefold over 1956, budgeting as much as $5,000,000 for this purpose. The results speak for themselves. Whereas reserves as of Nov. 1, 1956 were estimated at 430 billion CF gas and about 18 million barrels liquids reserves, one year later, according to management estimate, amounted to 800 billion CF gas and 22 million barrels liquids. At 10¢ per MCF applicable because of the "fair field price" and $1 per barrel reserves would amount to more than $20 per share. Reserves should in-

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Economic Instability: Two Areas of Possible Dangers

By DR. FAYETTE B. SHAW
Assistant Professor of Economics, University of Illinois
Chicago Undergraduate Division

The plethoric predictions—and their general acceptance—as to what we will need for our growing-expanding 1960-70 economy are criticized by professor-writer Shaw in scrutinizing business and labor operative mistakes which create economic instability. Dr. Shaw questions capital investment by business at a time of high costs and excess capacity to enlarge output for the 1960's and, similarly, finds labor is irresponsible in demanding automatic escalator and productivity pay clauses. Higher costs, he warns, may not mean higher prices but, instead, greater cutbacks and reduced employment.

There are two important areas of possible instability which ought to be of more concern to business men, commercial bankers, investment bankers, and labor leaders than they seem to be. Unless all concerned use better judgment than is now being used, in this writer's opinion, the capitalistic system will some day have to make vigorous corrections of unbalanced situations. These are not the only problems constantly besetting our economy, but they are vital. They revolve about the capital investment by business firms and the automatic increases the escalator and productivity pay clauses in labor contracts cause.

Fayette B. Shaw

Two Business Mistakes

To be a successful business man, one must have, among other qualities, optimism. If he stopped too long to ponder all possible chances of failure and to hesitate because of them, he could never undertake the risks of entrepreneurship. But when this is said, it is possible to carry this optimism too far and to allow himself to be blinded to underlying changes which demand alteration of plans. A business man commonly makes two mistakes, if we may judge by past experience. First, he overestimates the duration and permanence of the demand of consumers and producers for consumers' and producers' goods and for services. In a time of prosperity, it is difficult to visualize any other situation. Of course there will be a downturn sometime, but not right now, and sometime never seems to arrive, nor to even be close. Second, he overestimates the share of the total market which his firm will enjoy.

Now some individual firms do better than their managements had expected. In the flowing tides of business, some go farther and faster than others. But as prosperity rises towards the peak, some firms find that consumers resist further price increases, and they find that at the going prices, buyers are reluctant. Meanwhile, managements have undertaken great programs of expansion to take care of the needs of an expanding economy, which they are sure will continue to expand.

Of course, there may be slowdowns and hesitations, but by 1960 or 1970, the nation will need . . . and statisticians, executives, trade association officials, and others go on and on and on to show what the nation will need, *ad nauseam*, and to provide for those needs, business men must expand, expand, and expand. Even when increased productive capacity is bringing forth greater output, and saturation of the market at present prices appears, they still go on expanding, and they lay out on paper even further enlargements. Then comes the time when even the most stubbornly optimistic realize that they have gone too far. Products come onto the markets in deluges only to be left there by reluctant buyers. Every possible explanation is given except the right one. The blame is laid variously on inadequate credit, Federal Reserve policy, lack of dynamic salesmanship, government policy in this, that, or the other realm, high interest rates. The actual trouble lies in producing more goods than people want to buy at prices that are asked.

What Is Overproduction?

People often speak of overproduction. This is inaccurate. But overproduction at going prices is accurate. Two many homes at $20,000 may represent overproduction, whereas if they were available at $10,000, there would not be enough of them. To lower the price to $10,000 would no doubt involve many bankruptcies, but failure to lower prices will invite bankruptcy too. An automobile dealer may find that at $3,600 a certain model of a car will not sell. If he were to reduce the price to $3,000, he could sell more, at $2,400, still more, and at $2,000, he might sell all—and go through the wringer. But this situation is precisely what many, many men fall into. They produce at a price far more than people want to buy at that price, and then speak of overproduction. They have incurred many costs which compel them to charge that price or suffer loss, perhaps bankruptcy. But that is precisely the problem. They have drawn more resources of labor and capital into this pro-

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American Express Company —Has Dollars, Will Travel

By DR. IRA U. COBLEIGH
Enterprise Economist

Presenting a swift account of a great company which sends billions of dollars on Global journeys and brings them back at a rising profit.

This is surely an excellent time of the year for talk about travel, what with millions of folks coming home from faraway places for Christmas; and tens of thousands embarking on holiday cruises to Copenhagen, the Caribbean, Casablanca, Ceylon, Pago Pago or Bali Bali. And certainly no name is better known to travelers of all nations than American Express Co., whose famous travelers' cheques provide negotiable, theft and loss proof, money, accepted everywhere, and sold through its 405 offices and 71,000 sales outlets in United States and around the world. Here indeed is a remarkable company exceedingly well managed; in business for 107 years and boasting an unbroken record of dividends paid to stockholders in each of the past 86 years.

Ira U. Cobleigh

While you could easily describe American Express as a huge banking or travel agency company, the best way to classify it is as a service organization, and the largest one in the world at that. First there is the sale of the cheques above noted. These are sold at a gross commission profit of 1%. (This charge was raised from ¾% in April 1956.) Related to this business is the sale of money orders through the facilities of Western Union, Railway Express and many drug and retail store chains with branches in most states. Only the Post Office sells more money orders than American Express. The company also makes convenient (and profitable) arrangements for the payment of local utility bills through its money order agencies, in many of the larger cities.

Quite related to this business of money transfer is its stock control of Wells Fargo Company, storied in "western" cinemas, and now providing an armored car service in New York City for the safe transport of cash, securities, and corporate payrolls.

In actual full-scale banking abroad, American Express provides, through many offices, the facilities of a commercial bank, and specializes in the transfer, either by cable or draft, of personal or corporate funds all over the globe. Domestically, through a subsidiary, American Express Field Warehousing Corporation, the company operates warehouses in 36 states for the storage of property. Goods stored thus enable companies to borrow conveniently on inventory maintained in their own possession.

Next to travelers' cheques, however, American Express is probably best known for its vast travel agency service. Whether you seek a bus ticket, a boat ride or a world cruise, this fabulous company can handle it—individually or for hundreds at a clip (or trip). Complete itineraries are arranged, including all transportation, hotel accommodations, guided and sightseeing tours from the Grand Canyon to the Grand Canal. (Time payments up to 24 months are offered.) You can arrange a convention trip for a whole organization or corporation —even charter a fleet of airplanes. There are packaged tours to suit every purse and purpose—business, holiday vacation, or honeymoon. Since Americans have become in the past decade the "travellingest" people on this planet, American Express business has been zooming.

Further, American Express is the leader in international freight forwarding and customs brokerage services which it performs for dozens of distinguished companies doing a big overseas business. This work often includes not only import and export of cargo (with air freight increasing rapidly) but preparation of the shipping documents, forwarding of receipts, insurance in transit and customs clearances. Whether you're a package, a person or a peso, American Express can send you!

This pretty much covers the things American Express has been doing; but new activities are in the offing. Three months ago the company made a dramatic advance in its travelers' cheque issuances. Now, in cooperation with local banks, corporations can issue cheques directly to their own traveling personnel. This innovation is expected particularly to expand the company's domestic business since, up to now, only 20% of travelers within the United States have been carrying travelers' cheques. (The annual U. S. expenditure for business travel is running above $3 billion.)

Perhaps the most exciting addition to future profitability at American Express is the formation, last month, of Hertz American Express International, Ltd. in association with Hertz Corporation. (The actual ownership is 51% by Hertz, and 49% by American Express). In connection with this joint venture, American Express strengthened its partnership with Hertz by buying 25,000 shares of Hertz common for $880,000, and obtaining options to purchase 75,000 additional shares (at prices from 42⅞ to 60⅞) during the next four years. This new Hertz American Express International has acquired the former Hertz car-rental subsidiaries in Hawaii, Cuba and Porto Rico, and France plus 184 Hertz franchises in 229 cities overseas. This arrangement is an extremely promising one for both partners. It rounds out the travel service of American Express, permitting clients to rent cars all over the world through its own offices abroad and the 900 Hertz agencies in the United States. And, of course, it multiplies the client roster of Hertz Corporation which is already the largest car and truck rental organization in the world.

Altogether, in the money department, American Express will issue over $4 billion in cheques, money orders and foreign remittances in 1957, with a still larger total in prospect for 1958. To make instantly available the cash for these myriad monetary transactions, American Express has a huge treasury and total assets of over $700 million (at 12/31/56). High liquidity is important; so over 20% of this total is kept in cash items, with the balance invested for the most part in relatively short term municipal, government and corporate bonds. In that connection, portfolio earnings for 1957 should rise (and continue to do so) due to improving interest rates.

In point of profitability, American Express is a quite unique company. Its gross earnings have risen steadily from $14,200,000 in 1949 to almost $48 million in 1956. For this year the total should cross the $50 million mark.

The corporate structure couldn't be simpler, consisting merely of 2,205,529 shares of common (existing as a result of an 11⅔ for 1 split in 1950). The stock enjoys an active Over-the Counter market and is currently quoted at $38 affording, on the present $2 dividend, a yield of 5.26%. This $2 dividend is well supported by net earnings running above $3 for 1957; and stockholders, present and prospective, should be heartened by the fact that cash dividends have flowed continuously since 1870, and have been increased in each year since 1950.

Assuming a world at peace, and the increasing travel which leisure, opulence, Super Chiefs, super highways, super liners and supersonic planes all make possible, American Express appears well on its way to a second century of expanding services and rising profitability.

Form Guss & Stead Co.

SALT LAKE CITY, Utah—Guss & Stead Company has been formed with offices at 343 South State Street to continue the investment business of Guss Securities Co. and H. Wayne Stead & Co.

Virgil V. Harton Opens

HOLLY HILL, Fla.—Virgil V. Harton is engaging in a securities business from offices at 999 Eighth Street.

COMING EVENTS
In Investment Field

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

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

Feb. 28, 1958 (Philadelphia, Pa.)
Investment Traders Association of Philadelphia annual Mid-Winter Dinner at Bellevue-Stratford Hotel.

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

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

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

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

Nov. 30-Dec. 5, 1958 (Miami Beach, Fla.)
Investment Bankers Association of America annual convention at the Americana Hotel.

The State of Trade and Industry

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

Some degree of comfort should be derived by those greatly concerned over the present downward trend in the nation's economy from the remarks of James P. Mitchell, United States Secretary of Labor, made near the close of last week at a news conference attended largely by economists.

Mr. Mitchell stated that "economists I have talked to" look for an upturn "in the middle of 1958." The Labor Secretary's term for the present lull in business was that the nation's economy faces a "cyclical adjustment" in 1958, but "not one which will cause us any serious concern."

Continuing, Mr. Mitchell stated that 1958 "will be a reasonably good year, perhaps not as good as 1957." He added, that he did not look for "large-scale, prolonged unemployment."

Pointing out that he did not believe "the situation at this point" required action by the government in the sense of "large-scale public works," he cited the prospect of "increased defense needs" as one influence likely to perk up the country's economy.

The distribution of electricity by the United States power industry soared to the highest level in history the past week, the Edison Electric Institute reported.

Last week's power production totaled 12,570,000,000 kilowatt hours and broke the previous record established during the week ended Jan. 19, 1957 when 12,556,000,000 kwh were generated.

A spokesman for the Institute said the higher output level should hold during the Christmas season and added that consumption for the week ending last Saturday could top the previous week's record.

The increased power distribution was sparked by the icy winter weather that prompted consumers to switch on electric heating, the normally shorter winter days that boosted the demand for lighting and the Christmas season itself that traditionally entails a higher demand for current to light Yuletide decorations, it was further reported. One unexpected power demand came from the Southern states that were hit with a cold wave and turned to electric heating to get warm.

Last week's electricity usage was 255,000,000 kilowatt hours above the 12,315,000,000 kwh generated in the prior week and 2.9% more than the 12,220,000,000 kwh produced in the like week a year ago.

The current employment situation shows that unemployment claims from newly laid-off workers reached the highest level of the year in the week ended Dec. 14, according to the Bureau of Employment Security.

Mirroring the nation's recent economic slowdown, the number of new jobless pay appeals to the government climbed by 17,100 during the week to a total of 413,200. The figure stood at 264,600 in the corresponding period last year.

Insured unemployment, at the same time, rose by 154,800 during the week ended Dec. 7 to 1,876,700, the agency said. A year earlier the figure read 1,161,800.

It stated that 25 states reported larger volumes of new unemployment claims and attributed the increases largely to seasonal cutbacks in apparel and food processing and the effects of bad weather on construction and other outdoor work.

New York, which showed the sharpest rise of 11,200, also noted lay-offs in primary and fabricated metals, machinery and auto-parts industries. Other states with large increases were Pennsylvania 4,300, New Jersey 3,600, Missouri 2,900 and Ohio 2,800.

Living costs climbed to a further new high last month, but should turn down in January, Evan Clague, head of the Bureau of Labor Statistics stated. Higher prices on 1958 automobiles, he reported, were largely responsible for a rise in the government's consumer price index during November to 121.6% of the 1947-49 average. This was up 0.4% from October and 3.2% higher than a year ago. But January markdowns in car prices and other post-Christmas cuts, Mr. Clague declared, can be expected to bring a decline in the over-all index.

The Free World still holds a big edge over the communists in steel output, but the Reds are closing the gap in steel technology, reports "The Iron Age," national metalworking weekly, this week.

It notes that "some nagging doubts have cropped up on how long overall Free World steel supremacy can be maintained, and whether we are still ahead in some technical areas of steel-making."

Non-Communist countries outproduced the Reds this year by more than three-to-one or 242,000,000 ingot tons to 80,000,000 tons. The United States output of about 113,000,000 tons was twice that of Russia's 56,000,000 tons, but this trade weekly points out that Russia is closing the gap technologically. It has pulled ahead in some blast furnace production techniques and may be out front in high-temperature metals, since it has been quick to "borrow" western ideas and adapt them to its own needs.

Even more worrisome, says "The Iron Age," is the fact that metallurgy is the number one technical study in Russia and each year it graduates ten metallurgists to our one.

Some observations brought back from Russia by Dr. Morris Cohen, Professor of Metallurgy at Massachusetts Institute of Technology and Dr. Dennis J. Carney, division superintendent of steelmaking, Duquesne Works, U. S. Steel Corp., are that Russia is after maximum production at any cost. Worker safety and comfort are a poor second with the Reds. Russia is getting more production from the same size blast furnace than we are. Russia operates a unique "pilot plant" mill known as the Tula works. It has a capacity of about 500,000 tons a year and is largely used

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Observations . . .

By A. WILFRED MAY

NOT TO BE OPENED 'TIL 1959
— Some Xmas Cheer for a Bear Market

On the Market Place

Broadly overlooked now are the present constructive aspects in the "technical" areas of the market place. For example, there is the decisive change to health from the speculative excesses pervading the atmosphere in the investment community a few months ago. A significant reflection of this has been aptly mentioned by Shelby Cullom Davis in citing the "weekend cocktail set's" current ruminations on how *low* the market is going to go, in lieu of the "how-high" dreams when the Dow-Jones Average was wobbling on its peak 100 points higher. Sooner or later this foible will be corrected which together with the conversion of the market's former overhanging sellers to potential buyers will accelerate a major rise once it gets under way.

A. Wilfred May

Evidencing health in the professional area are the size of the short interest, which (now at 3,129,000 shares) has been hovering around its highest level since the 1932 market depths; and the low level of speculative credit operations, with net debit balances of member firms the lowest since January, 1955.

Specifically forgotten is the extent to which the unfavorable outside present and future factors, so widely publicized, have already been reflected in the market's 100-point decline.

In part reflecting this decline already registered are the current low price-earnings ratios now ruling many issues, as textile at 7, and retail at 8, times earnings. And perhaps even the gloomy prospects for the rails may be adequately taken into account by their current drastically reduced prices. Interesting is the urgent cautioning against buying any but the "quality" issues it is difficult to understand just why the second grade issues should be considered less attractive in depressed than in speculative market periods. The emphasis on quality actually is a habitual accompaniment of indecision at all market stages).

Money rates constitute a real yardstick for measuring the comparative attractiveness of the common stock. And the Reserve Board's now evidenced guaranty against a really high rate structure additionally supports the reduction in competing yield as an effective long-term market force rather than a mere short-swing bet. In fact, just as it took six years before money tightening translated into a major market collapse, the *timing* of investors effective reaction to credit loosening must now be indefinite.

This uncertainty of timing, and in some cases even of complete absence of correlation, between external factors and the market's performance, is fundamental to the consideration of the indices. Such market-business divergence was marked in 1926-1929, 1939-1942, and 1946-1949.

* * *

Some Extra-Market Tid-Bits

In the area of economic activity, as always events are being colored to fit the market's unfavorable performance. Thus, from a cold investment viewpoint, the new Sputnik era has functioned as feeding the market's decline; whereas, actually with the accompanying stimuli to spending and expansion, it should supply at least an important long-term stimulus to the price level of the equity share.

Puncturing of the gloom hanging over the current economic picture with at least a few rays of brightness is certainly called for.

Outstanding seems to be a lack of perspective in concentrating attention on recent peaks in lieu of the great past rises to those recent highs. For example, although personal income in November showed a third successive monthly drop aggregating 0.4% from the high reached in August, it is still 3.6% above November 1956.

While decisive reductions from last year's all-time high in business spending for plant and equipment are, of course, in the cards, also indicated are counterbalancing gains in consumer spending and government purchases—with the overall gross national product figure ending the 1958 year not more than one percent or so below this year's peak. And it should be remembered that the present curtailed outlays for inventory carry the counterpart of a bulwark of future demand.

And there are actually present a number of affirmatively offsetting favorable areas. Monthly housing contracts and starts have been rising since last Spring, with new housing units in 1958 set to show a 10% increase over this year.

The agricultural situation is improving, with farm cash receipts expected to rise from 1957's $31½ billion to $32 billion in 1958.

By way of specific industries standing up against the downtrend, the pharmaceutical industry is completing its most prosperous year in history, with prospects still bright for 1958. And the utility industry's volume and earnings will probably register further increases.

Retail trade and petroleum represent two mixed situations where the present inclusive pessimism is as likely as not to turn out unfounded. The all-important December department store sales seem to be about to result in no worse than geographical irregularity. And the present heavy oil inventories may well be corrected through curtailment of imports and also domestic production, thus relieving the current price and profit margin difficulties.

Vanished Bull Market Props

Now relegated to the background is the growth factor rooted in the nation's expanding population, and the world's quest for higher living standards. And now overlooked post-bull marketwise, is the development of new products from the great expansion of our well-managed industrials' planned research. Surely not yet, as was supposed in the 1930's, has "the frontier" become closed. And although in recent months it has become painfully realized that "inflation" is not a one-way street, is it safe to write off this factor permanently as a market factor? (Living costs climbed to a further new high last month.)

* * *

Thus, we have demonstrated that not all the indicators are unfavorable. The present offsetting items may not be effective in countering the downward market movement, particularly over the shorter term. But at least keeping them in mind will be valuable in bolstering your patience for the pull, the indispensable accompaniment of your purchasing issues on the motivation of value.

Frederic Latscha Now With Clair S. Hall

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Frederic F. Latscha has become associated with Clair S. Hall & Company, Fifth Third Bank Building. Mr. Latscha, who has recently been with Ross, Borton & Simon, was formerly with George Eustis & Company and prior thereto conducted his own investment business in Cincinnati.

Frederic F. Latscha

T. H. Gerken V.-P. Of Laird & Company

Laird & Company, Corporation, 61 Broadway, New York City, members of the New York Stock Exchange, announced the election of Theodore H. Gerken as a Vice-President of the firm. Mr. Gerken joined the Laird organization in 1955, having previously been associated with Investors Diversified Services, Inc., Minneapolis, Minn., as a portfolio manager.

Prior thereto he was with Moody's Investors Service and had also been managing editor of "Iron Age" before World War II.

Defense Dept. Honors Clark, Dodge & Co.

The investment brokerage firm of Clark, Dodge and Company, 61 Wall Street, New York City, has received the Department of Defense Reserve Award for "outstanding cooperation" in their policies toward military Reservists and Reserve activities.

The award, consisting of a pennant and a certificate of citation, was presented during ceremonies at the company's annual Christmas party, Dec. 19.

George W. Hall V.-P. of Wm. E. Pollock

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, specialists in U. S. Government securities, announces that George W. Hall will be elected a Vice-President of the firm, effective Jan. 2, 1958.

Two With B. C. Morton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard G. Crane and Barton L. Munro have been added to the staff of B. C. Morton & Co., 131 State Street.

Franklin Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Jeanne Boian has joined the staff of Samuel B. Franklin & Co., 215 West Seventh Street. Miss Boian was formerly with Marache, Dofflemyre & Co.

Joins McCormick Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John W. Garver is now with McCormick and Company 3761 Wilshire Boulevard.

Canadian Business Outlook Now and Years Ahea

By A. C. ASHFORTH*

President, Toronto-Dominion Bank, Toronto, Ontario

A near and long-term diagnosis of the Canadian economy's health prospects is provided by Toronto banker who sees at worst a brief period of consolidation once certain distortions are eliminated and, with that, an economy again expanding on a sound and healthy basis—though not as spectacularly as last few years. Mr. Ashforth expects capital investment in 1958 to remain at 1957 level; asserts there is no basis for the fear of a major depression at this time; suggests need for tax revision; comments on agitation for higher tariffs, and details central banking monetary-credit expectations.

The lack of progress in the field of international relations has been one of the disappointments of the past year. The cold war continues unabated, if not intensified. Disarmament negotiations have broken down. Russia's sphere of influence has been broadened in the Middle East. Internal disagreements have weakened the western community of nations. And finally, we have had the launching of Sputnik I and Sputnik II.

A. C. Ashforth

Sputnik may prove to be the kind of jolt we needed. With our lead in atomic weapons and on the assumption of our superiority in scientific and technological fields we in the Western World have been complacently going about the pleasant business of seeking a higher standard of living for our people. Russia, on the other hand, has been mainly concerned with political and military superiority. As to which of these objectives is most desirable there is no question but we in the Western democracies will have to recognize that social and economic gains are meaningless if in the end we lose our freedom.

According to those who should know, the threat of Russian superiority in the military field is real. Thus, the freedom-loving nations are faced with the necessity of reappraisal of some fundamental attitudes and policies. More of our resources will have to be devoted to missile research — in fact, to broad scientific research. Knowledge is power. A breakthrough in abstract scientific theory may be the forerunner of tomorrow's technological advances. This underlines the necessity of further assistance to our universities for expansion and research.

For Canadians and citizens of other western countries Sputnik has broad social and economic implications. Most of us had been hopeful that we were reaching the stage where defense spending could be reduced since diversion of military resources into productive channels would yield substantial dividends in social and economic progress. Reduction of military spending is now a forlorn hope. It is more likely to increase, and attainment of some of our social and economic objectives deferred.

A moment ago I said that Sputnik has social and economic implications for Canadians. At the present time we are committed to a major expansion in welfare expenditures. Old age allowances have been increased. Unemployment benefits are to be broadened. A comprehensive plan of health insurance is being instituted. On top of all this the provinces and the municipalities are seeking larger grants from the Federal Government so that they can increase spending in other directions. No one will argue these projects are not desirable, but the question does arise as to whether or not we can afford them, especially at a time when it would appear that military and research spending will have to be increased. Welfare expenditures have to be paid for out of production and the productivity trend of the past two years hardly justifies devoting more of our resources to the welfare field.

A year ago I remarked that continuance of the rate of growth we experienced in 1956 could not be expected but that a high level of economic activity would prevail throughout 1957. This has proven to be true.

Incomes and employment have risen to new peaks and stand in sharp contrast to the comments of the pessimists who, because a high rate of growth has not been maintained, seem to think we are in a depression or at least headed for one.

True, the boom has levelled off. But this is probably a good thing. A rate of expansion equal to that experienced in 1956 would have subjected the economy to severe stresses and strains. A slackening was desirable in order that the economy might consolidate its recent gains and resume its advance from a more solid foundation. This is the lesson of economic history and the experience of 1956.

Let us pause for a moment and take stock of the accomplishments of the Canadian economy in 1957.

Reviews 1957 Accomplishments

Gross national product this year will amount to about $31 billion, as compared with almost $30 billion in 1956. Once again, we have achieved a new record in terms of current dollars.

Unfortunately, this achievement is somewhat illusory since it is largely accounted for by an increase in prices. In volume terms, it would appear that our total production of goods and services will show little change and on a per capita basis will be somewhat lower. Thus, there was a slight drop in the real standard of living of our people.

Perhaps the best description of the Canadian economy is that it is moving sideways. Such a period is not abnormal in a dynamic free enterprise economy. It is too much to expect that the pattern of growth will be even and that each year we will climb to a new peak of prosperity.

Basically, the Canadian economy remains healthy. The trend of over-all activity has reflected the main generating forces. Investment in new capital products has been at a record level, but the gain over 1956 was not as large and part of it was due to higher prices. Consumer spending has increased but here also there has been a levelling off. Exports

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*An address by Mr. Ashforth before the Toronto-Dominion Bank's annual shareholder meeting, Toronto, Dec. 11, 1957.

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What Lies Ahead for Business And Automobile Industry?

By L. L. COLBERT*
President, Chrysler Corporation

Drawing no pessimistic inferences from present sideways movement, Mr. Colbert submits several reasons "for looking forward to good business in the year ahead." Cites such favorable factors as: diversification of economic activity; appearance of new jobs in non-manufacturing areas to compensate for lowered factory employment; anticipated high level of construction, including highway building; record level of non-durables in September and October; and current high rate of consumer spending. Refers to ending of three-year car-instalment credit cycle as indicative of another good automobile year in 1958.

The Russian satellite and the one that followed it into space a few weeks later may seem to have little or no bearing on a discussion of merchandising and distribution. Though we all consider it important for everyone interested in marketing to look ahead to future potentialities and opportunities, we certainly are not thinking quite yet about beating our competition to new markets on other planets.


L. L. Colbert

Nevertheless, we can all agree that what happened on Oct. 4 set off a chain reaction in the thinking of the American people that will affect nearly everything we do from now on — including the merchandising and distribution of goods and services. Our mental approach is bound to be different from what it was before this new development took place.

Complacency Must End

In this country there is the ever-present danger that we will take our national strength and prosperity for granted. Or to put it another way, we must be on guard at all times against that most treacherous of all mental attitudes—complacency.

These days none of us are taking anything for granted. Established procedures are being questioned and many long-settled programs are getting a searching re-examination. And this is all to the good. To keep this nation sound and moving ahead we can never afford to rest satisfied with old methods and old ideas just because they've always been there.

In this connection, I read recently about a two-year study conducted by the University of Pittsburgh to find out the principal reasons for business failure. That study—which covered hundreds of companies—comes to the conclusion that the principal cause of business failure is complacency. It also reveals that in the years since World War II a great many business managers have relied on the country's general prosperity to keep them afloat and have forgotten about the traps that are always set, waiting for those who get too comfortable.

In some lines of business, competition is getting so intense that complacency doesn't have a favorable climate in which to develop. This is certainly true of the automobile business, and my insurance friends tell me that in the last few years especially, the pace of competition has been getting just about as hot in your business as it is in ours. They tell me also that there has never been a period when so many new concepts about insurance coverage have appeared and when so many new selling approaches have been developed.

Presents Own Experience

In order to discuss some of these new developments, I would like if possible to make a contribution to that discussion out of my own business experience. Perhaps the most constructive thing I can do is to explain a little about the way we at Chrysler Corporation have been meeting our own competitive challenge.

To the general public, the Forward Look is a phase that describes the kind of automobile styling that first appeared with the introduction of our 1955 models. But to us at Chrysler, the Forward Look has a much broader meaning. It is an expression of our whole company philosophy. It stands for the progressive orientation of our management, for the planned leadership of our product engineering and design, for the acceleration of research and development essential to that leadership, and for the systematic investment in improved plants and equipment needed to serve the competitive market.

* * *

It is important to emphasize, however, that successful promotion of a product or a service depends primarily upon the talents and the efforts of the people who design and produce the products or who conceive and provide the service. We at Chrysler never forget that it is our Forward Look cars themselves that are overwhelmingly the most important reason for the gains we have made or will continue to make.

If there is any one conclusion to be drawn from our experience, perhaps it is this—that a marketing program is most effective when it grows directly out of the character and traditions and accomplishments of a vital business organization, and when the efforts and resources of all parts of that organization are enlisted to carry it out.

We are far from complacent about the success to date of the Forward Look program. We have made headway against some of the ablest competitors in the business history of this country—but to continue to make headway is going to require alertness, imagination and flexibility.

We are particularly conscious of the competitive challenges facing us in the retail merchandising of our cars. No one in this country needs to be told about the intensity of the competition among automobile dealers in recent years. Under conditions of this kind it takes well located and well managed dealerships to make a fair profit and stay strong. And it is only through strong dealers that an automobile manufacturer can hope to make headway against its competitors.

* * *

Parallels in Insurance

In my judgment, we have tackled our own problems in merchandising and distribution in a way that may be fundamentally sound for almost any other established company. That is, we have researched our own strengths and weaknesses thoroughly—we have looked at our record of market successes and failures in the past—and we have gone to the public itself by means of market research, to determine what our customers knew about us and what they needed to know—all in an effort to shape up a marketing program that would fit our particular needs and be most productive for us. As it has turned out, our Forward Look program has had the additional virtue of enlisting the enthusiasm and cooperation of our own employees as well as the active interest of the buying public. And I think this result is due in great part to the fact that the Forward Look has been thoroughly believable as a Chrysler theme.

As we move on to new marketing problems, all of us and all of you are deeply aware of the speed with which the whole field of distribution is changing. In the automobile business we are watching certain new developments with the closest attention. We are very much interested, for instance, in what appears to be a massive upgrading of the automobile market through a demand for more premium features such as automatic transmissions, power steering, power brakes, and air conditioning. And, on the other hand, we are also interested in the increasing sales of the small foreign car. In recent years we have seen the virtual disappearance of the traditional spring peak in our yearly sales pattern. And we are giving close attention to the recent rapid growth in the renting and leasing of cars and trucks.

All of us, no matter what our particular business may be, can look forward to a continuous and accelerating process of change in the methods of advertising and merchandising our goods and services. And this constant change will provide very little opportunity for the complacent attitude to develop.

What Lies Ahead for Business?

In recent weeks all of us have been keeping a weather eye on the economic indicators, trying to get a line on what lies ahead for business. There is no question at all that in many parts of the economy there has been a sidewise movement for some time, and in others there has been a definite falling off in activity. This has caused a lot of concern, and rightly so. But it is very easy to exaggerate bad news, and for a minute or so I would like to put the present situation in a slightly different perspective from the one we have been getting recently.

Let me start by reminding you that twice in the last eight years we have had widespread declines in business activity, in 1949 and again starting late in 1953. On both occasions we had downturns in many key sectors of the economy, and more specifically, in the capital goods and durable goods sectors. But the economy as a whole was able to adjust to those downturns because consumers decided to go right on spending as much for goods and services as they had spent before any signs of lower industrial activity appeared.

In recent months we have also seen adjustments being made. And although they are somewhat different from the adjustments of the previous periods, they have the same general effect. As you know, the Federal Reserve Index of industrial production showed a slight decline for September and October as compared with production a year ago. But the interesting thing is that the production of non-durables reached an all-time high in September,

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*From a talk by Mr. Colbert before the 51st Annual Meeting of the Life Insurance Association of America, New York City, Dec. 11, 1957.

Investment-Looming Policies For Safety and Profit

By SIGURD R. WENDIN*
President, Herber-Furger-Wendin, Detroit, Michigan

Bankers are provided four rules of thumb, by Detroit investment counselor with which to check their bank investment policies. After noting that investment and loaning policies are basically the same, Mr. Wendin discusses the proper concept of profits in banking and suggests bankers: (1) establish uniform standards for granting credit; (2) avoid bonds of borderline or excessive maturity; (3) consider higher profits of loans compared to bonds; and (4) emphasize relatively short term bonds and governments whenever local loans are high.

Investment and loaning policies are basically the same because bonds or investments are in effect stranger loans and their making should be governed by the same broad policies. Let us define our words. When we talk about safety in banks we really mean restricting the risks and not exposing a bank to a degree of risk beyond its ability to carry. While some may shudder at the word profit as indicative of actively speculating or trading in the bond market, nevertheless for this purpose it will mean the type of recurring income or occasional capital gain which adds to the undivided profits account. After all, we are living under a profit system and the word "profit" here is to be construed in its true sense and not as speculation.


Sigurd R. Wendin

The subject also suggests the inter-relationship of investments and loans and to that might well be added deposits. In my opinion, bankers should have the concept that the bonds are part of the over-all asset distribution and not just a list of items with no relationship to the other assets of the bank or to the bank's deposit structure.

Of what avail is it to the management and stockholders of a bank if it does not make a satisfactory profit. The keystone of the free enterprise system is the making of profits and my concept is that loaning and investment policies should be directed toward developing a sound recurring earnings base.

General investment policies are easier to develop than loan policies because the entire bond market is available to all banks, but local loan policies have to be developed in relation to the potentialities of the area served by the bank.

Loaning Policy

With reference to a loaning policy only a very broad policy of a general nature can be developed because loan potentials vary so widely. It should be the policy of all banks to grant only loans to those borrowers whose ability and willingness to pay in accordance with the terms of the loan agreement at the time the loan is made appear to be definitely assured. In my opinion it is more that a program of loan objectives should be worked out in relation to what is available and what type of earnings base a particular bank wants. For example, some banks may wish to emphasize consumer credit loans, others mortgages, others financing local area specialities as for example live stock loans, so it becomes obvious a specific policy has to be worked out for each bank. In an effort to develop adequate earning power the banker will so in turn decide what types of loans to emphasize. A bank heavy with savings deposits will tend to protect itself with high yielding conventional mortgages. A bank with low capital may decide on a large volume of FHA's and all of these decisions when translated into objectives have a direct bearing on the maturity distribution and the type distribution of the investment portfolio.

A summary of investment and loan policy might state that bonds and local loans should all be prime or high grade. Adequate credit information and periodic review of both bonds and loans should be part of such policy.

Deposit and Loan Analysis

The first question to be answered is: How well do we know our own bank? It is my considered belief that a banker should start with a deposit analysis which gives the information regarding the various size groupings both for commercial and savings deposits and estimates of the probable fluctuations in those deposits. It might be argued that without deposits there could be no bank and the same could be said for loans, but we often use the analogy that the deposits are the raw materials of the banking business and if we once assure ourselves of the source of our material and the prospects for its future behavior, then one half of our problem has been solved.

The other half of the problem lies in the loan analysis and here you must know what various types of loans can be expected, the volume, and the indicated turnover. For example, a bank with an extremely heavy instalment loan position which was turning over rapidly might have a degree of liquidity present in those loans not available in the mortgage sector of the loan portfolio.

With this analytical information we are now in a position to translate policy into program. The objectives for each type of loan category will be developed in relation to the potential of the area served by the bank. Such objectives would be those reasonably certain of achievement within, say six months to a year, after which the objectives would again be reviewed, but the point is that the difference between the present loaning position and the objectives would have to be offset by short-term investments. The difference between total assets and the sum of loans, building and fixture account and the minimum cash position becomes the size of the bond portfolio. You will note we start with the loans because they help build business for the bank and community and ordinarily also contribute more to profits than do the bonds.

A bond portfolio must function to give a bank three results: one, price stability; two, liquidity; and three, income. All are intertwined. It will be easier for control purposes to segregate the portfolio into these three groupings. Cash equivalent items should meet the

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*An address by Mr. Wendin before the Michigan Bankers Association's 19th Annual Study Conference, The University of Michigan, Ann Arbor, Mich., Dec. 5, 1957.

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NEW ISSUE

Interest Exempt, *in the opinion of counsel,* **from all present Federal Income Taxes**

$25,000,000

Board of Education of the City of Chicago, Illinois

3 1/8% School Building Bonds of 1957

Amounts	Due December 15	Yields	Amounts	Due December 15	Yields	Amounts	Due December 15	Yields
$1,390,000	1960	2.50%	$1,390,000	1966	2.85%	$1,390,000	1972	3.00%
1,390,000	1961	2.60	1,390,000	1967	2.85	1,390,000	1973	3.00
1,390,000	1962	2.70	1,390,000	1968	2.90	1,390,000	1974	3.05
1,390,000	1963	2.75	1,390,000	1969	2.90	1,390,000	1975	3.05
1,390,000	1964	2.80	1,390,000	1970	2.95	1,390,000	1976	3.10
1,390,000	1965	2.80	1,390,000	1971	2.95	1,370,000	1977	3.10

THESE VOTED BONDS, the final portion of $50,000,000 authorized ($25,000,000 having been issued heretofore) to be issued for School Building purposes, in the opinion of counsel, will constitute direct general obligations of the Board of Education of the City of Chicago, Illinois, payable from ad valorem taxes which may be levied against all of the taxable property located therein without limit as to rate or amount.

Dated December 15, 1957, principal and semi-annual interest payable June 15 and December 15 (first coupon due December 15, 1958) at the office of the City Treasurer, ex-officio School Treasurer, of the City of Chicago, Chicago, Illinois, or at the office of the Fiscal Agent of the City of Chicago, New York, New York. Coupon bonds in $1,000 denominations, registerable as to principal only.

Offered for delivery when, as and if issued and received by us, subject to approval of legality by Messrs. Chapman and Cutler, Attorneys of Chicago, Illinois.

The First National Bank of Chicago — Harris Trust & Savings Bank — The Northern Trust Company — Continental Illinois National Bank and Trust Company of Chicago — Bankers Trust Company — Halsey, Stuart & Co. Inc.

Lehman Brothers — Kuhn, Loeb & Co. — Blair & Co. Incorporated — Kidder, Peabody & Co. — The Philadelphia National Bank — Stone & Webster Securities Corp.

A. C. Allyn & Company Incorporated — Shields & Company — R. H. Moulton & Company — Seattle-First National Bank — B. J. Van Ingen & Co., Inc. — F. S. Smithers & Co. — First National Bank of Portland — Bacon, Stevenson & Co.

Paine, Webber, Jackson & Curtis — Braun, Bosworth & Co. Incorporated — W. H. Morton & Co. Incorporated — Hemphill, Noyes & Co. — Gregory & Sons — Stifel, Nicolaus & Co., Inc. — City National Bank and Trust Company of Chicago

American National Bank & Trust Company of Chicago — Trust Company of Georgia — City National Bank & Trust Co. Kansas City, Mo. — Commerce Trust Co. Kansas City, Mo. — Laidlaw & Co. — Geo. B. Gibbons & Company Incorporated — Kean, Taylor & Co. — Wm. E. Pollock & Co., Inc. — C. F. Childs and Co. Incorporated

National Boulevard Bank Chicago — Mullaney, Wells & Company — Goodbody & Co. — Rodman & Renshaw — Hayden, Miller & Co. — Rand & Co. — McDonald & Company — Ernst & Company — Third National Bank in Nashville — The First National Bank of Memphis

National City Bank of Cleveland — The Robinson-Humphrey Company, Inc. — Nongard, Showers & Murray, Inc. — Kenower, MacArthur & Co. — Ellis & Co.

December 19, 1957

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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.**

Chemical & Pharmaceutical Industry—Report—Smith, Barney & Co., 20 Broad Street, New York 5, N. Y.

Electric Utilities—Analysis—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis. Also available is a report on **Bank of America, N. T. & S. A.**

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 Economy—Report—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

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

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.

Stock Market vs. Industrial Activity—Report—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

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

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Air Reduction Inc.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

American Express Company—Analysis—Gude, Winmill & Co., 1 Wall Street, New York 5, N. Y.

American Motors—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

Arizona Public Service Company—Analysis—Oppenheimer & Co., 25 Broad Street, New York 4, N. Y.

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

Brunswick-Balke-Collender—Analysis—Halle & Stieglitz, 52 Wall Street, New York 5, N .Y.

City Financial Corp.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Ford Motor Co.**

J. I. Case Company—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

Cook Electric Company—Analysis—Parrish & Co., 40 Wall Street, New York 5, N. Y.

Daitch Crystal Dairies, Inc.—Analysis—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Dewey Portland Cement—Memorandum—G. H. Walker & Co., 503 Locust Street, St. Louis 1, Mo.

Electronic Research Associates, Inc.—Analysis—Singer, Bean & Mackie, Inc., 40 Exchange Place, New York 5, N. Y.

Franklin Life Insurance Company—Analysis—A. G. Becker & Co. Incorporated, 60 Broadway, New York 4, N. Y.

Georgia Pacific Corporation—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y.

Hartfield Stores, Inc.—Analysis—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y.

Hiram Walker Gooderham & Worts Ltd.—Memorandum—Watling, Lerchen & Co., Ford Building, Detroit 26, Mich.

Jarrell Ash Company—Report—Clayton Securities Corporation, 79 Milk Street, Boston 9, Mass.

Joy Manufacturing—Report—Georgeson & Co., 52 Wall Street, New York 5, N. Y.

Keystone Portland Cement—Analytical report—Underwood, Neuhaus & Co., Inc., 724 Travis Street at Rusk Avenue, Houston 2, Tex.

Maine Turnpike—Bulletin—Tripp & Co., Inc., 40 Wall Street, New York 5, N .Y.

Micromatic Hone Corporation—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y. Also available is a report on **Mansfield Tire & Rubber Company.**

Narda Microwave Corporation—Report—Milton D. Blauner & Company, Inc., 115 Broadway, New York 6, N. Y.

Nopco Chemical Co.—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **Worthington Corp.**

Pennroad Corporation—Report—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Red Owl Stores, Inc.—Analysis—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Rimrock Tidelands, Inc.—Report—T. J. Feibleman & Company, Richards Building, New Orleans 12, La.

A. O. Smith Corp.—Memorandum—Robert W. Baird & Co., 110 East Wisconsin Avenue, Milwaukee 1, Wis.

Speer Carbon Company—Analysis—Singer, Deane & Scribner, Union Trust Building, Pittsburgh 19, Pa.

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

Tampa Electric Company—Analysis—Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

Tata Chemicals Ltd.—Data—Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India. Also in the same circular are data on the Indian market.

U. S. Tobacco Co.—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Season's Greetings
and
Best Wishes
to All
TROSTER, SINGER & CO.

The Business Outlook And Your Stock Plans

By GEORGE C. ASTARITA

Boettcher and Company, Colorado Springs, Colo.

Mr. Astarita cautions against emotional stock selling and evaluates conditions which may bring about a business recovery by 1958 which, if it should occur, indicates "we are now near to or at a buying point." Suggests now may be the time to establish both tax losses and to acquire bargains, and avers "a depression . . . is not in the cards."

These are trying times for the investor. Bearish sentiment is almost universal and expressed nationwide and no business recovery is forecast for months to come. The readjustment expected is termed necessary and inevitable. All of these statements may be true and yet after every adjustment or recession the economy has always forged to new heights. How much better to experience this cautious sentiment and leveling out of business than to find ourselves in a feverish boom which at a later date, could lead only to bust. In time to come we shall both appreciate and profit by that which is happening now.

George C. Astarita

In a capitalist economy the investor must be served because without him there can be no progress. The history of the market place bears testimony to this statement. This is not a time to lose patience. Emotional selling after the event can cause only regrets. If security prices are to go lower, most sound thinkers feel that they should not violate by much the lows already witnessed. Between now and the year-end one should sell in order to establish tax losses, yes, but he should also take advantage of such selling by others for the purpose of acquiring bargains in situations which are temporarily overly depressed. Just as many securities sold too high a few months ago many are now too low. In time good values will be reflected in higher prices as the confidence factor once again is restored.

For some little time to come cross currents in both the economy and the stock market can be expected. A depression just is not in the cards, if for no other reason than we cannot afford it. Government expenditures will remain high and go higher and state and local disbursements will also increase. Wages will not decline and instead will seek higher levels with the result that consumer expenditures will continue to expand. Strikes, if they come, will serve to correct inventory excesses. The intensified battle with Communism will brook no serious setback of the economy. Just as the boom was contained with tight money so will any recession be arrested with easy money and a step in this direction has already been taken in the form of a lower rediscount rate.

As excesses are corrected and both population and technological development expand the inevitable long-term uptrend of the economy will be resumed. Renewed emphasis upon defense requirements should accelerate the process. We have been prepared by President Eisenhower for unbalanced budgets and raising of the debt limit along with all the inflationary concomitants those moves imply. The target date for the turn in business is set by many for mid-year 1958. If this proves to be the case and if the market as usual discounts the future by some six months, we are now near to or at a buying point.

Many common stocks have declined one-third to one-half and more and the market as a whole reflects a Dow Jones Industrial Average of more nearly 300 than 400. In other words, the Dow Jones Average, because it contains many stable stocks, does not truly reflect the substantial declines sustained by secondary issues. Capital goods shares are among the most severely depressed and many of these, particularly those serving the highway building and utility industry, appear exceedingly cheap.

Our financial wounds are severe but the application of courage, sagacity and patience will heal them. Faith in the United States economy will be rewarded.

Joins H. B. Shaine

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, Mich. — A. Gerald Verheek has become connected with H. B. Shaine & Co., Inc., McKay Tower.

Baker, Weeks Partner

Baker, Weeks & Co., 1 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Charlotte H. Sturtevant to limited partnership.

To Be Hentz Partner

H. Hentz & Co., 72 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Florence S. Clayton to limited partnership.

Our Reporter's Report

The corporate underwriting fraternity is finishing out the year putting together bits and pieces and turning its attention in no small measure to year-end closing-out transactions in the equity market.

New debt offerings have been virtually nil the past week and promise to be even more so in the final few days of 1957. So the rank and file of those whose normal task is participating in the distribution of new corporate debt issues, at the moment, is that of rounding out deals for delivery after the turn of the year.

Obviously the reason for the forward dating of such transactions is to put accruing profits or losses, as the case may be, into the new year. The bulk of such work, current discussion indicates, has been in the stock market.

Meanwhile that portion of such operations as falls within the bond market tends to keep those concerned abreast of developments in that direction. Consensus in such quarters is that fixed-term security prices are destined to work higher through the first quarter of the year.

As the current 12-month ends several influences are at work to set the trend in that direction. There is considerable uncertainty relative to corporate profits in the first half of 1958, a factor which naturally makes experienced traders turn to bonds for at least temporary employment of their funds.

Again, the course of the money market has, if it has not been reversed, at least been halted in the ascendancy with chances good that either by reason of tapering demand, or, if necessary, Federal Reserve action, money will rule easier than it has in 1957.

Cleaning Up Big One

When the books were closed on Standard Oil Co. (N. J.'s) big stock offering, 6,549,124 shares on "rights"—this week, it developed that all but about 53,500 shares had been taken down by the company's stockholders.

Bankers who underwrote the offering reported that a total of 6,495,526 shares had been taken, equivalent to 99.18% of the amount offered.

The unsubscribed balance has been offered publicly by the bankers at a price of $49.75 a share, with a 90-cent discount to dealers and a reallowance of 25 cents a share.

Raising the Ante

Frequently, during the final quarter of the year just ending, corporations setting up their financing, to be obtained through the new capital market, had found it necessary to reduce the amounts of such offerings.

That, of course, was well before the Federal Reserve Board indicated a change in its basic thinking on money conditions by approving a reduction in rediscount rates at its 12 central banks some six weeks ago.

Now comes the reverse twist, Pacific Gas & Electric Co. had been contemplating an offering of $60 million of new first mortgage bonds for sale at competitive bidding on Jan. 21 next. But it has now decided to raise the total of the projected 20-year issue to $75 million.

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Outlook for the Chemical Industry

By DONALD K. BALLMAN*
The Dow Chemical Company

Dow Chemical official sees little need to worry about chemical outlook providing research and future growth is adequately supported, and labor costs do not rise faster than productivity. Mr. Ballman does not agree the industry has seen its "heyday" or will become essentially a heavy manufacturing industry with minimum profits, which the short run outlook of decreased profits and excess capacity seems to indicate. Looks to renewal of increased volume of new goods, that are different and utilitarian, and is certain possibilities for growth are greater than ever before.

When we discuss the outlook for the chemical industry, I think it is a mistake to look at it on a short-term basis. But even at that, I don't know that I'm in agreement with the many articles that are being published which are forecasting a sideways motion, or a slight down-turn in business, particularly of the chemical industry. I think in the case of our industry, we must look back historically to see what has happened, analyze the factors that have caused these things to happen, and then predict on the basis of our knowledge what may happen in the future.


Donald K. Ballman

The chemical industry has not followed the trend of growth of American industry. It has consistently **exceeded** it! U. S. dollar growth, according to the FRB index has grown for many years at the rate of about 3½% per year. The chemical industry growth by the same index has been 7% per year, and, significantly, the organic portion of the chemical index has been growing at the rate of 10% per year. Synthetic organic chemicals have, therefore, been growing at an accelerated rate and have, in fact, by their higher rate of growth, raised the entire chemical index.

I think it is apparent to many that much of the advancement in this field has been in what we call petrochemicals, plastics, monomeric compounds, etc. It is also significant that this growth factor has been a comparatively recent one, and the actual growth due to this one segment of the industry is much greater than most of us generally recognize.

Ten years ago we often talked of products in terms of 50,000,000 pounds per year of production, and such a product was really a significant organic chemical. Today, these same products in many cases enjoy markets of one **billion** pounds per year.

Underlying Reason

Now, there must be some basic underlying reason or principle of operation that becomes a causative factor for this growth. In my own analysis, and this is without question over-simplification, I say that such chemicals offer high utility. They have permitted and caused the development of cheaper processes. They have caused the replacement of old, established products with new products that have better characteristics. Such simple things as the replacement of sole leather is a good example. Another might be the replacement of natural rubber by synthetic rubber.

Research

All of this has not just happened, but it has come about because the chemical industry has heavily invested its profits in research and has been constantly striving to produce new products that have utilitarian use.

Research expenditures by the major companies run from four to as high as 7% of total sales. This is much higher than the research expenditures of any other industry. So, is it strange then that new products are constantly being created? After all, research is an investment, and we expect to have returns on our investments.

Many people have observed that the chemical industry makes good profits, and I think all of us will accept the fact that, at least up until last year, chemical profits have generally been above the average of other industries. Again, I believe that there are some underlying reasons for profitability. Any time a chemical producer can add materially to the productive capacity of an existent plant and in turn effect major savings for the customer, the product involved certainly has high value.

It isn't as if we were selling wood that's going to be made into furniture and is, therefore, like all other raw materials of its type. Instead, we are talking of perhaps a new catalyst that's going to double the conversion of butylenes into butadiene without increasing capital investment in plant. Perhaps it's going to be a product that when used at the rate of a few cents per acre will increase the yield of wheat to the farmer by \$2 to \$3 per acre. We can all think of many such examples.

Certainly, such products have utility, and certainly they should be high profit products to the producer. Why? We must always remember that research, with its never-ending effort to extend the boundaries of science, comes up with such products as these only occasionally and almost always at a terrific expense.

Requires Profits

To continue these journeys into the unknown is going to require that we spend increasing amounts of money for research and product development. Therefore, profitability must be maintained if this is to be possible.

The profits that the chemical industry has earned, as far as I am concerned, have been the reward for the contribution of the industry to an improved living standard. It is also necessary to say that the growth of the industry could not have happened without investors being willing to risk venture capital; and the extreme, rapid growth that we have witnessed in the last 20 years has been the result of the public's confidence in the ability of the chemical industry to come up with new miracles.

So much for where we are. What all of us are really concerned with is what our future outlook may be. To those who are pessimistic I might tell the story of a young man—a very capable man—who, upon graduating from college with a doctor's degree, went to work for General Motors. This happened to be 23 years ago. General Motors wasn't such a tremendous corporation at that time, and he spent about a year with them. He left and gave as his reason for leaving that he just couldn't see any future in a company that had just a single product and which appeared to have saturated its market.

How Much Opportunity?

There are many people who feel that the chemical industry has over-grown and that its markets have been saturated and that there is, therefore, little future. I would be the last to deny that certain phases of the industry have over-expanded and are in a position of over-capacity, and that chances are that demand will not catch up with capacity for a period of two to five years . . . and that plenty of producers are not going to be able to operate at full capacity but are going to have to operate at some reduced rate. BUT, I would be the first to affirm that the possibilities for the future are much greater than they were for General Motors 23 years ago.

There are ample opportunities for the improvement of processes and products. There are many opportunities where we can save money for our customers by the addition of a product, a coating, a deflocculating agent, to allow them in turn to expand their markets.

Here in the United States we have a tremendous building program. I have had the pleasure of receiving a brochure concerning Monsanto's new laboratory the other day, and I noted in the back the many, many uses which they have made of chemical products in the building. The building trade alone offers the potential of hundreds of millions of dollars worth of new business for chemicals.

In retrospect we only need to look at the agricultural field over the last 20 years and see the tremendous impact chemicals have made on productivity with the resultant sale of many, many new products which has resulted in an agricultural segment of the chemical industry selling in 1936 approximately \$35,000,000 worth of goods, and 20 years later in 1956 approximately \$250,000,000 . . . or a \$215,000,000 gain. By 1965, as forecast in a research article by Carl Fisher of Carbide, the market will double and become a \$500,000,000 consumer of agricultural products. And I would guess that the sale of that \$500,000,000 worth of chemicals will improve the farmers' productivity and profits by several billion dollars.

Research and Future Growth

This, of course, is a bit in the "blue sky" area, and to achieve the goals which I am quite sure all leaders in the industry have set for themselves means that we must continue to support adequate research. We must continue to replenish the "wells of knowledge" by devoting a certain amount of research dollars to pure exploratory research so that they will not be drained dry. At the same time, the industry must remain attractive from an investment standpoint so that new capital will be available to maintain future growth of the new products of research.

I'd like to cite an example of "blue sky" which to me is quite exciting. I mentioned earlier that many products have gone into the billion-pound-a-year class in the last ten to twenty years. Look at the paint industry as an example. It produces about 600,000,000 gallons of paint per year, using about 1,800,000,000 pounds of thinner for solvents, and using 1,500,000,000 pounds of binders. Think of the possibilities in this industry of replacing the present type binders with the styrene, butadiene, acrylate, acrylic acid, or epoxy sys-

Continued on page 39

*An address by Mr. Ballman before the 7th Manufacturing Chemists Association Semi-Annual Meeting, New York City.

Continued from page 2

The Security I Like Best

crease further rather rapidly, since some of the new wells are very promising. Particularly, a wholly owned important gas condensate discovery which opened the new Calhoun Field in Ouchita parish in Louisiana with estimated gas reserves of 55 billion CF and liquid reserves of five million barrels is of extreme importance, since the company owns 6,100 acres of leases surrounding the discovery and 5,000 additional acres in the same area. Further discoveries may bring gas reserves of the company over the one trillion CF mark within the next 12 months.

Production of natural gas and liquids has become increasingly important in the company's earnings, contributing the largest part of the earnings of the non-utility division. For the first half of 1957 non-utility earnings amounted to about \$2.2 million against utility earnings of \$2.3 million. Non-utility earnings should soon exceed utility earnings due to the expansion and diversification program of the company.

Another unique characteristic of Ark La Gas is the fact that it inherited from Cities Service a gas pipe line system with a capacity far in excess of present load requirements. The average annual sales load factor is only 66% at the present time. This means that through better utilization of already existing facilities, the company could, at a relatively small cost, increase its revenues by another \$15 million annually by bringing its load factor to 90%. This incentive of increasing its load factor has been an additional motivating force in managements recent expansion and diversification program. First, proceeding along more orthodox lines, it increased the number of customers by about 10,000 in the last 12 months, adding 17 new communities to its system. Next, management decided to go into the cement, air-conditioning and petrochemical businesses. A \$12 million cement plant will start production in the fourth quarter of 1958 with an initial output of 1.4 million barrels per year, all of which has already been sold. Cement earnings should add 30¢ per share and might add as much as 70¢ per share if capacity should be doubled later on.

The electric energy used by the cement plant will be supplied by a natural gas internal combustion engine generating station with a capacity of 8,000 KW which Arkansas Louisiana Gas will build. Management intends to build similar power plants wherever feasible, tapping thus new profitable markets for its gas. An indirect attempt at a substantial increase in the summer load was the entry into the air-conditioning business through purchase of the Servel air-conditioning division for \$4 million. Although the past performance record of Servel has been less than inspiring, it looks as if Ark La Gas is going to make a success of this operation, since its approach is based on the cooperation of the gas industry and the strong efforts of its own selling organization. With 4,600 units as the approximate break even point, production is supposed to reach about 7,000 units early in 1958 and studies are being undertaken, at the present time, about ways of raising production to 20,000 units per year.

Only a short time ago management announced its latest expansion move. It will build a \$3 million petro-chemical plant at Magnolia, Ark., which will extract 78,000 gallons of ethane from natural gas daily for marketing to the plastics industry. It will produce propane, iso-butane and butane for marketing to wholesalers. The plant should be completed by mid-1959.

The management has been able to improve per share earnings from 43¢ in 1954 to \$1.56 in 1956, with \$1.80 to \$1.90 expected in 1957, by improving sales, obtaining rate increases and controlling costs. Further savings of about \$1 million in operating expenses in 1958 are indicated. The management estimate of \$2.50 per share in 1958 appears to be entirely reasonable due to the escalation in gas rates to large users, new earnings from the cement plant and increased sales of gas and liquids as well as profits from the air-conditioning business. Dividends have been increased from 41¢ in 1954 to \$1.20 in 1957 and could rise to \$1.60 in 1958.

This increased earnings potential has found recognition among investment trusts, several of which were substantial buyers of Ark La Gas common stock during the last three months. Selling at 25 (American Stock Exchange), about 13 times indicated 1957 earnings and about 10 times estimated 1958 earnings, yielding nearly 5% on the basis of the current \$1.20 cash dividend, the stock is attractive for income as well as appreciation. A comparative statistical review of its earnings per common share and its dividends per share follows:

Year	Earnings per Com. Sh.	Dividends per Common Smare
1954	\$0.43	\$0.41
1955	0.97	0.41 plus 10% stock
1956	1.56	0.98 plus 10% stock
1957	1.85 (Est.)	1.20
1958	2.50 (Est.)	1.80 (Est.)

Gregory & Sons to Admit J. H. Robb Jr.

Gregory & Sons, 72 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 2 will admit J. Hampden Robb, Jr. to partnership. Mr. Robb will become a member of the Exchange.

Edward Nelson will withdraw from partnership in the firm Jan. 2.

Merrill Lynch Shares

Louis Engel, Merrill Lynch, Pierce, Fenner & Beane, New York City, is sending out a most attractive greeting card in the form of a stock share wishing their friends a full share of holiday cheer.

Fulton Reid Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — David F. Reid has joined the staff of Fulton Reid & Co., Inc., Union Commerce Building, members of the Midwest Stock Exchange.

Allen Investment Co. Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Evelyn U. Chandler and Joseph Karius have been added to the staff of Allen Investment Co., Mile High Center. Miss Chandler was previously with Shaiman & Co.

Two With H. Carroll

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Wray A. Kennedy and Ira B. Smith are now affiliated with H. Carroll & Co., 324 North Camden Drive.

With Amer. Programming

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Terrel L. Knudson, previously with Boren & Co., is now with American Programming Corp., 430 North Camden Drive.

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An American Oil Man Looks At Oil Here and Abroad

By ALBERT L. NICKERSON*
President, Socony Mobil Oil Company, Inc.

Socony Mobil Oil head states oilmen must balance many competing factors against each other in making the decision whether to invest producing dollars here or abroad. Such factors are said to include foreseeable demand for oil, ability to supply it at costs competitive with other sources of energy, increasing costs of finding oil in this country, as against the risks and costs confronting producing enterprises abroad. Mr. Nickerson foresees greater need for imports in expressing doubt as to our capacity to supply future domestic needs, and warns of entangling web of restriction and loss of freedom commencing with tariff or quota protection. Hopes present voluntary import program is but a short-term measure.

I would like to discuss certain aspects of oil operations abroad, and then to review some of the factors that concern us all in the relationship between oil producing inside the United States and oil producing outside our country.

Albert L. Nickerson

Every producing company, whatever its size, and every oil man engaged in producing, faces one central economic question: Where can each available dollar be most profitably invested in the search for oil and the production of oil? We all face this question. The venturesome independent — one of the great figures in the history of American rugged individualism—makes this decision every time he ponders whether to extend his lease holdings to other sections within an area where he has been operating, or whether to branch out into some new wildcat area.

In our company we are engaged in a constant process of making such decisions—on a local level, on a national level, and on an international level. We try to consider all the factors involved in each instance, and to make decisions accordingly. I'm sure that all of you, too, have developed your own systems, formal or informal, for weighing factors and making decisions. After all, in our industry, the largest companies and the smallest are affected by much the same factors. In the search for oil, we are in the same boat.

Our company invests most of its producing dollars right here in the United States. We have been engaged to some degree in the search for overseas oil for more than 40 years. Yet this year, chiefly because our largest market is here in the U. S. A., we are spending half again as much of our producing budget at home as abroad. Our interest in the health of the American oil producing industry is very direct indeed.

The difficulty, and consequently the cost, of finding large quantities of oil in this country grow greater with every passing year. This difficulty affects us all, large and small. It seems significant that some companies which previously concentrated their efforts in the United States are starting to put their dollars into the search for oil in other countries.

Investing in Domestic Oil

What are the factors involved, and in what ways are they changing? Let us consider first those factors which tend to influence an oil producer to invest his "producing money" here at home.

I suppose the most important of these is safety of investment. "Producing money" is risk capital, as all of us know well and, often to our sorrow. But when an oil man makes a strike in this country, he can be virtually certain that his investment won't be expropriated. History should have proved to all countries that expropriation doesn't pay, but it remains a risk an investor must face abroad. An oil man can hope that his property in this country isn't going to be destroyed in war, for although new weapons leave no area of the earth safe from attack, we can surely hope that humanity will avoid a major war. Abroad, however, there seems to be a permanent risk of changes in political attitudes and of smaller wars, caused either by flare-ups in the "cold war," or by disturbances which may have nothing to do with Communist activities.

Investment overseas may prove unsafe even before an oil man finds oil. American producers exploring in Italy have run headlong into the roadblock of the government producing company there. Investors in some other countries have felt that government red tape kept them from getting full value for their exploration dollars. Certainly, safety is a telling factor in deciding an individual or a company whether to drill in home soil or abroad.

A second, but related, factor here in the United States is the opportunity to deal, for the most part, with private individuals in negotiating for mineral rights rather than with governments. Private parties negotiating a lease are equals. A company negotiating a lease with a government is on anything but an equal footing with a sovereign power—and almost no foreign governments vest the sub-soil mineral rights in the private owner of the surface land. A sovereign power certainly should be true to its word, but the history of mankind is studded with examples of governments that have proved faithless in matters of contracts.

An oil man or an oil company investing in the United States knows that if he makes a strike, it will be right in the country where a ready-made market exists and which uses 55% of the world's oil products, with long-term demand growing ever larger. He knows also that his property generally will be not far removed from transportation and communications facilities — pipelines, roads, railroads, ports and ships, and telephone and telegraph systems.

An important and related factor which any investor must consider is the size of the stack of chips he must lay on the table if he intends to start exploring and producing in unexplored territory abroad, and particularly in underdeveloped countries. His well costs will be but a minor part of his stake. In areas where there are no existing roads, pipelines, terminals, and harbor facilities, he may have to build them himself. More often than not, he will have to construct whole towns — and keep them operating for years. Here in the United States, drilling a well may be expensive, but Bakersfield, Casper, and Midland-Odessa seem to have built themselves.

Another factor that affects our company, and, I imagine, many others is the wide range of long-standing interests which we have here in America. It is here that we have built up our reservoir of knowledge and skill. Searching for oil across the length and breadth of the United States is part of our tradition.

Looking Abroad

Lined up against this collection of factors tending to influence an oil man to invest his dollars in this country are others which weigh on the opposite side of the balance. And, as safety is by far the most important single influence toward investment at home, the most telling argument for looking abroad for oil is simply that there are more unexplored and untested areas which look geologically attractive outside the United States than inside it.

We believe that to find oil in the increasingly large quantities necessary to supply mankind's demand and to provide it at costs competitive with other sources of energy, we shall have to look abroad more and more. An important allied factor that is turning our thoughts toward foreign shores is a hard fact of which I am sure all American oil men are aware — the increasing cost of finding oil in this country. I don't need to cite the figures to you. You know them.

All over the world, demand for oil is growing. The growth is even faster in Europe than it is here. Oil must be produced to keep the wheels of the free world turning, and indications are that it can't be produced in sufficient quantities in this country to turn them all. It seems desirable that American interests should have access to as much of this strategic oil as possible. It is primarily to this country that the free world looks for the defense of its rights and its freedom.

Let us use the "case study" method to examine why so many companies choose to invest increasing amounts of their producing dollars abroad, and what happens when they do. As our "case," I would like to use the company whose history I know best—Socony Mobil. From the brief story of our various overseas investments, I think you will get a picture of the nature of such ventures. You will see, for instance, that investing money in the search for oil abroad is a far cry from putting nickels in a slot machine rigged to pay off. Sometimes our ventures have prospered. Often, however, they have failed to produce even a moderate return, or have worked out as a net loss.

In nearly every case up to now, our search for oil abroad has been dictated by our desire to have an assured supply of crude for our own overseas marketing activities. Both of our principal predecessor firms, Socony and Vacuum, were traditionally involved in selling oil products in distant parts of the world. The supplies originally came from this country. As early as 1913 we were making an effort to find oil in what is now Poland in order to provide a reliable source of supply for our European sales. World War I put a stop to drilling in Europe, but we returned after the Armistice, not only to Poland, but to Germany, Austria and Spain as well. In more than 40 years of searching in Europe, we have never discovered enough oil to supply the local needs of our marketing outlets. In addition, some of our properties have been destroyed by war, or, as in Eastern Europe, confiscated by expropriation. On balance, our return on our capital and our effort in this instance has not been what you could call spectacular.

Cites Middle East Experience

In the same way, we turned our attention to the Middle East to find oil for our overseas markets. Before World War I we made an unsuccessful attempt to find oil in the vicinity of the Dead Sea. Our first serious involvement in the Middle East came after World War I. In that period, before the great mid-continent discoveries, many responsible Americans were afraid that the United States was about to run out of oil. With our extensive network of overseas markets, we were especially eager to find foreign supplies. In 1922, the Secretary of State asked for volunteers among American companies to join European interests in an enterprise in what had been the Turkish Empire in the Middle East. Fourteen American firms originally indicated a willingness to invest in the enterprise, now known as the Iraq Petroleum Company.

However, over the next few years, the prospects for oil in the Middle East looked so gloomy and the prospects in this country looked so good, that only five of the 14 actually entered the venture when the terms of American participation were finally agreed on in 1928. Three of these dropped out inside six years. Only two, Socony and Standard of New Jersey, remained as the American participants.

For years we kept sinking more money and more money into our Middle East investment. The payout—which ignores interest on the capital invested — stretched out to 1955, more than 25 years after the first dollar was invested. The Iraq Petroleum Company is now a profitable enterprise, but I hardly think any of us would volunteer to invest heavily today in a venture half-way around the world which we knew would not pay out for over a quarter of a century. In fact, I suspect that, considering the long delay before the pay-out point was reached, we could have come out with a better return on our capital had we invested our money at that time in, say, Texas rather than in the Middle East.

Since World War II the growth of demand for oil in Europe has been tremendous as the industrial countries have shifted away from a coal-based and toward an oil-based economy. Our great expansion in the Middle East came in anticipation of this growth in demand, and of the parallel expansion of our manufacturing and marketing facilities in Europe.

We acquired an interest in the Arabian American Oil Company —Aramco. The production of the Iraq Petroleum Company, at long last, grew rapidly. We became a member of the consortium in Iran. Long-term contracts assured us of a supply of crude from the tiny sheikdom of Kuwait. Of these Middle East supplies last year, 94% went to countries in the Eastern Hemisphere, nearly all to be marketed through our own outlets. Only 6% for specialty purposes, was imported into this country. We are now getting a good return on our heavy investment in that troubled part of the world, the Middle East, but it has taken many years to reach this point.

The story of our Far Eastern activities illustrates even more graphically the interdependence of producing and marketing operations. Our marketing interests in this part of the world go back before the turn of the century, but through the 1920's they had to be supplied from the United States. Jersey Standard, after some years of exploration, found oil in Sumatra, but it had insufficient Far Eastern sales outlets. Markets didn't come on platters then, any more than they do now, and crude oil without a market is of little value to the producer. In 1933, Jersey and Socony set up the jointly owned Standard Vacuum Oil Company to take over their complementary producing, refining, and marketing facilities in the Far East, Australasia, and South and East Africa.

Stanvac has had a hard row to hoe. Its producing fields and many of its markets were completely overrun during World War II. Just as the war ended, the Communists began their conquest of China, which cost the company all its assets there. With great effort, the Sumatran fields have been brought back to their prewar levels, but their production could hardly be described as a bonanza. The return on our investment in Stanvac has been at a moderate level.

Our investments in Latin America have been chiefly in Venezuela and Colombia. Our production in Venezuela has climbed steadily, and is finally on a paying basis. In Colombia, on the other hand, we have found so little oil that we have yet to recover the substantial sums we have invested over the past 21 years.

Taken as a whole our foreign investments have been profitable, some of them very satisfactorily so. But there have been many disappointments. Of these, some have involved losses of a substantial character. No one should venture abroad who is not prepared to face losses. The manifold risks involved explain why so many producing ventures abroad, even when carried on by very large companies, take the form of partnerships or joint ventures.

Anyone venturing abroad should also remember that it is not enough merely to find oil. Crude oil brings a profit only if it is sold, and it can be sold only if there is a market for it. Developing large markets requires time, experience and capital. At a moment like the present, when oil productive capacity around the world is at least temporarily greater than demand, the competition among marketers is intense. I wonder how many of the producers looking outside their own countries for the first time—and I don't mean only Americans —have the marketing problem in mind. Those who have not thought it through may be in for a rude awakening.

What Should We Import?

The subject of foreign oil invariably brings up the question of how much crude the United States should import, at the present time and in the years to come. Allied with this controversial question is another, concerning how the proper level of imports should be attained — by the free inter-play of economic factors, by a voluntary program of limitation of imports, or by a system of limitation through government regulation, either on a quota basis or under a tariff. You are probably familiar with the several excellent talks delivered at the IPAA meeting last month, which discussed this question frankly and clearly. I do not want to take up your time here today by going into the details of our position on the present arrangement for the voluntary limitation of imports. I only wish to say that, as in the past, we have agreed to cooperate with the Government's request that we voluntarily limit our imports.

We are well aware of the position many hold on the question of imports. We think we understand the point of view of, let's say, a Texas producer, faced with a 12-day producing schedule. Today he cannot look without strong

*An address by Mr. Nickerson before the American Petroleum Institute, Chicago, Ill.

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emotion on what seems to him to be an unnecessarily high volume of foreign oil imports.

But let us for a moment try to consider dispassionately the causes of tightly restricted producing schedules. I would like to suggest to you that there are many factors involved. The importation of oil is, of course, one of them. Some others are of considerable importance.

There is, for instance, the very great growth of the use of natural gas. The consumption of natural gas has tripled in the past 15 years, and it shows every sign of continuing to climb. Instead of supplying 14% of the nation's energy, by B.T.U.'s, as it did in 1947, it is now supplying 26%. Most of this growth has cut into oil's actual or potential markets. The annual difference, in fact, between the amount of natural gas consumed in this country in 1947 and that being consumed in 1957 is the equivalent, in terms of energy content, of a little over one billion barrels of oil a year, or almost 3,000,000 barrels a day.

But most oil producers are also producers of natural gas, often from the same well. The loss of actual or potential income into one pocket has been partially balanced by the gain in the other pocket. If oil production has not grown as we all might have wished, it is at least partly because of the tremendous increase in natural gas production.

By the same token, the revival of the coal industry has an effect on the demand for oil. Old King Coal is not dead—not by a long shot. Improved methods of mining and more efficient means of transportation and consumption in the past few years have given him a strong dose from the Fountain of Youth. An example of the coal industry's new research-minded outlook is its experimentation with a pipeline for moving its product. After 10 years of a fairly steady decline, coal production has leveled off. The coal industry today is fighting hard to increase its share of the national energy market.

Still another factor is the weather. The warming trend which has been going on for 50 years on the North American continent does not seem to have stopped. This fall in New York, for instance, we have had a number of days almost as warm and beautiful as one expects to have at this time of year in Oklahoma City or Dallas. In relation to this climate change, the oil industry is in a peculiar position. As responsible businessmen, we must keep on hand supplies sufficient to handle the coldest imaginable winter—the sort Grandfather remembers. On the other hand, for 10 years now we have not had such a winter to use up this emergency supply. I think we can join in hoping that the weatherman's prediction of a brisk winter ahead will be borne out.

Limits to Long-Term Supply

In mentioning these other factors, I do not mean to imply that production levels in this country don't have a very close relationship to oil imports. I recognize that the amount of crude imported in the final quarter of this year is a matter of great interest to you. It seems to me, however, that even when we, as an industry, feel harassed by the necessity of restricted producing schedules, we must keep our eye on the long-range prospects of our industry. Looking ahead, I foresee a great question whether the domestic producer will be able to supply the growing U. S. market for oil if imports continue indefinitely to be limited on their present basis.

It is essential that we remember how much more oil will have to be found, in the face of increasing demand here in the United States, to maintain a healthy ratio of reserves to production. The greatest oil market in the world is going to grow still greater. Economists estimate that by 1967 we in this country will be using 40% more oil than we are using this year. Where will it come from? Naturally, the tightly prorated domestic producer hopes and intends that a large share of the increment should come from his wells. And it should. But many economists question the possibility of American producers finding reserves of a magnitude sufficient to supply this tremendous increase in demand on a sustained basis. During the past 10 years, the domestic oil industry has found an average of 3.1 billion barrels of crude oil a year. If demand increases as expected in this country, American producers by 1967 will have to find annually about four billion barrels of crude if we are to maintain our present ratio of reserves to production. This represents an increase of about 30% over the 1946-56 average, or nearly one billion additional barrels of crude reserves a year. And even if the search for oil in this country is successful beyond the expectations of most geologists, the $64,000 question will still remain, in substantially this form: Is it in the national interest indefinitely to produce half the world's oil from a fifth of the world's total reserves?

I can imagine the attitude which a good many producers take toward these long-range questions. Understandingly, many are less interested in the year 1967 than in the year 1957, in which they are beset by so many difficult problems. What they want is a solution to these problems now. A strict limitation on imports may well sound like such a solution. Under the circumstances, I can certainly understand their point of view. Let us, however, look for a moment at some of the other considerations involved.

Considerations to Weigh

As demand climbs over the years, the continuance of any unduly stringent limitations on imports would tend to increase the price of oil beyond healthy competitive limits. While every businessman understandingly wants the best price he can get for his product, none of us in the oil business wants to do anything that will price us out of the market.

I need not remind you that the business of supplying energy is highly competitive, and growing even more so. During the past decade, great strides have been made in the development of nuclear energy. Every time oil goes up in price in relation to coal, coal supplants oil in some sections of the energy market.

A form of competition which may eventually enter the market is shale-oil. It does not seem to me that it would be in the best interests of the national economy to force the premature development of this country's shale oil reserves, conservatively estimated at 100 billion barrels. Production of oil from shale has been technically possible for some time; a subsidy for shale, or tariff or quota protection for crude could make it competitive. The transformation of shale deposits into useful products requires great capital investment in plants. In this respect it is more of a manufacturing than a finding and producing operation, and this is quite different from the conventional crude oil business.

Additionally, America's oil demand will increasingly require imports from abroad even if we increase our finding rate rather considerably here at home. We cannot retain access to foreign oil on an on-again-off-again basis, turning the spigot at our own convenience. We have to accord fair play to overseas oil at all times if we are to have any assurance of being able to get it when it is absolutely essential to us. One thing that could lead to public utility status for our industry quicker than anything else would be our inability to meet demand in this country. In the face of these factors, we would be imprudent to jeopardize our access to the foreign oil which we will eventually need. We must be able to meet demand and thus retain our right to operate as free, competitive enterprise.

And, finally, if tariff or quota protection is afforded our industry, by the Congress, let no one think that the government's paternalistic interest will stop there. The first step will have been taken down the primrose path that ends in a tangled web of legislative restriction. Our essential freedom will have been lost.

Hopes It Is Short-Term Measure

Let me suggest, therefore, that the present voluntary import restriction is necessarily a short-term measure. The tremendous growth of demand is inevitably going to render such restrictions obsolete.

It seems to me that such an outlook on the future fits into a general philosophical view in which energy is considered to be the hope of the Free World. The most potent weapon in our arsenal for use in the "cold war" is our ability to show the people of the under-developed nations of the earth how they can raise their standards of living while maintaining their freedom. The key ingredient for this demonstration is low cost energy.

During the past century, the oil industry has proved that the application of inexpensive energy can improve living conditions around the globe. If we expect to counter with real progress the false hopes which Communism offers as its stock-in-trade, we must provide a still greater flood of energy by every means possible.

You producing men, both while you are out competing vigorously with each other in the field to find oil, and while you are meeting together with such associations as the API, are helping to provide that means in the form of oil. In the larger sense, anything that each of us can do to see that enough oil is made available at economic prices around the world to meet the growing demand for energy constitutes a step toward victory in the fight for peace, prosperity, and freedom.

Continued from page 6

What Lies Ahead For Business and Automobile Industry?

and this record level was maintained in October.

The same kind of balancing has taken place in employment. The latest Census Bureau report on the labor force showed about the same number of people at work as there were a year ago, in spite of the fact that factory employment was somewhat lower. This reduction has been more than compensated by new jobs in retail and wholesale trade, finance, services and in state and local government.

The fact is that our economy has become remarkably diversified, and because of the increased variety and diffusion of economic activity we as a country are better able to adjust flexibly to cutbacks in key sectors.

Other reasons for looking forward to good business in the year ahead are the recent lowering of the Federal Reserve discount rate, the anticipated high level of construction, including highway building, and the current high rate of consumer spending.

Good Auto Year Ahead

There are good reasons for believing that the automobile industry will have another good year in 1958. It has been three years since the all-time record automobile year, 1955. And in that year 57% of the cars sold on installment credit carried contracts for periods of from 30 to 36 months. This means that a very large porportion of the tremendous number of people who contracted for long-term automobile installment credit in 1955 will be in a position to take on new installment obligations in 1958. We also see promise in the fact that well over 19 million new cars have been bought in the last three years. This is encouraging, because a very large proportion of the cars normally traded in on new cars come from those in the one to three-year-old class. And finally, we believe that the continued heavy industry-wide promotion of new models will be a strong stimulus to new-car buying for many months to come.

Of one thing we can all be absolutely certain. If there is going to be a big offsetting stimulus to the economy as the result of consumer spending at high levels for goods and services, you and I and hundreds of thousands of merchandisers, advertisers, salesmen and others engaged directly or indirectly in selling are going to have to pull out the throttle and put new power and effectiveness into our work.

More and more it is the marketer — using the word in its broadest meaning — who holds the prime responsibility for keeping the country on the move, driving it ahead toward higher living standards, greater economic strength, and more resources as a base for military security.

Seen in this perspective, the job of merchandising—distribution—marketing—is essential to the security of our country and the preservation of our civilization. This is your job and my job. And it is one we can take satisfaction in doing well.

Connecticut Brevities

The United Illuminating Company has recently completed a private placement of $10 million of Thirty-Year 4⅞% Debentures, 1987 Series. The proceeds will be used to repay bank loans, which amounted to $5.2 million on Nov. 12, and in connection with Company's construction program which for the period from Nov. 1, 1957 through Dec. 31, 1958 is estimated to amount to $10.7 million, including costs of completion of an electric steam generator at Bridgeport with an estimated capability of 82,000 kilowatts. In April of 1957 the Company raised about $6.8 million through sale of Common Stock.

The Electric Boat Division of **General Dynamics Corporation** has designed and build a 2,500 mile an hour wind tunnel to be used in connection with research work for the Air Force. The wind tunnel is designed to stimulate flight conditions at altitudes of 90,000 feet and at speeds of three and one-half times the speed of sound. Air speed in the tunnel can be accelerated from zero to 2,500 m.p.h. in seven seconds and a special flexible air nozzle permits simulation of rapid altitude changes. The tunnel will be installed at the Air Force's Arnold Engineering Development Center, Tullahoma, Tennessee, early in 1958.

* * *

A $13 million Navy contract for helicopters has been awarded to **Kaman Aircraft Corporation**, increasing the firm's backlog of unfilled orders to a record high of $33 million and indicating a probable future increase in the present employment of 1,355 workers. The new contract covers prototypes of the newly designed HU2K01 utility helicopter, a single wing rotor plane powered by General Electric gas turbines. In addition to various other helicopter projects the Company is doing subcontract work in the jet aircraft and electronic equipment fields.

* * *

The **Connecticut Development Commission** has recently issued a bulletin covering industry in the state. The survey which is based on a study of 4,000 state manufacturers estimates that there is a total of about 167.5 million square feet of floor space occupied by industry, of which 49.1 million is location in New Haven County, the largest amount in any of the state's counties. On the average, industry provides one parking space for each 1.9 employees.

* * *

Soundscriber, one of the leading manufacturers of electronic dictating and recording equipment, has moved into its new 55,000 square foot plant in North Haven. The Company formerly occupied space in an Olin Mathieson Chemical Company building in New Haven. Soundscriber employs about 250 persons in its new $1 million plant.

* * *

The Hamilton Standard Division of **United Aircraft Corporation** has opened and dedicated its new $410,000 plant at Bradley Field, Windsor Locks, adjacent to its main plant. The Division's total plant space in Connecticut is now about 1,750,000 square feet. The new plant will be devoted largely to development and production of fuel controls for turbine, atomic and rocket engines. As a result of a program of diversification more than 50 of the nations turbine — powered aircraft and missiles now use one or more of Hamilton Standard's non-propeller products.

* * *

The American Hardware Corporation has established the terms of its offer to stockholders of Savage Arms Corporation. Each shareholder of Savage will be offered one-half share of American plus $7.50 in cash for each share of Savage. American will be bound to accept 100,000 shares of Savage if deposited according to the terms of the offer and may accept up to 250,000 shares. The deposit period expires Dec. 27. American and its affiliate, B. S. F. Company, presently own about 100,000 of the outstanding 766,834 shares of Savage.

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Europe and Atoms for Power

By MAX KOHNSTAMM*

Secretary General of the Action Committee for a United States of Europe; now on leave as Secretary General of the High Authority of the European Coal and Steel Community. One of the drafters of "A Target for Euratom."

Exploring the questions as to Europe's reasons for creating Euratom, and what can be expected from it, Mr. Kohnstamm asserts understanding of situation lies in framework of postwar economic and political events in Europe. Sees Europe's energy problem, which he maintains must be fully shared by the United States, as becoming constantly more serious. This he ascribes to the Western European countries' dependence, in line with their increasing energy needs, on Middle East oil with its difficult political problems. Terms growing confidence Europe's greatest asset.

Speaking of "Europe and Atoms for Power" two questions, it seems to me, must be put and, if possible, answered. In the first place: Why is Europe creating Euratom, and in the second place: What does it expect from it? In trying to answer these questions I shall have to talk about things which may seem to you scarcely relevant to "Atoms for Power." But I think that if we want to understand the situation, we must look at it in the framework of economic and political events in Europe since the war.

Max Kohnstamm

One more general remark: I am talking about the six nations which, since 1952, have together formed the European Coal and Steel Community and which are now setting up Euratom, or the European Atomic Energy Community, and the General Common Market, or the European Economic Community. If, when talking about these six nations, I call them "Europe", it is partly because nobody would continue to listen to me if I had to say all the time: Belgium, France, the German Federal Republic, Italy, Luxembourg and the Netherlands. But it is also because these six nations are convinced that, in building the "Europe of the six", they are at the same time laying the foundations of the larger Europe of their dreams.

Now to my first question: Why Euratom?

War, an uneasy peace, the crisis of the thirties, the advent of Hitlerism, the second world war—if possible even more horrible then the first one — all these events separate our six nations form each other—and form, at the same time, our common heritage. The agonies of hatred and defeat, which we all have known, made many of us realize that we had come to the end of the road. Nationalism, the nation state, no longer seemed to provide the answers to our problems. Even international cooperation and the pursuit of goodwill and friendliness amongst separate nations seemed completely insufficient: a fundamental change of structure seemed necessary.

Certainly, in 1945 reconstruction began within the old forms. With the exception of Germany, where the task of reconstruction was taken in hand by the victors themselves, national governments were the only available instruments. A Byzantine system of barter-trade and money-exchange between our nations sprang up, proving once more, and now in peacetime, that for Europe's nations new forms of living together were indispensable. 1947 made it evident that even the task of reconstruction could only be fulfilled with foreign aid and if undertaken in common. The Marshall Plan not only prevented disaster, it was the first peacetime realization of a solidarity, which, until then, had only manifested itself in coalitions of war. It trespassed upon the boundaries between friends and foes, introducing Germany, be it in the disguise of the uniforms of Allied Military Government, into the circle of European nations. The Marshall Plan immediately captured Europe's imagination as a symbol of hope and change. But the O.E.E.C., to which it gave rise, brought, together with great realizations, nevertheless disillusions. Undoubtedly, trade was liberalized to the enormous benefit of all. But there was no beginning of the necessary change of structure. National sovereignty, the basis of the structure of a disastrous past, continued to be the supreme rule.

1950 found Europe at the crossroads. The German knock at the door could no longer be ignored. Either Germany should be given a full place in the European circle of sovereign states or full sovereignty itself should cease to exist within that circle. M. Schuman's declaration of May 9, 1950, saved from extinction dreams dreamed in dark years of oppression; dreams about new forms of living together, about a new structure for Europe. It gave these dreams the solid, rather pedestrian basis of coal, steel and scrap, of material interests, creating a very material and real solidarity. Let me try to summarize the history and results of the Schuman Plan, which became the European Coal and Steel Community.

The Schuman Plan meant a resolute turning away from the past, towards the future. It refused to accept the frontiers and divisions of Europe as immovable and looked upon our nations' resources, as well as on our nations' problems, as common resources and common problems to be dealt with according to common rules applied to all by common institutions. During its past five years of existence, the Coal and Steel Community proved first that Europeans are capable of working Federal institutions and, secondly, that industry, in none of our six countries needs tariffs, quotas, subsidies for itself and discrimination against its competitors, to keep alive. None of the calamities, predicted with touching unanimity in most of our nations, actually came about. While France increased its exports of steel to Germany, and Germany its exports of coal to France, Italy, thought to be the weakest of the six, quietly doubled its steel production. The incredible not only became true, but more than that, became believed and accepted, namely that increased competition was in the interest of all, that the withering away of national sovereignty by common institutions of Federal character did not mean disaster, but, on the contrary, served the interest of everyone.

The European Army Plan was launched even before, in Aug. 1952, the Coal and Steel Community began to function. It was hoped that it would be an important second step on the road towards European Union. But this plan raised too many passions of the past to give victory to the future. Its final defeat, in 1954, was more spectacular than the quiet and gradual progress of the forces unleashed by Europe's first experiment in Federal union: the Coal and Steel Community. Many observers outside, and even inside, the six nations did not notice the groundswell of public opinion, which made it possible for the governments, within a year after the defeat of the European Army, to convene a conference of experts under the presidency of M. Spaak, charged to study the setting up of an Atomic Energy Community and a General Common Market. A few months later, Jean Monnet formed the Action Committee for the United States of Europe, of which all the major political parties and non-communist trade unions of the six nations became members. The defeat of the European Army proved to be only an incident, while the current of opinion in favor of structural change gradually gathered strength. Out of M. Spaak's study group grew the Intergovernmental Conference at Brussels. In M. Monnet's Action Committee Europe's political and trade union leaders found unity of purpose, The Brussels treaties, providing for an Atomic Energy Community and a European Economic Community on the lines of the European Coal and Steel Community, were signed in Rome last spring. Public and parliamentary opinion were well prepared. Within four months after the signature, the parliaments of Germany, France and Italy pronounced themselves with huge majorities in favor of these treaties. The Benelux countries, where public opinion had often been in advance, preferred this time to wait for France's and Germany's decision. In the Netherlands, the Second Chamber has already accepted the treaties; Belgium and Luxembourg will do so immediately after the end of their parliamentary holidays, early in November. A few months from now both treaties will have begun to function.

New Method for Solving Economic, Political Problems

The setting up of these two communities is in itself an event of major importance. But what has happened is more than the acceptance of two rather complicated treaties. It is the discovery and the acceptance at the same time, by all the major political groups, with the exception of the communists, of a new method of solving the economic and political problems of our nations. It is a method which implies changing the structure of Europe, basing it on the Federal principle instead of on the principle of national sovereignty. It does not mean giving up national characteristics, differences and peculiarities—not to speak of our four languages. It does not try to substitute one monolithic superstate for six national states. It is simply a method of looking at our problems and resources as being common to all, of defining what actions should be taken in common and what rules are necessary to govern our behavior as citizens of a European Community. It sets up the necessary institutions: An Executive in order to do what should be done in common and in order to apply the Community rules, a Council of Ministers to harmonize Community action with state action, a Court of Justice to ensure the respect of the law by the Community's Executive, national governments and citizens alike, and a Parliament to provide democratic control.

Euratom now is simply the application of this method to the problems and the promises with which the advent of atomic energy confronts our six nations. In this challenge each of our nations disposes of limited, but important, resources. In the first place: Scientific ability. Our scientists made fundamental contributions to the discoveries on which nuclear power prospects are based. If they have taken little part in the industrial application of these discoveries we believe that this is not because the creative spirit is lacking in Europe, but because none of our nations separately is capable of offering our scientists the facilities they need.

In the second place: Industrial capacity. True enough, none of our countries disposes of a nuclear industry, which can be compared with the nuclear industry now existing in the United States and the United Kingdom. Nevertheless all our nations are advanced industrial nations, with excellent mechanical and engineering industries. Euratom provides for the pooling of our scientific abilities and industrial resources. It provides also for the exchange, unhampered by tariffs or quotas, of all goods and materials necessary to build reactors. But pooling our resources is not enough. Common actions are necessary. Under the treaty certain research projects will be undertaken in common, certain epterprises, as for example for the fabrication of fuel elements, chemical separation and isotopic separation, may be built in common. In order to make the necessary coordination of investments possible, nuclear investments will be communicated to Euratom's Executive. Supply of nuclear fuel will be a common undertaking and, in the relation with other nations, Euratom will represent the six as a single unit. Common resources and common actions make a certain number of rules necessary, accepted by all, and applied by common institutions.

The Euratom treaty provides for rules to govern the exchange of information and the opening, within only one year, of a complete common market for nuclear industry. Rules for health and insurance will be established on a community-wide basis. Of great importance is the safety and control system set up under the treaty. Euratom will institute, between our six nations, a supranational control not only over uranium and special fissile materials delivered to them by third countries, but also—and this is an extremely important departure from existing practice—over nuclear fuels produced within the Community itself. In order to make the system water-tight, it is decided that special fissile materials shall remain the property of Euratom, just as they remain the property of the Atomic Energy Commission in the United States. Furthermore, the Council of Ministers can unanimously adapt the Community's control mechanism on the executive Commission's proposal.

To execute the actions, supervise and elaborate the rules, a Euratom executive Commission, composed of five members, is formed. It acts in close contact with the Council of Ministers, which provides also the necessary coordination between State and Community action. The same Parliament, which controls the Executives of the Coal and Steel Community and the Common Market, will control the action of the Euratom Commission. A Supreme Court, also common to the Coal and Steel Community and the Common Market, will form the judiciary branch of Euratom.

Europe's Expectations From Euratom

I have tried to explain why Europe has chosen Euratom as its instrument and how it is constituted. We now come to our second question: What does Europe expect from Euratom?

Reporting on Euratom's Target

As you know, even before the Euratom treaty was signed, the governments of the six asked the so-called 'Three Wise Man' — Monsieur Louis Armand, Herr Franz Etzel and Signor Francesco Giordani — to report on what should be Euratom's target. In their report, which gives a clear insight into what Europe expects from "atoms for power", two major preoccupations appear. The first is that Europe's industries should not miss the atomic bus, as they would without the common effort, made possible through Euratom. In the words of this report:

"A critical moment has been reached: atomic power is coming of age. Nuclear power has moved out of the scientist's laboratory onto the engineer's drawing board; it will now come quickly into commercial phase. This provides a great opportunity for our countries if we seize it and a grave danger if we do not. Scientific and technical knowledge can be borrowed; but industrial capacity one must create oneself. If our industries do not go ahead on a big scale now, at a time when others are poised to do so, they will soon be unable to face competition from the full-grown industries which have seen and seized their chances in time. Later development would only be possible behind protective walls with all the drawbacks they involve. In view of the growing importance of atomic techniques for industry, Europe, as the world's greatest exporter of engineering goods, cannot afford to miss the chance to move off to a rapid start."

Their second preoccupation is Europe's increasingly serious energy situation. The figures are by now well-known. The six nations, which were still nearly self-supporting in energy just before the last world war, are this year importing the equivalent of 110 million tons on coal. Assuming a moderate, but steady, rate of economic expansion, the import-requirements will reach 200 million tons (35% of total requirements) ten years later. These imports will create difficult balance of payments' problems. Since they will for the most part take the form of Middle East oil, they will, at the same time, create a much more serious political problem.

In order to understand how Europe's growing dependence on Middle East oil has sprung on as so unexpectedly, we must look at three developments which took place during almost the same years; all three with revolutionary speed. These developments are: First, Europe's rapid economic growth since 1950; secondly, coal's loss of its virtual monopoly as source of energy; and thirdly, the rapid rise of the Middle East as a major oil producing region.

The first revolution took place in Europe's economic development. Between 1900 and 1913 industrial production increased rapidly not only in America, but also in Europe. But in the thirty-seven years between 1913 and 1950 which included two world wars and a world crisis, Europe experienced two full decades in which industrial expansion hardly kept pace with the destruction brought about by war, and another decade of crisis and near-stagnation. The same wars sped up American industrial expansion: only the crisis hit the American production very badly too. The result was that the industrial production between 1913 and 1950 went up from 100 to 150 in Europe, and from 100 to 350 in the United States. Owing to more efficient use of energy during this period, energy requirements did not have to keep pace with industrial expansion. In the United States, where expansion was not held up as in Europe, energy requirements more than doubled during this period, but in Europe they could be allowed to remain

*An address by Mr. Kohnstamm before the Twelfth American Assembly at Arden House, Harriman, New York.

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stagnant. But then in 1950, for the first time since 1913—with the exception of a few uneasy years in the late twenties—real expansion set in in Europe. Between 1950 and 1955 industrial output in the six nations rose with 34% more rapidly than in the United States. In the same years energy consumption shot up by 36%, slightly more rapidly than industrial production.

Loss of Coal Monopoly

A second development, which had already been well on its way some years before in the United States, now took place in Europe within a few years: Coal lost its virtual monopoly as source of energy. In 1938, 95% of our six countries' energy requirements were covered by coal, 4% by oil. In 1953, the percentage covered by coal had gone down to 80%, and that covered by oil had risen to 20%. Owing to geological conditions the expansion of coal production in Europe is difficult and only possible within strict limits. Oil and natural gas are not found in important quantities. In order to satisfy the need of this expanding economy, the only possibility was to increase the import of American coal and, above all, the import of oil. It is therefore not astonishing that oil consumption in the Community rose with an average of 15% (or at a rate of doubling every five years) between 1950 and 1955 and with 18% in 1956 (or at a rate of doubling within four years).

And here Europe found itself confronted by a third development, also revolutionary in importance and rapidity. Until 1945 production of oil was, if we leave the U.S.S.R. aside, for all practical purposes confined to the Western Hemisphere (1945: 85% Western Hemisphere, 6.5% Middle East). Ten years later the Middle East produced 25% of the free world's oil. Its share is expected to rise to ⅓ of free world production by 1965 and ½ of free world production by 1975. In the meantime the Western Hemisphere, once a great oil exporter, will probably become a net importer. Known reserves in the Western Hemisphere represent only thirteen times one year's production, against a hundred times in the Middle East. Nevertheless the Chase Manhattan Bank oil report says: "From the standpoint of both exploration and development, the surface (in the Middle East) has barely been scratched." Between 1946 and 1955 the investments necessary to produce one additional ton of oil, were seven times as high in the United States as in the Middle East. Oil, as far as Europe is concerned, is rapidly coming to mean Middle Eastern oil.

It is for these reasons that the "Three Wise Men" stated Europe's need for atomic power as follows:

"Thus without nuclear power, Europe's dependence on the Middle East is bound to increase. The Suez Crisis has given us a warning of what this could mean. As the quantity of oil imported from the Middle East increases, there will be a corresponding increase in the political temptation to interfere with the flow of oil from that region. A future stoppage could be an economic calamity for Europe. Excessive dependence of our highly industrialized countries on an unstable region might even lead to serious political trouble throughout the world. It is essential that oil should be a commodity and not a political weapon. The European economy must be protected against an interruption of oil supplies, by finding alternative sources of energy to limit the further rise in oil imports. Only nuclear power, providing Europe with a new source of energy, can achieve this."

The "Wise Men's" target of 15 million KW of installed nuclear capacity by 1967 represents an answer to a politically and economically threatening situation. One may deny the possibility of achieving this target, but one cannot deny, it seems to me, the necessity to leave no stone unturned in trying to achieve it.

The Euratom countries are deeply aware of the fact that the power program they need can only be realized in the closest cooperation with the United States and the United Kingdom.

The "Wise Men" seeing in this cooperation the first condition of achievement, visited the United States, the United Kingdom and Canada. In this country their discussions with the Secretary of State, the Chairman and members of the Atomic Energy Commission, convinced them as they stated in their report that "on the healthy basis of a two-way traffic, a close partnership as equals can be built up between the United States and Euratom and their respective industries." Being neither capable nor authorized to do so, it would be foolish for me to make precise suggestions concerning this cooperation. Undoubtedly the form and content of it will be discussed immediately after Euratom is set up, that is within a few months.

But I would be grateful if you would permit me to end with one or two general remarks on this subject.

I have described to you the new method of dealing with Europe's problems which is the basis of the Coal and Steel Community and the Common Market, as well as of Euratom. For seven years my work has been to apply this method, first to coal and steel and afterwards to new fields. Looking at this different object: our future cooperation, I find myself taking a busman's holiday. In Kissinger's excellent "Nuclear Weapons and Foreign Policy" I was struck by this sentence: "A power favored by geography or by a great material superiority, as we have been through most of our history, can afford to let a threat take unambiguous shape before it engages in war. It can do so as long as the outcome of a war cannot be decided against it by a single battle, or by the loss of an objective located outside its territory, which could cause national catastrophe, such as the loss of Middle Eastern oil would be for Western Europe." But does such a thing as a purely European catastrophe exist? Does not European catastrophe spell Western catastrophe? And is not catastrophe a thing dangerously near to war and, worse, defeat? And is it not the great maxim of strategy in our nuclear age to be as flexible as possible, which means to try as hard as possible to prevent the development of a situation in which force would seem to be our last and only resort? Is it just my occupational disease which makes me look at Europe's energy problem as a problem common to Europe and the United States which may be solved by our common efforts? A friend of mind said the other day: "America has the greatest knowledge of atomic power and no need for it, we have no knowledge of it and the greatest need for it." Does not this situation in our mutual self-interest call for an intimate association between the United States and Euratom? The United States would bring into this association nuclear fuels and above all what the "Wise Men" called "the most complete nuclear foundation in the world." Our need, that is our difficult energy situation, has a very positive side to it. The average cost of electricity being much higher in Europe than in America, atomic power will be competitive in Europe long before it can be so in the United States. Europe, therefore, willing to pay 12-15 mills per kwh, can become the testing ground for commercial nuclear power plants. As the power program develops, experience gained thereby would become available to all. We would also contribute our rich inheritance of inventive science and industrial capacity.

Greatest Asset

But I must now mention what I personally consider our greatest asset—one which nobody has thought of looking for in Europe for a long time. But believe me or not, from now on people are going to find it there nevertheless: it is a growing sense of confidence. This may be not so strange after all in a European Community which for the first time for nearly 40 years is at last enjoying economic expansion. A community which, after 40 years of crisis, war and hatred, is at last turning towards the future. The rich past of our nations has kept us spellbound for many decades. But we are now experimenting with a method which, without destroying our nations, their past, their heritage, enables us to look towards a common destiny. Some people fear that our method might give rise to new divisions, to a new superpower, inward-looking, and thinking only in terms of "we" and "they." Nothing is more mistaken. It is fear and the spell of the past which make nations inward-looking. We are convinced that the methods which we are trying out, will not remain confined to the Europe of the Six. They may not even necessarily be confined to the greater family of European nations. One of my friends, with whom I have been engaged in this European adventure from the very beginning, happens to be one of the most French of all Frenchmen. He cannot live anywhere but in Paris. The only time I succeeded in bringing him to the Netherlands he fell ill immediately. There being no better proof of how far our silent revolution has gone already, I would like to read you a few lines, which he wrote the other day.

"For the rest, I care very little about being a good European. If anyone could tell me some more effective way of freeing Frenchmen from their staleness, from their fears, from their complexes; if anyone could promise to me a revolution which would change the structure more effectively while destroying less; if anyone could show me that progress lies elsewhere—then I should abandon the idea of Europe for this other quest, just as I abandoned the nationalist past in favor of Europe. I am not ashamed to admit this inconstancy, which is the logical outcome of a higher allegiance — the allegiance which I swore when I sided with progress, and was torn away, as I have described, from the fatal charms of the past and its vanished glories."[1]

[1] Francois Fontaine in *Preuves*—October 1957.

Hallowell, Sulzberger, Jenks, Kirkland Co.

PHILADELPHIA, Pa. — Effective Jan. 2 Hallowell, Sulzberger, Jenks, Kirkland & Co. will be formed with offices in the Philadelphia National Bank Building. The new firm will be members of the New York, and Philadelphia-Baltimore Stock Exchanges and other exchanges. Partners will be Henry R. Hallowell, Charles H. Sulzberger, Morton Jenks, Samuel N. Kirkland, John A. Nigro, Jr., Blaine W. Scott, Jr., Lawrance A. Brown and Harold H. Beebe, general partners and Gilbert Megargee and Cummins Catherwood, limited partners.

The present Exchange member firms of Hallowell, Sulzberger & Co., and Jenks, Kirkland, Grubbs & Keir will be dissolved Dec. 31.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

How have the holders of the stocks of the leading New York City banks been treated by their managements in 1957? With earnings at all-time highs the banks had two alternatives: either to continue the old rates and retain as much of earnings as possible to bolster capital funds, or go all-out with dividend increases to the long suffering bank stockholders.

Well, the managements in most cases did both. With pay-out averaging around 60%-62% of operating earnings it is obvious that the banks retained a healthy slice of earnings for the purpose of increasing capital funds. While deposits showed no great growth in the year, and hence the need for large accretions to capital funds was not pressing, the banks always find it comforting to arrive at the top of an economic boom period with large amounts of capital funds in relation both to deposits and to loan volume. Also, increased capital and surplus enable banks to take on larger loans to a single borrower.

But, while capital funds (or, if the term is preferred, equity) were being sweetened, the shareholders were not neglected as is revealed in the following data. Five institutions, it will be noted, increased their cash disbursements (or declared increases):

Bankers Trust—Increased regular rate from \$2.80 to \$3.

Bank of New York — Increased regular rate from \$12 to \$14, and declared an extra of \$2.

Chase Manhattan—Issued rights to subscribe to new stock.

Chemical Corn Exchange — Issued rights to subscribe to new stock and increased the cash dividend rate from \$2 to \$2.30.

Empire Trust — Declared a 4% stock dividend.

First National City — Issued rights to subscribe to new stock and increased the cash rate to \$3

Guaranty Trust — Declared a 20% stock dividend.

Hanover Bank — Announced a stock dividend of one new for nine held (11 1/9%).

Irving Trust—Announced a 2% stock dividend.

J. P. Morgan & Co.—Declared a 16⅔% stock dividend.

New York Trust — Declared an extra cash dividend of 25 cents, and increased the regular cash from \$3.25 to \$3.50.

In each case in which a stock dividend was declared or proposed to the stockholders by the boards, it was announced that the regular cash payment rate would be maintained, which for the person already holding the stock is equivalent to a cash increase, so, in net effect, there were 10 increases.

Even for the two banks which took no action there is some comment to be made. United States Trust Company recently sold its building site on Wall Street, and an insurance company is in process of erecting a new building in part for the trust company. However, the bank is not doing the construction but it will be subject to much expensive installation for which a large reserve has been set up. It is this writer's thought that if the need for this reserve had not been present, United States Trust would have been more generous with its shareholders with the better earnings that they are to show this year.

As for Manufacturers Trust, it had been generally assumed that this bank would follow the leads of First National City, Chase Manhattan and Chemical Corn Exchange with rights to subscribe to new stock. Manufacturers has the highest deposit: capital funds ratio of the leading New York banks, and it seems probable that had the general market held up, new capital would have been sought. The market decline (which affected bank stocks adversely even though considerably less than industrials and rails) has brought Manufacturers to some 8% or 9% below book value. Capital flotations under this condition are not relished by the stockholders, as a general rule.

Yes, the New York City banks were well treated by the leading banks, for besides the numerous extras they had equity increased through retained earnings.

Fred B. Dickey With Morton Seidel & Co.

LOS ANGELES, Calif. — Morton Seidel & Company, 458 South Spring Street, is pleased to announce the appointment of Fred B. Dickey as a Registered Representative in the capacity of Investment Advisor.

Fred B. Dickey

Mr. Dickey entered the banking business in 1911 with The Farmers and Merchants National Bank of Los Angeles, enjoyed gradual elevation in the official family and became Senior Vice-President, and following merger was elected as Vice-President of the Security-First National Bank. He served on many Committees including Trust Investments and as a Senior Loan Officer processing and handling commercial and security collateral loans in sizable volume and diversification. He also served as President of Independent Bankers Association of Southern California, Chairman of Group Five California Bankers Association, Member of Association of Reserve City Bankers, and Charter member of American Institute of Banking.

After the many years of customer service, he elected to retire Aug. 31, 1957, and enter business representing Morton Seidel & Co.

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Two With Hathaway Inv.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Nicholas J. Boler and Howard P. Killmer have become connected with Hathaway Investment Corp., 900 South Pearl St.

Joins C. M. Hathaway

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Harry N. Gurley has joined the staff of The C. M. Hathaway Company, 1575 Sherman. He was previously with Columbine Securities Corp.

Two With First Internat'l

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert S. Lawrence and Freddie Gonzales are now with First International Corp., Denham Building.

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Mutual Funds

By ROBERT R. RICH

Business to Advance Briskly in 1958

A "brisk advance" in business activity by about the second half of 1958 was predicted here today by the investment counselors of a $48 million mutual fund group.

In a year-end report to the 16,000 shareholders of Managed Funds, Inc.'s 11 classes of mutual fund shares, Slayton Associates summed up the 1958 business outlook this way:

"Business capital expenditures for new plant and equipment will decline moderately from 1957, about $3 billion. Foreign exports will also decline about $1 billion.

"But these declines should be more than offset by an increase in consumer purchases of $11 billion, a rise in home buying of $1 billion, and an increase in Federal, state and local government spending of $5 billion.

"Although business will probably continue to mark time for a few more months, a brisk advance should set in as the second half of 1958 approaches."

Meanwhile, as 1957 draws to a close, business has pretty well recovered from the "attack of nerves" it suffered in early Autumn, said Slayton Associates.

They said the stock market decline was due more to disappointment over the failure of fourth quarter activity to reach higher levels than to fear of a general decline.

The report attributed part of the market decline to "the shock Sputnik gave to the national ego," but commented that "the Russians actually did us a favor by shaking us out of our false complacency."

The resulting probability of a $2 billion per annum rise in defense spending may not sound like much in relation to the whole economy, Slayton Associates said, but many fail to realize that a dollar spent by the government multiplies again and again as it moves through the economy.

The closing weeks of 1957, the report went on, have seen a sharp recovery in consumer buying after its October bout with the Asiatic flu.

Automobile sales in particular—one of Slayton Associates' favorite economic indicators — are holding up well, with a 6-million-car prospect for 1958, "or maybe the 6½ million the industry hopes for."

Canadian Output To Remain High Next Year

Although Canada's economy is experiencing a current correction, similar to that of the U. S. and other industrial nations, total Canadian output in 1958 should continue at a high level and the Canadian economy gives every promise of resuming growth, according to Hardwick Stires, Chairman of The Committee of Canadian Investment Companies.

In sharp contrast with the downward swing in Canadian security prices in 1957, Stires emphasized, the Canadian economy registered significant gains on other important fronts. Canadian oil production, consumption and exports were above 1956 levels and potential oil output was up more than 12%. Perhaps as much as 90% of the potential oil reserves of Canada remain to be fully tapped or explored.

Stires pointed out that Canada's Gross National Product will probably reach the all-time level of $30.5 billion in 1957, moderately above the 1956 peak. Total capital investment will reach about $8.8 billion in 1957. The year's exports will be close to $5 billion, with increases posted in such items as iron ore, uranium ore, aluminum and asbestos.

Eight publicly held Canadian investment companies whose shares are qualified for sale to U. S. investors now manage more than $320,000,000 of total resources invested principally in the Canadian economy, Stires reported. He pointed out that these portfolio investment companies of the mutual fund type, which currently serve more than 125,000 U. S. shareholders, demonstrated during 1957 that their operations perform an important stabilizing function in Canadian securities markets, as well as supply needed development capital on the basis most welcome to Canada, while at the same time providing an attractive long-term investment medium for U. S. investors.

"These publicly owned, professionally managed portfolio investment companies, formed since 1954 under existing U. S. and Canadian laws, have in a comparatively short time established an effective pattern for serving the long-term foreign investment needs of thousands of average American investors," Stires said. "Of equal importance — in performing this service they are providing needed investment capital abroad on the basis most welcome in the countries where investments are made. They are providing capital that stays at work for the long term, without seeking to impose outside domination or control of local enterprises."

He pointed out that during 1957 the eight Canadian portfolio investment companies were, in the aggregate, net buyers of Canadian securities, a fact which tended to cushion the decline in Canadian securities market prices since August. During 1957 the Canadian companies which continuously offer new shares reported sales of more than $70,000,000. This added participation by U. S. long-term investors contributed importantly to the year's total inflow of capital into Canada, it was stated.

The Committee of Canadian Investment Companies' chairman made it clear that the eight registered Canadian companies, by policy, will continue to commit their resources to Canadian and other foreign securities having promising long-range growth possibilities, rather than seeking quick short-term profits through trading.

The Canadian companies, by policy, retain and re-invest both their net income and capital gains that may be realized, in order to compound long-term capital appreciation possibilities for their shareholders at low tax cost. Since Canada does not tax capital gains, the Canadian companies do not incur this liability.

"The undeniably dynamic and durable character of Canada's growth prospects and the stimulating and hospitable business climate Canada offers to capital investment will afford constantly broadening long-term opportunities for carefully selected, soundly diversified portfolio investments," Stires said.

400,000 Investor Accounts Added In 1957

A record net increase of more than 400,000 investor accounts in the nation's investment companies during 1957, brought total accounts to an all-time high of 3.3 million at year-end, according to Edward B. Burr, Executive Director of the National Association of Investment Companies.

Speaking for the Association's 140 open-end (mutual fund) and 24 closed-end investment company members, Mr. Burr cited a new low redemption ratio for open-end companies, and new highs in monthly and quarterly accumulation plans for both open-end and closed-end company members. Investor purchases of open-end company shares were also at an all-time high during this year of uncertainty in the nation's securities markets, Mr. Burr reported.

Total purchases of mutual fund shares for 1957 reached $1,420,000,000, slightly higher than purchases of $1,346,738,000 in 1956, the previous record year.

While investor purchases were increasing, the value of mutual fund shares turned in for redemption declined from $432,750,000 in 1956 to an estimated $420 million in 1957, according to the Association. The redemption ratio—the value of shares turned in by investors compared to year-end total assets—was at an all-time low of 4.6%. In 1956, the previous record year, the redemption ratio was 4.8%.

Accumulation plans for the regular monthly or quarterly acquisition of open-end investment company (mutual fund) shares, reached an estimated 645,000 at year-end, a net increase of 181,000 over the year-end 1956 figure. Currently, about 19,000 new accumulation plans are being started every month, Mr. Burr said.

Plans for purchasing shares of closed-end investment companies under The New York Stock Exchange Monthly Investment Plan also continued to increase during the year at a rate higher than that for total M. I. P. accounts. At year-end M. I. P. accounts for purchase of closed-end investment company stocks totaled 3,500, a gain of 32% in 1957 compared to a gain during the year for all M. I. P. plans of 22%.

Total net assets of member companies for year-end 1957 are estimated at $10.5 billion by the Association. Assets of the 140 mutual funds are estimated at $9.2 billion, a slight gain over the Jan. 1, 1957 figure of $9.1 billion. Total assets of closed-end company members are estimated at $1.3 billion, approximately the same as the year-end 1956 figure.

During the year, the membership of the N. A. I. C. increased by the net addition of six companies. There was a net increase of five new open-end companies, adding at year-end $63 million to the total assets of mutual funds. A net increase of one company in the number of closed-end companies represents on balance $171 million of additional assets at year-end. These assets are included in the year-end figures.

Mr. Burr estimated that member companies purchased securities for portfolio in the amount of $2.3 billion during 1957 and that their sales from portfolio were $1.4 billion. This roughly 3 to 2 ratio of portfolio purchases over sales increased somewhat during periods of market decline, particularly during the October decline, Mr. Burr said, as member companies added to their portfolios securities they believed to be particularly attractive at prices then prevailing. Thus, Mr. Burr concluded, any influence on market price levels by investment companies during these periods of decline was in the direction of stability.

Two Factors Make Way for Automation

"Two factors strongly suggest the continuing growth of automation for greater productivity and lower unit costs," according to Distributors Group, Inc.—national sponsors of the mutual fund, Electronics and Electrical Equipment Shares.

One of these factors is our growing population, relative to our smaller-than-normal working force, resulting from the low birth rate in the 1930s. The other is rising labor and raw material costs.

In addition to discussing automation as a prime factor in the future of the electronics industry, Distributors Group goes on in its new folder to point out other areas that will add to the growth of the already giant electronics industry. Specifically, atomic power and research are discussed. And special attention is brought to the fact that the electronics industry had a larger relative investment in research than any other sector of the American economy.

Backing up the future of the electronics industry is its past ten-year record—evidenced by the results of an assumed investment made at the beginning of 1947 in Electronics and Electrical Equipment Shares. With all income and capital gains reinvested, $10,000 would have grown to $33,929 by November 1957 — an increase of 239%.

Carriers & General Pays Dividend On New Rule

Carriers & General Corporation, closed-end investment company managed by Calvin Bullock, Ltd., made payment over the weekend of its final distribution for 1957 to its common stockholders of record Dec. 6, 1957.

Consisting of 40 cents per share from net investment income and $1 per share from net securities profits, the payments bring total distributions for the 1957 fiscal year to 85 cents per share from net investment income and $1 from net securities profits, compared with 84 cents and 74 cents, respectively, in 1956.

The payment was one of the first made by an investment company since a 1956 Amendment to the Internal Revenue Code permitted such companies to retain all or part of the net profits realized in a taxable year.

In a letter to stockholders accompanying the distribution, Hugh Bullock, President, pointed out that, during 1957, through sales of investments made largely at the higher market quotations prevailing during the first six months, Carriers & General realized net profits in addition to the $1 per share distributed to stockholders. Although the exact amount will not be known until after Dec. 31, 1957, he said, they are currently estimated at over $2,000,000, or approximately $4 per share.

"Under the provisions of a 1956 Amendment to the Internal Revenue Code," Mr. Bullock said, "your corporation is permitted to pay, on behalf of the stockholders, Federal income tax on such net profits as are not distributed to stockholders, at the rates prevailing for long-term capital gains. The amount of such profits and the tax paid thereon will be made known to stockholders as soon as possible after Dec. 31, 1957 so that each may include in his return his proportionate share of the corporation's realized long-term investment gain and take credit or claim a refund for the tax (at

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the rate of 25%) paid on his behalf.

The stockholder will also be able to add the remaining 75% of the gain, represented by such undistributed profits, to the tax cost basis of his shares," Mr. Bullock said.

National Reports On Space Satellites

Peaceful applications of space satellites are discussed in the December issue of "Atomic Activities," published by National Securities & Research Corporation, sponsors and managers of the National Securities Series of mutual funds.

Describing atomic energy and space satellites as possibly the "two most fundamental technical breakthroughs of all time," the article comments on how each was first considered in terms of its weapons capability. However, atomic energy was swiftly put to work in beneficial peacetime activities and the publication points out that a similar course of development may lie ahead for space satellites.

The issue goes on to discuss the possibility of larger satellites which would be equipped with solar energy converters for transmitting radio and television broadcasts of long range weather forecasts and other information from outer space.

Ultimately, manned satellites with provisions for their crews to return to earth would be a reality. Following that, Atomic Activities suggests that "a giant space platform may come next, with facilities for a crew to live aboard for months or years. Its solar power station would provide the energy it would need, and its freight rockets could return to earth at will for required supplies. Would a space platform be the ultimate?

Quite the contrary, since its main use would be as a base from which rocket flights to the moon or to some more remote satellite or planet could be launched," the article concludes.

United Funds Dividends Set New Peaks

The aggregate of dividend payments to the more than 135,000 shareholders in the United Funds, Inc. group of mutual funds set a new peak in 1957, Cameron K. Reed, President, announced. While only a modest increase in net assets was reported for the year to Dec. 16, the funds added 20,000 additional shareholders, he said.

Dividends from investment income from the four funds this year amounted to $13,388,807, compared with $11,426,927 a year ago. From securities profits, the income provided for distribution of $12,661,885, against $10,527,569 in the previous year.

United Accumulative Fund, with assets of $128,890,867, or $8.99 a share as of Dec. 16, will make its annual distribution this month to 75,000 shareholders. The distribution represents $5,164,864 from investment income and $4,877,927 from securities profits. In the same 1956 month the investment income dividends totaled $3,591,159 and securities profits distribution aggregated $4,104,182. Also included in the United Fund group are United Income Fund, United Science Fund and United Continental Fund.

With Shillinglaw, Bolger

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Leonard M. Stenson has become associated with Shillinglaw, Bolger & Co., 120 South La Salle Street, members of the Midwest Stock Exchange.

Business and Real Estate Trends

By ARTHUR M. WEIMER*

Dean, School of Business, Indiana University
Economist, U. S. Savings and Loan League

Indiana University Dean reviews current business and real estate trends; does not believe the near term business outlook is discouraging; and concludes that savings and loan business is stronger now than it was in 1930. Turning to housing specifically, Dean Weimer foresees around a million dwelling units starts in 1958, a few more than in 1957, better cost situation, and slightly more favorable lending terms to the borrower and builder.

The year ahead will be characterized by limited total expansion, highly competitive markets, relatively stable prices, rising real incomes, increasing productivity, that is, higher output per man hour, and international uncertainties. It is an election year, and politics will play a bigger role than usual on the economic stage.

Arthur M. Weimer

The two major areas of uncertainty seem to be, first, monetary and credit policies, and second, international relations.

The Federal Reserve appears to have won the battle of inflation, at least temporarily. It does not appear in view of the recent lowering of the discount rate that the monetary authorities will fight the battle of inflation too long and too hard. They are probably less likely to err on the other side, that of easing credit policies too much or too rapidly, in view of their experience in 1953. Still, such a possibility exists and could be accentuated by a sudden change in the international field.

On the international scene we are well aware of the many questions that are posed by the launching of the Sputniks. This development has given Russia at least a temporary advantage in the cold war; it may have cost us a tax cut; it has halted the "economy wave", with demands for increased spending for defense now being heard in all quarters; it has brought governmental reorganization; and it has created disturbing uncertainties in the minds of many people, business executives and consumers alike.

Outlook Specifics

The year ahead may well be a period that "separates the men from the boys" so far as business executives are concerned. Problems will be numerous and difficult in many lines and it will take real ability to cope with them.

In housing the year 1958 is likely to see around a million dwelling units started, possibly a few more than in 1957. Much depends on developments in the financial markets but of at least equal importance are the problems of costs, prices, and management in the building industry. Prospects for a better cost situation appear good in view of some decline in materials prices plus improvement on the part of many builders in the efficiency of their operations. Labor is likely to be more productive in the months ahead. House designs are improving.

In all probability mortgage money will be somewhat more generally available than in 1957 but interest rates are not likely to move downward to any marked extent. Lending terms may grow slightly more favorable to the borrower and builder.

*An address by Dean Weimer before the U. S. Savings and Loan League Convention.

The outlook for savings now appears to be good. Incomes should remain high. Prices probably will be stable, possibly the dollar may gain a little in value. Jobs will not be as easy to get as last year. All of these factors may tend to stimulate savings.

Demands for capital will continue to be strong for the long run future. It is essential that we keep building savings against these demands.

Since the year ahead looks favorable for the savings side of the savings and loan business, managers should make certain that they get their share. The aggressive promotion of savings has been a strong factor in the growth of this business. It will be equally important in the future.

Housing markets undoubtedly will be very competitive in the months ahead. There has been some tendency for houses to stay on the market slightly longer than a year ago—but not much change. Vacancy rates actually declined in the past year. A fairly balanced situation generally exists. We should note that the essentially local character of the single-family housing market makes it necessary to pay special attention to shifts in local economic conditions. Some communities have already seen their housing markets slow down considerably. Others may have this experience in the months ahead. This may mean great declines in local loan demand, advances in delinquencies, and the emergence of problems of a type that have not been encountered for some time.

There is a fairly good chance that new houses will gain an advantage in the market, thus, any softening will tend to affect the older houses to a greater extent than the newer ones. The volume of transfers may continue to slide off following the general pattern that has evolved in recent months.

We can be pleased over the very favorable reports that are being received on loan arrearages. The reports reaching the Trends Committee of the U. S. Savings and Loan League show delinquencies at about as low a point as they can ever be expected to go. Similarly, the recent report of the Mortgage Bankers Association shows arrearages at the lowest points since the surveys by this group were started in 1954. Prepayments and complete loan payoffs, however, are declining. Delinquencies are likely to rise in some localities.

Having covered the highlights of the Trends Committee report and my own estimates of some of the prospects for the year ahead, I'd like to consider a somewhat different topic briefly. Many have been reading and hearing about the "approaching decline" in business activity. The pessimists are having another field day. Sometimes I think that being pessimistic about the economic outlook has the same kind of appeal as saying something derogatory about someone in the community. Everyone likes to hear for some strange reason that someone is in trouble. Apparently, the same thing holds true for the American economy.

Offers Optimistic Outlook

Personally, I do not believe that the business outlook is discouraging. In fact, the outlook from many points of view is good.

The outlook is not good if we want the most rapidly expanding year in history; it is not good if we want the fastest advance in prices; it is not good if we want to expand beyond our capacities; it is not good if we want a tight labor market; it is not good if we like a "boom and bust" type of situation; and it is not good if we want to protect the inefficient businessman.

The outlook is not even so good from the standpoint of college seniors and candidates for Master's Degrees. Jobs in business are becoming somewhat harder to get. Hence, students are taking a renewed interest in their studies, a fact which gives me some satisfaction.

But the outlook is good, if by this we mean a period of relatively stable business conditions, of stable prices, of greater output per man hour, of higher real incomes and of a competitive situation. And it is good from the standpoint of consolidating our gains and preparing for the advances that are likely to come in the 1960's.

At times like these it is necessary to remind ourselves of our strengths, rather than to dwell on our weaknesses, as many of our pessimistic friends are inclined to do. What are our principal strengths?

For the economy as a whole our principal strength lies in our long term growth potential, and this arises largely from the kind of economic system we have—a system that maintains a set of conditions favorable to progress and innovation, a competitive system which allows no one to rest on past performance, a democratic system that makes government responsive to the wishes of the people.

We have been able to stave off inflationary threats in the face of a world wide inflationary trend. We have provided expanding opportunities for our people and increasing standards of living despite the demands of the cold war.

It is true that a few people are now shedding tears over the chrome on our cars saying that this should have gone into missiles. Maybe so, but it is comforting to know that in this country we can have missiles and chrome, too, if we want them.

In short, we need to remind ourselves of the tremendous productive capacity of the American economy. We need to remind ourselves also that it takes continuing effort to keep the economy advancing—in terms of technology, management, knowledge, and the savings needed to provide the capital equipment that is the key to high productivity.

We have a system of built-in stabilizers, if economic activity should fall off more sharply than now seems probable. In addition, a tax cut could change the business climate very rapidly.

We can be pleased that our monetary authorities have helped us to avoid a boom and bust situation from the standpoint of a too rapid expansion; we have already seen evidence of their desire to avoid a downturn through the action on the discount rates.

Another source of strength arises from the veterans of World War II and the Korean War who took advantage of their GI educational benefits and entered the world of business. A great many of these people would not have had the benefit of college and university training without their veteran's benefits. They now constitute an important group in our population reaching the maturity necessary for major responsibilities. They are men who are acquainted with the sacrifices that are required to keep this country at the top in terms of world wide influence.

Another important source of strength is the very healthy condition of our financial institutions. Of special importance in this connection is the strong liquidity position of our banks which stands in marked contrast to the situation in 1930.

One could name many other sources of strength, including our school system with its widespread provision of opportunities for all; the protection against many of the hazards of life which we have been able to provide; the research and development programs of industry, universities and government, largely a product of the postwar years; improved managerial ability; the savings held by many people in every walk of life; and many other things.

Savings and Loan Prospects

Suppose we turn now to the savings and loan business itself. What are its important strengths? More specifically, in which ways is this business stronger now than it was in 1930?

One source of strength is the character of the management of these institutions. Today community leaders of all types are represented on the boards of directors of savings and loan associations. Their executive officers are better trained and are more sophisticated in matters of finance than was the case in 1930. Some of the credit for this must go to the Graduate School of Savings and Loan and other programs of the American Savings and Loan Institute. Some of the credit must also go to the U. S. Savings and Loan League which has made provision for the widespread exchange of important information and for the development of programs which keep savings and loan executives abreast of the most recent developments in economic, business, and political affairs.

Another important source of strength, not even in existence in 1930, is the Federal Home Loan Bank system. This system helps to explain the growth of savings and loan associations because of the recognition accorded it as an important source of strength by those outside the system. The bank system recently celebrated its 25th anniversary, and I was especially pleased with the part that my friend, Fred Greene, could play in the ceremonies related to that celebration. It is important that this system be strengthened, expanded, and its influence extended even more widely throughout the financial community.

Closely related, of course, are programs for insurance of accounts and many of the other Federal and state programs which have added strength to this business.

There is little doubt that savings and loan associations today are stronger from the standpoint of liquidity, reserves, and the confidence which the public at large reposes in them.

While it is important to dwell on our sources of strength in the past, it is even more important that we look to the future. Our greatest hope for the future is the progressive spirit of the leaders in the savings and loan business and of the American business community generally. The desire to progress is a basic urge in these leaders. It may have come from their pioneer ancestors or from other sources that we can't even identify. We know that this spirit of progress is present, that it represents a major source of strength now, and to a large degree holds the key to the future of this business and of the entire American economy.

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THE MARKET . . . AND YOU

By WALLACE STREETE

Yearend cleaning up kept the stock market slightly irregular in spots again this week but for a change the list showed a bit of resistance to selling pressure. It was enough to spur hopes that the elusive yearend rally might be in the making at long last.

* * *

In keeping with the economic outlook generally, the aircraft-missile items showed the most persistent investment favor although even these weren't immune to sinking spells and Boeing, which lost out in a bomber competition with North American Aviation, was a bit pressed when the contract was awarded.

* * *

While plane business is almost guaranteed to be one of the sturdier lines in 1958, prospects elsewhere weren't nearly so favorable and the market reflected it fully, notably the steels and motors. So far steel operations haven't shown any ability to rebound, and the fact that a couple of holiday weeks will curtail output even more, don't offer a pattern for much significant change for a while longer. Motor production isn't any shining light, either, and plant shutdowns by Chrysler were the latest to jolt this section.

Ragged Oils

Oil production trims, too, were the chilling note for this group and the petroleum issues were ragged more times than not regardless of the overall market tone. Coppers, which had gotten a bit of a lift from spreading production trims in this industry, were mostly back in a rut again and did little decisive.

* * *

Some of the quality issues that have been neglected through the long bull market were winning favor for a change and Procter & Gamble and Corn Products were toying with their best prices of the year. One issue that has had little following recently is Pennsalt Chemicals Corp., which formerly operated under the unwieldy name of Pennsylvania Salt Mfg. Co.

Pennsalt is a leading candidate for higher earnings next year despite the general economic outlook, mostly because earnings up to here have been restricted by heavy capital expenses. Such costs are to be sharply lower next year and a jump of as much as a fourth in per-share earnings is possible next year with continued improvement in subsequent years. The company is in the missile business to a degree through its production of oxidizers used in rocket fuel systems.

Popular "Spare Time-ers"

The "spare time" issues also have a loyal following, including Brunswick - Balke - Collender which is riding high in prosperity largely because of its bowling alley pinsetter. There is no sign yet that the saturation point has been reached in pinsetter installations since Brunswick began this year with a backlog of 4,600 of the machines. Despite a far higher monthly production than originally anticipated, the backlog is still around 5,000 of the machines. Moreover, payment for them is usually spread over a period of from three to five years to bolster future earnings. This year's profit is expected to be in the neighborhood of 80% more than 1956 results and the 1958 projection is for an additional 50% increase in profit over this year.

* * *

The issues that have been most depressed were logically favored for a rebound. Some that have been slashed in half valuewise included Diamond Alkali, St. Regis Paper, Garrett Corp., Owens Fiberglas, Illinois Central and Anaconda.

An Improving Packer

Meat packing shares have been out of favor for a decade, the steady rise in costs eating into the profit margin. Swift & Co., however, seems to have reached a turn for the better, mostly because of improved plant operating methods and automation. The company has been mentioned a bit prominently as a candidate for increased earnings next year. Despite the outlook, the stock has been lolling around at the poorest level since 1949 and its yield runs close to 8% at recent levels.

* * *

Apart from stable earnings, there are good number of companies that appear regularly on lists of items that might increase their payment next year, including Reynolds and Lorillard in the tobaccos where yields of 5½% to 6% are available on only the present dividends.

* * *

Continental Can is another quality item that usually bobs up on such lists, as well as on those where good earnings next year are likely. With the dividend covered twice over by this year's estimated earnings, and further improvement due next year, the current dividend is ultra-conservative. Even a small increase, from $1.80 to $2 for instance, would push the yield on this issue to an above-average 5%.

Missile Beneficiary

General Dynamics, with the support of its large amount of defense work, shares both in the missile demand and as a dividend increase candidate as well. Its present indicated yield of around 3½% is reasonable for a growth item and earnings this year will be more than double the present rate so an improved payout is a likely assumption.

* * *

The stock favored for an upturn in home construction activity is American Radiator which has had rough market going for nearly two years. In the process more than half of the value disappeared after it had posted its high in 1955. It was still in the process of backing off to new low territory since 1949 this week. The company suffers badly when volume is cut, its operating profit margin dropping from more than 8% to only a bit better than 3% this year. The reverse is true, too, and on the housing units being predicted for the next two years the company could again earn around the $2 per share level that prevailed in 1954 and 1955. The stock currently is also prominent on the "well deflated" lists.

Interest in Over-the-Counter Issues

There was some predilection toward quality stocks in the counter market that would be more immune than listed shares to the sick actions of the market indices, notably some engaged in the missile business where startling growth could be achieved from the vast expansion that is due in this field. Cook Electric, which perfected the "reentry" system that enabled this country to recover the nose cone shown dramatically by the President in his television talk, has one of the more consistently profitable records for a research organization. One-fifth of its employees are engineers or scientists.

* * *

The market price of Cook, moreover, is still reasonable. It runs about 12 times earnings where the shares of similar type companies that are listed sell at 20 times or more. It is capable of being a volatile issue marketwise since there are less than 600,000 shares outstanding and, with management holding more than half, the "float" is probably around 250,000.

[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.]

"Uncle Sugar" Now "Uncle Sap"

By HON. SPRUILLE BRADEN*

Former Ambassador to Argentina, Colombia, and Cuba

U. S. diplomat asserts recipients of our foreign aid are laughing at the American public's naiveté in believing everything can be bought with money; charges ICA bureaucrats are perpetrating "shameless deception" on the people, the Congress, and the President; and insists our hand-out policies are actually losing friends. States our foreign lending is a vital cause of inflation. Scores Washington's "favorite pastime" of appointing exploratory traveling commissions of prominent businessmen. Cites cases of "utter confusion" in loans extended, along with playing the Communists' game.

Each year there are literally thousands upon thousands of pages in the Congressional Record and Committee Reports on the subject of foreign aid, describing the enormous range of activities that are undertaken by the International Cooperation Administration, otherwise known as ICA. There are terrific bureaucratic pressures for the proliferation both of function and of organization and I may say for the selfish reasons of the bureaucrats in ICA. They disregard national interests and the original purposes of the program.

Spruille Braden

Shameless Deception

A shameless deception, and I mean no less than that—there has been a shameless deception perpetrated by these bureaucrats on both the Congress and the people, and I am sorry to say on the President and the top echelon of our Government. In the final analysis, the public in a democracy is entitled to know what is being done with the taxpayers, money. In this case, neither you nor any of the taxpayers, nor any member of Congress, really knows what is going on.

These bureaucrats play upon the sentimentalism of the United States people. Let me say parenthetically here that we in the United States are the most sentimental people in the world, bar none. In this whole subject of foreign aid there is a considerable measure of sentimentalism.

Because no one of these bureaucrats knows what an undeveloped area is, they can't define it. They can't define what is the difference between a primeval civilization, such as we have in many parts of the world, and a primitive civilization—each with all the unending variations of economies, cultures and religions. They appeal to the American public by alleging that other peoples want the same things we have, despite all the many differences in educational and spiritual values. They ignore the happiness that those other peoples may enjoy in an attempt to have them mirror the civilization that we have in this country. And, when these bureaucrats do that, they do it on a purely self-centered and materialistic basis. They try to tell us as taxpayers in this country that with our dollars we can transform millions of divergent people into valiant, invigorated and dependable allies. In the process they completely cast to one side all the spiritual values of this country and they approach the matter on a materialistic and selfish basis.

Foreigners Are Laughing

The people who get this foreign aid are alert to this situation; they realize that here is so great an opportunity to get so many billions from Uncle Sam, that he came to be called "Uncle Sugar" and now "Uncle Sap." They laugh at the naivete, the ingenuousness of the American public in that we seem to believe that anything and everything can be bought with money. You heard it when Vice-President Nixon seemed to measure our scientific advance as dependent purely on money.

Sure, one needs money! I'm just as much for getting money in the proper appropriations as anybody but you can't buy everything for money. The Byzantines felt that they could buy diplomatic victories but the so-called friends that they tried to buy didn't stay bought anymore than many of our so-called friends do today.

In this process, these foreign countries cannot absorb all the money that we are showering upon them, forcing upon them, and all the arms that we are forcing upon them. The result is that as we bankrupt the United States we frequently are distorting the economies and bankrupting those countries. Let me just read you what was said by my good friend, Pedro Beltran, who was the Peruvian Ambassador in Washington for some years, owner of La Prensa, a great newspaper in his country, a candidate for President and a very keen international observer. He said:

"If a nation relies on handouts to live . . . it's future is doomed. As time goes on it finds it harder and harder to get on its feet and forge its own future . . . It ends by making no effort to develop its own resources or be self-supporting. As long as such a state of affairs prevails, such a country will never come of age, but will continue to be dependent on others without prospects for the future.

"It should be realized that private capital can achieve what no public treasury can do. When confidence has been established the amount of private capital that may flow into a country is practically unlimited. Private investors will compete with one another and seek out the opportunities . . . But money, government money, cannot do this, since risk venture is beyond its province. Private capital will flow . . . if the investor feels that he can operate in a free economy."

The Brazen Bureaucrats

When he says government money cannot do this, I would add that it *should not* do it or even attempt to do so. That is one of the points on which the bureaucrats are so completely brazen in these matters.

This policy of government to government hand-outs is losing friends for the United States. You've read in the press frequently over the last few years of the tremendous growth in geographical area and number of the communist countries, millions and millions of square miles added to their territory and of the millions and millions, hundreds of millions, of people that were added to them. Also, very little is said of a similarly pernicious growth of the uncommitted or so-called neutral nations.

How can we make friends by

Continued on page 36

*An address by Ambassador Braden before the Trustees of the Dry Dock Savings Bank, New York City.

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Public Utility Securities

By OWEN ELY

Houston Lighting & Power Company

Houston Lighting & Power serves a population of over 1,400,000 in south central Texas, including the large cities of Houston and Galveston. The area covers about 5,600 square miles and includes 153 communities. Principal industries are oil production and refining, natural gas, manufacturing of oil tools, ships, steel and steel products, cement, paper, synthetic rubber, chemicals, mining, agriculture, cattle raising, meat packing and food processing, and shipping.

The area has enjoyed rapid growth, with population increasing from 734,000 in 1940 to 1,405,000 recently. The company's revenues have quadrupled in the postwar period, and more than doubled since 1951. Net income in the twelve months ended Oct. 31 was approximately $18,488,000 compared with only $3,230,000 in 1946. Common stock share earnings have about tripled in the same period, and the dividend rate is now $1.60 (with a 5% stock dividend paid in each of the past three years) compared with 60¢ in 1946. Reflecting the increase in earnings and dividends, as well as a higher price-earnings multiple, the stock has advanced from a low of 10 in 1946 to a high this year of 61.

The company has been noted for its large earnings on invested capital, which in 1955-56 remained at 8.6% (later the figure dropped to 7.9%. In 1956 the company earned nearly 19% on the average common stock equity compared with less than 14% in 1951.

The company is conservatively capitalized, the equity ratio being about 46% following the sale of common stock on a one - for - ten rights basis last April at $43 a share. This is a high percentage and may not necessarily be maintained.

Houston has been quite successful keeping costs down. Operating expenses excluding depreciation and taxes were 33.5% of revenues in 1956 compared with 40.2% in 1951; and including those items the ratio was 72.3% in 1956 vs. 78.2% in 1951. While the average cost of natural gas as fuel increased one-third during 1951-56, generating efficiency increased nearly 16%, thus offsetting half of the higher cost. Fuel adjustment clauses helped offset the balance.

The company has a fairly high industrial load, receiving about 36% of revenues from industrial customers. Chemical plants account for about one-quarter of industrial revenues, while petroleum products and manufacturing account for less than one-eigth each. Steel contributes 10%, utilities 8% and a large variety of other industries the balance. The largest single industrial customer contributes only 2% of all revenues.

The company expects its rapid growth to continue. It is obtaining new customers which purchase very substantial amounts of power. For example each of five customers purchased over $1 million of electricity last year, compared with three in 1954 and none in 1951. There are a large number of new loads coming on the lines which will contribute annual revenues of $100,000 or more apiece. The management expects the business from this source to increase about 52% in the three years 1957-59, with a very large portion coming from the chemical industry. It expects revenues to increase about 13% next year and 15% in 1959, compared with a budgeted 15% gain in 1957.

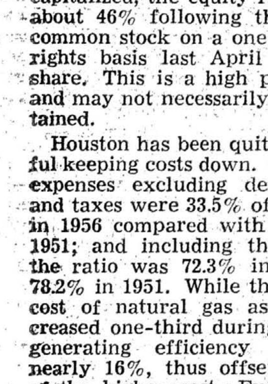
The company also is anxious to build up some reserve capacity and is hopeful of obtaining a 16% reserve within several years. This year it had to purchase power in order to take care of the peak demand. Fortunately substantial rains in Texas broke the 7-year drought and filled all the dams of the Lower Colorado River Authority, so that Houston could buy substantial power from that quarter, plus some from other utility companies. In order to build up capacity and to avoid buying power in future the company expects to add 400,000 kw capacity in 1958, 385,000 in 1959, 440,000 in 1960 and 285,000 in early 1961—about doubling the 1956 capacity. To accomplish this it expects to spend about $60 million for construction this year and about $75 million in each of the years 1958-59—a higher rate of spending than in recent years.

In 1957 Houston Lighting negotiated a new 50-year franchise with the city of Houston, along with a new rate ordinance, both becoming effective Oct. 1. The franchise was approved eight to one in a popular vote. While the new franchise increased the revenue tax from 2% to 4%, there were some offsetting advantages obtained, particularly the insertion of a fuel adjustment clause in the residential and small commercial rate schedules (the company already had such a clause in its industrial and large commercial schedules). This was advantageous because the company this year also had to arrange a new 18-year contract for the purchase of natural gas for boiler fuel at an initial cost of about 14.5 cents per mcf, with escalation provisions to agree with field prices. The company now has an assured supply for a long period of time and increased costs will be taken care of automatically in the rate schedule, permitting savings from increased generating efficiency to flow through to net income.

Share earnings in 1956 were $2.80 vs. $2.52 in 1955. This year, in the twelve months ended Oct. 31, earnings dropped to $2.68, due largely to 1 for 10 equity financing last spring and cool weather which reduced the air-conditioning load. The additional dilution resulting from the three 5% stock dividends paid in the past three years has also, no doubt, slowed down the rate of increase. With the policy of building up a good reserve of capacity, which will require a substantial increase in capitalization, the management feels that while per share earnings will continue to show an upward trend, the rate of gain may be somewhat slower than the historic rate, at least during the period of heavy construction.

Houston Lighting has recently been selling around 55½ compared with the approximate 1957 range of 61-46½. At 55½ the yield (not including the 5% annual stock dividend, which may not be a "fixture") is 2.9%. The price-earnings ratio is nearly 21 times, possibly the highest P-E ratio for any electric utility at the moment.

AREA RESOURCES BOOK



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Reynolds Announces Executive Changes

A major realignment of authority and changes in executive responsibility were announced by Reynolds & Co., 120 Broadway,


John D. Baker, Jr.


Robert M. Gardiner

New York City, members of the New York Stock Exchange, 26-year-old brokerage and investment banking firm with 38 offices from coast-to-coast.

Thomas F. Staley, Senior Partner and a founder of the firm, has assumed the newly-created position of directing partner.

John D. Baker, Jr., formerly managing partner, was named Senior Partner and Robert M. Gardiner, formerly syndicate manager, was named managing partner, succeeding Mr. Baker.

Charles H. Babcock, also a founding partner, has become a full member of the company's executive committee.

High executive changes were also announced for Reynolds & Co., Inc., the company's underwriting affiliate. Frank A. Willard was elected President and Mr. Staley was elevated to Chairman of the board. Mr. Willard was formerly Vice-President and Director and Mr. Staley was President.

Reynolds & Co. also announced that J. D. Penick has been named partner in charge of sales and research.

Bradford W. Fullerton With Rudd, Brod & Co.

WASHINGTON, D. C.—Rudd, Brod & Co., members of the New York Stock Exchange, 734—15th Street, N. W., have announced the expansion of their research and investment advisory service, which will be under the management of Bradford M. Fullerton, who has become associated with the firm.

Mr. Fullerton was associated in New York City, prior to his coming to Washington, with A. M. Kidder & Co., as director of research, and also with the firm of J. S. Bache & Co.

Also associated with the firm as special consultants on investments in real estate are H. Max Ammerman, for more than 25 years as a specialist in real estate law, and Irving S. Lichtman, who is well known locally for his activities in real estate.

Form Horace Mann Inv.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Ill. — Horace Mann Investors, Inc. has been formed with offices at 216 East Monroe Street to engage in a securities business. Officers are Charles Frances, President; L. W. Mimmo, Executive Vice-President; Irving F. Pearson, Vice-President; and Mrs. Edna May Siebert, Secretary and Treasurer.

From Washington Ahead of the News

By CARLISLE BARGERON

Well, a thing that should undoubtedly disturb us during the period of jingle bells, something that gives us sleepless nights, is the question of whether Mr. Eisenhower succeeded in revitalizing NATO. It is strictly an experience in mental gymnastics because it is difficult, cerebrate as we may, to come up with a definite conclusion.


Carlisle Bargeron

What I am trying to say, is just how do you go about revitalizing a thing like NATO? I know what vitality, vitalize and revitalize mean. But as it is being used by the pundits in connection with NATO it sounds like a Madison Avenue term or a Pentagon term — they have come to be one and the same — like "springing into action." We have seen so many office memos saying that in a given case, the staff was "alerted" and "sprung into action," when the staff hadn't got its feet off the table, that it is apparent the English language doesn't mean what it used to mean.

As I hear and read the pundits it was Mr. Eisenhower's job to "revitalize" NATO. Nixon couldn't do it, nobody else could do it. I have seen housewives revitalize plants by giving them water or sun and I have seen doctors get a person back to breathing by administering oxygen.

But to revitalize something like NATO with a speech and with millions of people listening with more interest in whether he is slurring his words than in what he says — to expect him to revitalize it strikes me as an impossible assignment. Yet that is the debate which we must undergo during the season of cheer. I hear one pundit, an obvious Republican, and he says enthusiastically that there is no doubt that Ike did revitalize NATO and that is good for all freedom loving peoples, menaced as they are now by the evildoers. Then I switch the dial and another pundit is not quite satisfied that Ike made the grade. There are some experts who contend that Ike would have been much better in the revitalizing business had he not had his recent attack and as a result now slurs some words. So one doesn't know what really to think.

Has the NATO been revitalized or has it not, that is the question, sort of like Hamlet's To Be or Not To Be.

Being of a provincial mind, not geared to the higher level, abstract thinking, I couldn't see that there was anything wrong with NATO in the first place. There it is, a group of nations committed to a common defense. There was no suggestion that they had become uncommitted but we were told their morale was way down, that they were getting listless in their common purpose. It may be they were not having enough conferences or committee meetings.

It is a fact that the way to keep up a movement—an organization or anything of the kind—is to have frequent conferences and committee meetings, something that will get the men away from home, give them a night out. Another very good thing to do, as all those who make a business of organizing movements know, is to keep adding members to your committees and thereby giving them a feeling of self-importance. There comes a time, of course, when the committees become so big, and so many members attain self-importance, that some of the fellows decide to organize another and smaller movement.

The business of attending conferences and committee meetings, however, is not without its hazards. Only the other night a taxi driver was telling me of his experience. He was active on a committee of the Veterans of Foreign Wars. They used to meet once a week, discuss business for an hour or so and then play poker until three or four o'clock in the morning. He and his wife had developed an industrial restaurant business — that is, they would make up sandwiches and stews, and bake pies and peddle them to certain industries. They had gotten up to making a profit of $200 a week. One night he decided he didn't want to play poker and he left the committee meeting as soon as its business was concluded. Not long, thereafter, he had obtained a divorce.

Nothing like this, however, was the situation with NATO. I hold to the belief, too, that Mr. Eisenhower pepped them up a little. They were waiting to see what Papa had brought them and he told them missiles. They were obviously disappointed at this so he said he was going to increase the lending capacity of the Export-Import Bank whereby some of the peace loving nations can borrow more money and pay it back, maybe, and other nations can borrow more money and pay it back in their currencies.

I can't help but believe that this 'revitalized" or did something to the delegates.

R. B. Walbert Named V.-P. of Blyth & Co.

CHICAGO, Ill. — Richard B. Walbert, in the Chicago office of Blyth & Co., Inc., 135 South La Salle St., nationwide investment banking firm, has been elected a Vice-President, it is announced.

Mr. Walbert, who will continue as Blyth's midwest syndicate manager, joined the firm in 1953 after 18 years with Lehman Brothers.

He is a director of the Bond Club of Chicago and a member of the executive committee of the Central States Group, Investment Bankers Association of Ameria.

Hagberg, Buchanan With Municipal Secs.

DALLAS, Tex.—As of Jan. 1 Manley A. Hagberg and J. D. Buchanan, Jr. will become associated with Municipal Securities Company, First National Bank Building. Both are officers of M. A. Hagberg & Co., Inc., which is being dissolved.

G. M. Greene Opens

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — George M. Greene is conducting a securities business from offices at 348 Lombard Street.

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NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

Francis G. Ross has been appointed an Executive Vice-President of the **Chase Manhattan Bank, New York,** it was announced on Dec. 19 by George Champion, President. Mr. Ross, who continues as officer in charge of the bank's trust department, formerly was a Vice-President.

Joining the bank in 1927, Mr. Ross in ensuing years became a loan officer and also supervised special investments for the bank. Before his appointment as head of the trust department he was in charge of the district group responsible for the bank's business in the Middle West. He was appointed to the official staff as an Assistant Cashier in 1936, advanced to Second Vice-President in 1939 and was made a Vice-President in 1942.

* * *

Arthur Kunzinger, 64, retired Vice-President of the **Chase Manhattan Bank in New York,** died Dec. 16. Mr. Kunzinger began his banking career with the old **Equitable Trust Co.** In 1948 he became the first manager of the **Chase National Bank's** branch office.

* * *

The First National City Bank of New York announced the appointment of George E. Cruikshank, Robert E. Lewis and Norman R. Urquhart as associate economists. All three are with the bank's Economics Department which produces the Monthly Letter on Business and Economic Conditions.

Formerly Mr. Cruikshank was a Senior Analyst, and Mr. Lewis and Mr. Urquhart were official assistants.

* * *

Joseph F. Emmerich and Charles A. Rosebrock, former Trust Officers, have been appointed Personal Trust Officer and Pension Trust Officer, respectively, of **Chemical Corn Exchange Bank, New York,** it was announced on Dec. 19 by Harold H. Helm, Chairman. Emil J. Horn has been promoted to the position of Trust Officer. All are with the bank's Fiduciary Division at 30 Broad Street.

George E. Post and William E. Swinyard, former Assistant Comptrollers, have also been appointed Senior Accounting Officer and Senior Auditing Officer, respectively, of **Chemical Corn Exchange Bank,** it was announced on Dec. 20. Other appointments are: August R. Southworth, Jr. and Nathan Zipperman, Assistant Comptrollers; William B. Beam, Assistant manager, International Division, Joseph F. Benning, Jr. and Donald C. Ryan, Assistant Secretaries Investment Division.

Chester J. Bogen, former Assistant Manager, has been appointed Assistant Secretary. August Di-Paolo and William J. Shepherd have been named Assistant Managers. All are with the bank's Metropolitan Division.

* * *

Alfred S. Mills, President of The **Bank for Savings in the City of New York,** announces that the Board of Trustees has appointed Albert A. H. Bliss a Vice-President and Samuel G. Schnitta, Jr. an Assistant Secretary, effective Jan. 1.

Mr. Bliss celebrated his 40th anniversary with the bank this year. Coming to the bank as a bookkeeper in 1917 he subsequently served as Assistant Comptroller and Assistant Vice-President. Mr. Bliss will continue as Manager of the Third Avenue and 72nd Street Office.

Mr. Schnitta joined the bank in 1928 and has been connected with the Mortgage Loan and Real Estate Department since 1931.

* * *

The Hanover Bank New York announced on Dec. 24 the election as Vice-President of Charles H. Bush, personnel department; Frederick J. Millett, personal trust security analysis; and Arthur E. Quinn, 41st Street branch. All were formerly Assistant Vice-Presidents.

The Bank also announced the appointment as Assistant Vice-President of Milton Bogin, will review and estate analysis; Walter A. Cavanaugh and Gerhard Dreyer, foreign department; James W. Cherry, out-of-town division; John B. Crouch, 34th St. office; Dale Y. Freed, credit department; Donald R. Hassell, public relations; A. A. Macdonald, Jr., corporate trust; William R. Morris, personal trust order department; Alvord D. F. Stearns, security analysis; and Stanley S. Weyant, 41st Street.

* * *

The promotion of four executives of **The Emigrant Industrial Savings Bank of New York City** has been announced by John T. Madden, Chairman of the Board of Trustees of the Bank.

Lester T. O'Connor becomes Vice-President, William J. Blaikie and Arthur J. Voute, Assistant Vice Presidents, and John J. Dowdell, Assistant Secretary.

Mr. O'Connor become associated with The Emigrant Industrial Savings Bank in 1945 and has served successively as Attorney of Record, Assistant Vice-President and as Secretary of the Bank.

Mr. Blaikie, who is active in the Bank's public relations program, joined The Emigrant Industrial Savings Bank in 1940 as a real estate specialist. He has been Assistant Secretary of the Bank's public relations department since 1954 and, as Assistant Vice-President, will continue to be engaged in public relations and promotion.

Mr. Voute, who has wide experience in commercial banking and investment banking, has been with The Emigrant Industrial Savings Bank for 26 years, principally in the bond investment department.

Mr. Dowdell first became associated with the bank in 1940, left to serve with the U. S. Navy for three years, then returned to the Bank, where he has been Assistant Personnel Director since 1954. He will continue to be engaged in personnel work.

* * *

The Dry Dock Savings Bank, N. Y. plans to open their fifth office, Dec. 23, at Seventh Avenue and Thirty-eighth Street. Harry Andrews, Assistant Vice-President will be in charge.

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The Boards of Directors of **J. Henry Schroder Banking Corporation New York** and **Schroder Trust Company New York** have elected Eric F. Lamb as Vice-President, resident in Brazil.

Mr. Lamb has acted as special correspondent in Brazil for the Schroder banks since 1945.

* * *

Union Dime Savings Bank, New York, announces the election of John E. O'Donnell to the new office of Controller. Mr. O'Donnell was made Assistant Secretary in 1954 and Assistant Treasurer in 1956.

Walter A. Harlow has been named Assistant Controller. M. Bernard Cooke and George R. Force have been elected Assistant Secretaries.

* * *

The election of Mary A. Mannix as a Vice-President, Mildred L. Rubenstein as an Assistant Vice-President, and Donald S. Law as an Assistant Secretary of **Kings County Trust Company, Brooklyn, N. Y.,** was announced by Chester A. Allen, President of the bank.

Miss Mannix was formerly Assistant Vice-President.

Mrs. Rubenstein was appointed advertising co-ordinator in August 1956 and will continue in that post.

Mr. Law will continue in the loan and securities department. He has served as President of the bank's Quarter of a Century Club.

* * *

Edward Rasmussen was elected a Vice-President of the **City Savings Bank of Brooklyn, Brooklyn, N. Y.**

* * *

The Long Island National Bank of Hicksville, N. Y. increased its common capital stock from \$1,030,250 to \$1,130,250 by the sale of new stock effective Dec. 9. (Number of shares outstanding — 226,050 shares, par value \$5.)

* * *

Dr. Joseph E. Hughes, chairman of the Board of Directors of **The County Trust Company, White Plains, N. Y.,** announced that the Directors have recommended to the stockholders that a 5% stock dividend be approved for distribution.

Each year since 1952, similar recommendations were made and approved by the stockholders.

The proposal will be presented to the stockholders at their annual meeting, Jan. 15, and if approved distribution will be made promptly on the basis of one new share for each 20 shares of County Trust stock now outstanding.

Dr. Hughes stated that if approved it is planned to transfer sufficient funds from reserves and undivided profits to increase the stated capital funds to more than \$27,000,000.

It was pointed out by Dr. Hughes that any stock dividend will be in addition to the usual cash dividends. Cash dividends have been paid every year without exception since 1904.

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H. Frederick Hagemann, Jr., President of the **Rockland-Atlas National Bank of Boston, Mass.,** announced on Dec. 17 the promotion of Flemming Kolby, Manager of the Foreign Department, to Assistant Vice-President in that department.

* * *

The Board of Directors of the **Fidelity Union Trust Company of Newark, N. J.** announced on Dec. 18 the election of Walter H. Stohl as Vice-President and of Gustav Modersohn, Jr. and Herbert A. Berghof as Second Vice-Presidents. The board also announced seven additional officer promotions and named eight new officers.

Mr. Stohl, in charge of Fidelity Union's Municipal Bond Department, joined the bank as a bond trader in 1947. He was named Municipal Bond Department Manager in 1951 and appointed Assistant Treasurer in 1952 and Second Vice-President in 1954.

Mr. Modersohn started as a Main Office clerk in 1912. He rose to Chief Auditor in 1946 and was appointed Assistant Comptroller in 1948.

Mr. Berghof, in charge of the bank's Central Avenue Office, started in 1918 with the former **Irvington National Bank** where he was Cashier. In 1949, when Irvington National was merged with Fidelity Union, he was named Assistant Treasurer. He was transferred to head the Central Avenue Office in 1956.

Fidelity Union also announced the appointment of Jesse H. Saul, formerly Second Vice-President, as Trust Officer. Elevated from Assistant Manager to Assistant Treasurer are: Harold H. Brittain of the Personnel Department; John J. Corcoran of the Central Avenue Office; William R. Farmer and John B. O'Connell of the Time Sales Department; Paul F. Mallon of the Essex County Office; and Howard A. Seaman of the North Ward Office.

Eight new officers announced by the bank are: Richard D. Weston of the Time Sales Department, appointed to the post of Assistant Treasurer; Harley G. Horner, Jr. and Albert B. Meserlin, Jr. to Assistant Trust Officer in the Trust Department; and Robert S. Blind of the Essex County Office, Albert Hallowell, Jr. of the Transit Department, Berne F. Keppler of the American Office, Salvatore Licordia of the Equitable Office and Samuel A. McKeown of the Credit Department to Assistant Manager.

* * *

Charles F. French, Jr. has been elected Executive Vice-President of **The First National Iron Bank of Morristown, N. J.,** effective Jan. 1, as was announced by Alfred J. Mackin, President.

Prior to joining The First National Iron Bank, Mr. French was a Vice-President of **Manufacturers Trust Company, New York.** He joined Manufacturers Trust in September, 1939. He was appointed an Assistant Secretary in April, 1950, and advanced to Assistant Vice-President in September, 1952. He was in charge of the bank's Central Credit Department for several years prior to 1955, when he was appointed a Vice-President and placed in charge of its business in the Southwestern States.

* * *

The First National Bank of Sayreville, N. J. increased its common capital stock from \$200,000 to \$250,000 by a stock dividend and from \$250,000 to \$300,000 by the sale of new stock effective Dec. 10. (Number of shares outstanding — 12,000 shares, par value 25.)

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Rembrandt P. Lane was elected a Vice-President of the **National Newark & Essex Banking Co., Newark, N. J.**

* * *

By a stock dividend, the common capital stock of the **Peoples National Bank of Laurel Springs, N. J.** was increased from \$225,000 to \$232,500 effective Dec. 10. (Number of shares outstanding — 15,500 shares, par value \$15.)

* * *

Directors of **The Philadelphia National Bank, Philadelphia, Pa.,** elected Paul J. Cupp to the board of the bank, according to Frederic A. Potts, President of Philadelphia National.

* * *

DeHaven Develin, President of **The Bryn Mawr Trust Company, Bryn Mawr, Pa.,** announced that the Board of Directors of the bank has elected Mrs. Mary S. Brady as an Assistant Treasurer and Harold F. Bermel as an Assistant Trust Officer of the company.

Mrs. Brady was associated with **The Bryn Mawr National Bank** for a number of years prior to joining The Bryn Mawr Trust Company when the two banks were merged, effective Dec. 31, 1954.

Mr. Bermel who joined the bank earlier this year, came to the Bryn Mawr Trust Company from the **City Bank Farmers Trust Company of New York City,** where he was a junior executive in the Trust Administration Department.

* * *

Maryland Trust Company, Baltimore, Md., and **Randallstown Bank, Randallstown, Md.,** merged under charter and title of Maryland Trust Company.

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Changes in ranking officer personnel of **The Bank of Virginia in Portsmouth, Va.,** were announced on Dec. 18 by Thomas C. Boushall, bank President.

On Dec. 31 Oscar B. Wooldridge will retire as Vice-President and officer in charge of the bank in this city. Albert C. Bartlett, Vice-President, will advance as his successor and will be a member of the bank's board in Portsmouth. Mr. Wooldridge will continue associations with the bank as consultant and as a member of the board.

Mr. Wooldridge, veteran of 47 years in the business world, has been with The Bank of Virginia since May 1, 1933. He joined the Mercantile Bank in 1913.

He came to what is now The Bank of Virginia in 1933 as an Assistant Cashier. He was elected Assistant Vice-President on March 5, 1937; Assistant Vice-President and Cashier (Portsmouth) on Nov. 24, 1944 (when the bank acquired the Commercial Exchange Bank); Vice-President and Cashier (Portsmouth) on June 8, 1945 and Vice-President on July 12, 1946.

Mr. Bartlett is mayor of Portsmouth and joined The Bank of Virginia as Vice-President on July 16, 1952.

* * *

Richard C. Buell will join **The Bank of Virginia, Richmond, Va.** in the early part of 1958 as Vice-President responsible for Personnel and Customer Relations, according to an announcement on Dec. 20 by Thomas C. Boushall, bank President.

The new officer will come to Virginia from the **Wachovia Bank and Trust Company** where he has been Personnel Director since 1951. He has had broad experience in management development and a varied background of consultant work with large companies, Mr. Boushall said.

* * *

President Francis H. Beam, of **The National City Bank of Cleveland, Ohio,** has announced the retirement of Mr. John M. Storey, who has headed the Bank's Travel Bureau since its establishment in 1936, and the appointment of his successor, Mr. John F. Tyler.

* * *

Chicago National Bank, Chicago, Ill., elected Raymond W. Foote a Vice-President from Assistant Vice-President.

* * *

Herman C. Slocum, Vice-President, and Paul N. Mitchell, Assistant Vice-President of **Harris Trust and Savings Bank, Chicago, Ill.,** will retire at the end of the year under the provisions of the bank's pension plan.

Mr. Slocum, who has been with the bank 42 years, retires as Vice-President in charge of the operating department. He was elected Chief Clerk in 1939, manager of the operating department in 1946, and Vice-Preident in 1947.

Mr. Mitchell has been with the Harris Bank for almost 38 years. He was elected Assistant Secretary in the trust department in 1926 and Assistant Vice-President in 1946.

* * *

Mr. John N. Thornburn, of the law office of E. A. Eklund, has been elected a member of the Board of Directors of the **Uptown National Bank of Chicago, Ill.,** to fill a board vacancy.

* * *

Stockholders of **The Northern Trust Company, Chicago, Ill.** approved on Dec 17 an increase in its Capital Stock from \$9,000,000 to \$10,000,000 and the issue of 10,000 additional shares of stock as a stock dividend. The stock dividend was payable to stockholders of record at the close of business Dec. 17, on the basis of one share for each nine shares held.

* * *

By a stock dividend **The Commercial National Bank in Muskogee, Okla.** increasd its common capital stock from \$625,000 to \$750,000 effective Dec. 10. (Number of shares outstanding—75,000 shares, par value \$10.)

* * *

By a 100% stock dividend the **Branch Banking & Trust Company, Wilson, North Carolina,** in-

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creased its capital from $1,000,000 to $2,000,000. The surplus fund remains at $6,000,000 and the undivided profits figure is approximately $2,000,000. There is no change in the par value of the stock which remains at $5.00 per share. The dividend has been at the rate of 25c per share on a quarterly basis for the year 1957, and an extra dividend of 50c per share was paid on Dec. 15, making a total payment of $1.50 per share on the $5.00 par during the year now closing.

* * *

The common capital stock of **The Headland National Bank, Headland, Ala.,** was increased from $100,000 to $200,000 by a stock dividend effective Dec. 10. (Number of shares outstanding — 2,000 shares, par value $100.)

* * *

At their Jan. 21, meeting, shareowners of record of the **Valley National Bank, Phoenix, Arizona** on that date will be asked to approve a 10% stock dividend recommended by VNB Directors last month.

To be issued on a basis of one share for each ten held, the dividend will represent distribution of 139,000 shares, if approved.

Stock dividends involving a total of 580,000 shares were paid in 1937, 1941, 1944, 1946, 1949, 1951 and 1956. The total represents 41.7% of the 1,390,000 shares currently outstanding.

A memo from President Carl A. Bimson, accompanying the cash dividend checks currently being mailed, notes that the bank plans to open its 50th office in mid-January at 7th Avenue and W. Thomas Road in Phoenix.

In part, the 1958 "new office" timetable is: No. 51—Luhrs Building, spring; No. 52—Yuma, midsummer; No. 53 — Oracle-Grant, Tucson, mid-summer.

Completion of its Yuma office, now under construction, will give Valley Bank at least one office in each of the state's 14 counties. Opening of the Oracle-Grant office will find the Tucson area being served by seven VNB offices.

* * *

Dr. Wilson B. Emery, Vice-President of the petroleum division, was elected to the Board of the **American National Bank, Denver, Colo.**

* * *

By the sale of new stock, the common capital stack of the **First Security Bank of Utah, National Association, Ogden, Utah,** was increased from $6,000,000 to $6,300,000 and from $6,300,000 to $7,000,000 by a stock dividend effective Dec. 10. (Number of shares outstanding—280,000 shares, par value $25.)

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Bank of America, San Francisco, Calif., elected C. M. van Vlierden a Vice-President in the international banking department.

* * *

Royal Bank of Canada, Montreal, elected W. H. Howard a Vice-President.

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Bishop National Bank of Hawaii, Honolulu, elected Dan E. Dorman Executive Vice-President and Director. Desmond Stanley was named Senior Vice-President, and John D. Bellinger, Vice-President-Cashier.

Carl F. Wagner

Carl F. Wagner passed away Dec. 22 at the age of 84 following a long illness. Prior to his retirement he had been head of Wagner & Co., in New York City.

Waldo S. Kendall

Waldo Shaw Kendall passed away Dec. 21 at the age of 80. Mr. Kendall was associated with Chace, Whiteside, West & Winslow. Prior to joining that firm he had been President of Minot, Kendall & Co. of Boston.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market has been backing and filling a bit, but stays close to the highs for the year. It has been waiting for more tangible help from the monetary authorities, supposedly in the form of changes in reserve requirements. When no action is taken by the powers that be along the expected lines, there has been a tendency for quotations to be moved down somewhat. And these price adjustments, which have not been very sharp, have all the appearances of a professional operation.

Year-end adjustments are having some bearing on the market action of Government obligations, but these operations are not nearly as significant this year as they have been in the past years. There is a good demand around for all Treasury issues. The need to replenish liquid positions continues to bring more commercial banks into the market for short-term maturities, mainly Treasury bills, at this time.

Minimum Aid From Federal Reserve

The Federal Reserve System continues to give only a minimum of assistance to the money market, although there is supposed to have been a significant change in monetary policy. The lowering of the discount rate from $3\frac{1}{2}\%$ to 3% by member banks of the system was supposed to have been a signal that the very restrictive money policy of the powers that be had come to an end. To be sure, there has been a very sharp and rapid upturn in the prices of fixed income bearing obligations, and this has been due mainly to purchases of these securities by individuals and institutions.

Some of this rise in prices, too, can be attributed to a mark-up of quotations by professionals. With the cut in the Central Bank rate, money quickly came out of hiding, the available supply of bonds were rapidly absorbed, and prices of these securities continued to go up. All of this took place in the bond market because the psychology surrounding the money market had been changed with the reduction in the discount rate. Nonetheless, there was no help from the monetary authorities in the form of real tangible aid such as sizable open market operations, or a reduction in reserve requirements, which would have increased the supply of money and accordingly eased the money market.

Admittedly, there has been some minor assistance given to the money market by the Federal Reserve Banks, such as allowing the "float" to increase from time to time and in this modest fashion offset in a limited way the tightness that is to be expected in the money market at this time of the year.

Impact of Lower Loan Demand

The decrease in the demand for loans from the commercial banks as well as lessening in the competition for the supply of funds in the hands of other institutional investors, has resulted in more money being put to work in the bond market. As long as business is on the skids, as it is now, there will be a decrease in the demand for funds from this source and the available supply of money will continue to find an outlet in the bond market. At first the largest demand came in the short-term obligations, with the more distant maturities becoming the favorites as non-bank funds were being put to work.

Easier Credit Policy Expected

The business pattern continues to move in a defensive fashion, and there are no indications yet that this downtrend will be reversed in the near future. Because of the uncertain economic picture, it is expected that the monetary authorities will have to take some positive action in the money market in order to help to temper this decline. Easier money rates in the past has been one of the forces that has been used by the powers that be in an effort to curtail the decrease in business activity. There is no reason to believe that it will not be used again this time, so it seems as though the not to distant future will usher in important positive action by the monetary authorities to ease money rates and to make more credit available.

It is the opinion of money market specialists that corporate outlays for plant and equipment in 1958 will decline by at least 10%. This would cut such expenditures from $32 billion to about $28 billion. The reduced demand for funds by corporations will contribute to the downward trend of interest rates. Government expenditures may increase somewhat but it is not expected that Treasury spending will take all of this slack. Accordingly, any reduction in the demand for funds should be favorable to the market for fixed income bearing obligations.

Dominick & Dominick to Admit W. J. Roome II

Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 2 will admit William J. Roome II to partnership. Mr. Roome who will acquire a membership in the New York Stock Exchange, has been with the firm for some time.

Now Douglas Associates

JACKSON HEIGHTS, N. Y. — Douglas Associates has been formed with offices at 33-44 Ninety-first Street to continue the securities business of David Levine. A branch office is maintained at 1182 Broadway, New York City.

Joseph Faroll & Co. to Admit R. B. Stearns

Joseph Faroll & Co., 29 Broadway, New York City, members of the New York and Midwest Stock Exchanges, on Dec. 31 will admit Roland B. Stearns, member of the New York Stock Exchange, to partnership.

Stone & Youngberg Branch

SAN DIEGO, Calif. — Stone & Youngberg have opened a branch office at 625 Broadway under the direction of Charles H. Watt.

Two With First Southern

(Special to THE FINANCIAL CHRONICLE)

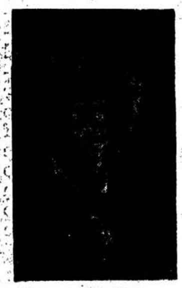
ATLANTA, Ga. — Mrs. Nell H. Allen and Louis F. Henson have been added to the staff of First Southern Corporation, 652 Peachtree Street, Northeast.

Getting Conservative Funds Into Speculative-Growth Stocks

By ROGER W. BABSON

The conservative portfolios in various trusts and plight of small, developing businesses are relatable problems, according to Mr. Babson who would compel trusts to place 10% of their funds in worthwhile speculative-growth stocks listed on the principal stock exchanges. This, the author insists, would help small business and, at the same time, divorce present conservative practices said to be the cause for the downfall of some other countries.

We see much in the newspapers today about the necessity of helping small businessmen. Such a movement was started 40 years ago by a friend of mine, Ernest Gaunt, of Orlando, Florida. It has now grown so that Congressional Committees are studying it.



Roger W. Babson

There are many reasons for the present lack of funds available to small, deserving businesses. One of these may be traced to trustees and conservative investors who buy only the "blue chips," — that is, the 30 Dow-Jones Industrial Stocks. They refuse to buy non-dividend-paying stocks, however bright their future may appear.

This attitude by trustees is especially unfortunate since — for tax and other reasons—so much more money is now being placed in trusts than ever before. Much of this is for charities—such as hospitals, colleges, and churches; but much of it is to protect wives, children, and grandchildren. Hence, great sums are no longer available for risk-growth companies which need them so much.

Trustees Should Be Compelled To Take Some Risks

Every trustee should be compelled by law to put 10% of trust funds into non-dividend-paying companies in growing fields, but with honest and intelligent management. Of course, some of this 10% will be lost; but the risk—in my opinion—is not equal to the risk of buying "blue chip" stocks at present prices.

First-mortgage bonds yielding about 4% to $4\frac{1}{2}\%$ are the favorite investments of such trustees. Certainly, unless bought at a discount, these bonds are not likely to advance in price. Hence, the only way their price can go is downward! I believe there are some good bond purchases now selling at a discount; but even these are no hedge against inflation unless they are "convertibles." Moreover, most of the convertibles are not well secured.

Trustees May Be Unpatriotic

For trustees, banks, or individual investors to "take no chances" seems both unreasonable and unpatriotic. The future of our nation is dependent upon our helping new industries. The present attitude is like a church trying to operate without a Sunday School. This so-caled "conservatism" was the basis of the financial downfall of France, Spain, and Italy. The same "conservatism" is now eroding England.

The great growth of these nations occurred before the invention of Trusts, or Mutual Funds, or Savings Banks, which now seek immediate dividends. Originally, most savings went into new industries such as we would now call "growth speculations." This is the opposite of the policy of the average Investment Fund today, —making it unpatriotic, eventually killing prosperity and stunting economic growth.

How to Pick the Best Non-Dividend-Paying Stocks

A bank or investment trust should employ an Investment Adviser who specializes in the selection of good non-dividend-paying stocks of honestly run companies. These stocks should be bought during the low area of the Business Cycle. This probably means that they should not be bought now. It is also important that not more than 10% of one's funds be put in such speculative-growth stocks, — and that this 10% be made up of stocks of at least ten companies. These should be companies whose stocks are listed on the New York Stock Exchange or on the American Stock Exchange. There are about 350 of these now selling under $5.00. They should go down to $2.50 or less, but then double in price about every five years. I know of no way to double money safely in less than five years. The great factors are TIME and PATIENCE. **I therefore must give readers a warning.**

There is something about oil and mining stocks which entices a person and even "intoxicates" him, like gambling or horse racing. Such "intoxication" has ruined many a family, has caused bank clerks to steal, and has sent some otherwise good men to jail. Therefore, I beg readers, when buying these non-dividend-paying stocks, to stick to the above rules. Insist upon broad diversification and patient waiting. Otherwise, early success may go to your head and result in real trouble. Making money in such stocks is "playing with fire" unless you have real self-control.

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Through films, pamphlets, posters, exhibits and lectures, our life-line of cancer education reaches people in business and industry.

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AMERICAN CANCER SOCIETY

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Achieving Retail Price Cuts When Raw Material Costs Go Down

By PAUL EINZIG

The difficulties involved in achieving lower retail prices as a consequence of lower commodity prices when consumers have more money and are inclined to spend indiscriminately are probed by Dr. Einzig in explaining why British firms do not change too frequently their fair-traded prices. Other reasons offered include foreknowledge that other cost rises will occur shortly and so there is "no point in making cuts now," and that during inflation price-fixing has slowed down price increases.

LONDON, Eng.—The Government's disinflationary drive has entered a new phase. Until recently its aim was merely to halt the rise in prices. But during recent weeks both the Prime Minister and the Chancellor of the Exchequer repeatedly urged business firms to lower their prices. Their main argument was that the decline in the costs of their raw materials during recent months should be passed on to the consumer without delay. In addition they reemphasize the well-worn argument that the consumer should benefit by cuts in costs through technological progress. So far the response to these appeals has been less than satisfactory.

Dr. Paul Einzig

The National Association of Manufacturers issued a statement amounting to a rejection of the appeal. And retail prices of many goods continue to rise day after day. The cost of living index rose another point in November, making a rise of four points over 12 months. There is, of course, always a time lag between the decline in the wholesale prices of raw materials and the decline in the retail prices of manufacturers. The goods manufactured with the aid of raw material bought before the decline of their prices have to be sold at the existing prices. Most firms have fairly substantial supplies of raw materials, so that it may take months before manufactures produced with the aid of cheaper raw materials emerge from the pipeline. In the meantime increase in the cost of transport, fuel and above all labor, are liable to offset and more than offset the decline in the cost of raw materials.

This is what has been happening, to some extent at any rate, during recent months. In a large number of instances manufacturers anticipate further wage increases which will necessitate an increase in the selling price of their manufactures. They feel that there would be no point in making cuts now only in order to make increases in a few months time. In particular they are naturally anxious not to change too frequently the retail prices of nationally advertised goods. So in face of the decline in their cost of production with cheaper raw materials, they adopt an attitude of "wait and see."

Although the initial response to the Government's plea has been negative, the idea behind the new effort is decidedly sound. It may contribute to some extent at any rate towards discouraging employers from granting wage increases. Their appeal to the unions in favor of wage restraint had a distinctly hostile reception, but employers have more reason than trade unions for responding to exhortations by a Conservative Government. And even though it would be too much to expect industrialists and merchants to carry their political sympathies so far as to renounce a substantial part of their profits in response to the Government's appeal, possibly to some extent they may harden in face of wage demands in order to avoid at any rate, further increase of their prices.

Fair Traded Prices

Restrictive practices under which manufacturers can force retail merchants to abstain from cutting the prices of their products have come in for a good deal of renewed criticism under the influence of the Government's new campaign. It is pointed out that recent legislation while outlawing collective restrictive practices has reinforced restrictive practices by individual firms. It has become much more difficult for trade associations to impose and force resale price maintenance but resale price manintenance adopted by each individual firm for its own products, has now become enforceable by law courts. It is argued that this has reduced considerably the chances of price cuts resulting from competition between retailers.

During the prolonged period of a non stop inflation re-sale price maintenance has undoubtedly tended to slow down the rise in retail prices rather than accentuate it. Since retailers were under obligation to sell the goods at the prices fixed by manufacturers, they were prevented from taking advantage of inflated demand and of temporary shortages in supplies by raising their prices above the figures stipulated by their suppliers. The manufacturers themselves were reluctant to change too frequently the prices thus fixed. Any change in the prices was a major operation and it was worthwhile for producers to cover out of profits some increase in their costs rather than resort to price increases too soon after the previous increases.

If and when the trend of retail prices should turn, re-sale price maintenance will become an obstacle to the desired downward adjustment. Precisely because manufacturers want to avoid too frequent changes, they will maintain their prices at the higher level until the decline in the costs has become relatively substantial and until they have become reasonably certain that the trend will not be reversed. Should there be a downward trend of prices the Government is bound to be pressed to act on its own exhortation by removing this obstacle to prompt price reductions.

Blames Consumer

However, the main obstacle to price reductions is the feeling that the consumer is both able and willing to pay the higher prices. In order to be effective the exhortations should be addressed, therefore, to the ultimate buyer without whose cooperation the campaign cannot possibly be successful. The root of the trouble is that the lower income groups, having more money than they ever had before, are inclined to indulge in indiscriminate spending. Unless and until they can be persuaded to resist price increases by refusing to buy the goods whose prices are raised, it will be very difficult to induce manufacturers to cut their prices in spite of the decline in the cost of raw materials. They will continue to prefer to use the amounts saved on raw materials for conceding further wage demands. The ultimate remedy lies in the hands of the consumers.

Continued from first page

As We See It

to measure defense adequacy by the amount of money that is spent in its name. To most of these it would be a matter of small concern if as a consequence of huge outlays in the name of defense, large deficits were to accumulate during the next year or two. In point of fact, it often appears that these groups think that better political ammunition is provided if huge debts are incurred for such purposes. It is believed to lend an aura of "boldness" to the matter and thus tends to "catch" the imagination of the voter.

Makes Extravagance Easier

Such attitudes of mind make it all the easier, of course, to insist upon the continuation—to say nothing of enlargement — of various nondefense programs which ought by all rules of logic and good management to be put aside to make way for what has to be done in the way of more adequate defense. The President has spoken of distasteful tasks ahead of eliminating or greatly reducing some programs now under way or being planned in the name of social welfare. Whether distasteful to him or not, he is certain to find that such proposals will be vigorously, even violently, opposed by many politicians in an election year for members of the House and a third of the members of the Senate. Franklin Roosevelt and his New Deal started a good many things, unfortunately, which are not and will not ever be easy to get rid of—and it is precisely this type of program which ought now by all means to be put aside.

Advocates of spending recklessly are being reinforced already by the threat of a resurgence of the popular notion that deficit spending is greatly to be desired in and of itself whenever there is a downturn or a threat of a downturn in the rate of business activity. Even with such reduction in business volume that has already occurred, a good deal is being heard about the "need" for government action under the so-called full employment act —which in ordinary language almost always means the spending of huge funds not raised by taxation but largely through the banks. A further deterioration in the business situation—and the approach of next year's Congressional election—could hardly fail to stimulate the growth of such demands. Road building, school construction, subsidization of home construction, defense, farm subsidies, and the Lord knows what else, offer ready fields for such procedures.

To those who have their head set upon such policies, it us usually quite futile to point out that mammoth programs of this sort which were to banish the depression of the early 'Thirties failed miserably of its objective and that it was only the outbreak of World War II which brought that disastrous economic period to an end. The ideas of Keynes and his followers made a deep impression upon the minds of the public, and even upon the minds of many professional economists. There are plenty of the latter around to this day ready to step into the limelight again whenever the situation seems to encourage it. Without doubt, any major worsening of the current situation, or even a much longer continuation of it, will bring them out in numbers. Their influence will be the greater if, as many believe, the long continued rise in prices has come to an end.

Readjustments Painful

The adjustments really necessary to bring a recession or depression to an end are always painful and certainly quite unpopular. They are especially difficult to achieve at the present time since so large a proportion of required adjustments involve concessions by monopolistic labor unions controlled by labor politicians who neither wish nor dare to suggest such adjustments. This issue is currently pointing itself up in connection with the policy of the giant unions with reference to demands for higher wages and less work during the coming year. No one can hope that there will be great willingness to consider lower wages or more production to get things moving again in such industries as the automobile, steel and other giant industries.

One can be almost as certain that should unemployment increase in the months ahead as a result of insistence upon unreasonable rates of pay matched by indifference to improved production, a strong movement among politically powerful labor unions will develop demanding action by the Federal Government involving the expenditure of large sums of money. In the building trades, where high costs have long been a deterrent, resistance to steps needed to get activity going again on something approaching a sound basis is stubborn indeed—and will inevitably lead to increased political pressure for further and more liberal subsidies.

There will as always be ways and means of camouflaging some of the fiscal folly proposed—and this adds to the danger. No one can say even at the present moment precisely what the financial position of the national government is. Future demands of social security are not easily calculated, and such estimates as exist are not understood by the rank and file—and are neglected by all. Various guarantees, insurance schemes and the like will involve a great many billions in the future. We shall have to be both alert and courageous if we are not to spend ourselves weak.

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Economic Instability: Two Areas of Possible Dangers

duction at higher costs than the market justifies, and when all of them do it together, they realize unanimously that the mistake has been made, and they are stuck. They holler for help and want the government to "do something."

We may draw a simple analogy. A man comes into a cold room and starts a fire in the fireplace, then leaves. A few minutes later, someone else comes in, notes the discomfort of the room and the fire just beginning to get going, and he adds fuel to it, then leaves. A third man comes in, observes that the room is cold and clammy, though actually it is warmer than it was, and he adds still more fuel, and then he too departs. When the first man comes in again, the fire has had a big start, and it is now roaring, and the room is uncomfortably hot. Too much fuel was added too soon. So it is with business. Consumers are clamoring for goods at a certain time. Business men tumble over each other to scramble for the necessary manpower and resources to satisfy their demands. They bid up the prices of the resources and the wages, and add to their productive capacity at a feverish pace. Meanwhile, there is no apparent letdown in demand; consumers cannot get enough. But the increased supply is slow in coming at first, then it increases a little. Then comes the deluge, and the market will not take what is offered at the prices the business-men expected to receive. They have overextended themselves, and liquidation, often at great loss, with many bankruptcies, is the only solution. It is difficult to see how stepped-up government spending can correct the malallocation of resources that has come about, but government is appealed to to step up its expenditures, in what is likely to be a futile attempt to do so.

During the depression of the 1930's, people did without because they did not have the money to buy what they needed, or at least, when they wanted. Then came war, with facilities given over as much as needed to war production. Meanwhile this war production generated purchasing power that simply accumulated in financial institutions and savings bonds, because the things which people wanted were not available, at least in the durable goods and construction categories. Then, when the war was over, this pent-up purchasing power flooded onto a market which could not supply in short order all the things which people had wanted for years and now had the money to buy. It was inevitable that prices would go up. And it was inevitable too that it would appear that demand was insatiable, and to satisfy that demand, more had to be invested in increased capacity.

We have heard about the needs of a growing and expanding economy. People cannot talk enough about that. What we will need by 1960, by 1970, by 1975, by any date you want to select, rolls glibly off the tongues of political and business leaders, statisticians, and assorted other groups of human beings. The men have been coming into the room and putting on more and more fuel as if they couldn't possibly get it hot enough. And now it is so hot, that many are wondering what is to be done.

What About Future Needs?

But the problem does not end there. Business men who pride themselves on being hardheaded and realistic have set their heads aside on the bar and have gone all-out for more productive capacity when everywhere around there is evidence that capacity is greater than the market can take care of now or in the foreseeable future. With overproduction **at present prices** unmistakably appearing in steel, aluminum, cement, machine tools, heavy construction equipment, machinery, durable appliances, autos, textiles, metals—does this complete the list?—they go on and on planning for more factories. Houses are being built in greater amounts than can be sold **at present prices.** And attempts are made to resuscitate the industry by unwisely l o w e r i n g downpayments and other devices. Then one business man remarks to me, "But what about the needs of the 1960's." What about them indeed?

We are fulfilling the needs of the year 1957 now. The allocation of human skills and of material resources will be different in the 1960's than it is now, and he who goes on and on planning for the 1960's when 1957 will not take off his hands what he can produce is indeed inviting trouble. Of course, a steel plant takes millions of dollars to build and a long period of time. Moreover, a new steel plant should be planned very carefully, because once established, it is sunk capital which cannot be used any other way except scrap. And big companies like the steel companies must plan for several years in the future. But when they have more capacity now than they can use, it is folly to go on enlarging output for the 1960's. The 1960's will take care of themselves.

High Priced Expansion

However, criticism of business does not end here. At a time when the prices are about the highest they have ever been, business men use stockholders' and bondholders' and bankers' funds to invest in plant and equipment which must be written off out of profits over coming years. If they pay too high prices for what they buy, they are not husbanding the resources of the companies they lead. They can be accused of recklessness, for paying too much for too much can lead a company down the road of insolvency. What kind of sense of responsibility do business men have now when they go recklessly on paying high prices for more capacity, when what they have is more than adequate, and consumers are showing reluctance to s p e n d enough to take off the supplies coming onto the market?

It may be said that a great part of the new investment is not for expansion, but for cutting costs by installing labor-saving devices. True, but the stuff has to be paid for, and if the consumers don't want to pay for it by buying the goods, the labor-saving devices are very very expensive indeed. However well-intentioned, a firm heading towards bankruptcy is still heading for bankruptcy. And if bankruptcy is not the final result, impaired financial strength will be the lot for many companies now looked upon as being as solid as a rock. It is a well known fact that the liquidity of industrial firms as a whole is being more and more impaired. Is it unreasonable to ask this question: Is it not possible that this period is witnessing the greatest irresponsibility of business leaders in our history?

But this is not the only score against them. The kind of conduct that is now going on is the kind that intensifies seriously the business cycle of boom and bust. For a period of time, business men cannot get enough resources and labor and they bid up the prices and wages, in the mistaken notion that they must do everything now. Nothing can wait. Then when they discover simultaneously that they have all overdone it, disaster strikes. They have encouraged labor to work for high wages, and working men everywhere have bought home, car, durable household appliances, furniture, baby, and mother-in-law on the instalment plan. Demand slacks off, and overtime is reduced or eliminated. Then four days rather than five are worked, and maybe three. For some there is unemployment. One week's reduced paycheck may be embarrassing. A week's paycheck missed may be more than embarrassing. Three weeks of missed paychecks for some are disastrous. If this becomes general, depression settles on the land, as repossessed goods add to the overproduction of new ones. Disagreeable as depression is, with all its distress and heart break, it is the way by which adjustments are made, as malallocated capital is corrected, labor is shifted from where it is not wanted to where it can be used, and costs and prices are brought down and brought into new alignments. And business men are contributing measurably to this situation by their irresponsibility.

Labor Irresponsibility

However, business men's irresponsibility is matched and even more than matched by that of labor union leaders. The unions demand more and more and still more, and they get it. There isn't a business man or even a group of them big enough, strong enough, or with guts enough to stand up to a labor union and say, No, you will not get an increase in wages this time. Where in the textile industry, some reductions have been made, this was because of sheer necessity, but not because any managements with good business had the nerve to stand up and say, No further increases, and make it stick. Managements have blandly yielded and passed the increases on to the public, as if the public would willingly stand by and take anything business and labor want to foist upon the people. Escalator clauses and automatic wage increases aggravate the situation. So do the productivity increases. Only the productivity increases are not that at all. They are increases that go beyond the increasing productivity, and simply increase costs further.

The matter of productivity increases needs to be thoroughly reexamined. Here, from one point of view at least, the business leaders are surrendering what they have no right to surrender. Think for a moment what this process is. Management discovers ways and means of cutting costs. This is a management function. The company, meaning the security holders, puts up the money out of new money raised or out of profits of the past. New equipment is purchased, or new ways of doing things are discovered, and the reward is cheaper costs and greater profits. This reward is passed on without a single protest to the working men. One need not be callous towards working men to say that this is the group that least deserves it. In the first place, there is no sure way of estimating increased productivity. It is not steady, and it varies widely from company to company and industry to industry. Yet the unions get it in advance, and even get more than the increase in productivity. It is also unfair to working men. For where the productivity increase is greatest, and the men get it, they are building up a concentration of economic power and income. If they get only the productivity increase, they are taking it away from the stockholders. If they get more, as many do, they are taking it away from other workers, who must pay higher prices because of it.

Unjust Distribution

Moreover, the benefits accruing to labor are very unevenly distributed among the working men, regardless of whether they come in the form of automatic pay increases, escalator clauses, or productivity increases. These things have to be paid for, and the ones that get the most must get it from others. Those who get none of these things bear the heaviest burdens, such as those on pensions and other fixed incomes. Those who get some of these benefits but not the most are better off than those on fixed incomes, but not so well off as those whose economic power is greatest.

However, there is another reason why handing over productivity increases to the working classes is unjust. A productivity increase brings an advantage to the group that enjoys an increase in productivity, but that advantage is likely to be only temporary. No firm has a monopoly on brains, and just as sure as someone finds a way to increase efficiency, another in another company comes up with another good idea. Competition enters into the picture, and the prices of the products involved fall, or, if prices are rising, they rise less rapidly. Actually, productivity some time gets back to the consumer. A lot of rubbish is talked about administered prices. But even administered prices are subject to competition, though not as flexible as nonadministered prices. Administered prices must show flexibility in time, and productivity helps to bring about this flexibility. But when the increase is passed on to labor unions, stockholders, management, and consumers are deprived of what is justly theirs.

The whole labor situation needs to be reexamined, not just the dirty part now being so pitilessly portrayed in Washington. That is enough of a disgrace. But as a movement arises out of a felt need, and it brings little by little the remedies that are evolved, conditions change. The under dog becomes top dog and inflicts on the new under dog as distressing indignities as the former under dog suffered. It is time that someone can cut through the cliches, slogans, half-truths, misrepresentations, and lies that have encumbered the movement of organized labor. It is time to realize that the arguments against unions are as cogent and compelling as those in favor of them. But there is no one in the United States today that dares defy them by coming out and presenting those arguments.

The most that is done is to chip away at the edges, without ever getting to the heart of the matter. And business men, who are so capable in selling their products, are completely incapable of opposing the steadily increasing demands of unions. Indeed, business men are quite incapable of defending the capitalistic system that has actually brought us the highest standard of living in the world. If socialism finally undermines the capitalistic system, it will be due to the failure of business men, not to do business capably, but to present it capably in the world of ideas, to the American people. And their abject helplessness in the face of demands from union leaders is only one facet of this incompetence.

Need Not Mean Inflation

However, it is a mistake to conclude glibly that because of escalator clauses, automatic increases, and productivity increases, which simply must be paid for by the consumer, that we are in for steadily mounting inflation. We may be in for that, but not necessarily so. There is good reason for thinking we will not suffer this way, but only under one assumption, namely, that the amount of money in circulation, including bank deposits, does not increase substantially. This assumption is valid now. The amount of purchasing power is not increasing very much now, nor is the velocity of circulation increasing substantially. Then, if this holds, the rise in prices will level off, and perhaps cease. Perhaps declining prices will be observed.

Here is the reason: As the price level rises, many find their incomes increasing faster than the price level, because of these productivity, automatic, and escalator increases. They are better off. Those whose incomes increase in proportion are holding their own. But there are people, probably a large majority, who find that their incomes do not increase as much as the price level rises, or do not increase at all. They are forced out of the market, little by little, restricting purchases a bit here, a bit there. As this process goes on, more people find they cannot buy what they want. And finally this brings the price-wage spiral to a halt.

As wage earners will not take a decrease in wage rates, they are forced to take it in the form of decreased pay for fewer hours worked, and some find complete unemployment. So the gains of labor turn out to be unemployment, bitterness, distress, and a conviction that the capitalistic system has broken down. It hasn't broken down, it has simply tried to correct the excesses, and left alone, it will do it. Meanwhile the economy slows its pace and those who are always prating about the expanding economy and its needs are nonplussed. The economy will expand when goods and services that people want are offered at prices people can afford to pay or want to pay, and when business men and labor leaders forget this, they are inviting trouble. The reason this has not shown up before is the fantastic rise in borrowing, especially the instalment plan purchases, and the acceptance of the false, fraudulent, and utterly indefensible notion that unlimited credit as a new way of life will insure prosperity forever.

It would be wise for business men, labor leaders, bankers, and government officials to ponder the fundamentals of these things more thoroughly than they seem to be doing.

H. Hentz Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—George P. Dotzler is now associated with H. Hentz & Co., 9680 Santa Monica Boulevard. He was formerly with E. F. Hutton & Co.

With Counselors Manage't

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Thomas H. Dobson is now affiliated with Counselors Management Company, 606 South Hill Street. He was previously with Dean Witter & Co.

E. F. Hutton Co. Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Roger E. Dore has been added to the staff of E. F. Hutton & Company, 623 South Spring Street.

E. Townsend Irvin

E. Townsend Irvin, limited partner in Shearson, Hammill & Co., passed away Nov. 19.

Frederick P. Kimbley

Frederick P. Kimbley passed away Dec. 21 at the age of 50. Mr. Kimbley was associated with Shearson, Hammill & Co., New York City.

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Continued from first page

Investment Opportunities In Missile-Rocket Industry

by at least $1 billion (40%) in the next fiscal year and double or triple within the next five years, the impact promises to increase. Some idea of the nature of this growth can be had from the following Air Force figures which appeared last summer. Assuming a constant Air Force budget of about $7 billion, missile expenditures on air frames in 1960 will be 460% greater than in 1956. Air Force expenditures on engines (missile and aircraft) will be down by 33%, to $1 billion and expenditures on electronics (missile and aircraft) will double to $1.3 billion. In the engine category, the loss, of course, will be in turbojets with ramjets and rocket motors up substantially. It would not be unreasonable to assume that current planning, post-Sputnik, will result in an acceleration of missile growth and, perhaps, an increase in the eventual level of expenditure as well. Defense Department thinking last summer, for example, was in terms of an eventual choice between the Jupiter and the Thor—rather than the production of both, as has just been ordered.

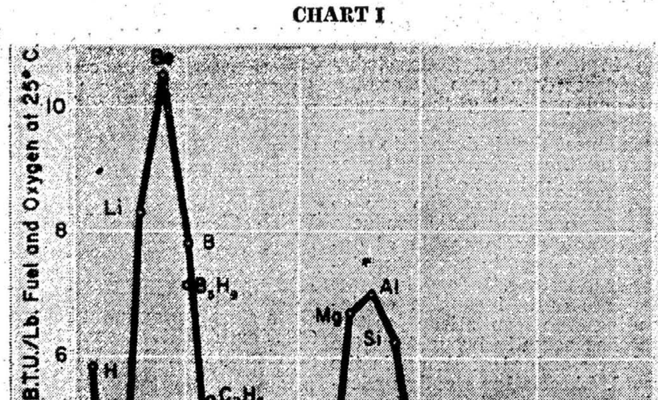
Commercial Development and Sale

In any event, it seems perfectly clear that a good deal of growth is still ahead in the field of rockets and missiles. We must note, however, that virtually 100% of the output of this industry goes to one customer—the United States Government. Just why a nonmilitary commercial market has not yet developed in this area is not clear. The September issue of **Astronautics** contains an article by Edward Pendray entitled "When Will Rockets Go Commercial?". Mr. Pendray points out that in a survey he made 10 years ago 83% of the rocket leaders interviewed said they expected development within a decade of major nonmilitary industries in this area. That this has not happened might be attributable to the phenomenal growth of the government's demand—a difficult thing for the commercial enterpriser to compete against. When men and materials become available, however, there are a variety of commercial uses of rockets which are even now possible on the basis of knowledge developed within the past 10 years. Mr. Pendray has thought of 24 such uses of which he lists 10. In the interest of space I will restrict the list even further by mentioning only five of the more promising: transmission of mail and express; rockets to gather such information as weather data and pollen counts; passenger rocket aircraft traveling over 2,500 miles per hour; space flight; and drilling, boring and cutting of rock with the use of jets. The fact that the rocket and missile industry is presently a government affair is, therefore, not an immutable one. Moreover, there is considerable advantage for the eventual commercial application of rocketry in having the early development paid for by the government.

If, then, one wishes to invest now for the space age which is opening up before us it becomes necessary to invest in companies whose space-age operations, at the present time, are immediately or ultimately for the use of the government. However, one can dilute whatever risk this may entail by choosing companies whose space-age operations are only a part of their total activity. Of course, participation in the growth which is now taking place will also be diluted. Ideally, some balance between the two should be sought.

Another characteristic of the missile-rocket industry which the investor should keep in mind is that—despite its enormous growth of the past few years—it is still a small industry. American Telephone's gross revenues in 1956, for example, were more than twice the total sales of the entire missile industry. Therefore, though A. T. & T. is active in missile electronics, it is not likely to show an important change in its earnings as a result of this work. More promising investment opportunities must be sought among smaller companies.

CHART I



Heat of combustion of various compounds vs. atomic number of principal element

INDUSTRIAL AND ENGINEERING CHEMISTRY

Reviews Contractors

Smaller than A. T. & T. but still sizable are the major aircraft manufacturers with sales running in the neighborhood of $1 billion per year. In this group one can include North American, United Aircraft, Boeing, Douglas, General Dynamics and just a bit lower in sales, Lockhead. Of this group, however, only Lockhead, Douglas, North American and General Dynamics have important positions in the ballistic missile field, which now constitutes half the government program in missiles and which will probably grow in importance. General Dynamics is the prime contractor on the Atlas, Douglas on the Thor and North American makes the powerplant for the Atlas, the Thor and the Jupiter. Lockheed is the prime contractor on the Navy's Polaris. If we examine the other major contractors in the ballistic missile program we find that they are all outside the aircraft industry as we usually think of it, with the exception of the Martin Company. Martin is the prime contractor on the Titan, an ICBM which was started after the Atlas and uses somewhat different principles. Of the other contractors in the ballistic missile field, Aerojet-General is working on the powerplant for both the Titan and the Polaris. General Electric and Burroughs are doing the guidance for the Atlas and the Polaris. Arma, Bell Telephone Laboratories and Remington have the guidance on the Titan, and Ford Instruments (Sperry-Rand) on the Jupiter. AC Sparkplug and Bell Telephone Laboratories are doing the guidance on the Thor. And, finally, Chrysler Corporation is the prime contractor on the Jupiter.

I have taken some trouble to review these contractors with information which is general knowledge, because it points up another interesting aspect of the missile industry. The missile industry is not identical with the aircraft industry and much of the work in the missile field is being done by companies whose main interests have little to do with aircraft or missiles. The list of contractors in the ballistic missile field contains only one company which started out as a rocket company and has done very little outside that field during its entire existence. That is the Aerojet-General Corporation, now the largest corporate unit wholly in the missile field whose stock the investor may purchase. This company has grown in recent years at a rate almost as startling as that of the missile industry itself. In 1950 its sales were $10 million. In 1957 (its year ended Nov. 30) sales were approximately $162,000,000. While General Tire owns about 87% of the stock of Aerojet, there are now about 50,000 shares in the hands of other investors. This number will be increased to 500,000 when the stock is split ten for one sometime in the next 10 months. An interest in Aerojet can, of course, be had by purchasing General Tire stock. While the latter can be purchased on a more favorable price-earnings basis, the investor must decide for himself how much he thinks General's other activities will dilute the rapid growth of Aerojet.

Anti-Missile Missiles

Thus far I have concentrated attention on the ballistic missiles because they seem to be the important offensive weapons of the future and will absorb a major portion of missile expenditures. One should, however, not overlook the defensive guided missiles designed to stop enemy aircraft and perhaps, eventually, enemy missiles. The most significant of these are the Army's Nike-Hercules and the Air Force's Bomarc. The former is produced by Douglas with assistance from Western Electric and Bell Telephone Laboratories. Thiokol makes the powerplant. The Bomarc is a Boeing job with two ramjet engines made by Marquardt and a booster by Aerojet. Electronic equipment on the Bomarc is by Remington Rand and Farnsworth Electronics. Boeing received a contract in August in the amount of $139,300,000 for the production of the Bomarc. Last week the Air Force was authorized to acquire land for Bomarc sites. It is worth noting that while the Bomarc contract is not without importance even to so large a company as Boeing, its impact on Marquardt will be far greater. Marquardt's sales, which were $23 million in 1956, will probably be more than twice that in 1958 and then really begin to expand in 1959. Little is known about the Air Force's anti-missile program labeled "Wizard" other than that General Dynamics and RCA are working on its development.

Marquardt's story, and even more the story of Aerojet-General, emphasize the advantage of the small, specialized but highly competent company in an expanding field. Far behind Aerojet in sales, but coming up rapidly, is the Thiokol Corporation which specializes in the solid fuels. Some of the best scientific opinion now holds that solid fuels can be made to do anything liquids can and do it better. To put it very briefly, solids never packed much of a punch compared with liquids. But now several new developments have changed the situation. We are learning to make more reliable solids by increasing the size of the grains, the payload which they need to carry has been reduced in size, and the solid fuels can be "souped up" with new additives. Callery, for example, is developing a boron-based solid fuel. Of the ballistic missiles currently being developed or produced, only the Polaris started out as a solid fuel rocket. As you will recall, its powerplant is to be made by Aerojet. The newspapers on Dec. 4 reported, however, that new versions of the Thor are being designed to use solid fuels. Many feel that the ICBMs may eventually be made to use solid fuels. Aerojet and Thiokol are the leaders in solid fuel rockets. Thiokol has seen a rapid growth in its sales—from $13.5 million in 1955 to $21 million in 1956. In 1957 Thiokol did $20 million in the first nine months.

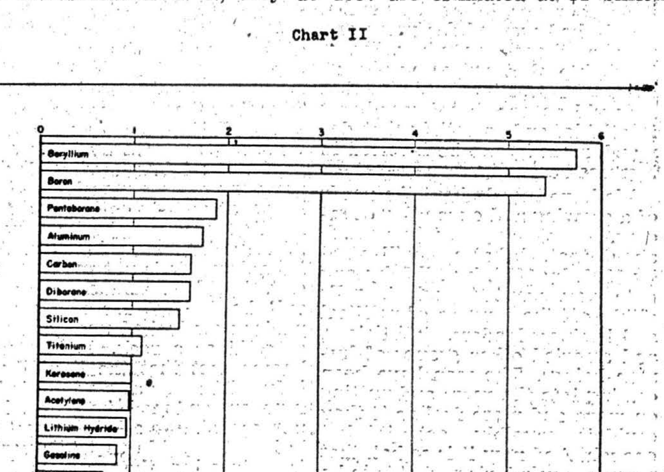
Up to this point the powerplant business has consisted largely of North American's Rocketdyne division in the liquid field, Thiokol in the solid field and Aerojet in both, smaller than Rocketdyne in liquids and larger than Thiokol in solids. Aerojet and Thiokol both have the great advantage, at this point, of lack of diversification—i. e., they do not participate in the shrinking aircraft industry. For them the growth in their rocket business will be a net increment.

Electronic Guidance Systems

Turning from powerplants to electronic systems we find again that the bulk of the guidance work is in the hands of large corporations whose major interests are elsewhere. General Motors, American Telephone, General Electric, Sperry-Rand and RCA, along with the somewhat smaller Burroughs Corporation, have the bulk of the guidance work in the ballistic missile field. Then there are a great number of subcontractors making some one or more specific components. General Funk recently estimated that in the ballistic missile field alone there are more than 200 subcontractors. Many of these companies have had a rapid growth and many of them have excellent technical competence. I need hardly add that many of them have brought large quantities of both sorrow and joy to their stockholders in the past year. At current levels there are unquestionably numerous bargains to be found among these companies.

The electronics end of the missile business has attracted a great deal of attention for several reasons. Most important is that it absorbs the largest part of missile expenditures. Estimates for 1957 indicate that about $1 billion will have been spent on electronics out of a total of about $2.5 billion on missiles. Secondly, the more enterprising manufacturers of aircraft electronics — already faced with a declining market for their products — are anxious to shift into missile work. Similarly, aircraft producers faced with the same problem are covetously eyeing the missile electronics field. North American, General Dynamics and Boeing are in it and Lockheed has announced its intention to go in. Even the automobile people have moved in. Ford with its Aeronutronic Systems division and General Motors with its AC Sparkplug division are at work. Chrysler, prime contractor for the Jupiter, is said to have its eye on the electronics business too. Finally, the rapid growth of electronics has provided an attractive field for the enterprising electronic engineer who has a bright idea and doesn't want to share it with Howard Hughes or some large company. Clearly the woods are getting somewhat crowded. Nevertheless it is also obvious that the field will continue to grow and that some companies will prosper. I should add that while expenditures on missile electronics in 1957 are estimated at $1 billion,

Chart II



RATINGS of various possible fuels in terms of a performance index which is the product of the fuel's available energy per pound and the available energy per gallon divided by that product for kerosene

SAE Journal, August, 1957

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it is also estimated that another $890 million will have been spent on communications, radar and test equipment. The latter category, however, is not generally included under missiles.

Some of the larger companies like General Electric and Burroughs should receive a noticeable amount of business from the missile program and so should IBM. Among the smaller companies I shall have to leave you to choose your own among such as Litton Industries, Beckman Instruments, Ampex, Consolidated Electrodynamics, Cook Electric, Eitel McCullough, Perkin-Elmer, Varian Associates, Electronic Associates and Sanders Associates. The last, as you know, has a system known by the intriguing name of "pulsed Doppler." I can tell you little about this beyond the fact that it is a radar system and seems to have application to the problem of guiding an anti-ICBM missile, obviously an important problem.

Specialties

I do know something about an interesting electronics company in my own back yard. That is the Applied Science Corporation of Princeton. This company was one of the first to enter the telemetering field—it did so in 1946, taking over a telemetering system pioneered by Princeton University, and taking over some of the personnel too. In the past ten years sales have grown from $20,000 to $3.5 million in 1956. This year the company did $4.3 million in the first nine months. The defense cutback last Summer slowed sales in the third quarter. With the steam turned on again, however, it looks as if the rapid rate of growth will be resumed next year. The company sells only on a fixed price basis and its profit margin has been running around 6% after taxes—6.1% last year. It participates in the Thor, the Nike-Zeus and the Vanguard programs by providing telemetering equipment. Incidentally, I might add that 75% of airborne telemetering equipment is non-recoverable. Telemetering has obvious commercial applications, being useful in any circumstances where one needs measurements but where one cannot approach to get them in a conventional way. The largest stockholder in ASCOP is the Electric Bond & Share Corporation which holds over 46,000 shares.

Another company which doesn't fit readily into the basic categories of the missile program is the Ramo-Wooldridge Corporation—about half of whose stock is owned by Thompson Products. The only avenue of participation here is through Thompson Products. Ramo-Wooldridge has the job of supervising and coordinating the Air Force program in the field af ballistic missiles, supervising the development of the Thor, Atlas and Titan. The company has very high technical competence and its revenues have been growing at a rapid rate. When one can participate in a company like Ramo by buying stock with a growth record and a management like Thompson's, I see no need for the investor to hesitate.

This is about all I shall discuss on the subject of missiles and rockets, for I wish to turn to the subject of high-energy fuels which, strangely enough, is not unrelated to missiles and rockets. At the same time it is necessary to point out at the outset that the high energy fuels developed by Callery Chemical and Olin Mathieson are said to have been designed primarily for jet engines such as those to be used on the new bomber, the WS 110, development of which has been in

Continued on page 24

TABLE I

More Money for Missiles

Government Expenditures in Millions of Dollars

	1958 (est.)	1957 (est.)	1956
Total	2,370	1,852	1,449
Research & Development	331	346	280
Procurement	2,039(2,646)*	1,506(2,300)	1,169(?)
Army:			
Research & Development	87	109	112
Procurement	562(425)	425(?)	333(?)
Navy:			
Research & Development	168	146	95
Procurement	264(428)	221(352)	195(238)
Air Force:			
Research & Development	76	91	73
Procurement	1,213(1,793)	860(1,948)	641(700)

*Figures in parentheses represent new obligational authority as opposed to expenditures. SOURCE: "Jet Propulsion," March, 1957.

TABLE II

Who's Making What for U. S. Missile Program

This table gives a picture of the extensive and varied nature of the large and still-growing missile industry. It is offered as a guide to show the relationship of some major contractors to particular projects and to each other. It is not intended to be a complete and comprehensive listing. Much of the work is still classified, and the relationship of many companies to the program, while vital, is nevertheless too indirect to be noted here.

Company, Project, and Remarks

ACF INDUSTRIES, INC.
SIDEWINDER: Development of guidance and control system
BOMARC, REDSTONE: Design, development, and prototype fabrication of safety and arming devices

AEROJET-GENERAL CORP.
BULLPUP: Solid propellant engine TITAN, THOR: Powerplant research & develop.
POLARIS: Major contractor BOMARC: Liquid propellant booster

AEROPHYSICS DEVELOPMENT CORP.
DART: Prime contractor

AMERICAN BOSCH ARMA
TITAN: Development of inertial guidance system

AMERICAN MACHINE & FOUNDRY CO.
TALOS: Subcontract from RCA for launchers NIKE: Accessory power drives
ICBM, IRBM: R & D on auxiliary power units

AVCO MANUFACTURING CORP.
FALCON: Supplies components TITAN: Nose cone development

BALDWIN-LIMA-HAMILTON CORP.
POLARIS: Contract for ship motion simulator

BELL AIRCRAFT COMPANY
RASCAL: Research and development contract
REGULUS I, REGULUS II, ATLAS: Radio equipment under subcontract

BENDIX AVIATION
TALOS: Prime production contract

BOEING AIRPLANE COMPANY
BOMARC: Prime contractor

BRIDGEPORT BRASS COMPANY
ZUNI: Rocket motor tubes SIDEWINDER: Motor parts

BURROUGHS CORPORATION
ICBM, IRBM: Data processing system for Air Force ballistic missile program

CHANCE VOUGHT AIRCRAFT, INC.
REGULUS I, REGULUS II: Prime contractor

CHRYSLER CORPORATION
REDSTONE: Prime contractor JUPITER: Research and development contract

CONVAIR DIVISION OF GENERAL DYNAMICS
ATLAS: Development contract for airframe and airframe components
TERRIER: Prime contractor TARTAR: Engineering and production contract

COOK RESEARCH LABORATORIES
IRBM: Research on re-entry problem
ICBM: Research and development on testing inertial guidance systems

DOUGLAS AIRCRAFT COMPANY
NIKE-HERCULES: Missile, airframe and launching components
THOR: Development contract NIKE-AJAX: Airframe
HONEST JOHN, DING-DONG: Prime contractor

EASTMAN KODAK
DOVE: Prime contractor

ELGIN NATIONAL WATCH COMPANY
SIDEWINDER, SPARROW: Timing mechanisms NIKE: Safety and arming devices

EMERSON ELECTRIC
LITTLE JOHN: Research and development work

FAIRCHILD ENGINE & AIRPLANE CORP.
PETREL: Prime contractor
GOOSE (or BLUE GOOSE): Development; reported to be prime contractor
Also has Army R & D contract for drones

FIRESTONE TIRE & RUBBER COMPANY
CORPORAL: Prime contractor

FOOD MACHINERY & CHEMICAL CORP.
THOR: Development of ground handling equipment HAWK: Transporter
Company also produces hydrogen peroxide and UDMH for missile program

FREUHAUF TRAILER COMPANY
MATADOR: Launching equipment

GENERAL ELECTRIC COMPANY
SIDEWINDER: Guidance and control systems
POLARIS: Major contractor; development of fire control and guidance systems
ATLAS, THOR: Nose cone development ATLAS: Guidance system

GENERAL MOTORS
MATADOR, SNARK: Turbojet engines—Also has contract for support facilities for ballistic missile program

GILFILLAN BROTHERS
CORPORAL: Guidance system

GOODYEAR AIRCRAFT CORPORATION
NIKE: Boosters

GRAND CENTRAL ROCKET COMPANY
DART: Solid propellant motor

HERCULES POWDER COMPANY
HONEST JOHN: Solid propellant motor

HICKS COMPANY
TERRIER: Boosters

HUGHES AIRCRAFT
FALCONS: Prime contractor

INTERNATIONAL TELEPHONE & TELEGRAPH CORP.
LACROSSE, TALOS, BOMARC, METEOR, RASCAL, SPARROW: Company reports only that it is working on these systems

INTERSTATE ELECTRONIC CORPORATION
POLARIS: Described as major contractor by government

KELLETT AIRCRAFT CORPORATION
NIKE: Subcontract from Douglas

LOCKHEED AIRCRAFT CORPORATION
POLARIS, X-7, X-17: Prime contractor—Engaged in 15 separate missile projects

MARQUARDT AIRCRAFT COMPANY
BOMARC: Ramjet engines

MARTIN COMPANY
LACROSSE, MATADOR: Prime contractor
TITAN: Contract for design, testing and fabrication

McDONNELL AIRCRAFT CORPORATION
TALOS: Ramjet engines QUAIL: Research and development contract

NORTH AMERICAN AVIATION, INC.
TITAN: Subcontract for ground equipment from Martin
ATLAS: Liquid propellant engines

NORTHERN ORDNANCE, INC.
TERRIER: Launching system

NORTHROP AIRCRAFT, INC.
HAWK: Principal subcontractor SNARK: Prime contractor

PAN-AMERICAN WORLD AIRWAYS, INC.
Runs Patrick AFB missile center for Air Force

PHILCO CORPORATION
SIDEWINDER: Guidance and control systems

RADIO CORPORATION OF AMERICA
TALOS: Ground guidance radar system—Runs missile test range at Patrick AFB under subcontract from Pan-American

RAMO-WOOLDRIDGE CORPORATION
ATLAS, TITAN, THOR: Systems engineering and technical direction for Air Force ballistic missile program

RAYTHEON MANUFACTURING COMPANY
HAWK, SPARROW III: Prime contractor

REPUBLIC AVIATION CORPORATION
ATLAS: Nose cone subcontract from General Electric

RYAN AERONAUTICAL COMPANY
FIREBEE: Prime contractor CORPORAL: Rocket motors

RHEEM MANUFACTURING COMPANY
SURVEILLANCE DRONE: Army contract

RADIOPLANE COMPANY
TARGET DRONES: Army contract XQ-4: Air Force contract

SPERRY RAND CORPORATION
TITAN, THOR: Guidance systems SPARROW I: Development and production

TEMCO AIRCRAFT CORPORATION
CORBUS: Development contract

THIOKOL CHEMICAL CORPORATION
X-17, LACROSSE, NIKE-HERCULES, FALCON: Solid propellant motors
MATADOR B: Booster HAWK: Contract for R & D work on solid propellant unit

UNITED AIRCRAFT CORPORATION
SNARK: J-57 engine

WESTERN ELECTRIC COMPANY
NIKE-HERCULES: Prime contractor NIKE-ZEUS: Development contract

WESTINGHOUSE
POLARIS: Contract for experimental launching system

SOURCE: Astronautics, September, 1957.

TABLE III

High Performance Propellants

Oxidant	Fuel	Specific Thrust lb./lb./sec. (20 atmos. to 1 atmos.)	Volume Specific Thrust lb./unit vol./sec.	Combustion Temperature T°C.
Liquid fluorine	Liquid hydrogen	400 (50 atmos.)	43	3,600
Liquid fluorine	Liquid hydrogen	370	38	3,100
Liquid ozone	Liquid hydrogen	385	96	2,300
Liquid oxygen	Liquid hydrogen	360	90	2,300
Liquid oxygen	Boron	330	455	3,000
Liquid fluorine	Hydrazine	320	350	4,450
Liquid oxygen	Diborane	310	340	3,600

SOURCE: Humphries, John. Rockets and Guided Missiles, Macmillan Co., 1956

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Continued from page 23

Investment Opportunities In Missile-Rocket Industry

the hands of Boeing and North American.

Firms in High Energy Fuels

Coming back to high energy fuels, however, the most advanced variety is essentially a combination of hydrogen and boron. The old hydro-carbons — or hydrogen and carbon compounds—have not been able to give the power that is required. Aerodynamic engineering has gone about as far as it could to increase speed and range through aircraft design. Any further push has to come from the fuel. The possible alternatives to hydro-carbon fuels have been known for a long time. The research program in this field has been going on in this country for at least ten years, under government sponsorship. When the Navy and the Air Force both decided to let contracts (to Olin and Callery) in 1956, a choice had clearly been made. As a matter of fact, the field of possible choice was small.

If you will examine Chart II you will find that the most attractive element to combine with hydrogen would be beryllium. But it is too scarce and too toxic. One of the requirements of a new fuel is adequate supply since vast quantities may be used eventually. Hydrogen alone is, of course, best in terms of heat content (see Chart I) and there are unlimited supplies of that. However, despite recent announcements about containing parahydrogen in Dewar flasks in a liquid state, there are still three main drawbacks to the use of hydrogen. First, its density as a liquid is only 0.14 which, from a practical point of view means that it would occupy an enormous space. "Fortune," in a recent article on fuels, estimates that one pound of liquid hydrogen would take up ten times as much space as one pound of gasoline. The result is a low thrust per unit volume as can be seen in Table III. Secondly, a significant part of the high heat content of hydrogen is lost in the shift from ortho to para form. Finally, the equipment needed to keep the hydrogen liquid is bound to be heavy and cumbersome — hydrogen's boiling point is minus 423 degrees, F. Lithium is another alternative nearly as good as boron in many ways but not as plentiful and more expensive. Other light elements such as aluminum and magnesium are also possibilities but again, not as satisfactory as boron.

There is no particular reason why you should accept the opinion of an economist and investment counsellor on the highly technical subject of rocket fuels. Therefore I should like to refer to the following more competent opinions:

(1) Writing in "Industrial and Engineering Chemistry" for April, 1957, Mr. R. A. Carpenter, of the Midwest Research Institute, describes the desirable characteristics of liquid rocket propellants. According to Mr. Carpenter, "the graph on fuel-oxygen," a copy of which is found in Chart I, "shows that the ultimate chemical fuel probably will be a compound of hydrogen with one or more of the light metals." Then he goes on to say that of the possibilities among the light metals, "only compounds of hydrogen and boron meet the tests of desirable characteristics, properties and availability."

(2) In June of 1957 "Jet Propulsion," the journal of the American Rocket Society, published a review of the fuel situation entitled "Gasoline to Kerosene to 'Zip' — With Energy Calling the Signals." "Zip" is the name the Navy gave to its boron fuel program. The article concludes with the following statement: "But it seems evident that the big push in propellants in the foreseeable future will be in the boron-hydrogen combinations where all desirable characteristics of a fuel can be found: high energy content per unit weight and per unit volume, easy handling and low cost."

(3) Finally, I should like to refer to an article by Mr. Hugh Harvey of the Shell Oil Company which appeared in the "SAE Journal" for August, 1957. The article is based on a report to the Executive Committee for the April 1958, National Aeronautic meeting. Mr. Harvey computes his own performance index for fuels on the assumption that both weight and volume of the fuel are important. The result is shown in Chart II. As Mr. Harvey points out, "It is immediately apparent that, on this basis of evaluation, beryllium and boron are outstanding performers." He then goes on to point out that beryllium is not suitable as a fuel and that boron is.

Developing Boron Fuel

At any rate, the boron fuel was chosen and Olin and Callery are now in the process of building $36 million plants which will be completed by 1959. These are not pilot plants. Pilot plants are in operation now. However, they are small plants in terms of eventual requirements which could develop. "Fortune" estimates that when the new plants are completed in 1959 total output of boron fuels will be such that four days production would be needed to fill the fuel tanks of one B-52. Obviously, these plants will be producing test quantities only. Considering that the fuel could provide our bombers with more than half again as much combustion energy as JP4 we might want to move somewhat faster. We shall still have to rely on the bomber for a while and that increase in energy will enable the bomber to do any of the following: fly at 60,000 feet instead of 40,000; go 5,000 miles instead of 3,500; fly six hours instead of four; or fly at Mach 3 instead of 2.5. As to the usefulness of the new fuels, NACA announced last month that it had successfully flown them in both turbojet and ramjet engines. Flying the new fuels in a turbojet is a real achievement since the fuels had been causing trouble by coating the blades.

But while new boron fuels have been designed for jet engines, there is every reason to suppose that boron will be the initial answer to the rocket problem too. High heat content and low molecular weight of the exhaust gases make boron superbly suited to this use. One can only guess what is happening in this field since security restrictions prevent the dissemination of reliable information. The absence of such information, of course, has led to endless rumor. The fact of the matter seems to be that chemical fuels will be with us for quite a while still — until some more advanced form of propellant such as atomic energy can be developed — and that boranes are the most promising of the new high energy chemicals. As one scientist put it, all we need to do is look at the periodic table.

Investing in the boron field is a complicated matter because of the number of companies and the rapidly changing technology. Olin and Mine Safety Appliance and Gulf Oil all have an interest in producing the new jet fuels. Gulf owns 25% of Callery, useful for a foothold, perhaps, but unlikely to affect Gulf's earnings for a long time. Mine Safety has the other 75% of Callery and other business as well. Olin's fuel business is not likely to affect its half billion of sales for some little while, though the company has stated publicly that the fuel business could reach a level of $1 billion in 10 years (to be shared, of course, with other companies). Waiting anxiously in the background to enter this field are a combination of American Potash, Food Machinery and National Distillers and, it is rumored, Aerojet. Others will doubtless appear the next time contracts are up for negotiation. This end of the business is and will become more competitive. There is also the risk that a competitor will develop a better fuel or a better and cheaper method of producing the boron fuel. At the present time, Callery and Olin are both sure that each has a better method than the other.

Intermediate Chemicals

Moving down the line a bit are the companies that produce intermediate chemicals for making the fuel. The chief among these are Stauffer, which produces boron trichloride, and Metal Hydrides which produces sodium borohydride. There are two risks here. One is that methods will change and one or both of these chemicals will be eliminated. The other is that Olin or Callery will make the intermediate themselves. The latter is not likely to happen to Metal Hydrides since they are working on a Navy contract in a Navy-built plant. If, on the other hand, sodium borohydride is eliminated in the processing, Metal Hydrides feels it can sell to industry cheaply enough to dispose of the output of this plant on a commercial basis. I might add that the cost of sodium borohydride is undergoing an enormous reduction through quantity production. Metal Hydrides should earn about $2 per share next year and is selling at $15.

Another company which probably should be classified with these producers of intermediates is Salem-Brosius. Salem has had a small order to provide Olin with boron trichloride but this is not the significant aspect of that company. What is of much greater interest is the Metal Chlorides company in which Diamond Alkali recently took half of Salem's interest. Metal Chlorides has developed a high temperature process for chlorinating ores which can be adapted to producing boron trichloride at a cost approaching a small fraction of the current cost under the carbide process. The same chlorination can be applied to other ores including zirconium, chrome, rutile, and lithium. The Metal Chlorides operation could add significantly to Salem's earnings which are now derived from the construction of steel furnaces and materials handling equipment and for 1957 should be in the neighborhood of $2.50 per share. This stock, listed not too long ago on the American Stock Exchange, and about 50% of which is owned by management, is now trading at $17 per share.

Borax Production

The safest investments in the boron fuel picture, however, are in the production of the raw material —borax. Here there is little reason to be concerned about competition or the development of new methods of production. At the present time the borax industry produces in the neighborhood of one million tons per year. Estimates of the annual output that will be required when the fuels come into general use run to several times that. Whatever growth does come from the new fuels—and none of this has been felt as yet—it will come on top of a doubling of output over the past 10 years and will probably coincide with a considerable new demand based on boron polymers which hold out high hope for products which can withstand temperatures several hundred degrees higher than presently known products can take.

Exclusive of its use in fuels and boron polymers, borax now has over one hundred industrial uses which absorb the output of the industry today and which promise to continue to grow. Backstopped by the promised growth in the polymers, it would not take too many years for borax output — even without the fuel business— to reach a level which could justify present prices of borax stocks. Therefore it would appear that there is relatively small risk in these stocks even at present prices which seem high in terms of current earnings.

But consider, too, the supply situation in the borax field. There are only three companies in this country that produce any borax. There are only four companies in the free world that produce any significant amount of it. In the United States we have the U. S. Borax and Chemical Corporation, American Potash and Stauffer producing roughly 65%, 25% and 10% of our output. Outside the U. S. there is only Borax Holdings, Ltd., which used to own all of U. S. Borax and now owns 75% of it. Between them, Borax Holdings and U. S. Borax own 90% of the known world reserves of borax. The lowest cost production of borax comes from U. S. Borax's mine at Boron in the Mojave desert of California. This is a high grade deposit of sodium borate which is mined in a new open pit which went into operation a few weeks ago along with a new refining plant. These improvements were made at a cost of $20 million and increase the company's capacity by 30%. They were designed, however, to make possible further substantial increases in capacity at minimum cost.

American Potash and Stauffer both get their borax from the brines of Searles Lake. The government has been doing considerable work in this area to develop additional reserves. Moreover, the companies can, by selective drilling, pump up brines with higher borax contents if they wish to increase borax output. Both American Potash and Stauffer have been more active in the boron chemical field than U. S. Borax, though the latter is beginning to be more active with a new research laboratory at Anaheim. As already noted, American Potash is working on fuels and may some day be a major factor in this field. The same potential exists in Stauffer though they are probably not so far along. Stauffer also owns the huge Anniversary mine in Nevada, a calcium borate deposit which, along with similar deposits in Death Valley, has not been economical to operate since U. S. Borax's deposit in the Mojave came into production about 1930.

Lithium's Prospects

American Potash has another string to its bow in the missile field. It is one of the major producers of lithium. The latter material has already had as phenomenal a growth as borax promises to have in the future, but the growth in lithium shows no sign of abatement in spite of a weird temporary situation which looks like overcapacity and really isn't so far as any of the economic effects of overcapacity are concerned. I won't go into that now because it takes too long to explain. But lithium is generally thought to be of importance at both ends of the missile—in the warhead and in the propulsion. For one thing, lithium metal is used in the production of the boron fuels. For another, lithium perchlorate promises to be a very satisfactory oxidant in solid fuels. As you know, rockets carry their own oxygen supply and in solid rocket fuels the oxidant is built right in. At the present time ammonium perchlorate is widely used, but lithium perchlorate may have some advantages.

Having gotten into the field of lithium we can hardly afford to neglect the Foote Mineral Company which was one of the pioneers of lithium. Recently Foote formed a company together with Hooker Electrochemical to make perchlorates. Hooker is already a producer of ammonium perchlorate and this business will go into the new company along with Foote's developmental work on the lithium perchlorate.

There is much more than one could say about the missile and rocket field but space is running out and I have probably written too much already. I beg your forgiveness if I have not mentioned companies or areas which the reader considers really important. The ramifications of the missile field are enormous and take one into technical areas where a poor economist can only struggle to obtain some superficial understanding. I have tried, therefore, to stick to things I know something about, and these, of course, are the ones which have looked most exciting as I have worked in this area over the last few years. If you go away with some general idea of what the industry looks like, where it leads one, and where to find your own means of participating in the space age, my purpose will have been accomplished.

In concluding may I point out that investing for the space age can be done with any degree of risk which one wishes to assume. One can take a flyer in the little company with nothing more than a new radar device said to be capable of tracking Mr. Khrushchev himself. Or one can invest in established companies with a strong and stable business outside the missile-rocket industry but a good chance of building up substantial business in that field as well. In between there are all sorts of gradations. With careful analysis, constant study, and unending watchfulness—plus a little bit of luck—some of us may find the General Motors or the Jersey of the space age.

Rejoins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James A. Terrell has rejoined the staff of Paine, Webber, Jackson & Curtis, 626 South Street. Mr. Terrell has recently been with First California Company.

With Wm. R. Staats

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert E. Hambly is now affiliated with William R. Staats & Co., 640 South Spring Street. He was formerly with J. Logan & Co.

Joins Walston Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — H. Theodore Birr, III, has become associated with Walston & Co., Inc., 265 Montgomery Street. Mr. Birr was previously with First California Company, Inc.

With Holton, Hull

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Leland G. Ryan and Alan D. Selditch have become affiliated with Holton, Hull & Co., 210 West Seventh St., members of the Pacific Coast Stock Exchange. Both were previously with Gill-Harkness & Co.

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Broadening the Market for State and Municipal Bonds

of last year's total. While this is likely to create the impression of a diminishing future supply of tax-exempts, it should be remembered that many issues, not requiring voters' approvals, are under contemplation and will swell the voted totals. In fact, a very substantial public power revenue bond deal is presently under negotiation and may be marketed in the immediate future. The amount is reputed to run as $250,000,000. Besides such outsize financings, there are the hundreds of smaller issues for schools and various other public purposes that will attain substantial proportions.

Foreseeable Future

As long as our population multiplies and demands an ever-increasing variety of governmental services, there is little likelihood in the foreseeable future of any impressive reduction in the amount of municipal financing. That is, unless an all-out expanded defense program necessitates curtailment of all but the most urgent of state and municipal requirements.

What effect did this enormous demand for capital funds by our local governments have on the municipal market? At the beginning of the year the Bond Buyer's index of long-term municipal bond yields averaged 3.23%. Almost immediately an upward trend developed extending into April when that index reached a 3.06% level. Within a month a sharp drop occurred and by May 2 the index figure had reverted to the January level of 3.23%. Thereafter a further decline set in reaching the lowest point of the year on Aug. 15 at 3.57%. Subsequently that market bound upward again, continuing to date, with the index, as of Nov. 22, at 3.33%.

Although this huge amount of municipal bond issues was underwritten and distributed during a saw-tooth type of market, it was not accomplished without repercussions. On more than one occasion, after bonds had been offered for sale, the issuers withdrew them or rejected all bids, hoping to sell them at a more favorable rate later on. Underwriters, too, were plagued with problems of heavy inventories, fluctuating markets, and resistance on the part of investors. At times market conditions required consolidating forces to enable submitting a bid in order to underwrite some of the larger issues that were offered. While the higher interest costs were distasteful to the issuers, the attractive re-offering yields were enticing to investors.

An unexpected and electrifying development occurred after the closing of the markets Thursday afternoon, Nov. 14, when the rediscount rate was lowered ½ of 1%, to 3%. Prior to that action all sections of the market were glutted with slow moving inventories, price cuttings, and a generally dismal outlook. But by the opening of business the following morning, the situation had changed radically. A resurgence seldom witnessed in the municipal market took place and an exuberance caught hold. As if by magic, balances of issues disappeared, prices were higher, and, most important of all, investment demand seemed insatiable. Following the lowering of the rediscount rate were other announced implying further easing of credit. With the improved market and restored confidence, dealers began to anticipate no difficulty in successfully underwriting new offerings. In many quarters there is an optimistic feeling that still higher bond prices are in prospect for the immediate future.

Toll Road Bonds

Following the war years, a new type of municipal bond held the spot-light for a while with several billions having been distributed. What has happened to the former glamour bond of municipals, the toll road bond? In 1954 an all-time record issuance of almost $7 billion in public securities was established, and turnpike issues made up 27% of that figure. For the third consecutive year they have not been a significant factor in the total volume of new municipal financings, as most of the larger projects have already been negotiated. The depressed market on them has also been a stumbling block obstructing new undertakings. Furthermore, the unfavorable record on some of those ventures has dimmed expectations for financing any new facilities, at least in the days immediately ahead. Until market conditions for the class of bond become brighter and a material improvement in operations is evidenced, the probabilities of any substantial amount of those bonds reappearing is somewhat remote.

As mentioned heretofore, revenue bonds accounted for 25% of the total volume during the first 10 months of 1957. Utilities, i.e. electric and gas, together with roads and bridges, and water and sewers, comprise the principal purposes for which they were issued. It is recognized generally that the motivating factor for the issuance of revenue bonds has been largely an avenue of escaping existing limitations on the creation of bonded indebtedness. However, selling revenue bonds may have been the only way a political subdivision could procure a needed facility. After reviewing the record for the past 10 years, it is obvious that they have become a permanent component of the financing structure of our local governments. Unless debt limitations are liberalized, in conformance with current economic demands, revenue bonds probably will account for a considerable share of municipal financing.

Interstate highway construction, authorized by the Federal-Aid Highway Act of 1955, continues to forge ahead. As of Oct. 1 Federal Aid projects costing over $2 billion were under way. You will recall that this program for new highways and highway improvements is planned over a 13-year period. Total cost is estimated at $27.5 billion, with the Federal Government supplying 90% of the funds. Non-Federal highway projects by the States and municipalities will account for additional construction, rehabilitation, and improvements, amounting to several billions of dollars.

During the earlier months of the year, when Congress was in session, proposals were introduced for Federal aid to education to meet the shortage of schools. The strong opposition to Federal encroachments stressed that school problems are State and local problems and should be resolved at that level. It was clearly portrayed that no basis existed for Federal intervention unless a State was financially unable to educate its own children. The States Rights protagonists won a satisfying victory in their defeat of the Federal Aid proposal.

Further testimony of the ability of State and local governments to finance their school needs was revealed between Oct. 1, 1956 and Sept. 30, 1957, when they sold $2,216,363,000 of bonds for school purposes. That sum, together with revenues derived from other than bond sales, was estimated to provide in excess of 100,000 class rooms. It would be imprudent to state that this has entirely solved the school question. Nevertheless, it clearly illustrates what can be accomplished when local governments utilize their capabilities. This is even more decisive when it is realized that the per capita Federal debt now stands about $1,621, whereas net long-term debt for the states is $65.00, and the local average is $191.00.

Broader Market Needed

Our modern age of nuclear power, jet planes, 375-horsepower motor cars, together with the host of other demands for a higher standard of living exerts pressure on our governments to provide new and expanded conveniences and services to accommodate those ends. As most of them generally require huge immediate cash outlays, the only alternative for our public bodies is to go to the market place for the funds. The increasing volume of those issues creates the problem of broadening the market for that category of investment paper. Authoritative sources estimate that state and local bond issues may triple within 10 years, requiring raising as much as $16,000,000,000 annually. Ascending yields on municipals have attracted some new outlets for them, but are not necessarily the complete solution as a substantial amount of the savings in this country are not as yet invested in municipal bonds.

Several interesting concepts have been offered for consideration to widen the market for municipal bonds. President Eisenhower stressed the urgency of the situation, back in 1955, when he suggested that Congress enact legislation for the establishment of special investment funds. The proposal would permit formation of ordinary management investment companies for the purpose of passing on income, as exempt, if obtained from state and municipal bonds. This idea was immediately tagged as the "conduit theory" of tax exemption.

Another possibility proposed the utilization of the fixed trust principle, where no continuing management is involved beyond the original investment. When any securities are sold out of the particular fund, payment is made to the certificate holders, unless provision for refunding was provided. It is reported that application for registering such a trust has already been filed with the Securities and Exchange Commission.

H.R. 8702 was introduced in Congress last July by Representative Curtis from the State of Missouri. That bill was conceived with the "conduit principle" of preserving and passing on the tax-free interest on municipal bonds as it passes through the investment company to the shareholder.

Less than a month ago an announcement was made of the formation of The National Committee for municipal Bonds, Inc., composed of 16 prominent officials of State and local governments and professional organizations for the specific purpose of aiding State and local governments in their financings.

This committee's primary aim is to open a wide investment area for tax-exempt bonds by attracting those investors who now have little incentive to include them in their portfolios. Before this can be accomplished some revision of the Federal tax statutes will be necessary. Consequently, the committee is urging support of Representative Curtis' bill. If enacted, private and public investment companies would be able to distribute on a tax-free basis the income received from tax-exempt securities. Should this take place the committee visualizes a broad increase in the demand and marketability of municipal bonds. Naturally, the outcome is unpredictable, as the passage of the legislation is subject to Congressional action. However, there is not the slightest doubt the proposal will raise provocative questions. Foremost among them is the possibility of endangering the present tax-exemption status of municipal bonds. Concern is also being expressed about reactivating the opposition to the tax-immunity principle which has been strongly upheld by the courts to date. Some highly interesting sessions can be anticipated if and when hearings are held on this proposal.

In May, the Treasury Department ruled that income from tax-exempt securities would not be held taxable under present Federal tax laws if received by a trustee of redistributed to holders of certificates **in a liquidating or fixed trust.**

Another bill, sponsored by five Democratic Senators, to authorize banks to underwrite and deal in revenue bonds was introduced earlier in the year. In context it was similar to previous bills. This legislation has broad support among State and municipal authorities, a swell as their representative organizations. The principal opposition to it is centered among some investment dealers. The bill was referred to the Senate Banking and Currency Committee and it is hoped that they will consider it at the next session of Congress.

Whether or not any of these proposals, or others, are eventually adopted, they recognize the perplexity of the situation involving the distribution and orderly marketing of an increasing volume of public bond issues.

Perhaps of more immediate significance toward the broadening of the market for tax-exempt bonds was the liberalization last July, by the Comptroller of Currency, of some of the regulations concerning investments in revenue bonds by national bank and state bank members of the Federal Reserve System. Although quite lengthy, the revised regulations provide, in essence, that certain heretofore ineligible special revenue obligations, "possessing a high degree of credit soundness," may be considered to constitute investment securities for banks.

The Municipal Securities Committee of the Investment Bankers Association of America also proposed consideration of this subject at the recent annual convention of the Association. Their approach is from the standpoint of inaugurating an educational advertising campaign to acquaint the investing public with the relative merits and security of municipal obligations.

Commercial Bank Holdings

The total non-Federal public debt outstanding at the beginning of this year aggregated $49,161,000,000. Of that total, the insured commercial banks in the country owned $13,139,189,000. As a group, the commercial banking system retains its position as the second largest holder of public bonds. A tabulation of the holdings of obligations of States and political subdivisions of the 100 largest banks in the United States reflected a decline of only 1.5% in those bonds. A nominal decrease, indeed, when considered in the light of loan demands, tight money conditions, and other factors that were prevalent in the period through Sept. 30. Actually, those banks increased the amount of their holdings of those securities in the third quarter of this year by almost 4%. It is also noteworthy that 99 out of the 100 largest banks held municipal bonds in their investment accounts. The ratio of those bonds held to the total assets of individual banks ran from as low as ½ of 1% to a maximum of approximately 13.5%. Dollarwise, the smallest holding was $2.9 million and the largest approached the $685 million mark.

While it is quite evident that 1957 to date has been a most active and trying period for tax exempts, the prospects for the next few months are encouraging.

With the lowering of the rediscount rate and potential easing in credit restrictions furnishing the impetus for improvement in bond prices, the market approaches the year end with more confidence than has been exhibited at any time during the preceding 11 months.

The 30-day visible supply of municipal bond offerings has diminished materially, contributing to the present firm undertone and brighter outlook. Some quarters are forecasting a rise in prices of as much as 50 basis points during the next several months. This may be over-optimistic in view of the authorized but unsold issues standing at the $3 billion mark. The improvement in the bond market is apt to influence many governmental agencies to re-enter the market with issues previously withdrawn.

Without a doubt, widespread activity can be counted upon and a higher price level seems realistic during the early months of 1958.

APPENDIX

Yield Range Municipal Bonds

Rating		Due 1962	1967	1972	1977
AAA	*November, 1957	2.55%	2.75%	2.85%	2.95%
AA	*November, 1957	2.77	2.98	3.09	3.17
A	*November, 1957	3.07	3.39	3.55	3.68
BAA	*November, 1957	3.18	3.59	3.74	3.85

*As of November 25, 1957.

Bond Buyers Municipal Averages—(Long-Term Bonds)

First Week in:	1957	1956	1955	1954	1953
January	3.23%	2.56%	2.38%	2.54%	2.40%
July (a)	3.57	2.61	2.53	2.40	3.04*
November	3.43	3.08	2.45	2.33	2.64
November 29	3.27				

(a) As of August 15, 1957.

*Federal Reserve policy changed June, 1953, to ease money market.

Floating Supply of Municipals

(000's omitted)

Beginning of Month:	1957	1956
January	$132,364	$250,311
April	250,567	264,845
July	163,807	273,662
October	156,261	140,076
November	170,361	267,145
*November 15	308,742	

*As of November 29, 1957.

30-Day Visible Supply Municipals

(000's omitted)

Beginning of Month:	1957	1956	1955
January	$405,227	$203,052	$326,882
April	467,522	198,434	283,545
July	298,333	219,487	440,640
October	446,884	230,575	155,142
November	469,240	172,066	411,957

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Canadian Business Outlook Now and Years Ahead

have been maintained but have not been an expansive force.

Our experience in the export market demonstrates the economic benefits accruing from investment in resource industries. The flow of capital into the development of industrial raw materials is now paying substantial dividends. In the current year to date there has been a sharp drop in wheat and flour exports and a significant reduction in such items as grains, planks and boards, copper, lead and zinc. The decline in these items has been offset by increases in other exports, including petroleum, nickel, iron ore and uranium. Truly, we have many strings to our export bow.

Handicapped as they are by the premium on the Canadian dollar, our export industries have done a marvellous job. In the export field, as in all fields of business, one of the hazards is the credit risk. We, of course, have the Export Credit Insurance. This has been helpful but a real problem exists where the exporter is asked to extend unusually long-term credit. There have been several instances where inquiries for capital equipment have had to be turned aside. Even assuming Export Credit Insurance is available there remains the problem of long-term credit and the resulting paper can hardly be regarded as an ordinary banking proposition. One solution might be to make rediscount facilities available to the chartered banks in respect to long-term export credits, or to have the Government or the Bank of Canada do the necessary financing. In any case, the problem is deserving of serious study.

Foreign investors continue to demonstrate their faith in the future of the Canadian economy. Though it has been apparent since early in the year that the boom has run its course, the inflow of foreign capital has continued. In fact, it has increased. This explains the persistent strength of the Canadian dollar.

As we approach the end of the year, one's thoughts naturally turn toward 1958. As I said earlier, the state of the economy remains healthy. The boom has come to an end but on balance the indications are that the economy will continue to move sideways.

1958 Prospects

Prospects are that the capital investment programme in 1958 will be about the same as in 1957. Many of the large projects such as the St. Lawrence Seaway and the trans-Canada gas pipeline remain unfinished and subsidiary projects are likely to develop. Residential construction is on the rise again and it would not be surprising if we witnessed an expansion in capital spending by secondary industry. Throughout most of the postwar period new capital investment has been an expansive force. In the coming year it is likely to play a stabilizing rather than an expansive role.

As our 1957 experience indicates, some export industries have been adversely affected by declining prices, and a decrease in demand. However, our total exports have been well maintained and prospects appear to be for a continuance of this. They may even increase. We would, of course, be adversely affected by any sharp drop in business activity in the U. S., but this does not appear to be in prospect. On balance, our exports seem destined to play a stabilizing role in 1958.

Government and consumer spending hold the key to the probable level of economic activity in 1958. The indicators point to increased spending by all levels of government. Consumer income has continued to rise throughout 1957, though the rate of growth has been slower than last year. In these circumstances there is no reason to expect any sharp decrease in consumer spending, though there are definite signs that it is levelling off. But the possibility of a spurt in consumer spending cannot be dismissed and would be a powerful force on the side of renewed economic expansion as it was in 1955.

Sums Up Outlook

To sum up, the evidence suggests that at the worst we are faced with a brief period of consolidation when some of the distortions, resulting from inflation-bred attitudes to costs and prices, will be eliminated. Once we have achieved that, the economy should again expand on a sound and healthy basis, though perhaps not at the spectacular rate of the last few years. The situation will, of course, have to be watched carefully for any indications of a downward spiral becoming a definite threat.

A significant development in 1957 has been the increase in savings. You will recall that in an address I made a year ago I emphasized the importance of savings to the Canadian economy. Savings are essential to finance new capital investment. To the extent that Canadians save more, we can reduce the inflow of foreign capital.

Business confidence is highly important to a healthy economy since decisions are affected by the psychological attitudes. Now, more than ever, businessmen must exercise imagination and keep a balanced perspective. A slowing down of the boom calls for caution in making business decisions, but too many people seem to feel that levelling off in business activity is a forerunner of a major depression. There is no basis for the fear of a major depression at this time.

The current discussion about unemployment is an illustration of unfounded or misinformed pessimism. From statements and reports appearing in the press one would gather that we are faced with a serious unemployment situation, that something in the nature of a crisis exists. Actually, there are more people out of work today than we had a year ago but we also have more people at work. In fact, 123,000 more persons are gainfully employed than there were last year. The total labor force has grown this year at a faster rate than has been the case at any time since 1945 and 1946 when war veterans were returning to civilian employment. Instead of the customary 1 to 2% per annum, 1957 will almost certainly see a growth rate of 4%. This remarkable growth is in itself evidence of prosperity, and is bound to result in some distortions.

Let me say at once that all of us, I am sure, are aware of and responsive to the worry and unhappiness of those Canadians who are without jobs. Unemployment is a matter of concern not simply to government, but also to business and labor and indeed to all citizens of this great country. Nevertheless, we must recognize that unemployment can never be fully eliminated even at the height of a boom.

Most economists regard 3 to 4% unemployment as a full employment level. The latest figures available to me are for October, and indicate that some 8.6% of our total civilian labor force are without jobs and seeking work. Some observers believe that this percentage will rise to at least 7% during the customary winter slackening of activity, which is about the level reached in 1955.

Seasonal variation in employment has always been an important aspect of the Canadian labor picture. Both 1956 and 1957 were prosperous years for the economy, yet unemployment reached 5.3% in March, 1956, and 6% in that month one year later. On the other hand, unemployment fell to 1.7% of the labor force in July, 1956 and held there through October. This is a far lower level than we can hope to attain as a general rule, and was undoubtedly a factor in the inflationary pressures then being experienced. The corresponding ratio in the United States for those months ranged between 2.8% and 1.9%. Thus comparisons of unemployment levels in the summer and fall of 1957 with a year earlier tend to be misleading.

Furthermore the nature of our recent capital investment boom has increased the vulnerability of our labor force to seasonal employment. Unusually large numbers of workers have taken employment in the kind of construction projects which are adversely affected by local climatic conditions. Also, while I expect 1958 to be a good year, I do not expect it to rival 1956 in terms of the rate of economic growth; and I have already mentioned the unusually large increase in the labor force. We must therefore expect unemployment to be higher in the coming year than it was last year, expecially at the seasonal peak.

International Trade

The high level of prosperity which has prevailed over all has not been evenly distributed. Some segments of the economy have done better than others. For instance, non-durable manufacturers have done better than manufacturers of durable goods. But even in the non-durable goods segment, the experience has been varied. Some domestic products have faced increased competition from imports.

In the circumstances it is perhaps not surprising that agitation for higher tariffs has increased. In some quarters, higher tariffs are looked on as a solution for the difficulties of particular industries. Then again, there are those who believe that higher tariffs are essential to further development of our secondary industries.

There is, of course, a wide gap between these views and the Thorneycroft proposal for free trade between Canada and the U. K. Under present conditions it would appear to be impractical.

The proposal for a Common Market in Western Europe is of interest to Canada. Many individuals are concerned about its effects on Canadian trade. The ultimate test will depend on whether it is a genuine effort to increase the income and production of the participating countries or merely an association devoted to regional protectionism. If the former, its effects can only be good. If the latter, they will be bad.

Tariffs have a function not only to produce revenue, but to assist in the development of essential industry. But higher tariffs are two-edged swords. They mean higher prices for consumers. Also, nations which are customers for our exports can play the high tariff game and raise barriers against Canadian products. The ultimate decision must depend on the over-all good, and not on the needs of a particular industry. Protection should not be afforded to industries which are not likely to become reasonably efficient or where other countries have a large measure of economic advantage. Certainly, a drastic upward revision in tariffs should only be undertaken after careful and detailed study.

A number of applications have been referred to the Tariff Board. One of the problems here is the time it takes to make studies. Perhaps the staff of the Board should be increased.

Secondary Industries

Secondary industry will develop further as the Canadian market expands. More and more U. S. companies are finding it advantageous to set up branch plants in Canada. The question arises as to whether or not we are importing products which could be made in Canada with a minimum of tariff protection. The establishment of a research group to survey this field might be worthwhile.

Much has been written about small business being adversely affected by tight money. Actually, I doubt that small business has had less bank credit available than formerly. The main problem is that small businesses are under-capitalized and bank credit has to bear some relationship to capital. Many small business concerns are endeavoring to do too large a volume in relation to their capital. This is understandable but it does involve risk. A firm or person who is over-trading is vulnerable to market changes.

Small business concerns may find it difficult to raise equity capital. In fact, many of them are too small to seek outside equity capital. They are one-man or family concerns, or perhaps partnerships.

One of the problems is that high taxes have slowed up the rate at which the small enterpriser can plow back profits. They have diverted to the government some of the money that in former times was available for expansion of the business. Banks cannot be expected to provide long-term and equity capital for business—large or small. But some solution needs to be found. The recent proposal to increase from $20,000 to $25,000 the amount of corporate profits to which a lower tax rate applies is a step in the right direction, but it is hardly adequate. Perhaps special consideration should be given to earnings retained in the business up to say $50,000 per annum. Of course, abuses would have to be avoided. This is put forth not as a concrete proposal, but rather as one which should be given study.

Creeping Inflation

Creeping inflation is one of the most difficult and serious problems facing Canada at the present time. It is also one which we have not faced squarely and one which we will have to tackle with greater energy than we have shown to date, if we are to avoid trouble in the future. As I mentioned earlier, our gross national product this year will achieve a new record in terms of current dollars. In constant dollars it will show little change and on a per capita basis our output will be down. In other words, we have been paying ourselves more for doing less work. This adds up to higher prices and deterioration in the purchasing power of the dollar.

Some sections of the community seem prepared to tolerate a great deal more inflation before doing anything about it. They seem to feel that continued inflation is more palatable, and less painful, than the cure. Yet creeping inflation decreases the real income of large sections of the community. Higher dollar income may give some people the feeling they are better off but this is merely an illusion if prices have risen more than incomes.

Throughout most of this year we have had a full employment economy. Yet monetary policy designed to check inflationary pressures has been subjected to severe criticism. Opponents of monetary restraints have argued they should be removed, since prices have continued to advance. But they would have risen even more except for the restraint imposed by the action of the monetary authorities. It is becoming increasingly apparent that fear of inducing serious unemployment may inhibit the authorities from carrying out sufficiently restrictive monetary policies to control inflationary pressures.

No Monetary Cure-All

According to the preamble of the Bank of Canada Act the central bank is given the responsibility "to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence, fluctuations in the general level of production, trade, prices, and employment, so far as may be possible within the scope of monetary action, and generally to promote the economic and financial welfare of the Dominion."

First, let me point out that full employment is not mentioned. Neither is steady economic growth. Yet, we now apparently regard these as objectives of monetary policy. Perhaps we expect too much from monetary action.

There are several phrases in the preamble to which I should like to refer. The responsibility of the Bank of Canada is as I have stated, "to regulate credit and currency in the best interests of the economic life of the nation." Inflation is not in the best interests of the economic life of the nation. Our real concern should be for sound economic growth and not just higher dollar figures each year. The economic and financial welfare of the country entails a stable currency.

The preamble suggests, as I have already mentioned, that the central bank should mitigate by its influence fluctuations in the general level of production, trade, prices and employment, as far as may be possible within the scope of monetary action. Note the words "as far as may be possible." Monetary policy is not a cure for all our economic ills, though some people seem to think so.

In recent months there has been a lessening of inflationary pressures and there are indications that the policy of restraint is being eased. One of the dangers is that we may move too fast and too far in this direction, especially if there is also an about-face in fiscal policy as now seems likely.

Bank Reserves

If the situation develops where expansion in bank credit seems desirable then such measures of restraint as the 15% liquidity reserve for chartered banks should be reduced. The Bank Act provides that the chartered banks must keep an 8% cash reserve and that this ratio may be increased by the Bank of Canada in successive stages up to 12% if it is found desirable to restrict bank lending. At the end of 1955, the Bank of Canada, as an alternative to increasing cash reserves, suggested to the chartered banks that a liquidity ratio of 15% be established, made up of the cash reserve of 8% and an investment in treasury bills equivalent to 7% of Canadian deposit liabilities. The purpose was to ensure that any expansion of bank loans that occurred at that time would not be accomplished by the relatively painless process of reducing investment in treasury bills but by the more painful alternative of selling longer-term securities and incurring the penalty of losses thereon. Recognizing the need to control inflationary pressures, the banks agreed.

Instituted as a temporary and emergency measure this additional liquidity reserve must not be regarded as a permanent feature of

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our banking structure. There is no particular virtue in the 15% figure and the extent to which a bank invests in treasury bills should be left to its judgment. Once the conditions which brought about its adoption have disappeared, and we may already be in that position, the 7% ratio should be rescinded. It has no useful function when money is easy or when monetary policy is neutral. Perhaps it should be reduced in successive steps. Unless this is done the danger is that we will have a progressive movement to ever higher liquidity ratios whenever it is found necessary to impose monetary restraint.

Another measure which in my opinion should not be regarded as permanent is the present practice of the Bank of Canada of establishing its rediscount rate at ¼ of 1% above the weekly rate on treasury bills. This means that the rediscount rate merely follows the market and is no longer an indication of monetary policy. This action taken by the Bank of Canada when it was permitting the money market to tighten itself was probably appropriate, but with the change in conditions the use of this device should be reconsidered. There will be times when we will expect the Bank of Canada to give leadership and the rediscount rate is one means of determining the direction of monetary policy.

Now let me return for a moment to the question of inflation. An important aspect of the inflationary rise in prices of the recent past is due to the fact that wage increases have out-run the rise in productivity. The cure is to relate increases in wages to increases in output per man-hour. It would also be a healthy development if business and labor would agree to share with the consumer, through price reductions, some of the benefits of any rise in productivity. The result would be greater purchasing power for the dollar.

Long-Term Future

On a number of occasions I have expressed my confidence in the long-term future of this country of ours, and in closing I should like to reiterate my faith in Canada's destiny.

Earlier I mentioned the need for a balanced perspective and I wish to emphasize this. Some Canadians do not seem to be able to get away from the haunting fear of a repetition of a major depression such as we had in the 'thirties. Each time there is a slight adverse shift in the economic climate, they shout emergency and look for the worst. If it is true that we can talk our way into a depression by upsetting business confidence then some Canadians are going the right way about it.

Someone has remarked that in a free country "change is the only constant, and the tempo of change itself is inconstant." That is true of the Canadian economy. The tempo of change has slowed down for the time being but that does not mean that we are headed for economic disaster.

In the past year the Gordon Commission on Canada's Economic Prospects has brought down its preliminary report. For the long term it paints a bright future for the Canadian economy. May I suggest that it should prove profitable reading for the pessimists. The report emphasizes that we can expect periods of adjustment such as we are experiencing at the present time.

In their introduction the Commissioners state that "we expect that there will be many ups and downs in the level of economic activity in Canada over the next 25 years" and in the closing two sentences of the report:

"We shall have our dull periods in the future, as well as our bright ones. But given leadership, flexible policies, a willingness to change policies as occasion demands and a bit of luck, Canadians have every reason to look forward, with optimism and confidence, to the continued economic development of our country and to a rising standard of living in the years to come."

Securities Salesman's Corner

By JOHN DUTTON

Opportunities in a Bear Market

Sometimes when I sit down to write this column I am a bit perplexed by my own inability to put into a few short paragraphs the sort of helpful suggestions that I feel certain will work out in actual practice, even though I have field tested them myself, or have related as accurately as possible the results of other securities men who are qualified and experienced. To be explicit, I can remember former bear markets, 1932-33, 1937-39, 1947-49—periods when securities prices were falling, when public participation in the stock market was difficult to arouse, and when pessimism was in the driver's seat. After many year's in this business a man's perspective changes. It takes time to acquire patience, confidence, and the skill and know-how that enables you to ride out the trying days, and to still do a constructive job and keep your clients. Yet it can be done.

The first step is to keep your perspective sound and not become emotional. The market in many individual securities will offer you opportunities from now on that will give you entre into some of the best accounts you have ever had, if you will keep your eyes and ears open and CONTACT investors who also are experienced and have had some past history to back them up.

Look to the Investor With Substantial Funds and Experience

Here's just a sample of what can be done in markets that are falling constantly. Several months ago I made the acquaintance of one of the wealthiest men in my community. We had luncheon together and during our talk I learned from him that he had started out in life as a poor boy and after quite a few trials had built a business that was the leading enterprise of its kind in our state. This man had been through a good many bear markets, panics, business adjustments, and recessions, and yet today he is as substantial a citizen as you would want to have for a customer. He told me he had been buying life insurance stocks for the past few years. It was a hobby with him. At night, he would take out his Best's Manual, his charts, and his records, and he would study. He did quite a bit of original research on the insurance industry, he corresponded with the officials of many life companies and he was as thorough in building up his facts before he made an investment in these life insurance stocks as he was in building up his successful manufacturing business. I was sincerely interested in his basic research and he enjoyed telling me how he did it. (That's just plain old fashioned horse sense—if you find a man who has made a success out of his business life and out of his investments and he wants to tell you how he did it—LISTEN).

After we had a few other conversations on the telephone I asked this man what he thought of one of the fastest growing life insurance companies in this country. I had reason to believe that the present time was opportune to consider buying some of this company's stock myself. The decline from the former high, which was attained around a year ago, was about 30%. He told me that he liked the company, liked its future and that he was also watching the market in the stock. I asked him WHERE HE THOUGHT IT MIGHT BE A "BUY" AND HE TOLD ME. Then he paused a moment and he said: "I've been thinking about doing some business with you, how would you like to have an order to buy me some of that stock at 20, if I get it O.K., and if I don't it will be all right too." I took the order, and although at the time he gave it to me the market was about 20% above his price, I am positive that one of two things will happen; the stock in question will sell at his price, or if not, there will be other business we will do together.

As I write this week's story the market is only one-half point away from his limit. This man is not worrying about "bear markets"—he has ample funds for investment and he BUYS VALUE. There are many others like him, and today is the time to meet such investors—they are the ones who make money out of "bear markets" and they will do business with the securities salesman who knows VALUE and how to talk their language.

Don't hesitate to accept and encourage orders UNDER THE MARKET FOR SOUND SECURITIES. This is just one more way you can earn friends and a better income during the days when good securities are freely offered for "less" and those who have courage and experience are buying them.

Phila. Secs. Ass'n Receives Slate

PHILADELPHIA, Pa. — Leighton H. McIlvaine of Goldman, Sachs & Co., has been nominated for President of the Philadelphia Securities Association, to succeed John D. Foster of Studley, Shupert & Co., Inc., whose term expired. The annual meeting and dinner of the Association will be held at the Sheraton Hotel on Thursday afternoon, Jan. 23, 1958.

Mr. McIlvaine has been in the investment securities field for more than a quarter century and has been associated with Goldman, Sachs & Co. for the past six years. A former President of the Municipal Bond Club of Philadelphia, Mr. McIlvaine is a member of the Merion Cricket Club, Haverford, Pa., and the Midday Club of Philadelphia. He attended Episcopal Academy and graduated from the Wharton School of Finance and Commerce of the University of Pennsylvania.

Other officers slated by the Nominating Committee to be voted on at the annual meeting are: Spencer D. Wright, III of Wright, Wood & Co., Vice-President; William G. Berlinger, Jr. of Elkins, Morris, Stokes & Co., Treasurer, and William A. Webb of DeHaven & Townsend, Crouter & Bodine, Secretary.

The following have been nominated for the Board of Governors of the Association to serve for three years: Spencer D. Wright, III, William G. Berlinger, Jr., William A. Webb, and John F. Erdosy of the Insurance Company of North America.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio — Donald D. Lynch is now connected with Merrill Lynch, Pierce, Fenner & Beane, 216 Superior Ave., Northeast.

Railroad Securities

Seaboard Air Lines Railroad

Earnings of Seaboard Air Line Railroad have held up better than average during much of this year. For the first 10 months, the road reported net income of $15,211,368 as compared with $16,946,665 in the comparable 1956 period. These earnings were equal to $3.17 a share as compared with $3.55 a share a year ago.

Traffic in the final months of this year probably will be adversely affected by the cold snap in Florida and the resultant damage to citrus crops. This damage has been of such an extent that an embargo has been placed on the shipment of citrus crops by the State of Florida. This undoubtedly will be reflected in lower earnings in December and in the first two months of next year. Ordinarily this is the seasonal peak movement of this commodity.

Despite this adverse factor, directors of the railroad declared the regular quarterly dividend of 62½ cents a share for the final quarter of the year, bringing total payments for 1957 up to the usual $2.50 a share. Much will depend on earnings for the first quarter of 1958 in influencing the directors' action on dividend action at the March meeting. However, even if the dividend is reduced to a $2 basis, the yield at current levels still would be liberal. Moreover, indicated results for 1957 still would cover such a payout by a generous margin.

Earnings for the full year 1957 have been revised downward to around $3.75 a share as compared with $4.20 reported in 1956 and $4.53 in 1955. It might be noted that over the years the Seaboard has experienced outstanding growth in its territory, both in respect to increase in population and industrialization. The latter has added much to the diversification of the district served, has brought about a higher freight rate classification of traffic and has made the Seaboard less dependent upon agricultural traffic than formerly.

Heavy shipments of phosphate rock in recent years has been a factor in maintaining gross revenues. In addition, pulpwood, paper products, construction materials and manufactured products have been of increasing importance. This traffic generally moves at a high rate and the Seaboard has been able to capture a large portion of it despite competition from trucks and waterways. In addition, the Seaboard has continued to be aggressive in the solicitation of passenger traffic and despite intensified competition from other railroads and the air lines has just about been able to hold its own.

The road continues to be in a strong financial position. As of Sept. 30, 1957, cash aggregated $8,498,197; temporary cash investments $15,999,295; and special deposits, $1,504,384. This compared with cash of $10,879,209; temporary cash investments of $21,935,751; and special deposits of $2,593,188 on the like 1956 date. Net current assets (current assets less current liabilities) totaled $22,597,496 as compared with $29,400,201. Debt due within six months from Sept. 30, 1957, and consisting mainly of equipment trust certificates, amounted to $7,553,000 against $6,869,000 on Sept. 30, 1956.

The Seaboard is regarded as a highly efficient carrier, being fully dieselized, with roadway in excellent condition and practically the entire system with Centralized Traffic Control. Operating results for the first 10 months of this year naturally were affected by higher wages and costs of materials and supplies. The maintenance ratio for this period was 32.7% as compared with 32.7% in the 1956 months. The transportation ratio, however, showed an increase to 35.1% from 33.6% a year earlier. The overall operating ratio stood at 75.6% against 74%. The rise in the transportation ratio is believed to have resulted from a combination of a drop in carloadings plus higher wage rates for the operating employees. The latter were not offset sufficiently by some increase in freight rates during the period.

Bond Club of L. A. Elects New Officers

LOS ANGELES, Calif. — Warren H. Crowell, of Crowell, Weedon & Co., was elected President of The Bond Club of Los Angeles at a meeting of Bond Club members held at the Los Angeles Stock Exchange Club. Gordon B. Crary, Jr., of E. F. Hutton & Co., was elected Secretary; A. Norman Bennett, of Stern, Frank, Meyer & Fox, Treasurer; Mark Davids, of Lester, Ryons & Co., Director; and William S. Hughes, of Wagenseller & Durst, Inc., Director.

Warren H. Crowell

At the business meeting, outgoing Bond Club President, William D. Witherspoon, of Witherspoon & Company, Inc., warmly congratulated Bond Club members for their outstanding participation in Bond Club activities in 1957. President-elect Crowell, in an address to members, pledged a continued high level of activities for the Bond Club next year, and indicated that a notable group of speakers would be invited to address Bond Club members in 1958.

Charles Carman Opens

Charles H. Carman is engaging in a securities business from offices at 107 William Street, New York City.

J. W. Raymond Opens

LOS ANGELES, Calif.—James W. Raymond is engaging in a securities business from offices at 1521 Wilshire Boulevard.

on Jan. 1 will admit Arnold S. Corrigan to partnership.

D. J. Greene Admits

David J. Greene & Co., 72 Wall Street, New York City, members of the New York Stock Exchange,

Joins Rupert M. Adams

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—John C. Stender is now with Rupert M. Adams & Co., 170 South Beverly Drive.

Now With Inv. Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Thomas H. Freeman has become affiliated with Investors Planning Corporation of New England Inc., 1 Court St. He was formerly with Keller & Co.

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Coast Exch. Div. Names Slate

SAN FRANCISCO, Cal.—Nominations for Chairman of the Board of Governors of the San Francisco Division of the Pacific Coast Stock Exchange were announced by Ernest E. Blum, Chairman of the Nominating Committee. The Annual Election will be held on Jan. 15, 1958.

George W. Davis

Nominations were as follows:

Chairman of the Board: George W. Davis, Davis, Skaggs & Co.

Members of the Board of Governors: Warren H. Berl, Sutro & Co.; Daniel J. Cullen, Walston & Co.; Richard P. Gross, Stone & Youngberg; George J. Otto, Irving Lundborg & Co.; Scott H. Stewart, Jr., Shuman, Agnew & Co.

Calvin E. Duncan of Calvin E. Duncan & Co., and Ronald E. Kaehler, President, are carry-over members of the Board.

The vacancy created through the nomination of George W. Davis as Chairman will be filled by the new Board of Governors at their first meeting on Jan. 15, 1958.

The Board for the year commencing Jan. 15, 1958 will consist of nine governors in accordance with the Amendment to the Constitution adopted Nov. 1, 1957, in lieu of seven as previously prescribed.

Inv. Ass'n of N. Y. Elects Officers

William G. Gallagher, manager of the mutual fund department of Kidder, Peabody & Co., has been elected President of the Investment Association of New York.

Worthington Mayo-Smith of Merrill Lynch, Pierce, Fenner & Beane was elected Vice-President, Richard C. Egbert of Estabrook & Co. was elected Secretary and J. William Middendorf of Wood, Struthers & Co. was elected Treasurer.

Committee Chairmen are: Entertainment, John G. Peterkin, Laurence M. Marks & Co.; Education, Lewis J. Kaufman; Goldman, Sachs & Co.; Membership, John F. Bryan, Smith, Barney & Co.; Program, David C. Clark, Clark, Dodge & Co.; Publicity, James F. Burns, Blyth & Co., Inc.

The Investment Association of New York, with a membership of over 500 young men employed in the investment banking business, has as its joint purposes the promotion of a spirit of understanding and cooperation between its members and the promotion of their, and the general public's education in the investment business.

Among the activities of the association is a series of courses conducted for the education of members. A speaker's group, which this year made over 130 addresses to audiences of more than 9,000, has as its objective the public dissemination of investment information.

Two With Jonathan

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Melvin Hanberg and Harvey King have joined the staff of Jonathan & Co., 6399 Wilshire Boulevard.

Bennett-Gladstone Adds

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — Roger W. Racine has been added to the staff of Bennett-Gladstone-Manning Company, 8417 Beverly Blvd.

Continued from page 4

The State of Trade and Industry

for trying out new ideas on a production basis. This is a luxury United States mills, operated for profit, cannot afford.

"The Iron Age" further comments that some 30% of Russian steel output goes into heavy industry such as construction, railroads, trucks and buses. Another large chunk is set aside for armaments. Less than 10% goes into consumer products. The emphasis is on heavy products such as plates, structurals, rails and the like.

November volume of building permits was down sharply from the previous month and from the corresponding month a year ago, Dun & Bradstreet, Inc., reports. The aggregate for 217 cities, including New York, was $380,238,992, the lowest for any previous month since December, 1955. It represented a drop of 22.3% from $489,401,866 in November a year ago, and of 24.2% from $501,328,013 in October.

For New York City alone, building permit values continued at a very low level and totaled $28,844,804, the lowest for this year and the smallest since the month of February, 1953. It was 61.4% below the $74,795,675 for November, 1956.

The automotive industry is projecting a sales volume of 5,300,000 domestic-built cars for entire 1958 compared with 5,800,000 in 1957 or a decline of 8.6%, "Ward's Automotive Reports" stated on Friday last.

"Ward's" declared that while domestic-made cars may be in a decline, sales of foreign car imports are expected to increase nearly 50%, bringing total new car sales in the United States to 5,600,000 as against nearly 6,000,000 this year.

The reporting service noted that while the advanced projection is subject to change in the light of sales trends, the first real signs of output softening are beginning to appear in the auto factories.

"Ward's" counted last week's passenger car assembly at 139,356 units for United States plants, a 4% decline from 145,503 last week that found Chevrolet limiting its use of Saturday overtime to three plants as against eleven last week and Dodge and De Soto reverting to a short work week.

It added that certain of the industry's plants will observe a "long" Christmas holiday this week as assembly operations are to be shut down from Wednesday, Dec. 25 to Monday, Dec. 29.

"Ward's" pointed out that the output trimming represents an adjustment to mounting dealer inventories and lagging auto sales. It added that January-March next year looms as a "soft" period in the industry's postwar factory operations unless auto buying develops a pronounced spurt after the year-end holidays.

Some of the auto companies should fare unusually well next year despite any general sales reversal, "Ward's" continued, since 1958 car sales thus far are invoking a shake-up in market shares, both as to car make and price class.

Personal income declined further during November with the drop from October amounting to $500,000,000, on a seasonally adjusted basis, the United States Department of Commerce reported. It was the third month of decline since the record high of August. At the end of November, personal income was at a seasonally-adjusted annual rate of $345,500,000,000, the agency added.

In October, the decline in personal income originally was announced as a flat $1,000,000,000 on a seasonally-adjusted basis. However, in the latest report the department revised this figure to $700,000,000.

Despite the fact the November annual rate of personal income was down from August's $346,600,000,000 annual rate, it still is well above the $334,900,000,000 annual rate of November, 1956. The annual rate for the first 11 months of this year at $343,000,000,000 is some $17,000,000,000 ahead of the like period of last year.

In the latest month, wages and salaries were down by about $1,000,000,000, the Commerce Department said, reflecting lower employment and a shorter average work week than in the previous month. Of the other components of the personal income estimate, proprietors' income also was down.

Since the record rate reached in August, total wages and salaries have dropped by $2,500,000,000, the department noted, with the bulk of the decline concentrated among production workers in durable goods manufacturing industries. However, the agency added, payrolls in non-durable goods manufacturing, trade, mining and railroads also were somewhat lower in November than three months earlier.

A direct result of the decline in employment over the past three months, the department declared, has been a rise of $750,000,000 in the annual rate of unemployment benefits. This accounted for half the $1,500,000,000 rise in government transfer payments from August to November.

Business casualties climbed slightly in November to 1,173, reaching the highest level in six months. Up 17% from 999 last year, failures were more numerous than in any other November since 1939. Concerns succumbed at a rate of 56 per 10,000 listed enterprises, edging up from 52 in the previous month and 49 a year ago, but remaining well below the pre-war rate of 70 in 1939.

Most of the month-to-month rise was concentrated in a few industries and trades. Casualties in the machinery and leather industries surged to twice their totals in October. Nearly all of the wholesaling increase occurred among building materials dealers and automotive dealers, while eating and drinking places accounted for the only noticeable increase in retail mortality. General builders and heavy construction contractors suffered record high tolls. From November a year ago, manufacturing and wholesaling casualties rose most sharply, 28% and 21% respectively, but a moderate upward trend also prevailed in other function groups. Declines from 1956 were exceptional, appearing in only two manufacturing industries, food and steel and in two retail lines, food and general merchandise.

Dollar liabilities mounted to 12% to $52,900,000 in November, the largest volume since April and one-third heavier than last year. Casualties of moderate size, $5,000 to $25,000 liabilities and those in excess of $100,000, accounted principally for the month-to-month upswing.

Regional trends between October and November were mixed, but failures exceeded 1956 levels in six of the nine major geographic regions and in both city and country areas.

There was a perceptible falling off in the volume of new business incorporations last month, Dun & Bradstreet, Inc., reports. The number of new charters issued in November fell to 9,270, a drop of 17.6% from 11,251 recorded in October and of 4.9% from the 9,749 for the same month last year. The November count at 9,270, was the lowest since the 9,256 listed in September, 1954.

For the first 11 months of this year, new company formations declined to 126,122, from 129,987 for the like 1956 period, a difference of 3.0%.

Steel Ingot Output Rate Expected to Fall to 53.7% of Capacity in Christmas Day Week

Christmas week steelmaking operations are expected to be below 60% of capacity and post-holiday activity is likely to be more sluggish than it has been in recent years, "Steel" magazine reported on Monday of the current week.

The production sag is more than seasonal, according to the weekly magazine of metalworking. Holiday shutdowns are expected to involve more plants and to extend over longer periods than usual.

A slow first half for 1958 is anticipated. Buyers holding minimum stocks will depend on prompt mill shipments. An upturn in the second half is predicted.

Production, this trade weekly stated, may go up next month, but enlarged capacity is likely to hold down operations percentagewise. Rated capacity at the start of 1958 is expected to be around 141,000,000 tons, 7,500,000 more than the figure at the beginning of 1957. A disappointing fourth quarter prevented the industry from registering a record-breaking production this year.

Output of steel for ingots and casting through October set a 10-month high at 96,899,075 net tons, but the slump in the closing two months will bring the annual total to an estimated 113,000,000 tons, still the third best year on record.

Consumption during 1957 is expected to exceed mill shipments substantially, resulting in a reduction of consumers' stocks. Shipments of finished steel in the first 10 months came to 68,755,943 tons, nearly 400,000 more than the total for the like 1956 period. The record, 89,889,424 tons, was set in 1955.

Considering the recent sluggish auto demand, that industry's steel intake the first 10 months of this year is surprisingly large. Its receipts were 11,793,376 tons, up from the 11,342,582 tons reported for the like 1956 period.

There is a buyer's market in virtually all products, including heavy plates and structurals, this trade magazine observed. Only three items are in firm demand, wide heavy plates, wide flange beams and line pipe. The situation makes for sharp competition and prices are being watched by the industry, according to the publication.

"Steel's" arithmetical composite on finished steel last week dropped to $145.52 a net ton from $146.03, reflecting withdrawal of premiums on bars and plates. Quotations at the warehouse level are also easing.

Scrap prices last week rose for the first time since July. The publication's composite on the prime steelmaking grade was at $33.17 a gross ton, up $1.17 from the previous week, or a sharp rise in the East. A firmer tone is developing at some other points despite the sag in ingot operations.

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 53.7% of capacity for the week beginning Dec. 23, 1957 equivalent to 1,374,000 tons of ingot and steel for castings, as compared with an actual rate of 68.1% of capacity, and 1,742,000 tons a week ago.

The Christmas holidays are expected to see steel operations drop to the lowest level since the Independence Day holiday of 1949.

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 72.1% and production 1,846,000 tons. A year ago the actual weekly production was placed at 2,322,000 tons or 94.3%.

The operating rate is not comparable because capacity is higher than capacity in 1956. The percentage figures for 1956 are based on an annual capacity of 128,363,090 tons as of Jan. 1, 1956.

Electric Output Results for Latest Week Deferred 48 Hours Due to Christmas Day Holiday

Official figures on electric kilowatt production for the week ended Saturday, Dec. 21, 1957 will be deferred 48 hours due to the Chirstmas Day holiday. For the period ended Dec. 14, 1957, output was estimated at 12,570,000,000 kwh., according to the Edison Electric Institute.

Climbing 3% over a year ago, electric power output the week ended Dec. 14 was at the highest level on record. The previous high occurred last January. Much of the week's increase reflected an upsurge in lighting for Christmas displays. The most noticeable year-to-year gains occurred in the Southeast and Pacific Southwest.

Car Loadings Drop 2.4% Below Preceding Week

Loadings of revenue freight for the week ended Dec. 14, 1957, were 14,802 cars or 2.4% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Dec. 14, 1957, totaled 603,036 cars, a decrease of 113,616 cars, or 15.9% below the correspond-

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ing 1956 week and a decrease of 106,096 cars, or 15% below the corresponding week in 1955.

Automotive Output Declined 4% Below the Preceding Week

Passenger car production for the latest week ended Dec. 20, 1957, according to "Ward's Automotive Reports," declined by 4% below the level of the preceding period.

Last week's car output totaled 139,356 units and compared with 145,503 (revised) in the previous week. The past week's production total of cars and trucks amounted to 160,822 units, or a decrease of 7,317 units below that of the preceding week's output, states "Ward's."

Last week's car output declined below that of the previous week by 6,147 cars, while truck output dropped by 1,170 vehicles during the week. In the corresponding week last year 154,832 cars and 22,903 trucks were assembled.

Last week the agency reported there were 21,466 trucks made in the United States. This compared with 22,636 in the previous week and 22,903 a year ago.

Canadian output last week was placed at 7,080 cars and 1,361 trucks. In the previous week Dominion plants built 5,912 cars and 1,147 trucks and for the comparable 1956 week 10,267 cars and 1,824 trucks.

Lumber Shipments Fell 3.0% Below Output in Week Ended Dec. 14

Lumber shipments of 469 reporting mills in the week ended Dec. 14, 1957, were 3.0% below production, according to the National Lumber Trade Barometer. In the same period, new orders were 1.6% above production. Unfilled orders amounted to 26% of stocks. Production was 4.8% above; shipments 5.2% above and new orders were 9.3% above the previous week and 13.2% below production for the like week of 1956.

Business Failures Rose Moderately the Past Week

Commercial and industrial failures climbed to 276 in the week ended Dec. 19, from 269 in the preceding week, Dun & Bradstreet, Inc. reports. Casualties were noticeably higher than the 214 last year and were sharply above the 181 in 1955. They moderately exceeded the 249 of the comparable week of pre-war 1939.

Failures involving liabilities of $5,000 or more rose to 242 from 235 last week and were sharply higher than the 175 of this size in the similar week of 1956. Casualties among small businesses involving liabilities under $5,000, totalled 34, reflecting no change from the previous week, but were below the 39 of the comparable week a year ago. Eighteen failed with liabilities in excess of $100,000 as against 26 a week earlier.

Most of the week's increase centered in retail trade where the toll rose to 136 from 114. Wholesaling failures dipped to 20 from 28, manufacturing to 47 from 54 and construction to 47 from 48. More businesses failed in all industry and trade groups than a year ago, with the most noticeable increases in retailing and manufacturing.

Three of the nine major geographical regions reported increases during the week. Casualties in the Pacific States rose to 78 from 70, in the West North Central region to 13 from 8 and in New England to 13 from 11. Declines from the prior week prevailed in five regions, but were unchanged at 22 in the South Atlantic states. Failures exceeded those of last year in seven regions, with the sharpest rises in the Middle Atlantic states, South Atlantic states and West North Central region. Year-to-year declines prevailed in the New England and Pacific states.

Wholesale Food Price Index Moved Sharply Lower The Past Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell sharply last week to cancel a large part of the substantial rise recorded in the three preceding weeks. The index for Dec. 17 dropped to $6.33, from the two and half year peak of $6.45 touched a week earlier. The latest figure compared with $6.15 a year ago, or a gain of 2.9%.

Aiding in the sharp decline the past week were lower prices for flour, wheat, corn, rye, hams, bellies, butter, sugar, cottonseed oil, tea, cocoa, potatoes and lambs. Higher in wholesale cost were oats, beef, eggs, steers and hogs.

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 Eases in Latest Week

The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., fluctuated unevenly during the latest week and finished slightly lower at 277.85 on Dec. 16. This compared with 273.46 a week ago and with 277.33 a month earlier. At this time a year ago it stood at 300.04.

Grain markets in Chicago were mostly lower the past week. Nearby futures for all grains except wheat, registered declines with sharpest losses noted in soybeans, although corn and oats were down a cent or more. Cash grain markets were also weaker although losses were smaller than for the futures. Wheat developed some strength on trade reports of expected orders from Pakistan for hard Winter wheat but apprehension over the possibility of a price war with Canada regarding disposal of farm surpluses was reflected in lower prices in the Minneapolis, Kansas City and Chicago grain markets. Cash corn prices lost some ground, but good demand and expectation of reduced marketings due to cold weather, held declines to a minimum. Trading in cash malting barley was slow, while feed barley was in good demand at steady to firmer prices.

Business in the domestic flour market was only routine, with conservatism encouraged by adequate balances of most types and Washington advices regarding price support plans. Mill price reductions at mid-week failed to attract any improvement in flour buying and it was generally believed that substantial price concessions would be needed to create any material expansion in demand.

Cocoa prices, both cash and futures, moved sharply lower during the week, reflecting easiness in the London market, commission house and trade selling and limited spot manufacturer demand. Warehouse stocks of cocoa continued to drop and totaled 141,368 bags against 143,372 a week earlier and 287,836 bags on the like date a year ago. Firmness in the coffee market at the week-end was attributed to the action taken by Columbia in limiting exports in January to 230,000 bags, or only 50% of the amount shipped in both November and December.

The domestic raw sugar market was quiet with prices trending lower as the trade awaited announcement by the United States Department of Agriculture on estimated 1958 consumption and the quota allotments based on the estimate.

In the Chicago livestock market, hog values advanced quite sharply, while prices of steers were slightly lower and lambs remained steady. Receipts of cattle and calves last week were slightly larger than in the preceding week, but were about 15% less than in the corresponding period last year. The sharp rise in hog prices was due mostly to steady demand for seasonally small receipts.

Cotton prices fluctuated over a fairly wide range with all active contracts touching new highs for the season. The rise largely reflected buying stimulated by a bullish interpretation of the latest report on ginnings, which strengthened doubts that the final crop this season would live up to the Dec. 1 official estimate. The Department of Agriculture estimated the prospective 1957 cotton yield as of Dec. 1 at 11,010,000 bales, a drop of 778,000 bales from that indicated a month earlier.

Trade Volume Rose Sharply in the Latest Week

Helped by clear weather on the week-end and the settling of the New York transit strike, retail trade jumped sharply in the period ended on Wednesday and equalled that of the similar period last year. Christmas shoppers were primarily interested in apparel, traditional gifts, linens and toys, while interest in most major appliances and furniture lagged. Sales of both new and used passenger cars slackened and dealers' stock expanded.

The total dollar volume of retail trade in the period ended on Wednesday was from 2% below to 2% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: New England and East South Central States +1 to +5 South Atlantic 0 to +4; West North Central and Mountain —1 to +3; East North Central —2 to +2; Middle Atlantic and West South Central —3 to +1 and Pacific Coast States —4 to 0%.

There was a considerable rise from a week earlier in the buying of women's fashion accessories, lingerie and sportswear and volume moderately exceeded that of a year ago. Interest in men's apparel was close to that of a year ago. Purchases of children's clothing advanced appreciably.

Despite a noticeable rise in sales of occasional chairs and tables, volume in furniture was sluggish. Except for increased interest in refrigerators and television sets, sales of major appliances lagged. Retailers reported substantial gains from the prior week in the buying of linens, draperies and floor coverings. Food buying climbed moderately during the week.

There was a slight rise in orders for women's wear and some scattered orders were reported for men's furnishings. Interest in children's clothing was close to that of the preceding week.

Textile trading was sluggish again last week.

Furniture wholesalers reported a moderate rise in orders for outdoor summer chairs and tables, but the call for upholstered lines and case goods dipped somewhat. The buying of floor coverings, draperies and linens was sustained at a high level. Volume in major appliances and television sets was sluggish, but a rise in orders for lamps and lighting equipment occurred.

Wholesale food buying declined during the week, with the most noticeable decreases in dairy products and poultry.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 14, 1957 increased 3% above the like period last year. In the preceding week, Dec. 7, 1957 a decrease of 5% was reported. For the four weeks ended Dec. 14, 1957 a decline of 4% was reported. For the period Jan. 1, 1957 to Dec. 14, 1957 an increase of 1% was registered above that of 1956.

Retail trade sales volume in New York City last week advanced about 9% to 13% compared with the corresponding period of 1956.

The improved showing in the latest week, according to trade observers, was principally due to deferred purchases as a result of the subway strike.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 14, 1957 increased 4% above that of the like period last year. In the preceding week, Dec. 7, 1957 a decrease of 7% was reported. For the four weeks ending Dec. 14, 1957 a decrease of 4% was registered. For the period of Jan. 1, 1957 to Dec. 14, 1957 the index registered an increase of 1% above that of the corresponding period of 1956.

With Smith, Moore

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Henry H. Whittemore has become associated with Smith, Moore & Co., 509 Olive Street, members of the New York and Midwest Stock Exchanges. He was formerly with Hill Brothers.

With James H. Price

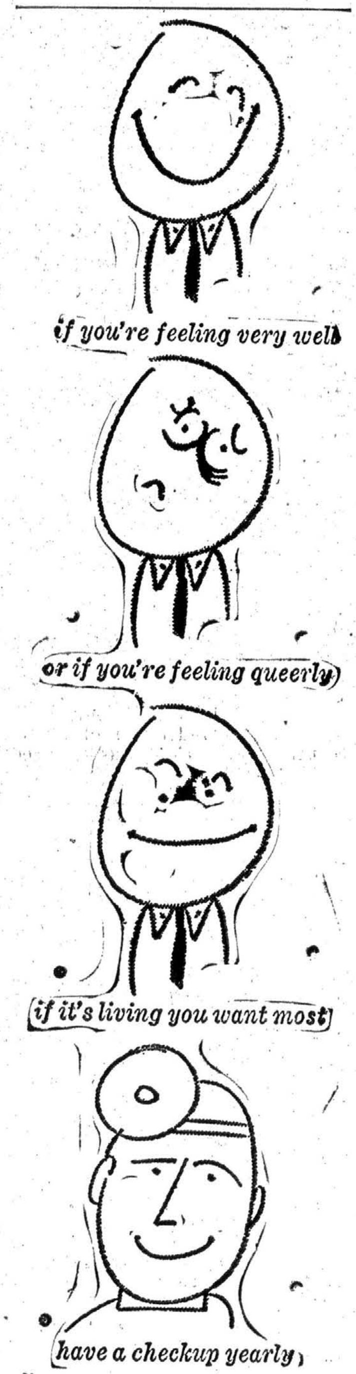
(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla. — Peter A. Lago is now with James H. Price & Company, Inc., 73 Merrick Way.

James Wilensky Adds

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Martin I. Klein has been added to the staff of Joseph J. Wilensky & Co., Miami National Bank Building.



Many cancers can be cured if detected in time. That's why it's important for you to have a thorough checkup, including a chest x-ray for men and a pelvic examination for women, each and every year... no matter how well you may feel.

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★ Alabama Power Co. (1/16)
Dec. 20 filed $23,000,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on Jan. 16, at Room 1600, 250 Park Ave., New York 17, N. Y.

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) being 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 offer is conditioned upon acceptance by holders of not less than 100,000 shares of Savage Arms stock not later than Dec. 30, 1957. **Underwriter**—None. Statement effective Dec. 9.

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. (1/6)
Oct. 29 filed 6,000,000 series B ordinary shares (par one Israel pound per share). Price — $1 per share, payable either in cash or in State of Israel bonds. Proceeds—For expansion program. Office — Hadera, Israel. Underwriter—Lee Higginson Corp., New York, on a best efforts basis.

American Life & Casualty Insurance Co.
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. **Office**—Fargo, N. D. **Underwriter**—None.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

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.

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.

★ Baldwin Laboratories, Inc.
Dec. 16 (letter of notification) 700 shares of common stock to be offered to stockholders on the basis of one new share for each share held. **Price**—At par ($100 per share). **Proceeds**—For down payment on land and buildings remodeling and equipment. **Office** — 2506 South 105th Ave., Omaha, Nev. **Underwriter**—None.

Bamm Corp., New York
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.

★ Brunswick-Balke-Collender Co.
Dec. 20 filed 163,500 shares of common stock (no par) to be offered in exchange for outstanding common stock of MacGregor Sport Products, Inc. at rate of one share of BBC stock for each share of MacGregor stock. The offer is subject to acceptance by holders of at least 90% (147,150 shares) of outstanding MacGregor common (which condition may be waived by BBC if offer is accepted by at least 80% of outstanding MacGregor stock). **Underwriter**—None.

Cador Production Corp., Far Hills, N. J.
Dec. 16 filed 1,680,000 shares of common stock (par five cents), of which 1,600,000 shares are to be offered in exchange for oil properties located in Oklahoma, Texas, New Mexico, Louisiana, Kansas and elsewhere; the remaining 80,000 shares are to be issued as commissions. **Underwriter**—Cador, Inc., Far Hills, N. J.

Cambridge Electric Light Co. (1/20)
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**—Expected to be received up to 11:30 a.m. (EST) on Jan. 20.

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.

Caribe Stores, Inc., Aguirre, Puerto Rico
Dec. 2 (letter of notification) 247,560 shares of common stock (par 50 cents) to be offered for subscription by common stockholders. **Price**—52 cents per share. **Proceeds**—For general corporate purposes. **Name Change**—Formerly Tybor Stores, Inc. **Underwriter** — Lerner & Co., Boston, Mass.

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.

Colonial Aircraft Corp., Sanford, Me.
July 5 filed 248,132 shares of common stock (par 10¢). **Price**—At market. **Proceeds**—To selling stockholders. **Underwriter**—Glick & Co., Inc., New York. Statement effective Aug. 10.

● Columbus Electronics Corp.
Nov. 13 (letter of notification) 110,000 shares of class A common stock (par 10 cents). **Price**—$2.50 per share. Proceeds — For working capital. **Office** — 1010 Sawmill River Road, Yonkers, N. Y. **Underwriters**—McLaughlin, Cryan & Co. and Mortimer B. Burnside & Co. Both of New York, N. Y.

Columbus & Southern Ohio Electric Co. (1/7)
Dec. 17 filed $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.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: $1,000 of bonds and 48 shares of stock and $100 of debentures and nine shares of stock. **Price**—To be supplied by amendment. **Proceeds** — To construct refinery. **Underwriter**—Lehman Brothers, New York. **Offering**—Expected in January.

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 Edison Co. (1/14)
Dec. 19 filed $50,000,000 of sinking fund debentures due Jan. 1, 2008. **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**—To be received up to 10:30 a.m. (CST) on Jan. 14, 1958, at Room 1820, 72 West Adams St., Chicago 90, Ill.

★ Concord Fund, Inc., Boston, Mass.
Dec. 16 filed 150,000 additional shares of common stock (par $1). **Price**—At Market. **Proceeds**—For investment.

★ Connecticut Light & Power Co. (1/8)
Dec. 19 filed $30,000,000 of first and refunding bonds, series O, due Jan. 1, 1988. **Price** — To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriters** — Putnam & Co., Hartford, Conn.; Chas. W. Scranton & Co., New Haven, Conn.; and Estabrook & Co., Boston, Mass.

★ Consolidated Credit Corp.
Dec. 17 (letter of notification) 15,000 shares of $1.40 cumulative sinking fund preferred, series A (par $20), with warrants to purchase 15,000 shares of class B common stock (par $1), to be offered in units of one preferred share and one warrant. **Price** — $20 per unit. **Proceeds** — For working capital. **Office** — 316 Johnston Bldg., Charlotte, N. C. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

Continental Mining & Oil Corp.
Dec. 9 (letter of notification) 250,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For mining expenses. **Office**—1500 Massachusetts Avenue, N. W., Washington, D. C. **Underwriter**—E. L. Wolfe Associates, 1511 K St., N.W., Washington, D. C.

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. Ranier, Md. (12/30)
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.

★ Detrex Chemical Industries Inc.
Dec. 11 (letter of notification) 5,000 shares of common stock (par $2) to be issued to selected employees upon exercise of options. **Price**—At 85% of market value on date option is granted. **Proceeds**—For general corporate purposes. **Office**—14331 Woodrow Wilson Ave., Detroit 32, Mich. **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.

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Doctors' Motels, Inc., Kansas City, Kan.
Oct. 25 filed 500,000 shares of common stock, of which 426,497 shares are to be offered publicly, 39,568 shares are to be offered in exchange for $432,055 outstanding 6% debentures, 3,085 shares are to be issued as a stock dividend and 30,850 shares are presently outstanding. **Price**—At par ($15 per share). **Proceeds**—For construction and operation of motels and to repay bank loans. **Underwriter**—None.

Dow Chemical Co.
Nov. 25 filed 84,121 shares of common stock (par $5), issuable upon conversion of the $4,000,000 4% subordinated convertible debentures due June 1, 1980, originally issued by The Dobeckmun Co., the liability of which was assumed by Dow Chemical Co. as of Aug. 31, 1957. These debentures are held by three insurance companies.

Duraloy Co., Scottdale, Pa.
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. **Offering**—Expected today (Dec. 26).

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. Statement effective Dec. 11.

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.

★ **Feather Craft, Inc.**
Dec. 16 (letter of notification) 33,335 shares of common stock (par $1). **Price** — $3 per share. **Proceeds** — For working capital. **Office**—450 Bishop St., N. W., Atlanta, Ga. **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 500,000 shares of class A common stock (par five cents). **Price** — $5 per share. **Proceeds** — To purchase properties. **Underwriter** — Whitmore, Bruce & Co., Washington, D. C.

First National Life Insurance Co., Phoenix, Ariz.
July 29 filed 106,500 shares of common stock (par $4), of which 90,000 shares are to be offered publicly and 16,500 shares to employees pursuant to stock purchase options. **Price**—To public, $12 per share. **Proceeds**—For expansion and other corporate purposes. **Underwriter**—None.

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.

● **Ford Home Leases, Inc. (1/6)**
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. **Offering**—Expected in near future.

★ **Fulfillment Corp. of America**
Dec. 11 (letter of notification) $77,000 of 18% subordinated notes due Jan. 9, 1959 to be offered to stockholders. **Price**—At par. **Proceeds**—To pay 5% subordinated notes due Jan. 10, 1958. **Office** — 381 West Center St., Marion, Ohio. **Underwriter**—None.

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.

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NEW ISSUE CALENDAR

December 30 (Monday)
Dalton Finance, Inc. .... Debentures
(McDonald, Holman & Co., Inc.) $500,000

January 3 (Thursday)
Wisconsin Southern Gas Co., Inc. .... Common
(Offering to common stockholders—underwritten by the Milwaukee Co.; Harley, Hayden & Co.; and Bell & Farrell, Inc.) $309,232

January 6 (Monday)
American Israeli Paper Mills, Ltd. .... Series B ord.
(Lee Higginson Corp.) $6,000,000
Ford Home Leases, Inc. .... Debentures & Common
(Philipson & Co.) $250,000

January 7 (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 8 (Wednesday)
Chicago, Burlington & Quincy RR. .... Bonds
(Bids noon EST) $24,500,000
Connecticut Light & Power Co. .... Bonds
(Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co.) $30,000,000
National Finance Co. .... Preferred
(Baker, Simonds & Co.) $750,000
National Finance Co. .... Common
(Baker, Simonds & Co.) $200,000
Peninsular Metal Products Corp. .... Preferred
(Wm. C. Roney & Co.) 65,000 shares
Pittsburgh & Lake Erie Ry. .... Equip. Trust Ctfs.
(Bids to be invited) $3,975,000

January 9 (Thursday)
Chicago, Rock Island & Pacific RR. .... Equip. Trust Ctfs.
(Bids noon CST) $4,620,000
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 (Tuesday)
Commonwealth Edison Co. .... Bonds Debentures
(Bids 10:30 a.m. CST) $50,000,000

January 15 (Wednesday)
Iowa Power & Light Co. .... Preferred
(Smith, Barney & Co.) $5,000,000
Missouri Pacific RR. .... Equip. Trust Ctfs.
(Bids to be invited) $3,450,000
Pacific Power & Light Co. .... Bonds
(Bids 8:30 a.m. PST) $15,000,000
Pacific Power & Light Co. .... Preferred
(Bids 8:30 a.m. PST) $10,000,000
West Virginia Pulp & Paper Co. .... Debentures
(Harriman Ripley & Co. Inc.) $40,000,000

January 16 (Thursday)
Alabama Power Co. .... Bonds
(Bids 11 a.m. EST) $23,000,000

January 20 (Monday)
Cambridge Electric Light Co. .... Notes
(Bids 11:30 a.m. EST) $4,500,000
Royal Dutch Petroleum Co. .... Common
(Offering to stockholders—to be underwritten in U. S. by Morgan Stanley & Co.) 7,602,285 shares
West Texas Utilities Co. .... Bonds
(Bids 10:30 a.m. EST) $8,500,000

January 21 (Tuesday)
Chicago, Burlington & Quincy RR. .... Equip. Tr. Ctfs.
(Bids to be invited) $4,500,000
Pacific Gas & Electric Co. .... Bonds
(Bids 8:30 a.m. PST) $75,000,000

January 22 (Wednesday)
Iowa Power & Light Co. .... Bonds
(Bids to be invited) $10,000,000
Norfolk & Western Ry. .... Equip. Trust Ctfs.
(Bids noon EST) $4,140,000
Portland Gas & Coke Co. .... Preferred
(Lehman Brothers) $5,000,000

January 23 (Thursday)
Baltimore & Ohio RR. .... Equip. Trust Ctfs.
(Bids to be invited) $3,435,000
Great Northern Ry. .... Equip. Trust Ctfs.
(Bids to be invited) $5,700,000

February 4 (Tuesday)
Central Power & Light Co. .... Bonds
(Bids to be invited) $12,000,000
Texas Utilities Co. .... Common
(Bids 11 a.m. EST) 340,000 shares

February 7 (Friday)
American Telephone & Telegraph Co. .... Debentures
(Offering to stockholders—no underwriting) about $720,000,000

February 13 (Thursday)
Indiana & Michigan Electric Co. .... Bonds
(Bids 11 a.m. EST) $25,000,000

February 14 (Friday)
Shell Transport & Trading Co., Ltd. .... Common
(Offering to holders of New York shares—no underwriting) $12,600,000

February 18 (Tuesday)
Gulf States Utilities Co. .... Preferred
(Bids to be invited) $7,500,000

February 19 (Wednesday)
Northern Illinois Gas Co. .... Bonds, Etc.
(Bids to be invited) $10,000,000

February 20 (Thursday)
Gulf Power Co. .... Bonds
(Bids 11 a.m. EST) $8,000,000

February 24 (Monday)
Pennsylvania Electric Co. .... Bonds
(Bids 11 a.m. EST) $29,000,000

February 25 (Tuesday)
Central Illinois Public Service Co. .... Bonds
(Bids to be invited) $15,000,000
Cleveland Electric Illuminating Co. .... Bonds
(Bids noon EST) $30,000,000

February 26 (Wednesday)
Southern New England Telephone Co. .... Debens.
(Bids to be invited) $30,000,000

March 3 (Monday)
Iowa Public Service Co. .... Bonds
(Bids to be invited) $10,000,000

March 4 (Tuesday)
Ohio Edison Co. .... Bonds
(Bids to be invited) $30,000,000 to $35,000,000

March 5 (Wednesday)
Iowa Illinois Gas & Electric Co. .... Debentures
(Bids to be invited) $9,000,000

March 20 (Thursday)
Georgia Power Co. .... Bonds
(Bids 11 a.m. EST) $21,500,000

June 3 (Tuesday)
Appalachian Electric Power Co. .... Bonds
(Bids to be invited) $25,000,000

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★ Group Securities, Inc.
Dec. 16 filed (by amendment) 1,500,000 additional shares of capital stock (par one cent). **Price**—At market. **Proceeds**—For investment. **Office**—Jersey City, N. J.

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.

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.

★ Hofmann Industries, Inc., Sinking Spring, Pa.
Dec. 20 filed 227,500 shares of common stock (par 25 cents) to be offered in exchange for outstanding common shares of Van Dorn Iron Works Co. **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

★ Indiana & Michigan Electric Co. (2/13)
Dec. 20 filed $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.

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.

★ Iowa Power & Light Co. (1/15)
Dec. 23 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriter**—Smith, Barney & Co., New York.

★ Iowa Power & Light Co. (1/22)
Dec. 23 filed $10,000,000 of first mortgage bonds, due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co., Inc.; Kidder, Peabody & Co.; White, Weld & Co.; The First Boston Corp.; Equitable Securities Corp. **Bids**—To be received on Jan. 22.

Janaf, Inc., Washington, D. C.
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

Koeller Air Products, Inc.
Nov. 25 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, equipment, repayment of loans and working capital. **Business**—Welding and cutting equipment. **Office** — 253 Boulevard, Hasbrouck Heights, N. J. **Underwriter**—Pierre Rossini Co., Westwood, N. J.

★ Langendorf United Bakeries, Inc.
Dec. 16 (letter of notification) 2,200 shares of common stock (par $1). **Price**—$22 per share. **Proceeds**—To go to Stanley S. Langendorf, the selling stockholder. **Office**—1160 McAllister St., San Francisco, Calif. **Underwriter**—Walston & Co., Inc., San Francisco, Calif.

Lorain Telephone Co., Lorain, Ohio
Dec. 13 (letter of notification) 1,785 shares of common stock (no par) to be offered for subscription by common stockholders at the rate of one new share for each 60.4364 shares held. **Price**—$28 per share. **Proceeds**—For additions and improvements. **Office**—203 West 9th St., Lorain, Ohio. **Underwriter**—None.

Mascot Mines, Inc., Kellogg, Idaho
June 3 (letter of notification) 800,000 shares of common stock. **Price**—At par (17½ cents per share). **Proceeds**—For mining expenses. **Office**—Sidney Bldg., Kellogg, Idaho. Malcolm C. Brown is President. **Underwriter**—Standard Securities Corp., Spokane, Wash., and Kellogg, Idaho.

★ Minneapolis-Honeywell Regulator Co.
Dec. 19 filed 20,000 shares of common stock (par $1.50) to be issued pursuant to the company's Stock Purchase Plan for Employees.

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.

Motel Corp. of Italy
Dec. 11 filed 20,000 shares of class A common stock and $1,000,000 of 8% income debenture bonds due July 2, 1933, to be offered in units of one $100 bond and two shares of stock. **Price**—$101 per unit. **Proceeds**—To construct and operate, through Italian corporations, a chain of motels in Italy. **Office**—Silver Spring, Md. **Underwriter**—None.

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 Finance Co., Detroit, Mich. (1/8)
Dec. 16 filed 75,000 shares of 6¼% cumulative preferred stock (with warrants to purchase 112,500 shares of common stock) and 40,000 shares of common stock (par $1), the latter to be sold for account of five selling stockholders. **Price** — Of preferred stock, at par ($10 per share); and of common stock, at $5 per share. **Proceeds**—For working capital. **Underwriter**—Baker, Simonds & Co., Detroit, Mich.

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.

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.

★ Nucleonics Chemistry & Electronics Shares, Inc.
Dec. 20 filed (by amendment) 100,000 additional shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

● 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. Statement effective Dec. 13.

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.

★ Oil Salvage, Inc.
Dec. 13 (letter of notification) 75,000 shares of 5% participating non-cumulative preferred stock. **Price** — At par ($1 per share). **Proceeds** — For working capital; inventory and general expenses. **Office**—228 Ensign St., Fort Morgan, Colo. **Underwriter**—None.

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 Petroleums, Ltd.
Oct. 11 filed 1,603,998 shares of common stock (par $1), of which 1,588,998 shares are to be offered in exchange for outstanding Merrill Petroleums, Ltd. common stock at the rate of one Pacific share for each two Merrill shares; the remaining 15,000 shares are to be issuable upon exercise of presently outstanding options granted by Merrill, which options will be assumed by Pacific. **Office**—Calgary, Alberta, Canada. **Underwriter**—None. Statement effective Nov. 13.

Pacific Power & Light Co. (1/15)
Dec. 13 filed $15,000,000 first mortgage bonds due 1988. **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. (jointly). **Bids**—Expected to be received up to 8 a.m. (PST) on Jan. 15.

Pacific Power & Light Co. (1/15)
Dec. 13 filed 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 to be received up to 8 a.m. (PST) on Jan. 15.

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. Statement effective Dec. 17.

● Peninsular Metal Products Corp. (1/8)
Dec. 16 filed 65,000 shares of 6% cumulative convertible preferred stock. **Price**—To be supplied by amendment. **Proceeds**—Together with funds from sale of $318,000 5% subordinated debentures, to purchase all of the outstanding 104,500 shares of capital stock of George L. Nankervis Co., Detroit, Mich., for $15.75 per share, or a total of $1,645,875. **Office**—Ferndale, Mich. **Underwriter**—Wm. C. Roney & Co., Detroit, Mich.

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.

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● Permian Basin Pipeline Co.
Nov. 22 filed 826,500 shares of common stock (par $1) being 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**—$5 per share. **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 subordinated 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. Statement effective Dec. 13.

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.

Ponce Hotel Corp., San Juan, P. R.
Dec. 12 filed 1,590 shares of 6% cumulative preferred stock, series A (par $100), 12,410 shares of 6% cumulative preferred stock, series AA (par $100) and 364,000 shares of common stock (par $1) to be offered in units of one preferred share and 26 common shares. **Price** — $126 per unit. **Proceeds** — Together with proceeds of debt financing, will be used to purchase hotel site, construction, furnishing and equipment of the hotel. **Underwriter** — Compania Financiera de Inversiones, Inc., San Juan, P. R.

Professional Life & Casualty Co., Champaign, Ill.
Dec. 16 filed 120,000 shares of common stock. **Price**—$15 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

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
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. **Offering**—Postponed. Not expected until after Jan. 1, 1958.

Rocky Mountain Quarter Racing Association
Oct. 31 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—To repay outstnding indebtedness. **Office** — Littleton, Colo. **Underwriter**—R. B. Ford Co., Windover Road, Memphis, Tenn.

Rose Records, Inc.
July 22 (letter of notification) 11,022 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For working capital. **Office**—705 South Husband St., Stillwater, Okla. **Underwriter**—Richard B. Burns Securities Agency, Stillwater, Okla.

★ Royal Dutch Petroleum Co. (1/20)
Dec. 20 filed 7,602,285 shares of capital stock to be offered for subscription by stockholders of record Jan. 17, 1958 on the basis of one new share for each eight shares held; rights to expire on Feb. 10. **Price**—To be supplied by amendment. **Proceeds**—To be made available to the Royal-Shell Group of companies for their capital and exploration expenditure programs. **Underwriter**—Morgan Stanley & Co., New York, heads list of American underwriters.

Rule (C. F.) Construction Co.
Sept. 13 filed 127,289 shares of common stock (par $10). **Price**—$13 per share. **Proceeds**—To retire outstanding loans and for working capital and investment in additional equipment. **Office**—Nashville, Tenn. **Underwriter**—None. Statement effective Nov. 20.

St. Louis Insurance Corp., St. Louis, Mo.
March 27 filed 1,250 shares of class C cumulative preferred stock (par $57). **Price**—$97 per share. **Proceeds**—To R. M. Realty Co., who is the selling stockholder. **Underwriter** — Yates, Heitner & Woods, St. Louis, Mo. **Offering**—Indefinitely postponed.

Schering Corp., Bloomfield, N. J.
Sept. 19 filed 278,983 shares of 5% cumulative convertible preferred stock (par $30) and 418,475 shares of common stock (par $1) to be issued in exchange for stock of White Laboratories, Inc. (which is to be merged with Schering Corp. effective Sept. 19, 1957) on the basis of one share of preferred stock and 1½ shares of common stock for each White class A or class B common share held. **Underwriter**—None.

Sentinel Security Life Insurance Co.
Nov. 27 filed 5,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—Salt Lake City, Utah. **Underwriter**—None.

● Shacron Oil Corp.
Sept. 11 (letter of notification) 40,000 shares of common stock (par $1) being offered for subscription by stockholders of record Nov. 18, 1957 (with an oversubscription privilege); rights to expire on Dec. 31. **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.

Shaleen Oil & Mining Co.
Dec. 9 (letter of notification) 2,000,000 shares of common stock (par one cent). **Price**—10 cents per share. **Proceeds**—For mining expenses. **Office**—c/o Bruce Kistler, Counsel, 450 Denver Club Bldg., Denver, Colo. **Underwriter**—None.

★ "Shell" Transport & Trading Co., Ltd. (2/14)
Dec. 20 filed a maximum of $12,600,000 of New York Shares (representing a like amount of ordinary shares) to be offered for subscription by holders of ordinary shares, including stock represented by New York shares of record Jan. 17, 1958. This represents 10% of the total offering by the company, which 10% is to be offered for subscription by American residents. **Price**—To be supplied by amendment. **Proceeds** — For exploration programs. **Underwriter**—None in the United States.

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.

Shopping Centers Corp., Pittsburgh, Pa.
Dec. 17 filed 50,000 shares of common stock (par $2.50) and $2,500,000 of debenture bonds to be offered in units of one share of stock and one $50 bond. **Price**—$52.65 per unit. **Proceeds** — For construction, ownership and management of shopping centers, luxury hotels and other commercial property. **Underwriter** — None. Offering to be made through Akiba Zilberberg, 5857 Phillips Ave., Pittsburgh 19, Pa., the company's President.

Simplicity Pattern Co. Inc.
Oct. 10 filed 155,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To two selling stockholders. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Offering** — Indefinitely postponed.

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. **Offering**—Expected this week.

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 677,408 shares of common stock, of which 377,408 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 377,408 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.

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.

★ Town & Country Securities Corp.
Dec. 20 filed 250,000 shares of common stock (no par). **Price**—$4 per share. **Proceeds** — For working capital. **Office**—Fort Wayne, Ind. **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.

Trask Manufacturing Co.
Dec. 5 (letter of notification) 15,000 shares of common stock (par $5). **Price** — $4.50 per share. **Proceeds** — For working capital and payment of current liabilities. **Address**—Wrightsboro section, 3 miles north of Wilmington, N. C. **Underwriter** — Selected Investments, Wilmington, N. C.

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.

★ Ultra Ray Drilling & Mining Co., Great Falls, Mont.
Dec. 11 (letter of notification) 199,700 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Underwriter**—None.

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 Plywood Corp.
Dec. 16 filed $1,000,000 of Participations in the company's Employees' Stock Purchase Plan, together with 38,000 shares of common stock which may be purchased pursuant to said plan.

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 develop-

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ment 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.

★ **Uranium Girl Inc.**
Dec. 10 (letter of notification) 50,000 shares of class B common stock (no par). **Price**—20,000 shares at 50 cents per share; and 30,000 shares at $1 per share. **Proceeds**—For mining expenses. **Office**—233 Petroleum Club Bldg., Denver 2, Colo. **Underwriter**—None.

● **Verson Allsteel Press Co., Chicago, Ill.**
Dec. 13 (letter of notification) 60,000 shares of 6% cumulative non-voting preferred stock to be offered for subscription by employees. **Price**—At par ($5 per share). **Proceeds**—For working capital. **Office**—1355 East 93rd St., Chicago, Ill. **Underwriter**—None.

Vulcan Materials Co., Birmingham, Ala.
Dec. 12 filed 114,396 shares of 6¼% cumulative preferred stock (par $100), 54,631 shares of 5¾% cumulative preferred stock (par $100), 87,000 shares of 5% cumulative convertible preferred stock (par $16) and 2,390,230 shares of common stock (par $1) to be issued in exchange for stock of Union Chemical & Materials Corp. and Lambert Bros., Inc. under an agreement of merger to become effective Dec. 31, 1957, viz: Each of the 1,143,968 shares of Union common stock outstanding are to be converted into 1¼ shares of Vulcan common (1,429,960 shares) and 1.1 shares of Vulcan 6¼% preferred (114,396.8 shares); each of the 1,092,639 shares of Union 5% preferred stock outstanding will be converted into 1/20th share of Vulcan 5¾% preferred (54,632 shares); and each of the 1,200 common shares of Lambert will be converted into 486⅓ shares of Vulcan common (583,600 shares) and 72½ shares of Vulcan 5% preferred (87,000 shares). Vulcan will also issue 376,670 shares of its common stock in exchange for the stocks of Wesco Materials, Inc.; Wesco Contracting Co., Asphalt Paving Materials Co.; Brooks Sand & Gravel Co.; and Tennessee Equipment Co.; 50% of the outstanding stock of Chattanooga Rock Products Co. and 66⅔% of the stock of Rockwood Slag Products, Inc. Prior to the above merger, Lambert owned, and as a result of the merger Vulcan will own, the remaining 50% stock interest in Chattanooga Rock and the remaining 33⅓% stock interest in Rockwood Slag. **Underwriter**—None.

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.

★ **West Texas Utilities Co. (1/20)**
Dec. 23 filed $8,500,000 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.; Kuhn, Loeb & Co. and Lehman Brothers (jointly); The First Boston Corp.; Blyth & Co., Inc., Harriman Ripley & Co. Inc. and Salomon Bros. & Hutzler (jointly); Equitable Securities Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received up to 10:30 a.m. (EST) on Jan. 20.

★ **West Virginia Pulp & Paper Co. (1/15)**
Dec. 23 filed $40,000,000 of 20-year debentures due Jan. 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Harriman Ripley & Co. Inc., 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.

Wisconsin Southern Gas Co., Inc. (1/3)
Dec. 12 filed 19,327 shares of common stock (par $10) to be offered for subscription by common stockholders of record Dec. 26, 1957 at the rate of one new share for each six shares held; rights to expire on Jan. 17, 1958. **Price**—$16 per share. **Proceeds**—To repay bank loans. **Underwriters**—The Milwaukee Co., Milwaukee, Wis.; and Harley, Hayden & Co. and Bell & Farrell, Inc., both of Madison, Wis.

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. (6/3)
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. **Bids**—Tentatively expected to be received on June 3.

Baltimore & Ohio RR. (1/23)
Bids will be received by the company at 2 Wall St., New York 5, N. Y., on January 23 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.

★ **Buffalo Industrial Bank, Buffalo, N. Y.**
Dec. 23 it was reported the bank plans to offer to its stockholders 18,750 additional shares of common stock (par $10) on a one-for-five basis. **Price**—$25 per share. **Proceeds**—To increase capital and surplus.

California Electric Power Co.
Nov. 20, Carl C. Ernst, President, said that "it now appears we will be back to market more securities soon after the first of the year." **Proceeds**—For repayment of bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; White, Weld & Co. (2) For common stock—Merrill Lynch, Pierce, Fenner & Beane; Carl M. Loeb, Rhoades & Co.; White, Weld & Co.; Kidder, Peabody & Co. Any preferred stock may be sold on a negotiated basis, and underwriters may be Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly).

Cambridge Electric Light Co.
Oct. 22 it was reported company may issue $4,500,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc. and F. S. Moseley & Co. (jointly). **Bids**—Tentatively expected to be received in January.

Central Illinois Public Service Co. (2/25)
Dec. 9 it was reported company plans to issue and sell $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.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); Salomon Bros. & Hutzler; Blair & Co., Inc.; Blyth & Co., Inc., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Bids**—Expected Feb. 25.

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, Burlington & Quincy RR. (1/8)
Bids are expected to be received by the company up to noon (EST) on Jan. 8 for the purchase from it of $24,500,000 of new first and refunding mortgage bonds due Feb. 1, 1978. **Proceeds** — To retire $24,500,000 general mortgage bonds due March 1, 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers; Eastman Dillon Union Securities & Co.

● **Chicago, Burlington & Quincy RR. (1/21)**
Bids are expected to be received by the company on Jan. 21 for the purchase from it of $4,500,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Inc.; Salomon Bros. & Hutzler.

Chicago District Pipeline Co.
Nov. 12 it was announced company plans to sell about $5,000,000 of first mortgage bonds sometime after the turn of the year. **Proceeds**—To repay advances made by Peoples Gas Light & Coke Co., the parent. **Underwriters**—Probably Dillon, Read & Co. Inc. and Halsey, Stuart & Co. Inc.

Chicago, Rock Island & Pacific RR. (1/9)
Bids are expected to be received by the company up to noon (CST) on Jan. 9 for the purchase from it of $4,620,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

● **Cleveland Electric Illuminating Co. (2/25)**
Dec. 17 it was announced company plans to issue and sell $30,000,000 of first mortgage bonds due 1993. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blair & Co., Inc. and Baxter, Williams & Co. (jointly); Glore, Forgan & Co.; Blyth & Co., Inc.; The First Boston Corp.; White, Weld & Co.; Dillon Read & Co. Inc. **Bids**—Expected to be received up to noon (EST) on Feb. 25.

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).

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.

Duquesne Light Co.
Dec. 12 it was reported company plans to issue and sell around $15,000,000 of first mortgage bonds 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.; White, Weld & Co.; Glore, Forgan & Co.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co., and A. C. Allyn & Co. Inc. (jointly); Drexel & Co. and Equitable Securities Corp. (jointly). **Offering**—Planned in first half of 1958.

Georgia Power Co. (3/20)
Dec. 6 it was announced company plans to issue and sell $21,500,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lehman Brothers; The First Boston Corp.; Blyth & Co., Inc., Kidder, Peabody & Co. and Shields & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 20. **Registration**—Planned for Feb. 21.

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.

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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.

Gulf Power Co. (2/20)
Dec. 6 it was announced company plans to issue and sell $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To finance construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Lehman Brothers; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler (jointly). **Bids**—Scheduled to be received up to 11 a.m. (EST) on Feb. 20. **Registration**—Planned for Jan. 24.

Gulf States Utilities Co. (2/18)
Dec. 16 it was announced company plans to issue and sell 75,000 shares of cumulative preferred stock (par $100). **Proceeds**—To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Lehman Brothers and Equitable Securities Corp. (jointly); Kuhn, Loeb & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly). **Bids**—Scheduled to be received on Feb. 18.

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.

International Bank for Reconstruction and Development ("World Bank")
Dec. 17 it was announced that the Bank is planning to market $150,000,000 of bonds in this country before the middle of January, 1958. **Underwriters**—The First Boston Corp. and Morgan Stanley & Co., both of New York.

★ Iowa Illinois Gas & Electric Co. (3/5)
Dec. 9 it was announced company plans to issue and sell $9,000,000 of debentures (probably convertible). **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Glore, Forgan & Co.; The First Boston Corp.; Harriman, Ripley & Co. Inc., Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp.; Blyth & Co. **Bids**—Expected on March 5. **Registration**—Planned for Feb. 5.

★ Iowa Public Service Co. (3/3)
Dec. 18 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Blair & Co. Inc.; White, Weld & Co.; The First Boston Corp., Kuhn, Loeb & Co. and A. C. Allyn & Co., Inc. (jointly); Kidder, Peabody & Co. and Blyth & Co. (jointly). **Bids**—Expected to be received on March 3.

Litton Industries, Inc.
Dec. 14 stockholders approved the creation of an issue of 16,000 shares of $100 par preferred stock and an increase in the authorized common stock from 2,000,000 to 3,500,000 shares. **Underwriters** — Lehman Brothers and Clark, Dodge & Co. handled last equity financing which was done privately.

Louisiana Power & Light Co.
Dec. 16, it was announced company may borrow $11,500,000 from banks pending a final financing program relating to the disposition of its gas properties to Louisiana Gas Service Co., a new company.

Minneapolis Gas Co.
Dec. 16 it was reported company may be planning to offer to its common stockholders the right to subscribe for about 166,070 additional shares of common stock on a 1-for-10 basis. **Underwriter**—Kalman & Co., Minneapolis, Minn.

Mississippi Power & Light Co.
Dec. 4 it was announced 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.

Missouri Pacific RR. (1/15)
Bids are expected to be received by the company on Jan. 15 for the purchase from it of $3,450,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 announced 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. (2/19)
Dec. 13 this company announced that it now plans to raise $10,000,000 early in 1958. 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. **Bids**—Expected to be received on Feb. 19.

Northern Natural Gas Co.
Nov. 25 the company announced the proposed issuance of 456,813 additional shares of common stock (par $10), to be offered late in January to common stockholders on the basis of one new share for each eight shares held. **Proceeds** — Approximately $20,000,000 to repay bank loans and for construction program. **Underwriter**—None.

Ohio Edison Co. (3/4)
Dec. 12 it was reported company plans to offer $30,000,000 to $35,000,000 first mortgage bonds due 1988. **Proceeds**—To repay bank loans, etc. and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan, Stanley & Co.; First Boston Corp.; Glore, Forgan & Co., White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids** — Expected on March 4.

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)
Dec. 18 directors authorized the sale of $75,000,000 first and refunding mortgage bonds due Dec. 1, 1978. **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 up to 8:30 a.m. (PST) 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.

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.

Pittsburgh & Lake Erie Ry. (1/8)
Bids are expected to be received by the company on Jan. 8 for the purchase from it of $3,975,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

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.

★ Southern California Edison Co.
Dec. 19, Harold Quinton, President, announced company would require around $70,000,000 in new financing during 1958. He predicted the next offering, probably in the Spring, would consist of bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; The First Boston Corp. and Dean Witter & Co. (jointly); Blyth & Co., Inc.

Southern Counties Gas Co. of California
Dec. 16 it was reported company plans to issue and sell in March, 1958, $15,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

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).

Southern New England Telephone Co. (2/26)
Dec. 12 it was announced company plans to issue and sell $30,000,000 of debentures. **Proceeds**—For repayment of advances received from American Telephone & Telegraph Co. and construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane. **Bids** — Scheduled to be received on Feb. 26. **Registration**—Planned for Feb. 4.

Tennessee Gas Transmission Co.
Dec. 17 directors approved a proposal to issue and sell 1,000,000 shares of common stock early in February, 1958. **Proceeds**—For construction program. **Underwriters**—Stone & Webster Securities Corp. and White, Weld & Co., both of New York.

• Texas Utilities Co. (2/4)
Dec. 16 it was announced company may sell 340,000 additional shares of common stock. **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. **Bids**—Expected to be received up to 11 a.m. (EST) on Feb. 4. **Registration**—Planned for Jan. 10.

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.

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"Uncle Sugar" Now "Uncle Sap"

these measures? India gets mad because we give grants to Pakistan. Pakistan gets mad because we give grants to India. Others get mad because we give grants to either one or both of them. Others get mad because we don't give them big enough grants. They ask for fifty million and we only give five million. The net result is that we've lost the friend plus the five million. Pakistan and Iraq were mad because we offered Egypt the Aswan Dam, which never should have been offered in the first place. Ceylon and other neutrals quite frankly prefer the Soviet or Chinese Communist loans to our gifts. They are opposed to us, they vote against us in the United Nations, they are nationalizing everything in their countries, they're creating socialist states.

What are the Russians and the Chinese offering them? They offer them occasionally some long-term credits, occasionally at low interest rates. Usually they gyp them in the process. They offer some so-called technical advice by a few Soviet experts and some trade agreements, but they don't begin anywhere near to give them the grants that we do.

In other words, it would seem that insofar as getting United States bounty is concerned it is far better to be non-committed and neutralist or even Communist than to be our friend.

Latin Americans Annoyed Too

In this whole situation, Latin America is very much annoyed—and with some justice—because they have been our friends all the way through; they have stuck to us through thick and thin; voluntarily went into the war on our side; some of them actually declared war before we did; and yet they get a mere pittance of grants and loans in comparison with the rest of the world.

It is significant to note that those countries that have gotten a mere pittance from us have made the greatest economic advance of any countries in the world including the United States.

I said before, they laugh at us. Let me tell you a story, as told by Oswaldo Aranha, who now heads the Brazilian delegation at UN. He has been Foreign Minister, Minister of Finance, a candidate for President and held other important posts. When he came up here to be President of the Assembly of the United Nations some years ago he told this story—this was before Grace Kelly got married and perhaps one could laugh a bit at Monaco.

The prince of Monaco went to Washington to meet the President. After some conversation, the President said, "Well, what's the communist situation in Monaco?" The Prince: "Nary a Communist! We haven't anything like it. Not a fellow-traveller! Nothing! Clean as a whistle." "Well," said Mr. Truman, "I'm very sorry. We can't give you any grants or credits."

So the Prince went back disappointedly to Monaco. He sent a hurry-up telegram to the Foreign Minister of France, Bidault: "You've got a lot of Communists. Send me up a dozen, I need them desperately." Bidault replied, "I'm sorry I can't let you have any Communists because I need every one I've got here otherwise the United States will cut our credits."

Irritate and Cash In

In line with that story I just read the following in the Indian Current discussing the fact that the Finance Minister of India has been in this country trying to get a five hundred million dollar loan: The Nehru-Menon line is "Irritate the United States and you will get your loan quicker."

Now India, out of the hundreds of millions of dollars we have sent them, is lavishly spending to consolidate Kashmir into their country, thus causing difficulties with Pakistan. We pick up the check.

A well-run, financially careful country, gets less than the spendthrifts from us in handouts. Brazil won't permit the development of its oil resources, which would save them millions of dollars in foreign exchange, although it's getting to the point that everything they can get from their coffee exports has to go into dollar exchange.

We finance the debts of foreign countries. The government of one of the Bagdad Pact countries was trying seriously to gain financial stability. But, its legislature insisted on a substantial deficit and was quite frank in giving the reason—"because the United States will pick up the tab" and we did. So we find all around the world such countries as Brazil, Chile, Bolivia and many others suffering from the severest kind of inflation. Spain was one country that was fairly free from it until we started to give her aid. Now she is having inflation. Why should the United States taxpayers who already are so afflicted with inflation right in this country be giving up their hard earned money in order to create inflationary problems elsewhere?

Tito's Double-Cross

What is more serious, we give grants to Yugoslavia and Poland. Tito and Gomulka are just as much Commies as Khrushchev, and you can't trust any of them. They are dedicated, whether it's Khrushchev or Gomulka or Tito, to destroy capitalism and to destroy freedom, and to destroy our way of life. We know what Tito said in regard to Hungary. He supported Khrushchev, Kadar and the Russians going into Hungary. He has recognized the East German Government, despite the fact that before we gave him the billion two hundred or four hundred million (it's very hard to get at the figures on these matters) he promised that he wouldn't do it.

When Gomulka was visiting Tito in Yugoslavia, and Sinclair Weeks, our Secretary of Commerce was there opening the exhibit in the fair that they were having, neither Tito nor Gomulka would come near the fair because they would have to greet Mr. Sinclair Weeks, our Secretary of Commerce, and the Soviet wouldn't like that. Those are the friends that we are trying to buy. Let's not kid ourselves that national Communists are any different from the so-called international Communists. They are all one.

Competing With Ourselves

Poland, which recently got $90 million, in addition to what they had received before, and they are now trying to get some more from us, have appeared in Brazil, in our own hemisphere, offering to finance the development of a large iron ore deposit in competition with Americans. In other words, we are giving the Communists in Poland the money to compete with legitimate American enterprise in this hemisphere. I think it's inexcusable. They never will be friends or allies and they never will respect us. So far as giving money to Poland and Yugoslavia is concerned, I think it would be a little more expeditious if we just would send the checks straight through to Moscow.

We're promoting socialism and the destruction of private enterprise and investment everywhere. You only have to look at Iran and Suez and Bolivia to see that. Getting down to cases as a Savings Bank Trustee, I don't have to tell any one of you and enlarge upon what inflation has done to our savings deposits. I don't have to attempt to enter into a discussion of the reasons for inflation. Whether it's administrative, cost-push, demand-pull, spiraling wages or whatever it may be. But, there is one significant fact: I read the papers fairly carefully and I have yet to see any economist point to the second largest item in our national budget as one of the principal causes of inflation, to wit; our foreign aid. But, we have been averaging over the last several years, since the end of World War II, $5 to $6 billion a year, plus more billions, under Law 480, covering the agricultural exports given away abroad. The total since 1946 gets up well over $60 billion. We buy materials and machinery and other things here at home. We ship them all overseas and much of that money is spent here. Isn't that an important cause of inflation? Maybe I am ignorant on economic matters but to me it seems perfectly evident.

What's a Billion?

As I have tried to gauge what is a billion, I found it very difficult. You can say that so many fenceposts, spaced one foot apart, will circumscribe the world at the equator so many times or, that if you will give me one dollar for each minute since the moment that Christ was born, that that comes to a little over a billion dollars. But, I can't conceive of that number of fenceposts. I can't conceive of the number of minutes since Christ was born. Finally, I found a way to visualize what is a billion. If you take the assessed valuation of all of the real and other property in the 17 biggest cities in the United States—New York, Chicago, Philadelphia, Los Angeles, Detroit, Baltimore, Cleveland, St. Louis, Washington, San Francisco, Boston, Houston, Pittsburgh, Milwaukee, New Orleans, Buffalo and Dallas—it comes to just a little over $60 billion. I was a little bit worried about the accuracy of that assessed valuation. However, the New York State Board of Equalization and Assessment says that at least, in this State, it's just about the true value. So, presumably, on the average it is elsewhere. But, in these billions we are speaking of approximations anyway. What we have done, if it were physically possible, is to take the 17 biggest cities of this country and ship them overseas. As of June 30, last, since the end of World War II, we have given away or loaned in largely fictitious credits, $60 billion. We have given away the equivalent of our 17 biggest cities. If the American people knew these facts, I don't believe they would stand for it.

Perhaps another way to calibrate what is a billion dollars is to take the equity of the hundred largest companies in the United States, distributed as it is amongst 7,278,000 registered stockholders. That equity, which is about two-thirds of the total assets, amounts to about $61.7 billion, I don't think the American people would consent to giving away the equity of our hundred biggest corporations. Incidentally, 4% interest on $60 billion is $2,400,000,000 dollars per year.

As nearly as I can find out, somewhere between 25 cents and 40 cents on each dollar is deducted for overhead and other costs as these vast sums pass through Washington.

The Figures

It's very hard to find out what are the exact figures on foreign aid! After the Congress reduced the Eisenhower budget this year, the new foreign aid appropriations for fiscal year 1958 were as follows:

Appropriations as Approved by Congress ($1 Billion Less Than President Eisenhower Insisted on) are:

New appropriations for Fiscal Year 1958	$2,763,600,000
Reappropriated for unobligated Fiscal Year 1957	667,000,000
Total approved for Fiscal 1958	*$3,435,760,000
Total unexpended balance 6/30/57 (less $667,000,000 above)	5,523,000,000
Another estimate gives total estimated amount "reserved" and reported as unexpended but actually unobligated	2,500,000,000

*Published.

As I have said, it seems impossible to get the exact figures.

As a matter of fact, in sworn testimony before the House Foreign Affairs Committee, the American Farm Bureau estimated between $12 and $13 billion as the amount that was available to these bureaucrats at the present time.

In other words, there are enough unexpended funds to support the present program for somewhere between two and three years.

Abdication by Congress

Congress has abdicated its control over these reserved and unobligated funds. In fiscal year 1953 the publicly announced appropriations, and this isn't taking the reserves and unobligated funds into account, was over $6 billion as compared to that $3,435,000,000 that I just mentioned. In 1953, the I. C. A. payroll had 7,000 U. S. citizens and a total of 10,338. This year, as of June 30, the payroll was 9,164 Americans and 13,000 total. In other words, as I said to begin with, neither the Congress nor the people know the amounts for which we are being obligated and what actually is being spent. The bureaucrats have a further trick; when they don't get all they want at a particular hearing of Congress in an appropriations bill, they later present deficiency bills. They are very smart about this and play down additional requests so that no one really knows exactly what is happening. Since November of last year, and we haven't completed this year yet, I. C. A. has increased its personnel by 2,000 people and there are more on the way. This has happened in spite of instructions from Congress that personnel was to be reduced by 10% from the 1953 figure. I maintain that such procedures endanger our constitutional government. They endanger the system of checks and balances and the legal processes.

We are told that foreign aid is a substitute for an appreciable part of our own defense budget. That simply is not true. There are only a few of the nations to whom we have given all of these benefactions who would dare participate in a war between two great powers, such as the Soviet and ourselves.

No wonder that one of the very few good and responsible reports on this subject (I refer to the Hoover Commission report on Organization of the Executive Branch of the Government) characterized this I. C. A. program as, and I quote: "Diffuse" with "scattered efforts" and the "evaluation of results weak and sketchy" and the Hoover Committee concluded, "We should strive to withdraw our Government from the technical assistance field as soon as possible" and "instead foster private technical assistance."

The Commission Pastime

One of Washington's favorite pastimes over the last several years has been the appointment of committees and commissions.

There were the Gray Commission, Eric Johnson's, Nelson Rockefeller's the Fairless Commission and others instructed to report on foreign aid. What do they do? They are taken in hand in Washington by the bureaucrats, and I have seen those bureaucrats work and I know how they take some of our cleverest businessmen and lead them around by the nose. They brainwash them and then send some of them around the world; not in 80 days—they go around in 20 or 30 or 40 days and simply cannot learn the facts about this complicated situation. When they get to the foreign countries, they are assailed by our other bureaucrats abroad, who are getting cars, homes, servants and all manner of luxuries such as they never enjoyed before. Many of these bureaucrats, neither you nor I would hire. Some of them are socialists and some of them are worse. They have one talent, though, and thas is being able to take so-called investigating committees into camp before, during and after these tours that they make.

The same thing applies to the "experts," "consultants" and "contractors" sent abroad. They do not know foreign country's economic and other problems; they do not know the people and often not even the language. Also, some of them are prone to whitewash their reports, thus hoping to get another paid vacation in exotic surroundings or even a profitable contract or employment.

In connection with the financial and accounting aspects of foreign aid, I recommend your reading the Fifth Report by the House Committee on Government Operations (May 15, 1957), House Report #449 of the 85th Congress' first session. You will learn a lot of new expressions, such as, "over-programming," "illustrative budgeting" and "other costs."

"Over-programming" simply means getting more money than actually is needed. "Illustrative budgeting" means that I. C. A. requests an appropriation for "X" millions of dollars to be spent in a given area, usually not in a particular country, i.e., the appropriation would be requested for the Near East. The project also will be described in general and not specific terms. Thus, the dialogue between the committee members and I. C. A. representatives would run something like this:

"We are going to put a power plant in that area for which we need a hundred million dollars."

"Where are you going to put it?" say the Congressmen.

"That we can't tell."

"How many kilowatts?"

"Haven't decided on that."

"What is the market for that power?"

"That we can't decide at this point."

But the bureaucrats insist they need that hundred million dollars.

The figures are not available yet for this year, but during 1956 the individual country variations between amounts budgeted under this illustrative presentation for each country, and the amounts actually used as reported by I.C.A total $481.6 million. That's what the illustrative presentation means.

All of us are accustomed in our companies when we get an income and expense statement, to list at the very end some trifling items that we put together as "other costs." Now, what were the "other costs" under this system used by these bureaucrats in Washington during 1956? The item "Other Costs" were 70% of the total spent in Jordan, 84% of the amount spent in Guatemala and 93% spent in Haiti, and when the congressmen asked what the "Other Costs" were — they couldn't be told — "that's secret!" That's a fine way to run a business.

No System

Permit me to quote from a Congressional Report: "I.C.A witnesses admit the absence of my systematic recording program changes. Indeed, it is obvious that frequently there is no recording of

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any kind." The Deputy Director for Programming told Congress he did not believe, "having a record would serve a sufficiently useful purpose to justify the work that would be involved." Again, quoting from the Congressional Report: "I.C.A witnesses testified that there does not exist anywhere within I.C.A, 'a single statement covering all the reasons why a particular aid level for a particular country was decided upon at the time it was decided upon.'" And still another quotation: "Subsequent expenditures of these sums by the foreign government are subject to little or no supervision and accountability."

We'd be in fine shape if we tried to run our savings banks that way!

On June 3 this year I testified before the Foreign Affairs Committee of the House and I told them that if I, as a Congressman, were handed this kind of stuff, I wouldn't appropriate another red sou - centime until this situation had been thoroughly cleared up. I wouldn't permit these bureaucrats to show the duplicity they do in getting appropriations. They treat not only the United States Congress but our citizens with arrogance and disdain. Finally, they prevaricate and misrepresent the facts.

The United States Representative from Michigan, Congressman George Meader, published an article in the April Readers' Digest describing several instances of I.C.A waste and extravagance in various parts of the world. I. C. A. representatives on the Senate Record accused the Readers' Digest and Congressman Meader of distortion and inaccuracy. The Readers' Digest, limiting itself to the published statements of I. C. A. records proved the falsity of that I. C. A. accusation.

Mismanagement, Waste, Extravagance, and Dishonesty

According to the Controller General of the Republic and the General Accounting Office, there is gross mismanagement, waste and extravagance and actual dishonesty in I. C. A. Let me quote from the General Accounting Office of the United States Government, which as you know is only responsible to Congress: "There have been irregularities in aid to Korea involving defective merchandise, kickbacks and overpricing." That's what's happening on one of the hottest cold war fronts we have!

The Controller goes on to say, and I'll only give you the headings in order not to take too much time — that black markets have been created—speculation encouraged—there's been collusion between supplier and buyers, funds all supplied by the U. S. taxpayers. He adds that the Korean Government Agencies ignored our advice; that there have been malpractices in commodity import programs; that artificial exchange rates increased demand on the U. S. A. for dollars; that the accumulation in warehouses has been allowed to rot. There has been no systematic accounting for counterpart funds amounting to millions of dollars, no competitive bidding for power plants. (Sometime ago we read in the New York "Times" that one great power plant had finally been started in Korea but it was started under all these conditions and without any competitive bidding.) The General Accounting Office also reports ill-placed plants, poor or no planning, $95 million spent up to June, 1956 for fertilizer which failed to accomplish any useful purpose, inadequate staffing and slow progress. For all of this, just from 1954 to '56, we spent $833 million over there, plus millions of dollars spent before. In Korea there are three or more separate programs operating at the same time in competition with one another.

It would take, literally, days to enumerate all of the cases of waste and extravagance, stupidity and worse. Senator John Marshall Butler, Maryland Republican, has pointed to U. S. foreign aid money spent for such things as dress suits for Grecian undertakers, public baths for Egyptian camel drivers, a six-lane, 15 mile highway from Lisbon to the gambling and summer resort of Estoril, roads in Iran that lead nowhere and an Italian village in which no one wishes to live.

A committee of 13 republicans and 17 democrats this year unanimously approved a 59-page report detailing and, I quote, "Loose, slipshod and unbusiness-like spending of more than $250 million—a quarter of a billion dollars —in Iran" alone, just one country, and this report declares, "it is now impossible with any accuracy to tell what became of the funds."

Tremendous Waste

Congressman Meader, to whom I have referred, and Eugene Castle in his book, "The Great Give Away" tell of a $128,000 cow barn in Lebanon to demonstrate to farmers living on $100 a year or less what they should provide themselves with in the way of cow barns. Plows and tractors by the thousands are unused and rusting away on piers and warehouses all over the world. There are $1,539,000 dollars worth of prefabricated grain silos in India alone, plus untold millions of dollars of other material and equipment which are unused or wasted away all over the globe. Does this stop these I. C. A. bureaucrats running riot? Not for one minute. They continue to send more of the same material and equipment to the same places. For instance, while admitting that the $1,539,000 of silos were still sitting untouched in Calcutta, I. C. A. approved a request from its office in India for another $4 million worth of silos.

In Thailand, a 200-mile asphalt road was undertaken as a $6½ million demonstration of United States efficiency in peaceful pursuits. After 2½ years the cost has skyrocketed to $18 million for the first hundred miles.

Please don't forget that about $3 billion of our money has been used by a few recipients to reduce their own national debts. What about ours?

Of course, I'll admit that in this brief period since the end of World War II, we could not spend over $60 billion without occasionally happening to do some good. In a few places, our grants and loans have improved health conditions or irregated some more land. But, even in these cases where, not infrequently, people were starving to death before, now we have made it possible for them to have more people, more babies, so that soon there will be more people to starve to death. Too often, that's the net result.

We forced Afghanistan to get a loan from the Export-Import Bank for $40 million to pay for a $39,500,000 dam and road for power, flood control and irrigation. The power never could be developed. They didn't have any engineers that knew how to do it, how to handle it.

The same with the Flood Control. Insofar as the irrigation was concerned, damming up these waters caused a concentration of salt on the fields so that the nomads who couldn't be trained to farm anyway, when they were induced to take over and try to do a little farming found the land salted and unusable. May I comment that such activities do not win us friends. On the contrary, as a recent French Premier said, "You are creating something akin to hatred by the way you distribute your aid."

Utter Confusion in Bolivia

Utter confusion has existed with our foreign aid funds in Bolivia. It has been publicly stated, publicly printed, more than once with no denials, that our grant aid there has been used to maintain service on Bolivia's loans with the Export-Import Bank. That is, you and I as taxpayers, had our money taken away from us to loan to a Communist government, and it is Communist; then when there appeared to be danger of a default on the loan, more of the taxpayers' money is given in a grant to cover the service to the Export-Import Bank. Also, our taxes will henceforth help indirectly to pay some of Bolivia's old loans in default since the early 30s. Speculators have bought up some of these old bonds. One man is supposed to have as much as fifty percent of them. As a result, you and I are going to pay the service on these bonds to the speculators.

When I say that the Bolivian Government is Communist, they are not necessarily Stalinists. Some of them are Trotskyites and some other varieties of Marxists. Perhaps we can judge it best in the fact that one of the leading men in the Government declared just a few years ago that the Bolivian Government was much more radical than that of the Chinese Communist Government. We are today—and I can't here get the figures again—it's very hard to dig these things out — but, as nearly as can be estimated, we are today giving grants to Bolivia to pay between thirty-nine and forty-seven and a half percent of their budget. All of this occurs when Government officials have been accused of persistent falsification as they repeatedly go back to Congress and say, "Well, just give us another year or two and we'll fix up this Bolivian situation."

That Sunfed Organization

There is another dangerous aspect; a proposed organization called SUNFED, Special United Nations Fund for Economic Development. They talk about what is known as the "infra-structure." You've probably never heard of that. It's for roads, dams and other public utilities of various kinds. It is now proposed that we turn money, two hundred and fifty million per year, as a starter, over to the United Nations for them to spend. I was so worried about it that I wrote to the Saturday Evening Post and gave them some of the facts and said, "Please write an editorial on it." This was a year ago last August. They came back and said, "You write the editorial," which I did. In that editorial, and I'll only read you two paragraphs of it, I said: "Central control over and coordination of aid projects and allocation of funds are mainly exercised by the UN Technical Assistance Board whose Executive Chairman is David A. D. K. Owen, a British Socialist. In 1953 the Senate Internal Security Subcommittee reported that a heavy concentration of fifth amendment American citizens removed from the United Nations staff after the purge, were in David Owen's Department of Economic Affairs.

"The Special Adviser to the UN Department of Economic Affairs and the man who now represents the Secretary General on SUNFED is Dr. Hans W. Singer, a British subject, who in 1950 advised the Government of Pakistan that the brutal and disasterous collectivization of agriculture in Russia in the 1920's was an example of very successful development planning." (You can remember between 5 and 15 million of the kulaks or farmers were killed.)

Those are the fellows who want to use our money to run SUNFED.

The United States has long opposed a central spending plan for postwar economic aid. Early in the game we refused to go along with the proposed international development fund. Now we are being urged by foreigners and some prominent Americans to become the largest contributor to an internationally administered fund which is the child of a whole series of UN-hatched proposals which have one thing in common — the United States of America is to supply the money, the United Nations' most socialistic agencies are to spend it. We need only ask how any program of foreign aid, largely with our money, can win us friends if others disburse it. How it can confound our enemies of our enemies benefit from it. How it can bring maximum benefits to the American people if the American people have no control over it.

The last gimmick that these bureaucrats have introduced this year as a part of foreign aid is to label our give-away programs, "loans." They induced the Secretary of State and other high authorities in the United States to state that these "loans" would be made only to cover, and I quote, "greater financial risks than acceptable to existing institutions." That is to say, the International Bank and Ex-Im Bank would be unwilling and unable by law to handle these "loans." These new "loans" will be made only when financing cannot be obtained from other sources.

Actually the trick — and, as I said, I know these bureaucrats—I've worked with them—the trick will be to use the $300 million that was appropriated this year in order to get some surveys underway a sort of seed money and then go back to Congress and say, "Well, we told these countries that we'll come through with still more." That kind of money—loans only to be given if it can be proven that it is unavailable anywhere else — will operate under Gresham's Law, the bad credits, the bad gifts, will drive out good money and sound credits.

Another aspect of foreign aid is that Washington maintains we're doing it to win frindes and allies and to defeat the Communists.

First of all—and we whoop it up—that if under-developed areas are industrialized, standards of living be raised and then the people will shun Communism. I ask you to take a look at our own country. Where are the Communists? They are in highly industrialized centers enjoying highest living rates. You don't get them off in the mountains, plains or hill country. In Italy, where are the Communists? They are in the northern, highly industrialized parts with higher living standards, not in the south. What country in Europe is the least Communist? It's the poorest country in Europe—Ireland. All around the world it is the same.

I won't take your time now to quote, but both Lenin and Stalin insisted that labor in the industrialized countries should finance foreign aid for the so-called backward or undeveloped countries.

Playing the Commie's Game

In other words, through our complete ignorance of what is Communist policy and the basic Soviet plan, we have been financing the Communists in their plan. We have proven successfully that Lenin and Stalin were right. We have played their game.

In the limited time at my disposal, I have failed to speak about such items as charity beginning at home; the neglect of our definite obligations in the Ryukyu archipelago and the trust territories of the Pacific; the fact that when you send capital abroad you've got to send immigration with it, just as happened in this country; that too much speed in spreading these huge amounts of capital is bound to bring bad results—haste makes waste. All of the military aspects of this problem, the use of funds thereon—I'm skipping over. I do believe that compulsory benevolance by the State definitely violates the Constitution. Certainly, global charity imposed by a State never is a substitute for the Christian principle of individual, voluntary charity or help.

I would sum up by saying that never have so many people, the citizens of the United States, given so much for so little.

To illustrate the utter failure of this program; last spring, in a meeting at the Council on Foreign Relations, I asked the head of I.C.A how he could justify the $60 billion we had spent when the French Premier had said it had made enemies for us all over the world and the President and the Secretary of State had declared that never had we been in such dire peril as we are today. His reply was, "Mr. Braden, I don't know—I don't know the answer."

There is just one answer to this whole situation — for God's sake let's get back to the fundamental principles that made this country great. Let's, in our international and national policies, get back to the precepts laid down by George Washington in the greatest policy document this country ever had —the "Farewell Address."

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Investment-Looming Policies For Safety and Profit

price stability requirements of the bank which are set in an amount to take care of expected deposit and loan behaviors plus a goodly margin for human error. The second part which emphasizes liquidity would be in U. S. Treasuries and Federal Agency Bonds, and the third where the income is important would hold all bonds other than governments. We can get a reasonable balance between all three which meet the requirements of the bank. Since we have taken care of our price stability and liquidity requirements in the first two categories then the third category would be in bonds which could be held if desired until maturity without much practical need for their ever having to be considered for sale.

Maturity Distribution

We now have the objective amounts for each category but our next problem is to decide on the maturity distribution. For the average bank, Treasury Bills and Certificates are the practical solution for cash equivalent, because Bills may be used for offsetting the current expectancies, while the Certificates will bulwark the near term prospects and include some of the error margin. It may be possible to include exact maturities where exact predictions can be made as for example in the case of certain construction funds. In the second category, the maturity structure will depend on volume and types of loans, long range deposit and loan prospects, and money market factors. I favor operating within a ten-year objective or less because maturities beyond that are likely to cause excessive depreciation risk exposure. In the third category, in order to get a reasonable average return, an even annual distribution of maturities on the basis of a ten-year revolving fund seems a good way of getting safety and profit.

Now that we have decided on the maturities we must next decide on the coupon of Treasuries. Should we buy low coupon big discounts or high coupon premium bonds? The choice lays with the tax analysis of the bank, its present capital position and its recurring income base. Big discount bonds give a relatively low rate of current return and the bank at maturity receives a substantial

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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. 29	§53.7	*68.1	72.1	94.3
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 29	§1,374,000	*1,742,000	1,846,000	2,322,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 13	6,884,200	6,849,500	6,831,020	7,355,150
Crude runs to stills—daily average (bbls.)	Dec. 13	¶7,774,000	7,807,000	7,797,000	8,000,000
Gasoline output (bbls.)	Dec. 13	27,336,000	27,670,000	26,853,000	27,066,000
Kerosene output (bbls.)	Dec. 13	2,167,000	2,447,000	2,026,000	2,418,000
Distillate fuel oil output (bbls.)	Dec. 13	13,118,000	12,896,000	12,074,000	13,602,000
Residual fuel oil output (bbls.)	Dec. 13	7,761,000	7,592,000	7,618,000	8,360,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 13	188,845,000	188,087,000	182,478,000	177,037,000
Kerosene (bbls.) at	Dec. 13	29,904,000	31,283,000	33,503,000	32,418,000
Distillate fuel oil (bbls.) at	Dec. 13	159,275,000	163,145,000	171,940,000	139,610,000
Residual fuel oil (bbls.) at	Dec. 13	59,034,000	58,839,000	59,867,000	43,145,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 14	603,036	617,838	647,298	716,652
Revenue freight received from connections (no. of cars)	Dec. 14	555,292	528,911	570,575	661,943
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 19	$265,614,000	$226,549,000	$332,274,000	$456,571,000
Private construction	Dec. 19	97,323,000	114,409,000	165,063,000	310,067,000
Public construction	Dec. 19	168,291,000	112,140,000	167,211,000	146,504,000
State and municipal	Dec. 19	145,675,000	105,251,000	143,624,000	115,082,000
Federal	Dec. 19	22,616,000	6,889,000	23,587,000	31,422,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 14	8,910,000	*9,000,000	9,050,000	10,835,000
Pennsylvania anthracite (tons)	Dec. 14	484,000	455,000	471,000	691,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 14	267	215	142	260
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 14	12,570,000	12,315,000	11,953,000	12,220,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 19	276	269	308	214
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 17	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Dec. 17	$66.42	$66.42	$66.42	$63.04
Scrap steel (per gross ton)	Dec. 17	$32.00	$32.00	$32.67	$64.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 18	26.300c	26.375c	26.425c	35.650c
Export refinery at	Dec. 18	23.100c	22.425c	23.325c	33.750c
Lead (New York) at	Dec. 18	13.000c	13.000c	13.500c	16.000c
Lead (St. Louis) at	Dec. 18	12.800c	12.800c	13.300c	15.800c
‡Zinc (delivered) at	Dec. 18	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Dec. 18	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Dec. 18	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Dec. 18	92.750c	92.750c	89.750c	102.875c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 24	92.61	93.27	91.00	88.11
Average corporate	Dec. 24	92.20	91.62	89.09	95.92
Aaa	Dec. 24	100.32	99.52	95.62	99.52
Aa	Dec. 24	96.23	95.16	91.77	98.09
A	Dec. 24	91.19	90.77	88.95	96.23
Baa	Dec. 24	82.27	82.27	81.17	90.34
Railroad Group	Dec. 24	88.95	88.95	86.38	94.56
Public Utilities Group	Dec. 24	91.91	91.19	89.37	97.00
Industrials Group	Dec. 24	95.62	94.86	91.91	96.38
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S Government Bonds	Dec. 24	3.13	3.08	3.27	3.49
Average corporate	Dec. 24	4.26	4.30	4.48	4.01
Aaa	Dec. 24	3.73	3.78	4.03	3.78
Aa	Dec. 24	3.99	4.06	4.29	3.87
A	Dec. 24	4.33	4.36	4.49	3.99
Baa	Dec. 24	5.00	5.00	5.09	4.39
Railroad Group	Dec. 24	4.49	4.49	4.68	4.10
Public Utilities Group	Dec. 24	4.28	4.33	4.46	3.94
Industrials Group	Dec. 24	4.03	4.08	4.28	3.98
MOODY'S COMMODITY INDEX	Dec. 24	394.6	391.7	388.6	441.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 14	254,413	316,667	240,710	249,212
Production (tons)	Dec. 14	288,876	258,322	290,265	281,309
Percentage of activity	Dec. 14	92	84	94	95
Unfilled orders (tons) at end of period	Dec. 14	368,256	409,957	433,323	416,158
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Dec. 20	108.22	107.81	109.76	110.13
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Nov. 30	1,914,260	1,887,080	1,340,820	1,640,480
Short sales	Nov. 30	453,550	437,600	358,650	320,020
Other sales	Nov. 30	1,510,300	1,231,200	984,480	1,236,870
Total sales	Nov. 30	1,963,850	1,668,800	1,343,130	1,556,890
Other transactions initiated on the floor—					
Total purchases	Nov. 30	403,500	431,530	269,070	323,200
Short sales	Nov. 30	95,800	70,100	55,600	58,600
Other sales	Nov. 30	426,100	417,280	201,500	278,980
Total sales	Nov. 30	521,900	487,380	257,100	337,580
Other transactions initiated off the floor—					
Total purchases	Nov. 30	615,952	761,850	471,192	516,236
Short sales	Nov. 30	160,510	149,450	127,320	99,320
Other sales	Nov. 30	575,605	537,606	390,795	613,648
Total sales	Nov. 30	736,115	687,056	518,115	712,968
Total round-lot transactions for account of members—					
Total purchases	Nov. 30	2,933,712	3,080,460	2,081,082	2,479,916
Short sales	Nov. 30	709,860	657,150	541,570	477,940
Other sales	Nov. 30	2,512,005	2,186,086	1,576,775	2,129,498
Total sales	Nov. 30	3,221,865	2,843,236	2,118,345	2,607,438
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. 30	1,257,516	1,305,322	1,264,337	1,303,670
Dollar value	Nov. 30	$52,552,708	53,691,351	$52,566,539	$68,215,531
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Nov. 30	1,045,486	1,070,306	851,266	974,831
Customers' short sales	Nov. 30	20,056	25,031	27,829	13,149
Customers' other sales	Nov. 30	1,025,430	1,045,275	823,437	961,682
Dollar value	Nov. 30	$43,101,315	$43,988,883	$36,366,778	$46,675,229
Round-lot sales by dealers—					
Number of shares—Total sales	Nov. 30	297,490	284,930	180,480	236,820
Short sales	Nov. 30	------	------	------	------
Other sales	Nov. 30	297,490	284,930	180,480	236,820
Round-lot purchases by dealers—					
Number of shares	Nov. 30	480,370	569,110	591,780	557,640
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. 30	1,018,030	1,054,470	880,800	666,510
Other sales	Nov. 30	13,036,520	13,189,350	9,667,900	11,230,140
Total sales	Nov. 30	14,054,550	14,243,820	10,548,700	11,896,650
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Dec. 17	118.2	*118.1	117.8	116.2
Farm products	Dec. 17	92.8	91.8	92.1	88.5
Processed foods	Dec. 17	107.3	107.0	105.7	103.0
Meats	Dec. 17	95.0	94.1	90.5	79.3
All commodities other than farm and foods	Dec. 17	125.8	*125.8	125.6	124.6

*Revised figure. ¶Includes 959,000 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
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of October:			
Cotton Seed—			
Received at mills (tons)	1,139,754	504,250	1,572,928
Crushed (tons)	645,936	346,062	721,835
Stocks (tons) Oct. 31	912,009	418,191	1,959,273
Crude Oil—			
Stocks (pounds) Oct. 31	108,132,000	64,027,000	147,953,000
Produced (pounds)	223,092,000	114,715,000	241,749,000
Shipped (pounds)	142,251,000	80,506,000	169,249,000
Refined Oil—			
Stocks (pounds) Oct. 31	94,693,000	81,569,000	197,168,000
Produced (pounds)	130,973,000	75,529,000	161,282,000
Consumption (pounds)	116,520,000	94,429,000	124,424,000
Cake and Meal—			
Stocks (tons) Oct. 31	249,383	*209,213	170,814
Produced (tons)	299,826	166,582	346,400
Shipped (tons)	259,650	*166,925	316,502
Hulls—			
Stocks (tons) Oct. 31	77,319	50,085	56,190
Produced (tons)	136,097	76,115	153,882
Shipped (tons)	108,863	71,389	153,014
Linters (running bales)—			
Stocks Oct. 31	252,096	196,384	192,955
Produced	199,332	107,384	215,984
Shipped	143,620	73,188	168,138
Hull Fiber (1,000-lb. bales)—			
Stocks Oct. 31	1,039	991	662
Produced	1,392	987	1,225
Shipped	1,344	585	1,109
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Oct. 31	1,846	999	2,425
Produced	1,461	720	1,458
Shipped	614	427	1,148
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—Institute of Life Insurance—Month of September:			
Death benefits	$202,400,000	$222,100,000	$171,800,000
Matured endowments	53,000,000	55,400,000	45,900,000
Disability payments	9,100,000	9,700,000	8,800,000
Annuity payments	42,600,000	44,700,000	38,800,000
Surrender values	92,500,000	105,700,000	73,100,000
Policy dividends	97,300,000	87,700,000	66,600,000
Total	$496,900,000	$525,300,000	$425,000,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of September (000,000's omitted):			
Ordinary	$3,413	$3,689	$2,666
Industrial	517	515	544
Group	672	759	985
Total	$4,602	$4,963	$4,195
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of September (millions of dollars):			
Inventories—			
Durables	$31,741	*$31,742	$29,451
Nondurables	22,371	*22,461	21,391
Total	$54,112	*$54,203	$50,842
Sales	28,236	*28,638	27,146
MONEY IN CIRCULATION—TREASURY DEPT. As of Sept. 30 (000's omitted)	$31,073,000	$31,133,000	$30,768,000
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1911 = 100—As of Oct. 15:			
All farm products	240	243	234
Crops	224	228	231
Commercial vegetables, fresh	221	221	208
Cotton	273	270	270
Feed, grains and hay	156	163	178
Food grains	219	217	225
Fruit	187	193	221
Oil-bearing crops	231	244	249
Potatoes	154	139	143
Tobacco	483	484	453
Livestock	254	259	236
Dairy products	277	269	274
Meat animals	274	291	243
Poultry and eggs	180	174	167
Wool	279	290	249
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of August:			
Net railway operating income	$96,438,896	$68,486,698	$103,758,624
Other income	22,899,096	19,446,439	22,026,753
Total income	119,337,992	87,933,138	125,785,377
Miscellaneous deductions from income	4,539,964	4,384,649	4,219,410
Income available for fixed charges	114,798,028	83,548,489	121,565,967
Income after fixed charges	83,816,036	52,562,364	91,450,039
Other deductions	4,355,867	4,346,922	4,242,731
Net income	79,460,169	48,215,442	87,207,308
Depreciation (way & structure & equipment)	49,199,298	48,877,906	46,837,553
Federal income taxes	44,710,314	21,405,705	40,928,945
Dividend appropriations:			
On common stock	27,871,412	26,301,264	27,513,948
On preferred stock	4,652,167	542,662	4,298,168
Ratio of income to fixed charges	3.71	2.70	4.04
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Sept. (000's omitted):			
Exports	$1,541,200	$1,677,900	$1,533,600
Imports	1,068,000	1,042,400	995,200
U. S. GOVT. STATUTORY DEBT LIMITATION —As of Nov. 30 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$278,000,000
Outstanding—			
Total gross public debt	274,746,849	274,411,983	277,016,953
Guaranteed obligations not owned by the Treasury	103,584	114,563	93,828
Total gross public debt and guaranteed obligations	$274,850,434	$274,120,055	$277,110,781
Deduct—other outstanding public debt obligations not subject to debt limitation	439,211	440,429	455,995
Grand total outstanding	$274,411,223	$273,729,625	$276,654,785
Balance face amount of obligations, issuable under above authority	588,776	1,270,374	1,345,214
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Nov. 30	$274,850,434	$274,170,055	$277,110,781
General funds balances	4,864,855	4,306,587	5,777,774
Net debt	$269,985,579	$269,863,468	$271,333,007
Computed annual rate	2.893%	2.891%	2.642%

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$250,000,000 Chelan County, Wash., Public Utility District No. 1 Revenue Bonds Marketed

Underwriting group of about 390 members offering 5% Rocky Reach Hydro-Electric System bonds, due July 1, 2013, at a price of par and accrued interest. Joint syndicate managers are Halsey, Stuart & Co. Inc.; John Nuveen & Co., Inc.; B. J. Van Ingen & Co., Inc.; Smith, Barney & Co., Inc., and Blyth & Co., Inc.

Halsey, Stuart & Co. Inc.; John Nuveen & Co. Incorporated; B. J. Van Ingen & Co., Inc.; Smith, Barney & Co. Inc.; Blyth & Co., Inc. are joint managers of a nationwide underwriting syndicate of about 390 members which offered on Dec. 24 an issue of $250,000,000 Chelan County, Washington, Public Utility District No. 1, 5% Rocky Reach Hydro-Electric System Revenue Bonds, Series of 1957, due July 1, 2013. The bonds are priced at 100% and accrued interest.

Net proceeds from the sale of the bonds will be used to complete construction of the dam and hydro-electric generating station of the Rocky Reach project in Chelan and Douglas Counties across the Columbia River, Washington, at a point approximately 474 miles from its mouth. Scheduled to begin commercial operation on or about May 15, 1962, the initial stage of the project, including the building of the east abutment, the earth cut-off, and approximately 75% of the spillway section, was begun in September, 1956. A $23,100,000 bond issue was sold in December, 1956 to initiate construction. First stage construction has been estimated by the construction engineer as being approximately 90% completed, as of Oct. 15, 1957. Located about seven miles upstream from Wenatchee, the site of the Rocky Reach project is about 95 air miles east of Seattle, 130 air miles west of Spokane, and 180 air miles northeast of Portland.

Interest on the bonds is exempt, in the opinion of counsel, from all present Federal income taxes under existing laws, regulations and rulings.

The bonds will be redeemable at the option of the District at par, in whole at any time on or after Jan. 1, 1978, and in part by lot on any interest payment date on or after July 1, 1962 from certain specified funds, plus accrued interest in each case.

The Public Utility District No. 1 of Chelan County, Washington, was voted into existence in 1936 and commenced its electric utility operations through acquisition in July, 1948, of the electric subtransmission and distribution system of Puget Sound Power & Light Company in Chelan County. Properties of the District used in distributing electric energy at retail to about 16,000 customers are operated and accounted for separately from all other properties and operations of the District. Properties of the District used generally in the output and transmission of electric power and energy have a peaking capability of around 306,000 kilowatts.

The dam and hydro-electric generating station of the projected Rocky Reach undertaking will have a 775,000 kilowatt or peak capability, and the total cost of the project is presently estimated by the Construction Engineer to be $273,100,000 or about $352 per kw. The dam will be about 4,800 feet in length, and the spillway section will be about 750 feet long. The power-house will contain seven generating units, each having a rated capacity of 101,650 kw and overload capability of 110,000 kw.

The District has entered into contracts with Puget Sound Power and Light Company, Aluminum Company of America, Portland General Electric Company, Pacific Power & Light Company, and The Washington Water Power Company, whereby the entire production of the 775,000 kw Rocky Reach Hydro-Electric project has been sold on a "cost-of-service" basis for a period of 50 years (to approximately the year 2012), or until the bonds are paid or provision made for their retirement, whichever is later.

Continued from page 37

Investment-Looming Policies For Safety and Profit

capital gain at the 25% tax rate. Most discount Treasuries in the intermediate maturity range give a relatively high after tax yield to maturity. On the other hand, if a bank is under the $25,000 taxable income bracket the higher income bonds may be desirable or if expenses are relatively high, then a 52% tax bracket bank may wish the higher coupon bonds, but within the range of so-called bank maturities, which is usually up to about 10 years, current quotations indicate a higher after tax yield to maturity on the discount bonds than on the premium bonds. To generalize, it might be said that the high income banks can afford to hold down their current taxable income in order to get more net after taxes to maturity through the acquisition of the discount bonds. There is also one other advantage of discount bonds which is that as they approach maturity the market price will exceed carrying value. In adverse markets this may be of considerable importance in relation to over-all depreciation.

The high capital banks may also have the opportunity if their loan portfolios are not excessively high of holding a substantial volume of bonds other than governments and under current market conditions, the municipal and state bonds offer attractive opportunities. (At this point, will compare Federal Agencies, Corporates and other types of bonds to Treasuries and municipal yields.)

Periodic Review

Once the objectives for the investments and loans have been set up, they should not be considered static, but subject to review periodically at least twice a year and more often if conditions either change substantially.

Up to this point, practically nothing has been said about the external factors. We have considered only the requirements of the bank in relation to what the management knows and estimates about loan and deposit development. Now we come to a consideration of the influence of the money market on the maturity structure of the bond portfolio. It would seem to me that a banker would refuse to recognize the so-called bond facts of life if he did not consider the happenings of the outside world in the sense that the money market represents the outside world in the field of stranger loans. He would superimpose upon his thinking regarding the maturity distribution his analysis of money market conditions. He would realize that markets move usually in relatively long trends and the Federal Reserve is an important influence in shaping the direction of interest rates. He would also study the underlying economic factors which influence Reserve policy and which in turn determine the action of the bond market. Accordingly then, as he determined the future probabilities he would so in turn either adjust more or less of short-term versus intermediate-term bonds in his maturity structure. For example, if he felt that we were in a declining trend of bond prices, the 1-5-year Treasuries would be held in heavier volume than the 6-10-year Treasuries and with an opposite trend the reverse weighting.

Cautions Against Extremes

Since I know of no one who has consistently predicted the future accurately, it is my firm belief that no banker should go to extremes on maturity distribution, that is to say, at one time have all short-term investments such as Treasury Bills and then at other times have nothing but long-term investments in the hope of taking advantage completely of the major swings in the bond market. The risks of being wrong are too great and a program which places the emphasis on a sound recurring income will not be exposed to such extremes. In the past several years we have been asked by bankers when Treasury Bill rates were higher than longer term rates why not keep all of our funds in Treasury Bills and be perfectly safe. Likewise bankers have said to us under the stress of high savings interest costs, why not buy some of the longest term Treasuries yielding 3¼% or better and just forget about the market fluctuations. The answers, of course, are almost too obvious. In the first case, there may be terrific fluctuations in income over a period and in the second case the depreciation risk exposure is exceedingly high. Safety and profit come best in my opinion from a balanced program designed to fit the bank's requirements.

In reviewing your own investments and loans may I suggest a few simple rules as tests of balance. One, the higher the local loans the shorter should be the bond maturity distribution. Two, the higher the local loans, the lower should be bonds other than governments. Three, low earnings should not force inclusion of bonds of border-line credit or excessive maturity. Four, the stranger borrower is granted credit under the same standards as your local borrower.

Summing Up

To sum up, know where you are, where you are going, and why. With these bulwarks against errors of human judgment constantly before you in relation to your bank, I am sure you will never make any serious mistakes. If there are two words that every banker should be encouraged to take home with him after this conference, they would be POLICY and PROGRAM, to be reiterated over and over again.

With Fusz-Schmelzle

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Walter C. McClelland is with Fusz-Schmelzle & Co., Inc., Boatmen's Bank Building, members of the Midwest Stock Exchange.

With Reinholdt, Gardner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Thomas W. Fitzgerald has become affiliated with Reinholdt & Gardner, 400 Locust Street, members of the New York and Midwest Stock Exchanges.

Continued from page 9

Outlook for the Chemical Industry

tems! Notable progress has been made in interior paints, and recently progress has been made on metal finishes using a water system which eliminates thinners and solvents. I think we can foresee, with the necessary research and development, the day when exterior paints will be of this sort. At that time we will have again created another billion-pound market for chemicals.

There seems to be a sentiment today—which I think is entirely wrong—to regard the chemical industry as one that has had its "heyday" and which will now become essentially a heavy manufacturing industry with minimum profits. This shouldn't be true providing we establish as our objectives the ones which I have mentioned.

The current situation in the industry has some peculiar problems, only because the industry has been attractive profitwise and investmentwise. There are many new competitors which, in the total, is probably good. However, profit margins have slipped and are still slipping, again due to high costs of development and research and the high capital investment necessary for expansion.

Short Range Outlook

As we look at the industry short-range we appear to be on a plateau. (Incidentally, the forecasting industry has a descriptive term for this plateau. There is a tendency for many people to use it because they have become so accustomed to continued growth that when a product hits a plateau, they call it a plateau, of "despondency," and people begin to feel that all is lost and there is no future. I can't believe that as the situation in which we find ourselves today.)

Certainly new capacities are coming in, and demands are not keeping pace with new capacities. However, the growth of the industry is tied in with national income, or as we say it, "spendable" income and increased population which, as both continue to rise, will offer greater markets. Perhaps we can see in the next six months or perhaps the coming year a decrease in the amount of some goods that we sell to the well established basic industries; but, at the same time, we certainly can see an increase in the volume of goods that are new, that are different, and that are utilitarian.

The problem in the industry—and I think some of these factors are inevitable and, therefore, must be considered to be factors beyond our control—is that our direct labor costs will rise—not decrease—and that our productivity by units or man-hours will not increase as rapidly as labor costs. We are inevitably faced with new labor negotiations at higher levels than those existent today. Of course, when we speak of productivity, it is apparent that in the old, established lines advancements are becoming increasingly difficult to attain.

So, faced with these facts, the problem becomes one of how to establish a basis so that we can maintain the development, the research, the merchandising efforts that are so necessary for continued growth.

If we can solve this problem, I think we have little need to worry concerning the economic outlook for the chemical industry. If we solve it quickly, short-range we could even look good . . . and long-range, the industry will be just as solid and attractive investmentwise as it has been for many years.

With Smith, La Hue & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, Minn. — H. Frank Proshek is now with Smith, La Hue & Co., Pioneer Building.

Hutchins, Parkinson Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Richard A. Ostroff has been added to the staff of Hutchins & Parkinson, 27 State Street, members of the New York and Boston Stock Exchanges.

DIVIDEND NOTICES

THE ATCHISON, TOPEKA AND SANTA FE RAILWAY COMPANY

New York, N. Y., November 26, 1957

The Board of Directors has this day declared a dividend of Twenty-five Cents (25c) per share, being Dividend No. 118, on the Preferred Capital Stock of this Company, payable February 1, 1958, out of undivided net profits for the year ended June 30, 1957, to holders of said Preferred Capital Stock registered on the books of the Company at the close of business December 27, 1957.

The Board also declared on this day a dividend of Thirty Cents (30c) per share, being Dividend No. 185, on the Common Capital Stock of this Company, payable March 1, 1958, to holders of said Common Capital Stock registered on the books of the Company at the close of business January 24, 1958.

In addition, the Board also declared an extra dividend, No. 184, for the year 1957, of Twenty Cents (20c) per share on the Common Capital Stock of the Company, payable January 10, 1958 to stockholders of record at the close of business December 6, 1957.

R. M. SWEARINGEN,
Assistant Treasurer

120 Broadway, New York 5, N. Y.

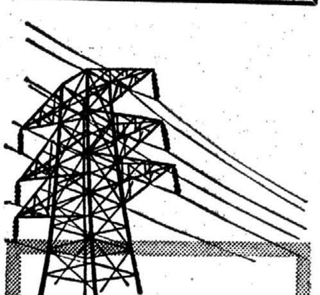
OTIS ELEVATOR COMPANY

COMMON DIVIDEND NO. 205

A quarterly dividend of $.50 per share on the Common Stock has been declared, payable January 24, 1958, to stockholders of record at the close of business on January 3, 1958.

Checks will be mailed.

H. R. FARDWELL, *Treasurer*
New York, December 18, 1957.



Southern California Edison Company

DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

COMMON STOCK
Dividend No. 192
60 cents per share;

PREFERENCE STOCK,
4.48% CONVERTIBLE SERIES
Dividend No. 43
28 cents per share;

PREFERENCE STOCK,
4.56% CONVERTIBLE SERIES
Dividend No. 39
28½ cents per share.

The above dividends are payable January 31, 1958 to stockholders of record January 5. *Checks will be mailed from the Company's office in Los Angeles, January 31.*

P. C. HALE, *Treasurer*

December 19, 1957

Edison

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Dairying is the biggest single source of farm income in the United States. The farm value of milk averages about $5 billion a year. Although the industry is concentrated in certain areas, particularly in the cooler climates, about two out of every three farms keep at least one cow. Some dairy farms have as many as 2,000 cows or more.

In recent years consumption has not kept pace with production. As a result the government, under the support price program, has stepped in and bought billions of pounds of dry skim milk, butter and cheese.

Therefore, it was no surprise in Washington when a mighty howl rose in the dairy states when Secretary of Agriculture Ezra Taft Benson announced support prices would be cut to a minimum, effective April 1, 1958. The announced reduction is 75% of parity, the lowest that the law will allow the Secretary to reduce the prices.

When Congress reconvenes there will be dozens of bills introduced by members from the dairy states calling for maintenance of dairy support prices at the present levels. The support price announcement further points to the big dairy riddle in this country. The question is: Can it be solved? Dairying is but one facet of the overall plight of the farmer whether he grows wheat, cotton or has a dairy herd.

Synthetics Root of Problem

President Eisenhower's Commission on Increased Industrial Uses of Agricultural Products after months of research insists that the demands of society are responsible for the farmers' plight. In bygone eras food was never abundant. Manpower had to be released from the farms to run industry because great wars created this necessity. Ever since the release of manpower, emphasis has been on teaching the farmer to produce more and more on each acre.

While this has been going on, industry has been spending billions of dollars a year to research agriculture out of a sizable part of its market. Today nearly half of its market for such natural fibres as cotton, wool, flax and silk, has been taken over by synthetic fibres. Two out of three pairs of shoes are now made wholly or partially of leather substitutes. Two-thirds of the soap has been replaced by detergents, which do not use natural fats. Much of the paint and varnish bypasses linseed and other vegetable oils.

New Uses for Farm Products in Industry

The Commission was created by legislation sponsored by Senator Homer E. Capehart of Indiana, and Senator Carl T. Curtis of Nebraska. Nearly 200 scientists and agricultural leaders from all sections of this country served as members of the task forces.

After eight months' study the task force brought out a highly important report earlier this year. The report outlines 106 broad fields of research and development, including hundreds of product uses that promise fruitful results. The products dealt with include cereal grains, cotton, oilseeds, meat and animal byproducts, sugar, fruit, vegetables, edible tree nuts, white potatoes, poultry and eggs, crop residues, forest products and new crops.

Senator Capehart predicts that a crash program of research will open new horizons of opportunity for both agriculture and industry. The Indianian, whose home state leans heavily on agriculture in its economy, expresses confidence that if a small percentage of the money now being spent to take acreage out of production, and devote it to research, it would greatly aid in alleviating the plight of agriculture.

Biggest Opportunities

While the dairy question is immediately in the spotlight, the plight of cotton and other crops will come before the new Congress. The Commission declares there is much that can be done through research to expand the market for dairy products. It maintains that the biggest opportunities include:

(1) Development of new and improved food products that will reduce cost so that people with lower incomes can afford to use more milk.

(2) Reduce perishability so as to minimize or in some cases even eliminate the need for constant refrigeration, which in itself is costly.

(3) Increase convenience in line with the current demand for streamlined cooking and housekeeping.

(4) Maintain or enhance nutritive values and flavor appeal.

(5) Conform realistically to such present food trends as that toward limiting fat consumption.

Other Possibilities

The Commission says there are large possibilities in the further development of such products as dried whole milk, dried low fat milk, frozen concentrated milk, butter and special butter spreads, and cheese. Each should be made as nearly perfect in flavor and all other desirable characteristics as modern science and technology can make it.

"In fact," the Commission report added, "if even two or three of the more important of these products can be really perfected and sold at reasonable prices, there will probably be no more milk surplus. Industrial outlets for casein and for whey and whey products would be less important, but could be significant nevertheless. The major obstacle here is cost. For industrial use, the raw material has to be so cheap that United States producers cannot afford to supply it. . . ."

The dairy problem is described in the Department of Agriculture as a multi-sided riddle. The cost price squeeze is the problem most frequently mentioned by producer groups, which is pinching hard and often. Another thing the industry is undergoing is a technological change. The number of farms with milk cows has been declining about 4% a year since the late 1940s. Some dairymen are going out of business, but those who are remaining are getting larger and larger. This dramatic change in dairy farming is primarily an adjustment to take advantage of technological changes.

Views of Earl Butz

The third facet of the dairy riddle is described by Earl L. Butz, Assistant Secretary of Agriculture, as the rising milk production in the face of declining per capita consumption of dairy products. Production per cow has increased 20% in the last decade. The increase in the next decade is expected to be as great. Total milk production in 1956 was a record 125.7 billion pounds. This was up 2.6 billion pounds from 1955, and up 8 billion pounds from 10 years before. Production in 1957 is expected to show a 2 billion pound increase over 1956. This will be the fifth consecutive year that a new record high level has been attained.

The production rise does not indicate that the dairy industry is in an overall decline despite the fact that a "regrettable number of creameries" have "out of business" signs in their windows, and many longtime, family-operated cheese factories are closing their doors.

Cost of Support Program

Government purchases of dairy products in connection with support prices began in 1933. Purchases were made each year until 1941. From 1941 through 1948 (except for a small amount of non-fat dry milk in 1947) no dairy products were bought for price support purposes. Beginning with 1949 purchases were resumed, and have exceeded 2.5 billion pounds each year except the 1951 and 1952 Korean war year. In the past two years purchases have been the equivalent to around 5 billion pounds or about 4% of production.

The dairy price support program this marketing year which began April 1, 1957, is expected to cost around $300 million. This is in addition to the $75 million special school milk program. Thus, the dairy support program will be one of the most expensive support programs operating this year.

Capehart Wants to Expand Research Program

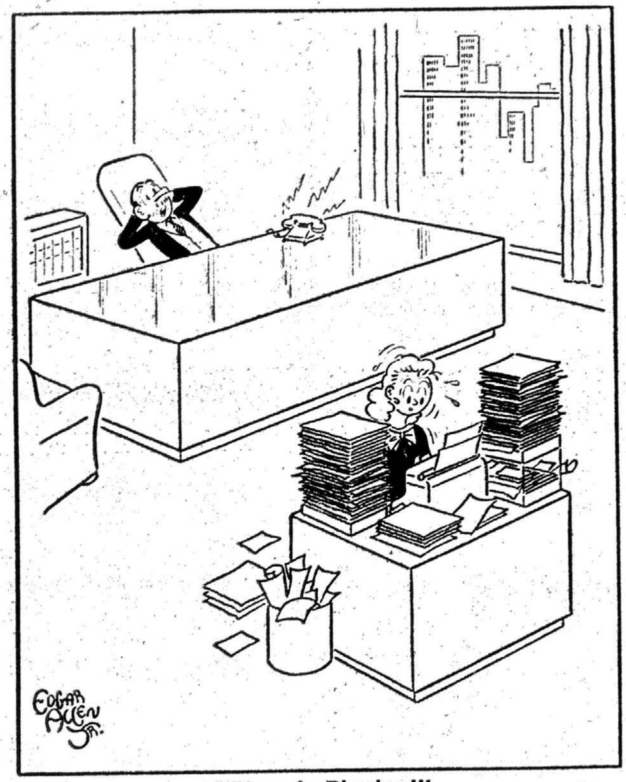
Senator Capehart, who made a great fortune because he was one of the first men to develop the electric phonograph, says the American people must realize that we are living in a scientific age. Science has increased agricultural production by leaps and bounds with less acreage and less labor. Never before have American consumers had so bountiful a supply of wholesome, tasty, nutritious food. Never before have so few farmers produced such abundance for so many.

With science playing such a tremendous role in production, Senator Capehart says he and 30 colleagues will press for passage in Congress in 1958 for more money to spend on research for increased industrial uses of farm products. Only $16 million a year is now earmarked for this type of agricultural research.

Meantime, the various farm programs will cost the Fede Government nearly $5 billi during the current fiscal ye In 1820 about 70% of American labor force was agriculture compared with o 15% today.

[This column is intended to flect the "behind the scene" in pretation from the nation's Ca and may or may not coincide the "Chronicle's" own views.]

BUSINESS BUZZ



"Phone's Ringing!"

World Bank to Issue $150,000,000 of Bo

Eugene R. Black, Presiden the International Bank for construction and Developn (World Bank), announced yes day (Dec. 25) that the new is of $150,000,000 of bonds which Bank proposes to sell before middle of January 1958 will be year bonds. The bonds will non-callable prior to Jan. 15, 1 Beginning in 1968 a sinking fu will be in effect calculated to tire 50% of the issue by maturi The issue will be offered pu licly through a nation-wide sy dicate of investment banks, curities dealers and commerc banks, headed jointly by T First Boston Corp. and Morg Stanley & Co.

As in the three most rece issues in the United States mark the Bank, in addition to offeri bonds for regular delivery, w extend to certain institutio purchasers of bonds of this n issue the privilege of making d layed payments, giving them a lection of specified delivery da between April 15, 1958 and Jan. 1961. This arrangement is e pected to serve the dual purp of coordinating a portion of Bank's borrowing with its d bursements and of making it p sible for purchasers to arra their payments to suit their in vidual preferences in the light their own projected cash positio

Business Man's Bookshelf

New York Foreign Exchange M ket—A discussion—J. P. Mor & Co. Incorporated, 23 Wall New York 8, N. Y.

Second Mortgage Practices—S Report to the Subcommitte Housing of the Committee Banking and Currency — U Government Printing Of Washington, D. C.—paper.

World's Telephones — Telep statistics — American Telep and Telegraph Company, Broadway, New York 7, N —paper.

Your Investment — Leo Barn American Research Co Larchmont, N. Y.—$3.

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