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EDITORIAL

As We See It

The President is now pondering, prayerfully without doubt, what he should say to the Congress and the American people in messages which he must deliver in the near future. He is unquestionably well aware of several questions now plaguing the minds of a great many. Have we really played the hare to a newly supercharged Russian tortoise in the matter of scientific advance, particularly as applied to war making potential? Are we in serious danger of being further outdistanced by reason of a relative shortage of trained manpower in the years to come? What, if anything can we and should we do about all this?

And now the "Eisenhower boom" appears to be losing steam, and questions are being raised in many quarters as to whether the future is to be as bright as had been supposed by the professional optimists and the gullible. Of course, fears of the future are not shared by all. Probably a good majority of the better qualified observers are confident that we are not on the verge of anything in the nature of a serious depression. Yet there is a definite feeling of uncertainty and uneasiness about the near-term outlook for full employment and good profits. These are some of the burning issues that the President cannot by-pass in either the State of the Union or the Budget Message he must soon deliver to Congress.

The President has as yet given no indication of alarm about the military strength of Russia comparative to our own at this time. Of course, the general public is not in possession of the facts in sufficient detail to form any confident independent judgment in this matter, and prob-

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The Current Economic And Political Scene

By MARRINER S. ECCLES*

Chairman of Board, First Security Banking Organization
Salt Lake City, Utah

Former Reserve Board Chairman criticizes what he posits are our failures in the foreign field, commends the Federal Reserve's anti-inflation fight, and approves of deficit financing for defense or other goals so long as the effect is not inflationary. To prevent price rise, Mr. Eccles would increase taxes or reduce other expenditures, and extend anti-monopoly laws to labor. The First Security Chairman believes proper monetary and fiscal policy can prevent a downturn from becoming cumulative and, with respect to Communist military and economic threat, an about face in our international attitudes and actions can successfully meet the Russian challenge.

The objective of a Democratic Capitalistic society is to provide for its people the highest possible standard of living. This can only be done through maximum production and employment, on a basis of stable prices. How to accomplish this is, and always will be a subject of great political and economic controversy. Everyone wants a larger slice of the economic pie than it contains. Government and other public leaders want more money to spend. Workers want more pay and fringe benefits for less hours of work. Business wants added profits. And the increasing ranks of oldsters call for higher pensions. However, everyone wants these benefits, on the basis of a stable dollar.

Marriner S. Eccles

Unfortunately, the economic facts of life are, that all the economy has to divide, is the goods and services which it is able to produce and not

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*An address by Mr. Eccles before the American Institute of Chemical Engineers, Chicago, Ill.

Business and Economic Outlook for the Year 1958

By DR. EMERSON P. SCHMIDT*
Director of Economic Research
Chamber of Commerce of the United States

Chief economist for U. S. Chamber of Commerce pessimistically expects 1958 recession to be at least as severe as in 1949 and 1954, with unemployment between 5 and 6%, and that recovery may begin before 1958 closes. Dr. Schmidt's appraisal of significant forces takes note of declining new manufacturing orders and inventories, and plant-equipment spending decline. On the encouraging side, perceives: Federal spending rise in second half of 1958; eased money market aiding credit expansion, state-local public projects, and more housing starts than in 1957; and basic forces for economic expansion in the long-run resuming its strong as ever pace which should keep current recession from a major collapse.

As always, there are expansionist and contractive forces in operation, but the consensus is that the contractive forces have the edge now. With only minor interruptions, we've had a steady boom since 1939, the longest boom in history. It is getting old, and there are signs that it is also getting tired.

Dr. E. P. Schmidt

While rolling readjustments have characterized the entire postwar period, there are signs that suggest we are in for something more than such minor adjustments. In a number of industries and sectors of the economy, peaks were reached as long as a year ago, and in some cases, two years ago, or even longer. The 1955 peak in automobile sales has not been surpassed since and will not be reached in the year ahead. Housing starts reached more than 1.3 million in 1955, and have averaged only about one million since then. The

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*An address by Dr. Schmidt before the Business Forecast Symposium for the Press, sponsored by U. S. Chamber of Commerce, Washington, D. C., Dec. 15, 1957.

SECURITIES NOW IN REGISTRATION—Underwriters, dealers and investors in corporate securities are afforded a complete picture of issues now registered with the SEC and potential undertakings in our "Securities in Registration" Section, starting on page 30.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

ALLEN M. STEINER
Associate Partner, Woolfolk & Shober
New Orleans, La.
Members New Orleans Stock Exchange

Mississippi Shipping Company ("The Delta Line")

If the reader is not interested in a company that offers investment opportunity with (1) little risk, (2) a 38-year unbroken dividend record, (3) good return, (4) growth possibilities and (5) excellent management, then he should read no further.

Allen M. Steiner

Organized in 1919, this company with 1,155 employees operates a modern fleet of 14 freight and passenger-freight vessels from the Gulf of Mexico to the east coast of South America and the west cost of Africa from Dakar south. In addition, Madeira, the Canary, Cape Verde and other islands including the West Indies may be served. Large, swift, completely air-conditioned luxury liners of the Delta Line on regular schedules carried passengers coming from all the 48 states in 1956 to Rio de Janiero, Buenos Aires and other South American ports. However, passenger income represents only a small portion of total revenues.

Numerous stock dividends, the last in August 1957, have brought total outstanding $5.00 par shares in the simple capital structure to 945,000. There is no funded debt and vessels are owned unencumbered.

In September, 1957 the company signed a new 20-year operating-differential subsidy agreement with the Federal Maritime Board of the U. S. Government. This in effect assures that the company can operate in competition with low-wage, low-cost foreign ships. Also, it provides for the replacement of Mississippi Shipping's entire fleet (approximately $160 million) over the next 12 years on an approximated 50/50 payment basis.

Years ago the company created and has since maintained a large reserve fund for vessel replacement. Present size is about $14 million. Total assets are a conservative $35 million. Current capital employed in the business as authorized by the Federal Maritime Board amounts to $17 million and earnings for 1956 came to $2.15 per share. 1957 earnings should rise somewhat. No lessening of business on their trade routes, nor earning power can be seen in the foreseeable future.

Stated book value of $27.76 per share for 1956 is most conservatively shown, since a 7½% ownership interest (262,500 shares) in Lykes Bros. Steamship Company, Inc. (54 ships operating from the Gulf of Mexico to all continents except Australia) is carried at a nominal $262,500 when actual value is considered to be several million dollars.

Dividend payments by Mississippi Shipping have been unbroken since 1919 and for the past few years have been on an annual $1.00 basis, plus a December extra of 15 cents, which represents an ultraconservative dividend paid by Lykes to Mississippi Shipping. With Lykes earnings probably in the $4 to $5 per share range, a more realistic dividend payment, rather than the present 50 cent annually per share, would increase the yield on Mississippi Shipping from the current 6¼%.

The Spring and Summer of 1957 found Mississippi Shipping talking merger or sale with three groups. A cash option to sell at $33.00 per share, with certain conditions, was refused, as was merger by share-for-share exchange with Lykes Bros. Steamship Company, Inc. The discussions with the third group were of an exploratory nature.

Management felt that neither of the offers was equal to the value of Mississippi Shipping's stock and therefore not in the best interests of the 2,400 plus stockholders.

In brief, Mississippi Shipping Company offers these qualities: well protected return on investment, assured replacement of operating equipment, high book value, over 6% current yield on stock, exceptional earnings and dividend record, excellent outlook for further stock dividends and for cash dividend increase, plus outstanding management that makes all these things fact. 1957 range, 28½ high-17 low. Present Over-the-Counter Market price about $17. The shares, in my opinion, are entirely suitable for individuals, trustees, banks, insurance companies or any other investors who are desirous of a conservative, yet productive security offering great safety.

THOMAS F. WILLMORE
Thomas F. Willmore Co., Investment Counselors, Detroit, Mich.
Author of "A Lifetime Investment Program".

Fruehauf Trailer Co.

Let us look at Fruehauf Trailer Company convertible subordinated debenture 4s of 1976. These bonds were offered early in 1956 at $102½ and very quickly went up to $129½. Recently they have sold at around $55 in the Over-the-Counter Market.

Thomas F. Willmore

What is wrong with Fruehauf? From 1949 to 1955 its growth was proportionately greater than that of General Motors or U. S. Steel. It had attained its highest sales volume in history in 1955 (a 60% increase over 1954). Its officers became quite inflation minded. At the beginning of 1956 the President, Roy Fruehauf, with prideful and honest over-optimism, told everybody who would listen that they expected to do $425 million worth of business during the year. The final figure was $255 million, a new record, but a long way from $425 million. Investors were disappointed and dumped the common stock, the preferred and all their debenture issues. The bond market turned sour, again slapping the debentures.

Unfortunately the two year big volume apparently went to the heads of the officers. They borrowed, spent and built trailers, resulting in an almost unmanageable inventory.

In 1956 profits dropped. In the middle of 1957 dividends on the common were omitted and all the securities went into their present doldrums.

This sort of thing has happened to many a top manufacturing company before this era. It has happened to the whole economy and will happen again. Deflation follows inflation like night follows day. They go together; they are head and tail of the same coin, and you can't have any coin without them.

Fruehauf makes a good trailer and is 2½ times as large as its nearest competitor. Recently the trailer business, especially Fruehauf, has invaded the railroad and shipping fields through the "Piggy-back" and "Fishy-back" method of transporting goods. The federal highway program, as it progresses over the next 15 years, will considerably help the business of transporting goods by roads.

The company is solvent, now operating at a small profit. It is rapidly cleaning up its glutted inventory problem. In other words the future of the industry and of Fruehauf looks bright indeed. The difficulties of the last two years have somewhat chastened and sharpened the officers and managers of Fruehauf and for a while they will conserve and consolidate. Secretary R. W. Jacobs advises me that inventories have been reduced this year $20 million and bank loans over $16 million.

The Fruehauf convertible 4s of 1976 are convertible into common at $26.24 a share, that is figuring the debentures at par. At a price of $55 this makes the effective conversion price of the common $14.93. As an indication that the present price of the debentures is near or at its proper investment value, without consideration of conversion, it should be noted that the Fruehauf 4% preferred, without conversion privilege, and subordinate to the debentures, is currently selling at $52 or better. The interest return to maturity on the debentures at present prices is approximately 10%.

As this is being written the four Federal Reserve Banks have announced a reduction of ½ of 1% in the discount rate. This will undoubtedly make practically all fixed income securities sell at higher prices. This act itself should make these debentures worth at least $60 on an investment basis under present money market conditions. Therefore investors will probably have to pay higher prices than the current figure of $55.

Fruehauf common stock at this writing is selling below $9 as against 38⅜ last year, but I see no reason to recommend the common stock when the convertible debentures, with current income, can be bought at anything like current prices.

Fruehauf convertible debentures are not suitable for trustees or banks. They are suitable for casualty and other insurance companies that buy some common stocks; for individuals who are now preponderantly in cash, bonds and preferreds; and for individual investors with 50% or more in common stocks who would be willing to liquidate stocks to raise funds for the purchase.

Trends in Interest Rates

By C. RICHARD YOUNGDAHL*

Aubrey G. Lanston & Co., Inc., New York City

The question is not which way interest rates will move, specialist in governments declares, "but how quickly will they decline, how far will they go, and how long will they stay down." In answering these queries, Mr. Youngdahl expects the sequence to lowered Nov. 14 rediscount rate to be: (1) larger bank reserves and supply-availability of bank credit; (2) rebuilding of governments in banks' portfolio in absence of demand for loans; (3) lowering of Treasury rates in January ranging from 2¾% for bills to five-year Treasury yield from 3 to 3⅛%, and (4) attractiveness of corporates and municipals bringing about greater adjustment than in Treasurys. Sees Federal Reserve moves to cushion any further business slide bringing about still larger interest rate drops.

With the reduction in the Federal Reserve discount rate on Nov. 14, the point of interest today is "how far" will the interest rates decline? A review of other periods of interest rate declines may provide some clues, and that is what I propose to do in this paper.

C. Richard Youngdahl

Interest rates generally reached their lows, in modern times at least, in the early 1940's and perhaps specifically in point of time in the spring of 1946. The achievement of these interest lows, if achievement is the right term for it, and their maintenance over the war period, had a profound effect on our financial history over the entire postwar period. Certainly 1946 was not an equilibrium or normal situation in financial markets, and the forces and developments leading to that situation were most exceptional. During most of the postwar, many of us had been thinking in terms of interest rates "getting back to normal." For a long while after the war it was safe to assume that the process of getting back to normal, financially speaking, was bound to result in higher interest rates. But this assumption is no longer valid, even if by "normal" we mean the level of rates generally prevailing in the '20's. We have been back there, and perhaps we even overshot those levels in certain respects. But let's begin with the '20's and by reviewing briefly the last 35 years, or so, see if we can find anything that will help us form judgments on the current questions, how far and how long will interest rates decline.

Patterns Over the 'Twenties

Over most of the '20's there was a declining trend in long-term interest rates. This decline reflected a steady growth in savings available for investment, particularly through institutional channels. Life insurance companies, for example, were gaining major importance. The growth in savings, moreover, seemed to outpace somewhat the demand for investment funds primarily because during this prosperous period the Federal Government was steadily and substantially reducing its debt through budget surpluses. Indeed, it is in the yields on Treasury securities that the declining interest trend was most pronounced. We all, I am sure, are familiar with Secretary Mellon's record of successive long-term Treasury financings at progressively lower rates.

During the less tumultuous years of the '20's, that is during the middle years of that decade, short-term interest rates tended to be somewhat lower than long-term rates. In the early '20's the opposite was true, and again during the late '20's short-term rates rose well above long-term rates. But these two periods were both characterized by extreme monetary restraint, and the latter period in particular was dominated by frantic speculation on borrowed money. It is easy to associate financial developments in the whole period of the '20's with the dramatic moves in the early or the latter part. We tend to recall, for example, the call loan rates of from 7 to 10% in 1928 and 1929, or even to hold in mind a peak rate of around 20% which is said to have been reached once or twice. Or we think of the peaks of rates paid by the Treasury to finance in the early '20's. But the facts are that during most of the '20's—specifically from 1922 through the first part of 1928—call loan rates hardly ever were over 5% and probably averaged about 4¼%, which is below present day levels. Bank loan rates to prime borrowers during this six-year period probably averaged 4½%, the present level.

The declining trend in long-term interest rates came to an end in the '20's only with the blow-off of 1928-1929 and the highly restrictive monetary policy during those years. Thereafter, over the next two or three years, there was an indecisive monetary policy—sometimes designated to stimulate recovery and sometimes directed at protecting some monetary ratios set up by an outmoded law—and this was reflected in a sawtoothing of interest rate movements, without much of any trend.

Monetary Ease in the 'Thirties

Monetary ease had definitely set in, however, by 1933. Banks

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*An address by Mr. Youngdahl before the First National Bank of Chicago Conference of Bank Correspondence, Chicago, Ill., Dec. 2, 1957.

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Libby-Owens-Ford Glass Co.

By DR. IRA U. COBLEIGH

Enterprise Economist

An enterprise of vision and the world's leading producer of flat glass.

The season of the year may suggest a quotation from Scripture. Our topical selection is taken from the 29th Chapter of Proverbs: "Where there is no vision, the people perish." Paraphrasing, we may also conclude that where there is vision a great glass company prospers — vision implemented by window glass, plate glass, thermopanes, and safety glass. In two great sections of our economy the products of LOF are in great demand — the automobile and the construction industries. We'll talk about the motor car business first. Here, in a unique contractual relationship, LOF supplies the glass for the entire line of General Motors cars. The contract is renewable on a year to year basis and is based on negotiated prices. It has operated in each year since 1931. Under this arrangement, General Motors uses LOF safety glass exclusively and throughout, on all of its models. (Most other makers use safety glass on windshields only.)

Ira U. Cobleigh

This means that the fortunes of LOF are considerably dependent upon those of General Motors, as this business is believed to account for something over half of all LOF sales. In the replacement market, however, LOF is steadily improving its sales as hundreds of thousands of smashed car windows are renewed each year with safety glass. (You have no doubt seen some of the LOF advertising on television plugging the advantages of total safety glass in cars. This is part of a $3½ million special advertising program running until July 1, 1958.)

The second major segment of company business is in new construction. Here LOF provides window glass for homes, schools, plants and factories; and plate glass for the quality market—the more expensive residences, store and super market fronts, office buildings and institutional construction. Coming along rapidly, too, is Thermopane, a sealed glass construction increasingly sought for its beauty, its heat saving and sound deadening insulation, and lower condensation factor. Much modernization of older buildings now involves upgrading from window glass to plate glass or Thermopane.

LOF is not in a business that stands still technologically. New uses and applications of glass are constantly being researched. There's Vitrolux, an ornamented colored structural glass; and many variations of laminated glass including a windshield for aircraft which doesn't need a wiper as it's heated at even temperature, electrically. (This gadget might materialized on your 1959 "Chevvy.") Future car models are certain to require far more curved glass—in fact the whole top may be of glass to simulate the old fashioned touring car. All this must be researched. And there's also an associated company researching and producing fiber glass, which we'll describe later on.

To turn out this huge volume and wide assortment of glass LOF has two big factories at Toledo, Ohio, and Ottawa, Illinois. Total manufacturing facilities are given a book value of only $65 million on the last balance sheet; yet they represent a replacement cost estimated recently at over $400 million. While many companies are pulling in their horns, when it comes to plant outlay, LOF has upped its capital expansion program from $12 million this year, to $20 billion for 1958 to provide for plant additions, some of the newest types of glass making equipment, and more warehouse space. Incidentally, LOF is so magnificently solvent that it can easily finance all this expansion entirely out of retained earnings, depreciation, and its special Plant Improvement and Replacement Fund which presently consists of over $20 million in cash and securities.

Any consideration of a company today, with a view to an investment appraisal of its common stock would require a look at the trend in sales and earnings. Total LOF sales, which first passed the $200 million mark in 1953, were $259 million in 1956. They should aggregate about $242 million this year. This is down a bit, due mainly to fewer housing starts. Profitability is expected to be well maintained, however, with per share net of about $5.30 against $5.59 for 1956. As a matter of fact, LOF has a remarkably high profit margin for a company of its size, 31.6% in 1956; and it seems better insulated against the now prevalent "profit squeeze" than many corporations we might cite. For 1958, higher earnings depend mainly on General Motors sales and the number of building starts. General Motors, and particularly Chevrolet, are starting off better than competitors; and in building, some 1958 estimates of new starts have run as high as 1,100,000 against a little less than a million for this year. The only cloud in the sky is a possible industry-wide motor strike mid-year.

Related to LOF, and offering bright prospects for future earnings, is L. O. F. Glass Fibers Co., of which Libbey-Owens-Ford owns 50¼% of the common stock. This enterprise is the second largest in the fiber glass business and, although only organized in 1955, it has now gotten impressively underway. Fiber glass industry sales are presently running over $225 million annually. The yarns are used for electrical insulation, textiles and plastic reinforcement. Fibers are used in insulation and in many applications in the electronic and aircraft industries.

L. O. F. Glass Fibers Co. now has 21 sales outlets; it is planning a new yarn plant at Laurens, South Carolina, for mid-1958 operation; and its sales and earnings have been sharply higher for the last half of this year. Total 1957 sales should reach $24 million. Per share net for first nine months was 35c, more than double 1956 results for the same period. Sole capitalization consists of 2,706,552 shares of common. This stock was widely heralded as a "growth stock" a year ago and the price ran up above 20. Today, at 10, this same stock, with undimmed future prospects, might quite legitimately attract members of the speculative fraternity. The growth potential is still there and the competence of LOF management is not to be sneezed at!

Reverting to the main company, LOF offers investors a single security which, because nothing lies ahead of it, takes on many of the attributes of a bond or preferred stock. The entire capitalization is found in the 5,220,116 outstanding shares of common listed on NYSE and currently selling to yield 5.2% at 68½, only 3¼ points above the year's low. The dividend rate is $3.60, amply supported by current eanings, which, incidentally, are understated some 90c a share due to ultra-conservative depreciation charges. This $3.60 dividend looks pretty solid. There are no fixed charges ahead to take priority in event of a more severe recession, and the management policy has been not to advance the dividend rate unless the higher cash distribution to shareholders could be maintained. Dividends have been paid without interruption since 1933 including a 2-for-1 split in 1950.

On the immediate horizon, there does not seem to be any dramatic rise in either sales or earnings. But the historic growth of LOF over the years, the forward looking management, the splendid financial position, the plant expansion and research programs, the rising trend in the use of glass—all these suggest the usefulness of LOF common for those attracted by blue chip equities, and stressing dependable income, high marketability and reasonable expectation for increase in market value over time.

The State of Trade and Industry

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

It was learned this week from a survey by the Federal Reserve Board that in the first 10 months of this year the pace of instalment debt has eased and the rate may continue to decline as a consequence of the current downward trend in business.

The board further reported in its monthly bulletin that instalment credit grew at a slower rate in the January-October period of this year than last, and by less than half the record amount of 1955. While expansion of consumer income during the greater part of this year contributed to the buyers' willingness and ability to take on more time payments, "recent developments may modify consumers' attitudes and outlooks," it pointed out. The agency noted personal income has dropped for two months since the August peak, employment and hours of work have declined and unemployment has risen more than seasonally.

It also noted, the slackening in the rise of consumer instalment debt has been a factor in the easing off in pressure on limited supplies of funds in the money market.

Outstanding credit in the January-October period of this year increased $2,000,000,000 to $33,500,000,000, the Federal Reserve Board reported. New borrowings by consumers, which have risen since mid-1956, this autumn were at a seasonally-adjusted rate of nearly $3,600,000,000 a month. Repayments on contracts have grown steadily and recently averaged $3,400,000,000 a month.

The latest monthly report issued by the board, for October, showed an increase of $85,000,000 in that month, compared with a gain of $114,000,000 in September and one of $104,000,000 in October, 1956.

During the year, all types of instalment credit have risen further after adjustments for seasonal factors. Auto credit and personal loans have accounted for most of the year's growth in outstanding credit. Expansion of credit to finance consumer goods other than autos and for repair and modernization of houses has been much less this year than it was in 1956, the board observed.

Reporting on the prospects of auto sales during 1958, Harlow H. Curtice, President of General Motors Corp. declared that new car sales are now at an annual rate of 5,500,000, exclusive of imports, and "it appears likely that 1958 domestic retail sales . . . will be somewhat lower than the 1957 total of approximately 5,800,000 units."

Mr. Curtice indicated a general decline in confidence on the part of both business and consumers is to blame for the lagging business pace.

"For various reasons," he stated, "confidence at present seems to be somewhat shaken and an attitude of caution appears to prevail. This can have a substantial effect on the level of economic activity."

Intense competition will mark the auto industry again in 1958, the head of General Motors predicted. Even if the current sales rate is indicative of the final results for the year, he continued, "it would still represent a good volume of business for the industry," and added, "the picture would improve should an upturn in business in the second half materialize."

The nation's steel mills are caught between two fires this week, higher wages and a falling market.

"The Iron Age," national metalworking weekly, says steel labor costs are up about $46,000,000 a year, effective this week. The pay boost of five cents an hour represents a cost-of-living adjustment under contracts with the United Steelworkers. An estimated 470,000 production workers will receive the pay increase.

Despite the wage rise, steel prices probably will not move up. It will increase the pressure for higher prices next July when steel labor gets an automatic seven cents an hour pay boost under its three-year contract with the steel companies.

This trade weekly observes that if the cost-of-living continues to rise the steel workers will get another cost-of-living pay boost next July. These increases to date have cost the steel companies

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S. L. Weedon Retires From Crosby Corp.

Sidney L. Weedon, a Director and Vice-President of the Crosby Corporation, Boston, general distributor of Fidelity Fund, Inc., and Puritan Fund, Inc., has retired from the corporation for which he has headed the New York office for the past four years. Mr. Weedon has been retained by Fidelity Management and Research Corporation, Boston, as a consultant.

Observations . . .

By A. WILFRED MAY

SOME FORECASTING ITEMS FROM THE EXPERTS

PHILADELPHIA, Pa.—The most important item issuing from the convocation here of the Allied Social Science Societies (including the American Economic, American Finance, and American Marketing Associations, and the Econometric Society), is the additional evidence of, with the reasons for, the shortcomings of forecasting.

A. Wilfred May

Our first exhibit was introduced by Arthur Okun of the Cowles Foundation for Research in Economics at Yale University, speaking on "A Post Mortem of Some Recent Short Term Forecasts." He presented a discussion paper, "A Review of Some Economic Forecasts for 1955 and 1956," embodying unpublished material compiled by the Foundation. (It will be recalled that major evidence of the shortcomings of the stock market forecasters was embodied in the findings of the Cowles Commission for Research in Economics in 1933.)

In a preliminary comment by Mr. Okun appraising general forecating performance, and the value of the prediction tools that have been developed, he pointed out that most forecasters of postwar economic activity failed utterly to foresee the inflationary prospects of the late nineteen forties. The results now reported were derived from forecasts made for the years 1955 and 1956 by professional economists in six financial, industrial and publishing firms in New York City; and were the product of serious, independent and substantial efforts. The predictions were centered on Gross National Product.

The 1955 Score

For 1955 the forecasters envisaged a general expansion of economic activity compared with 1954; but the upswing which actually occurred exceeded the expectations of all. Of the $30½ billion rise which occurred in GNP, about $4 billion were attributable to higher prices in 1955; with the forecasters failing to anticipate any increase in prices. Contrasted with the rise of $30.5 billion that actually occurred, the highest predicted rise was but $20.4 billion, the low $10.5, the mean being $14.5. The forecasters unanimously anticipated a small rise in net foreign investment, which filed to materialize. For residential construction and inventory investment, the predictions were uniformly too low. The largest underestimates of expansion occurred in personal consumption expenditure. The area of fixed investment was the major medium of the underestimation of the magnitude of expansion. The actual rise in non-residential construction and producers' durables was not foreseen. Nobody anticipated that the large capital gains amassed in the booming stock market would stimulate consumer spending.

The 1956 Results

"The score" for 1956 resembles that for 1955. Since GNP had risen materially during 1955, it was quite easy to be bearish for 1956. Six of the eight forecasters did predict that GNP would turn down some time during the latter year. The total rise actually occurring during the year in its entirety was $23 billion. The highest predicted change was $18 billion, the low $6 billion, and the mean of the predictions $12.4. The major factor contributing to the error arose from inaccuracy in the projection of the price level. The large rise in foreign demand for American goods was not foreseen; the predicted change in consumption was substantially too low; and the predicted increases in business fixed investment were substantially too small. Underestimates of capital outlays resulted largely from the rapid rise in the prices of capital goods. Another cause of forecasters' error was their overlooking of the expansionary influence of net foreign investment.

In the forecasting of both years, 1955 and 1956, the forecasters manifested two major types of consistent errors. The price increases of both years were either totally unforeseen or else markedly underpredicted. And there was a consistent underestimate of the expansion in Gross National Product for both years—ascribed to bearish preconceptions of the forecasters, and their reluctance to climb far out on a limb.

While the results of this study are not put forth to decry forecasting efforts, they do manifest shortcomings arising from attempts to gauge the effects of changing crowd behavior.

* * *

Mathematizing Future Stock Prices

This human behavior element in nullifying the efforts of forecasters was demonstrated here in another area, that of the econometrists. In a meeting wherein a method for the successful determination of stock pricing was claimed, they typically pointed up the variance of the calculations of the translators of economic forces into mathematical measurements from the way people actually do behave. In this case "people" are investors and their location is the market place.

This divergence of mathematical theory from reality was exemplified in a paper by Professor Gregory C. Chow, of M.I.T, proposing the prediction of stock prices via a mathematical method for analyzing the quantitative factors while isolating the quantitative ones — characterized by the author as "a contribution to economic theory as well as a practical guide to buy or sell stocks."

As a contribution to economic theory, it assumes that stock prices are determined by dividend receipts from the stocks, and it proposes a way to measure people's *expectations* thereof.

As a practical (hoped for) guide for investment, it suggests a mathematical measure of the public's attitude toward stock yield. This measure, as distinguished from the existing computation, incorporates both the element of growth in dividends and the amount of dividend that people *expect* to receive—all of which is held to be useful in the buying and selling of stocks. It is assumed that stock prices are chiefly determined by the dividend yield, current and as affected by the previous yield. It isolates dividend factors from other factors, basing the predicted price on the capitalization of the yield by the prevailing interest rate.

Coefficients and Pi's

The econometrist thus quantitatively determines a stock price by an elaborate system of coefficients (numbering 81), pi's, and *a priori* ratios transforming the Dow-Jones average to esoteric hieroglyphics.

Thus, the mathematical economist, like so many other observers of the investment scene, fails to take into account the way in which people *actually* do behave in the market place. Specifically, Professor Chow's elaborate methodology is premised on the assumption that the speculating and investing public's decisions are motivated by considerations of yield; whereas certainly the action of the vast majority of market participants is influenced predominantly by a variety of factors other than yield. In fact, in many instances surely, the lay buyer doesn't even know the issue's yield—any curiosity in this regard being obstructed by the difficulty of its calculation vis-a-vis the confusing and conflicting ways of including "extra" and "special" disbursements.

Furthermore, the theorist's emphasis of yield is contradicted by the market's habitual sharp fluctuations in its capitalization of the dividend; that is, in the price-dividend ratio. Surely no mathematical formula, no matter how highly refined the hieroglyphics, can account for the behavior factors that capitalize a Blue Chip issue at 40 times the dividend on August 1957, at 25 times three months later, and at a different multiple in August, 1958. Obviously, the changes in pricing are not based on the dividend, either currently paid or expected.

As in abstract art, here too a picture is projected without communicable meaning; with escapism into hyper-subjective imagery whose meaning is confined to the mind of the author-artist.

Is not already excessive the public obfuscation regarding the practical significance of dividend yield, without accentuation by the exercises of the statistical *eggheads?*

* * *

"P.S." — Unfortunately, the two Russian economists scheduled on the program here withdrew "because of bad weather." They could have supplied timely information regarding the attitude and activities of Soviet scientists in this *Anno Sputniki One* in this area of financial prediction.

COMING EVENTS

In Investment Field

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

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

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.

Mitchell & Company Admits Three Partners

Mitchell & Company, 120 Broadway, New York City, members of the Philadelphia-Baltimore Stock Exchange, have admitted Jack A. Jossem, Everett F. Wendler and Herbert B. Abelow to general partnership.

To Join Hayden, Stone

BOSTON, Mass. — Jerome J. Forbes, Arthur M. Pivirotto, Jr. and Harold A. Soloff are with Hayden, Stone & Co., 10 Post Office Square.

A Most Unorthodox Policy for A Labor Leader to Propose

By RICHARD J. GRAY*

President, Building and Construction Trades Dept., AFL-CIO

Aware of the unorthodoxy of the proposal for a labor leader to utter, AFL-CIO Building Trades President asks rank and file to accept a one year wage freeze. In addition to this, Mr. Gray proposes a joint labor-industry effort to secure easier money, lower taxes, more public construction, and improved productivity. Poses as the paramount question whether it is better to obtain wage stabilization with full employment through increased production, or to strive for wage increases which adds to inflation, brings about tight money, and less work.

The number one problem facing the nation today is not Russian superiority in scientific military achievements, but is inflation. I feel confident that the destructive power of weapons now held by the major nations is so great that no country will risk starting a large scale war. This is not to say that we shouldn't keep up our defense efforts—indeed, we need renewed efforts in the missile field and other aspects of military defense. Increased defense efforts mean spending more money—borrowing more money. In short, this means more inflation.

Richard Gray

It will do us little good to achieve military superiority if the cost and ever-increasing inflation eventually result in widespread unemployment and a depression.

Inflation

Let us consider inflation and its effects upon us, first as Americans and then as building tradesmen. Inflation means much more than higher prices for goods and services. It means that the $1,000 life insurance policy you bought in 1947 is now worth only about $750. It means that the $1,000 you put in the bank in 1947 for your child's college education is now worth only about $750. It means that the $100 a month social security you figured to retire on, back in 1947, will only be worth $75.00 today. Think if you will what this means to our retired members. I could cite many more such illustrations but they would tell only a small part of the really terrifying effects of inflation.

The really serious part of inflation is that it creates a shortage of money. With a shortage of money comes cutbacks in construction. This means unemployment for the people we are paid to represent. Look about and see what has been happening—housing has fallen off in the past two years about 30% due to a shortage of mortgage money. The Federal Government's Lease-Purchase Billion Dollar Construction Program for new postoffices and Federal buildings has been stymied due to a lack of available money. Inflation played a major role in the Congressional defeat this year of a Federal-Aid School Construction Program. The Federal Slum Clearance-Urban Renewal Construction Program has been cut back and is proceeding at a snail's pace. We need more hospitals—more airports—more public utilities. Construction of new industrial plants and plant modernizations have been postponed in too many instances due to the shortage of available funds.

Tight Money

Every labor economist I have talked to places the blame on the Administration's so-called "tight-money policy." To a limited extent they are correct. The tight-money policy, I believe, is specifically aimed at slowing down construction. Let me make one thing absolutely clear — I dislike and do not want a tight-money policy by this Administration or any other Administration. The reason I dislike the tight-money policy is that its effect is to cut back construction — this means unemployment to our people and also adversely affects the nation's economic well-being.

Many of you are probably wondering why we as building tradesmen should put inflation number one on our list of problems and what, if anything, we can do or should do to solve this problem.

Let me say that we have a very grave responsibility to our country as Americans. We have, as leaders of 3½ million building tradesmen, the responsibility to see to it that our membership continues working. Many of us from time to time like to boast that the construction industry is the number one industry in the country and has been for the past several years.

Perhaps I can illustrate what this means by citing a couple of figures. Economists predict that the "Gross National Product" or GNP as they call it, for 1957 will be about $434 billion. This means that all the people in the United States together will spend during 1957 for all types of goods and services a total of $434 billion. This "Gross National Product" is the measuring rod of the nation's economic health.

The economists also tell us that about $63 billion will be spent for construction, alterations and repair work. Incidentally, of this $63 billion, new construction accounts for $47 billion and alteration and repair work account for $16 billion. In simple terms, the construction industry accounts for about 15% of the nation's economic health. Stated another way, it means that $1.00 out of every $7.00 spent during 1957 went into construction. The point I am attempting to make is that our position as labor leaders of 3½ million building tradesmen in an industry which vitally affects the nation's well-being places added responsibilities upon our shoulders.

Up until now, our sole objective, like everyone else in organized labor has been to get increased wages to compensate for the increased cost of living. Our efforts in obtaining increased wages have not been without success. Indeed, we have done very well—better than most segments of organized labor.

Alternative Choice

Shall we continue to strive for and obtain wage increases to compensate for, and I might add, contribute to the increased cost of living and inflation? If we do, will it mean more tight money, more inflation, less construction and more unemployment for our people? Or, has the time come for us to reassess our basic policy? I say we have reached such a point. To me, it seems to be a question of stabilizing our wage gains and obtaining full employment through increased production.

It is my intention to lay before our Executive Council at its regular quarterly meeting to be held next month the following proposal.

Wage Moratorium

First, I propose that all General Presidents join in a public declaration of policy calling upon their local building and construction trades unions to notify their respective contractor associations that they voluntarily forego any wage increase during 1958.

In other words, I propose we voluntarily declare a moratorium on wage increases during 1958.

This first step will demonstrate our sincerity of purpose to the nation and other important segments of the construction industry. It will also, I feel confident, lay the ground-work for the second and most important phase of my proposal.

Industry-Wide Program

Second, I propose the formation of a working committee representative of the building and construction industry. The objectives of the committee would be to:

(1) Obtain maximum construction activity in all phases of the industry, thus adding to the strength of the nation's economy and providing full employment for all building tradesmen.

(2) Develop ways and means to reduce construction costs such as increased productivity through the use of new materials and new techniques, etc.

(3) Endeavor to obtain a voluntary wage increase moratorium in those supporting industries dependent upon construction, such as cement and lumber and other industries indirectly dependent upon construction such as steel, etc.

(4) Bring industry-wide concerted effort upon the Federal Government to abandon its tight-money policies, to enact appropriate legislation to provide assistance for housing, schools, hospitals, airports and other construction programs; to effect much-needed economies by consolidations in the defense Agencies and when feasible to reduce taxes so as to provide more purchasing power to the American public; and

(5) Develop ways and means, both public and private, to assure a confident and sufficient money market at reasonable interest rates to fulfill the needs of the construction industry.

As I envision this industry-wide working committee, it would be composed of about 13 top representatives from the various segments of the industry as follows:

Top Representatives

Three labor leaders (one from the basic trades, one from the specialty trades and one from the Department)
One from the Associated General Contractors of America
One from the National Constructors Association
One from the Mechanical Contractors Association
One from the Specialty Contractors Association (painting, brick, lathering and plastering, roofing, etc.)
One from the National Association of Home Builders
One from the Professional Architects and Engineers Association
One from the National Association of Realtors
One from the National Savings and Loan Association
One from the American Bankers Association
One from the Mortgage Bankers Association

Such a committee of 13 persons would certainly be representative of all segments of the industry; namely, labor, general contractors, subcontractors, architects and engineers, home builders and realtors and the three main financial sources of construction funds.

As chairman I would suggest a well-known public figure outside of government and the industry. I also would suggest that the President of the United States designate one of his top economic advisors to participate in all meetings as an observer so as to obtain first-hand knowledge of the progress being made.

Will such a committee produce concrete results? This I do not know—maybe yes, maybe no. If this is not the answer to inflation; namely, private enterprise in the number one industry of the country voluntarily attempting to solve the problem, then of some things you can be sure—higher wages, higher prices, less construction, more unemployment plus eventual government wage and price controls.

Rightly Urgent

It is not easy for me to stand up and advocate a one year moratorium on wage increases. I am well aware of the magnitude of the sacrifices such a policy means. This is, to say the least, a most unorthodox policy for a labor leader to propose. However, it may differ from the views of others, I think I am right and urgently request international, state and local council delegates to convey their personal opinions to their respective general presidents so that they will know how you feel when I put these proposals before them.

*From a talk by Mr. Gray before the 49th Regular Convention of the Building and Construction Trades Department, AFL-CIO, Atlantic City.

Jones, Swan Partners In Hayden, Stone Co.

Hayden, Stone & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, announce that William R. Jones and Joseph E. Swan, Jr. have been admitted to geenral partnership in their firm.

Fries, Mead Partners; Knapp Unlisted Mgr. Of G. C. Haas Co.

G. C. Haas & Co., 65 Broadway, New York City, members of the New York Stock Exchange, have announced that Mills M. Fries and Edgar T. Mead Jr. have been admitted to general partnership in the firm, and that Reginald J. Knapp has been appointed Manager of the unlisting trading department.

Two With Columbine

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Jack D. Clemenson and Earl L. Goodale have been added to the staff of Columbine Securities Corporation, 1575 Sherman.

A Golden Opportunity In Government Bonds

By LE ROY F. WINTERHALTER*

Vice-President, The First National Bank of Chicago

"A golden opportunity" in bonds for bankers is portrayed by Chicago banker who assumes low point in bond quotations has passed. Mr. Winterhalter suggests: (1) tax swaps still available at a profit should be done; (2) those in short position should lengthen out, at least moderately to maturities from 1960-63; (3) retain 4% notes due Aug. 1, 1961, and Aug. 15, 1962, and (4) smaller coupon discount obligations, when feasible, due to their better after-tax yield in lieu of higher current income.

The subject of Government Bonds is so consequential and so comprehensive in scope that we should begin a discussion of its various aspects by reviewing the contrast between economic conditions as they were during the last few years.

L. F. Winterhalter

Developments during recent weeks in our economy have had profound effects on business psychology and confidence, and on the ever-present arguments pro and con regarding the supply of and demand for credit, and on the over-all interest rate structure. Government bond price fluctuations are, of course, geared closely to corresponding changes in interest rate levels. If bankers are going to be able to so regulate our investment policies as to obtain the ultimate in benefits from these developments, we must analyze each situation carefully and not be stampeded into rash action every time a new "Sputnik" is launched into space.

I think it is highly probable that we may have before us at this moment a golden opportunity to reap benefits from our bond accounts — benefits which have been few and far between during the last three years of a bear market in Government securities. The developments to which I refer are such that their effect will, in my opinion, be favorable to the building of bond profits during this cycle of business activity, and I would like to examine the picture at this time in an effort to substantiate my feeling that, for the moment at least, we have passed the low point in bond quotations. Let us constantly keep in mind, however, that all this is, of course, subject to immediate revision in the event of a major war or some other catastrophic happening of this nature.

Contradictory Influences

In any analysis of the business situation, as it exists today, we are immediately confronted with a series of contradictory influences which in recent months have culminated in a rather confused picture. These are periods in which confidence has waned, in some instances, in basic philosophies previously held. The Syrian crisis and the implications involved in the launching of the Russian "Sputnik" are barometers which undoubtedly are inflationary in character. Certainly the rush to perfect and speed up our guided missile program can reasonably be interpreted as a signal for increased spending for defense purposes. Likewise, the Syrian situation, though relatively quiet at the moment, could produce a tremendous inflationary impact if some irresponsible act by any one of the nations involved would suddenly erupt into a shooting war, however small it might be.

On the other hand, substantial numbers of incoming reports are predominantly unfavorable to businesses as a whole, and there can be no question but that ideas regarding the possibility of a business down-turn are becoming much more prevalent. These are important considerations to anyone having the responsibility of supervising the bond account of a bank and developing an investment policy that will best serve the bank's needs. They are important because as business dips and rebounds, interest rates reflect these changes promptly by easing or firming, as the case may be, and the easing or firming of interest rates has an immediate effect on bond prices. All of us who have had anything to do with bonds during the past three years will, I am sure, readily testify to these facts.

In contrast to the present phase of the business picture, it might be well to review developments during the last three years. You will recall that in the latter part of 1954 our economy entered into a period wherein the up-surge of business activity became substantial, and this expansion was largely sustained until just a few months ago. While it is true that the rate of increase in 1957 has not approximated the substantial gains made in 1955 and 1956, and while it is also true that activity actually declined in many sectors, nevertheless, the year as a whole has witnessed a very high level of business activity.

This growth in the economy was sustained for such a long period largely because of the continued strong demand by customers — business and government — for goods and services; goods and services which began to cost more and more, and the urge to spend became stronger and stronger. The individual was gradually impelled to borrow, and consumer credit rose from $32.2 billion at the end of 1954 to $42.8 billion in August 1957, an increase of 30%. Businessmen noting the increased consumer spending, began to adjust their own capital expenditures and outlays for plant and equipment, which amounted to $26.8 billion in 1954, $28.7 billion in 1955, $35.1 billion in 1956, and an estimated $37 billion for 1957. This represents an increase of over $10 billion, or 37%, in just three years. The savings in the economy were not sufficient to finance these huge capital expenditures, and they were therefore financed to a large extent by heavy borrowings. In addition, state and local governments were huge borrowers to finance public works.

The combination of demands from these three types of borrowers pushed the demand for credit to a level where the demand exceeded the supply and, as was inevitable, the cost of credit increased substantially. Loans of commercial banks increased during the period by about 30%, and the banks were forced to liquidate huge amounts of their Government securities so they could use the proceeds to accommodate the borrowing needs of their regular customers.

To combat the surging inflationary factors in the economy, the Federal Reserve Board adopted various devices designed to counteract the expansion. This policy of restraint was, I believe, wisely selected at a time when rising prices, high employment and peak levels of business output and income threatened to submerge the economy in a wave of inflationary hysteria that could largely destroy the purchasing power of our dollar. Among the methods of restraint used was the raising of the Federal Reserve Bank discount rate six times—from 1½% in 1954 to 3½% in August 1957. There was some question regarding this last raise because certain of the Federal Reserve Bank were known to have opposed the move in the belief that business even at that time was beginning to show some signs of leveling off. Nevertheless, eventually all 12 banks fell in line and the rate was uniform throughout the country.

In addition, the Federal Reserve has until recently consistently kept the supply of negative reserves—that is, the excess of borrowed reserves over excess reserves — at a level somewhere around $500 to $600 million. During recent weeks the negative reserves have been holding around $300 million. These factors certainly had some effect in discouraging banks from borrowing to finance the huge outlays of capital expansion, etc. During these few years, the Gross National Product increased from an annual rate of $361.2 in 1954, to $434.3 in the second quarter of 1957. The Federal Reserve Index of Industrial Production remained relatively constant during these years but began to turn down early this year after reaching a high of 147 in December 1956. A part of the increase in Gross National Product was the result of price rises in spite of the efforts of the monetary authorities to prevent it.

The effect of all this has been to force the cost of money higher and higher. The Bank Prime Rate is presently 4½%, the highest in a great many years, and the Government has been forced to refund its maturities at steadily higher prices. Bankers who have consistently maintained a staggered maturity schedule — that is, one which has a certain percentage of holdings due each year — have been able to refund holdings at continuously more attractive rates, while at the same time enjoying a substantial increase in revenue from high rates on commercial loan portfolios. Several years ago my bank, The First National Bank of Chicago, suggested a staggered maturity schedule for the purpose of taking advantage of just such a situation as has existed during the last few years.

Expansion Ends

Now we have apparently arrived at a point, however, where it is becoming increasingly evident that the previously expanding economy has suddenly lost some of its bounce. The fall pick-up has not materialized to the degree that was expected, and while levels of production, trade and employment continue high, it is becoming common knowledge that in certain segments of the economy new orders are not in sufficient volume to support full production. As a result, order backlogs are disappearing. Up until September, the value of our services and goods was still expanding, and recent figures indicate that the Gross National Product figures for the third quarter reached a new high annual rate of $439 billion, or about $4.7 billion greater than the second quarter which I mentioned before. Here again, however, rising prices were an even more important factor than formerly.

During the summer months, the generally side-wise movement of business had encouraged many to believe that the normal fall expansion would develop at some time during the autumn season. Actually, on a seasonally adjusted basis, September fell below August in many categories, such as personal income, retail income, retail sales, total employment, industrial production, housing starts, wholesale prices, and many other important business indicators. This was the first interruption in the trend which had previously been either upward or sideways, and it was significant for this very reason.

Because of the situation created by the so-called "tight money" policy, there was some criticism, with which I do not agree, directed against the Federal Reserve Board. The cry was raised that the policy of credit restraint was strangling business, that deserving borrowers were unable to satisfy their legitimate needs, and that the Administration was in fact breeding a depression or, at least, a recession. The Board remained impervious to this criticism over a long period of time and stood firm in its resolve to combat with all the forces at its command the rising tide of inflation and its erosion of the purchasing power of the dollar. I, for one, feel that in general our monetary authorities did a fine job in their efforts to combat rising inflationary pressures, and I think the major portion of criticism was directed from sources having special interests to serve.

The constant rise in interest rates which progressed unchecked until recent months has had a very noticeable impact on Government bond prices and yields. From about the middle of 1954 on, as interest rates firmed steadily and business expanded, the demand for credit became overwhelming. Government bond prices drifted downward continuously, cometimes at a mild pace and at other times at a somewhat startling speed. However, in spite of the bullish news on business and depressing factors affecting Government bond prices, no selling panic developed such as we witnessed in 1953. During the 1955 period, the psychological impact of tight money and declining business had so shaken the confidence of businessmen, financial men, and even Government bond dealers, that the Government bond market was practically at a stand-still with everybody apparently afraid to do anything. Now we have again witnessed a downward trend in bond prices which has continued during 1955, 1956 and early 1957, and dealers have again been reluctant to take on anything substantial in the way of position because in numerous instances they have incurred losses on the deals before the ink was dry on

Continued on page 20

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

Dealer-Broker Investment Recommendations & Literature

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

Atomic Letter (No. 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.

Bond Prices—Outlook—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

Bond and Stock Markets in Canada—Analysis of outlook—Gairdner & Company Limited, 320 Bay Street, Toronto, Ont., Canada.

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

Convertible Securities and Securities With Warrants—Review—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg and Royal Bank Building, Toronto, Canada.

Depressed Stocks—List of issues—Leason & Co., Incorporated, 39 South La Salle Street, Chicago 3, Ill.

58 Stocks for 58—List of suggested issues—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

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

Japanese 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.

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Philadelphia Bank Stocks—Comparison of 12 largest Philadelphia Banks—Stroud & Company, Incorporated, 123 South Broad Street, Philadelphia 9, Pa.

Speculative Rail Bonds—Analysis—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Steel Industry—An appraisal—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a discussion of **Outlook and Investment Policy for 1958.**

Aztec Oil & Gas Co.—Analysis—Ladet, Steele & McCune, First National Bank Building, Denver 2, Colo.

Boeing Airplane—Analysis—du Pont, Homsey & Co., 31 Milk Street, Boston 9, Mass. Also in the same circular are analyses of **Brunswick Balke Collender** and **J. P. Stevens.**

Litton Industries, Inc.—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

McRae Oil & Gas Corporation—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

National Dairy Products Corp.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

National Distillers & Chemicals Corp.—Bulletin—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Parke Davis—Discussion in "Monthly Investment Letter"—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also in the same issue is a discussion of "Glamor Stocks," Fisher Governor Company, and the outlook for the market.

Saco Lowell Shops—Analysis—May & Gannon, 140 Federal Street, Boston 10, Mass.

Safeway Stores, Inc.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

San Jose Water Works—Analysis—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Scott Paper Company—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Automatic Canteen Company of America.**

Seaboard & Western Airlines—Discussion in current issue of "American Investor"—American Stock Exchange, 86 Trinity Place, New York 6, N. Y.—$1 per year. Also in the current issue are discussions of the **Cold War in Education, Meat and Man, Holophane Company, Prophet Company, and C. M. Hall Company.**

Sears, Roebuck & Co.—Memorandum—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

Texas Eastern Transmission—Memorandum—Fridley, Hess & Frederking, Texas National Bank Building, Houston 2, Tex.

World Wide Helicopters Ltd.—Analysis — Blair & Co. Incorporated, 20 Broad Street, New York 5, N. Y.

From Washington Ahead of the News

By CARLISLE BARGERON

Your correspondent has before him a letter from a very formidable group of men soliciting his support for an organization to check the communists in our midst. It describes a very serious situation about the machinations of evil-doers and I wouldn't want it to go for a moment that I am not heartily in sympathy with the aims, purposes and needs of this organization. Inasmuch as it is composed of very high-sounding names, I sort of wonder where it was when Joe McCarthy and Martin Dies were taking the raps.

Carlisle Bargeron

It so happens, however, that I have just now a greater concern and that is a movement which would protect me from the Gaither report. It seems that while the Russians have a sputnik floating through the orbit, our country has managed to produce a Gaither report. From what I can gather, this is no mean accomplishment. It should shake us out of our complacency, cause us to spend $22 billion for air raid shelters and an additional $8 billion annually on missiles, etc. That is something that should appeal to our pundits as a "bold and imaginative" program, something they have been clamoring for.

And apparently it has. The report has apparently had some of the most expert Madison Avenue technique. First, our curiosity is appealed to. Coming soon, the advance publicity says, something that will knock your eyes out. Watch this space for further details.

It is something, we are told, that is being carefully guarded by the Administration because it is afraid the American people can't stand it. Those who demand that it be published contend that the American people can withstand anything, being a hardy race, and I imagine, also, being pretty case-hardened in bunk.

But being interested in fads and particularly in things that we are told are likely to affect all of our lives and reduce us to a second rate nation, your correspondent has gone out to do as much research on this matter as anything in his recent life. In the first place it has had a particular appeal because of the suggestion that we might be reduced to a second class nation. That sounds fascinating. My guess is that the term "reduced" is exaggerated. We could hardly be reduced but by having another nation go ahead of us, we might end up in second place.

There are not many Congressmen or Senators in Washington these days but those that are, I have approached, together with officials of the executive branch, and there is no question that on my query: "What do you think it would mean to us to be a second class nation," they have responded, "it would be unthinkable."

This, as it has turned out, is just their first blush. Their second thoughts are more sobering. Particularly the old timers. I have seen a wistful expression come on the faces of those fellows as they began to reminisce of the days before the First World War when a second class nation is just what we were. In those days Britain and secondarily France were the global leaders. They were the ones who always had to be giving money to the smaller nations, furnishing them arms, having trouble keeping them within their "orbits." We had a delightful time, delightful in its simplicity, of browbeating the Nicaraguans and the Mexicans, and an American citizen was safe in any part of the world. Why, in the Boxer rebellion in China, a marine, Smedley Butler, who later became prohibition director of Pennsylvania, with two marine battalions, held off all the Chinese who came.

However, those are days agone. We have advanced in civilization to the Gaither report. What is it? In one newspaper I have read that three Congressmen were permitted to take a peek at it and fell over in a faint. It is something that Congress, being ghoulish, I imagine, is going to be determined to see.

As near as I can get at it, one of Mr. Eisenhower's advisers, Robert Cutler, Secretary of National Security Council, wanting to make a good showing with some of his friends, suggested that the President put them on a committee. This business of putting men on a committee is a great weakness of Presidents, whether they are Democrats or Republicans. This committee was charged, for want of a better subject, with looking into the need of shelters against Russian missiles. As is the case of all committees of big businessmen and industrialists, as this committee was, they got a bunch of bright young men to do the work. These fellows got out of bounds and came up with a report that we are now at the mercy of Russia.

Where did they get this information? They didn't go to Russia. The only authoritative place they could have gotten it was from our own CIA, our hush-hush organization on which we have been spending millions. If you are to take the Gaither report seriously, the CIA told them something which they wouldn't tell the President, their boss. Or, as is being suggested, the CIA has been telling this to the President and he wouldn't do anything about it so the CIA figured it a patriotic duty to turn their information over to the Gaither bright young men. This puts the President in the light of being traitorous which, of course, no one would believe.

Another explanation given to me is that the military figured that if it were to go out and spend the money the Gaither report recommended, it would frighten the Russians into an attack. If you want to believe the military has resisted spending money on any grounds, you are welcome to the belief.

Our Reporter's Report

Bond prices, as measured by yields, swung through a rather wide arc in the course of the year just ended. And, of course, the crown of the arc was reached just prior to the Federal Reserve Board's reversal of its money policy in mid-November.

Triple A utility obligations which finished 1956 with yields around 3.54% had hit a peak of 4.08%, with Double A rated liens moving from 3.63 at the end of 1956 to 4.18% early in November. The former are around a 3.95% basis as the year ends and the latter about 4.05%.

The story is pretty much the same in railroad liens with yields on Triple A ratings having moved up from 3.76% at the end of 1956 to 4.23% early in November and, for Double As, from 4.01% to 4.55%. Currently these groups are yielding around 4.03% and 4.47%, respectively.

In industrial bonds the movements were somewhat less pronounced. Triple A ratings mounted from around a 3.62% basis at the end of 1956 to 3.96% early in November and finished the year around a 3.61% basis. Double A yields rose from 3.70% at the end of 1956 to around 4.12% in November and currently are around a 3.84% basis.

The story in the case of U. S. Government and municipal securities is quite the same with the reversal somewhat more pronounced in Treasury issues.

Big January Calendar

Presumably potential corporate borrowers still are disposed to look for a bit of help from the customary January reinvestment demand since a number of them have scheduled substantial new offerings this month.

The way things shape up now the first month of the new year could produce a total of $535 million of new corporate borrowings for the market to absorb, exclusive of an additional $51.4 million in equipment trust certificates which the railroads will be putting up for bids.

The week just ahead promises to bring well over $100 million in new issues, the two largest being $30 million each for Connecticut Light & Power Co., and Washington Water Power.

Large Issues Ahead

The final half of January could bring to market upward of $500 million, if Royal Dutch Petroleum's projected offering of 7.6 million shares of stock is included.

Largest of the prospective debt issues is Pacific Gas & Electric Co.'s $75 million of bonds which should be up for bids on Jan. 21. This was raised from an original $60 million undertaking.

Commonwealth Edison Co. of Chicago will be putting $50 million of debentures on the market the middle of the month, while West Virginia Pulp & Paper has $40 million of debentures ready to go.

Pacific Power & Light is planning to market $15 million of bonds and $10 million of preferred and Alabama Power Co. will seek to raise $30 million through the sale of bonds.

James O. Stephenson Opens

BRADENTON, Fla.—James O. Stephenson has opened offices here to engage in a securities business.

Interest on these Bonds is exempt, in the opinion of Bond Counsel to the Underwriters and of Counsel to the District, from all present Federal Income Taxes under existing laws, regulations and rulings.

$250,000,000

Public Utility District No. 1 of Chelan County

WASHINGTON

5% Rocky Reach Hydro-Electric System Revenue Bonds, Series of 1957

Dated December 15, 1957 Due July 1, 2013

Principal and semi-annual interest, January 1 and July 1 (first interest coupon will cover a 6½-month period ending June 30, 1958), will be payable at the option of the holder in New York, Chicago or Seattle at the principal offices of the Paying Agents set forth in the Official Statement. Definitive Bonds will be issued in coupon form in the denomination of $1,000, registrable as to principal only, and in fully registered form in the denomination of $1,000, $50,000 or multiples of $5,000 in excess of $50,000. Coupon and fully registered Bonds will be interchangeable.

The Bonds will be redeemable on at least thirty days' published notice, (1) as a whole or in part, at any time on and after January 1, 1978, at the option of the District, at 100% of their principal amount and (2) in part, on any interest payment date on and after July 1, 1962, at 100% of their principal amount, but solely from (a) the amounts credited to the Bond Retirement Account and (b) any excess monies in the Reserve Account; plus accrued interest in each case to the redemption date.

A Bond Retirement Account is provided for the Bonds whereby, beginning in the twelve months ending July 1, 1969, the Bonds will be retired in full by maturity in increasing annual amounts, as set forth in the Official Statement.

The Bonds are to be issued to finance the completion of construction of the 775,000 kw Rocky Reach Hydro-Electric Project scheduled to begin commercial operation on or about May 15, 1962. The District has entered into Power Sales Contracts with Puget Sound Power & Light Company, Aluminum Company of America, Portland General Electric Company, Pacific Power & Light Company and The Washington Water Power Company whereby the District is obligated to make available to said Companies, and they are obligated to take and pay for 100% of the Project Output for a period of 50 years from and after the Date of Commercial Operation (to approximately the year 2012), or until the Bonds are paid or provision made for their retirement, whichever is later, subject to the reserved right of the District to withdraw for its own use or for sale to others for utilization in Chelan and Douglas Counties up to 17.9% of the Project Output.

Under said Power Sales Contracts each of the above Purchasers is obligated to pay in monthly installments 115% of its proportionate share of the amounts required annually for interest on and the scheduled retirement of principal of the Bonds (and on $23,100,000 Rocky Reach Hydro-Electric System Revenue Bonds, Series of 1956, including premium thereon, which were issued in December, 1956 to initiate construction of the Project), and its proportionate share of all other costs of producing and delivering Project Output, as described in the Official Statement. The District will have a similar obligation with respect to such part of Project Output as it may utilize.

The Bonds will constitute, in the opinion of Messrs. Wood, King & Dawson, Bond Counsel for the Underwriters, and Harvey F. Davis, Esq., Counsel for the District, valid and legally binding obligations of Public Utility District No. 1 of Chelan County, Washington, payable from the revenues of the Rocky Reach Hydro-Electric Project of the District on a parity with the Series of 1956 Bonds referred to above. Said Counsel also will render opinions as to the validity of the Power Sales Contracts.

Price 100% and Accrued Interest

The Bonds are offered when, as and if issued and subject to acceptance by the Underwriters, to approval of their Counsel, to prior sale and to withdrawal, cancellation or modification of the offer without notice. The Underwriters reserve the right to reject any orders for the Bonds. The offering is made only by means of the Official Statement, copies of which may be obtained in any State, in which this announcement is circulated, from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC. JOHN NUVEEN & CO. (INCORPORATED) B. J. VAN INGEN & CO. INC. SMITH, BARNEY & CO. BLYTH & CO., INC.

KUHN, LOEB & CO. LEHMAN BROTHERS HARRIMAN RIPLEY & CO. INCORPORATED EASTMAN DILLON, UNION SECURITIES & CO.

KIDDER, PEABODY & CO. MERRILL LYNCH, PIERCE, FENNER & BEANE WHITE, WELD & CO.

EQUITABLE SECURITIES CORPORATION A. C. ALLYN AND COMPANY INCORPORATED DREXEL & CO. GLORE, FORGAN & CO.

SALOMON BROS. & HUTZLER STONE & WEBSTER SECURITIES CORPORATION DEAN WITTER & CO.

BEAR, STEARNS & CO. LADENBURG, THALMANN & CO. ALEX. BROWN & SONS PHELPS, FENN & CO.

R. W. PRESSPRICH & CO. SHIELDS & COMPANY PACIFIC NORTHWEST COMPANY BLAIR & CO. INCORPORATED IRA HAUPT & CO.

HEMPHILL, NOYES & CO. HORNBLOWER & WEEKS HALLGARTEN & CO. F. S. MOSELEY & CO.

PAINE, WEBBER, JACKSON & CURTIS REYNOLDS & CO. F. S. SMITHERS & CO. WERTHEIM & CO. ALLEN & COMPANY

BACHE & CO. BACON, STEVENSON & CO. A. G. BECKER & CO. INCORPORATED J. C. BRADFORD & CO. CLARK, DODGE & CO.

R. S. DICKSON & COMPANY INCORPORATED DOMINICK & DOMINICK FRANCIS I. duPONT & CO. ESTABROOK & CO.

FIRST OF MICHIGAN CORPORATION WM. P. HARPER & SON & CO. HAYDEN, STONE & CO. HIRSCH & CO.

W. H. MORTON & CO. INCORPORATED L. F. ROTHSCHILD & CO. SCHOELLKOPF, HUTTON & POMEROY, INC. SHEARSON, HAMMILL & CO.

STIFEL, NICOLAUS & COMPANY INCORPORATED WEEDEN & CO. INCORPORATED GRANDE & CO. INCORPORATED McLEAN & COMPANY HAROLD H. HUSTON & CO.

MURPHEY FAVRE, INC. BADGLEY, FREDERICK & ROGERS, INC. FIRST WASHINGTON CORPORATION BRAMHALL & STEIN

December 30, 1957.

Business and Financial Forecast for 1958

By ROGER W. BABSON

One of the country's most widely known financial commentators lists in his well known weekly column over 50 presages for the coming year. They range from skepticism about the prospects of World War III and probable effect of Eisenhower's condition on business to suggestions on stock purchases and candid insights into money, labor, real estate, and business outlook.

Next to the Russian situation, President Eisenhower's condition will be of supreme importance. What its influence upon Russia will be, nobody knows. It probably will not affect general business. I believe that for some time our President has not been making important policies and, much to his disappointment, his recommendations have been largely ignored. The major effect of the President's condition will be political. Those close to the President, for both friendship and political reasons, are hoping for his complete recovery. Others in charge of the Republican Party, anxious about his possible incapacitation or death, would like to see him resign and drop out of the picture in order to give Vice-President Nixon a good buildup in the hope of re-electing the Republican Party again in 1960.

Roger W. Babson

For evident reasons, the Democrats are hoping that Vice-President Nixon will not have an opportunity to function as President before the coming election. Therefore, President Eisenhower's condition could greatly influence the political situation during the next few years. This would cause uncertainty and retard large corporate expansion programs as well as consumer buying.

I cannot believe that Russia wants World War III; in fact, I am confident that Russia will go to some lengths to avoid World War III. In case of any retaliation by us, Russia would suffer great losses. Moreover, if Russia has any hope of conquering our country, she certainly wishes to preserve our cities, industries, and other valuable assets. Russia has land enough now; it is our industries which Russia wants. This also applies to England and Western Europe as well as the United States. Therefore my forecasts for 1958 are as follows:

(1) The present cold war will be intensified during 1958. This will increase fear of war, which could greatly affect retail sales.

(2) Russian policy will be aimed at securing control of the United States, the countries of Western Europe, and the Middle East by infiltration.

(3) The cold war costs the United States billions of dollars annually. This can be paid for only through increased taxes or inflation, or by the adoption of the Hoover Commission's recommendations for radical economy.

(4) Profits will be further squeezed during 1958, as a result of higher costs and pressure for lower prices.

(5) Competition at all levels will increase during 1958.

(6) Only more advertising by both manufacturers and retailers will enable them to keep up their present gross volume during 1958.

(7) Failures will increase in 1958. These will apply mostly to small concerns, but some one of the big companies in the Dow-Jones Averages may collapse.

(8) Predicting a lower total volume of business for 1958, compared with 1957, I forecast a moderately lower trend, on average, for wholesale commodity prices. Expect a gradual decrease in the cost-of-living during 1958.

(9) Wise labor leaders will hesitate to fight for higher wages, but will try for shorter hours, pensions, and other "fringes."

(10) European countries will have less to spend for American goods, and foreign trade will decline in 1958 compared with 1957.

Money Outlook

(11) Money will continue to be "tight" during 1958 for new borrowers who have not established a satisfactory line of credit.

(12) Owing to declining demands for funds, interest rates will decline in 1958.

(13) Concerns with large numbers of employees will receive first consideration both by banks and by the government.

(14) For fear of World War III, and due to declining business, many plans for expansion of plants will be postponed.

(15) Money rates may be "fixed" during 1958 by an economic dictator.

(16) Lower money rates will make it easier to sell long-term bonds during 1958.

(17) The supply of non-taxable state, municipal, turnpike, and other "Authority" bonds will increase during 1958.

(18) I forecast higher prices for many corporation bonds.

(19) Investors will continue, during 1958, to switch from stocks to attractive bond issues; fear of war will rule all markets.

(20) Bankers will fear that the government—as a part of the cold war—will appoint a dictator to direct the policies of all national banks, the leading stock exchanges, and investment dealers.

Labor Outlook

(21) There will be a general fear that the government—as a part of the cold war—will fix wages in many industries and prevent further increases during 1958.

(22) The revelations brought about by the investigation of the Teamsters Union may lead to important new labor legislation.

(23) The Taft-Hartley Law will not be repealed in 1958, and may be made more severe. Much, however, will depend upon President Eisenhower's physical and mental condition.

(24) Congressional attempt will be made to elminate the present exemption of labor unions from anti-monopoly laws.

(25) 1958 will be a sad year for labor leaders. I forecast that there will be an increase of unemployment during 1958.

(26) I forecast that with the possible exception of the auto industry, there will be no national strikes during 1958.

(27) I forecast that automation will slowly increase during 1958.

(28) If wages should be fixed as a part of the cold-war program, retail prices will also be fixed.

(29) All workers, especially office workers, will be more efficient in 1958. It will be more difficult for the next group of college graduates to get good positions at high wages.

(30) For the past few years labor has been sitting in the driver's seat. Many industrialists and political leaders have feared that the country is headed for a socialist or labor government. A cheerful sign now is that such fears may, temporarily at least, be forgotten. The American working man is himself becoming disgusted with too powerful labor leaders. This should be good news to all honest employers.

Outlook for Real Estate

(31) Land adjoining cities and towns will increase in value during 1958. This especially applies to small farms.

(32) Large commercial farms will continue to prosper during 1958, but the small farmer will continue to suffer if dependent on farming.

(33) Under an economic dictator, farmers would receive no increased price supports. If farm prices are fixed, they will be at lower levels.

(34) Large cities may continue to lose in population. Large city real estate will sell for less, for fear of Russian missiles.

(35) The growth of suburbs will continue, although many houses now occupied by well-paid executives will be forced on the market as their owners lose their present high-salaried positions.

(36) Construction activity in many communities will decline. Older houses will come on the market.

(37) In many sections of the country there will be a greater demand for cooperative modern apartments than for single houses, although old apartment houses will sell for less. More young people and old people will insist upon every modern convenience and upon locations not absolutely dependent on automobiles.

(38) Well-located woodlands will continue to increase in price. This certainly applies to pine wood tracts, especially in the South.

(39) Canadian oil reserves should begin to recover in price unless there is rationing of gasoline in the United States in late 1958.

(40) The most important factor in connection with real estate is the parking problem, which is a curse of almost every city. Suburban real estate and farms owe much to the automobile, but the automobile industry is now reaching a stage where it could revolutionize present real estate prices. We owe the automobile industry a debt of gratitude for our present prosperity. It is a bellwether of general business for 1958. It is, however, like everything else, subject to the business cycle and may be a cause of the next depression. Another probable cause will be the failure of one of the big corporations whose stock is among the "30 Blue Chips" of the Dow-Jones Industrials.

(41) The "bloom is off the stock market." We will have rallies and reactions during 1958, but the broad trend will be downward. This is the first time for many years that I have said this in my annual report. There is too much talk about missiles, bombs, and fallout.

(42) While the stock market has been going up during the past few years, the bond market has been going down. The reverse will take place during 1958. While the stock market is doing down, the bond market will begin to creep upward. This especially applies to tax-free bonds, the purchase of which I strongly recommend.

(43) Good cumulative non-callable preferred stocks will also be in demand during 1958. Owing to the money market, they recently suffered in price; but owing to lack of supply, they will be the first stocks to recover. Remember, I am now recommending only high-grade cumulative non-callable preferreds.

(44) The large fortunes made in the stock market have come from buying non-dividend-paying stocks at $5 a share or under. These will be the first to reach a buying level. If you are to buy these low-priced stocks, you should seek companies without too much cumulative preferred stock outstanding. This is the opposite of the "preferred" recommendation in paragraph 43!

(45) Large bank balances will continue to be a good investment in 1958. Many savings banks are now paying 3% to 3½% interest. These balances, however, should not be looked upon as permanent investments, but rather as a means of enabling you to have cash available when common stocks reach a low level. This time may NOT come in 1958. Here again, much depends upon President Eisenhower's condition.

(46) Although many corporations interested in atomic energy, electronics, rare metals, and other growth industries will become more prosperous and profitable to investors, some of these new companies will be wiped out. Hence, investors should be very careful in connection therewith.

(47) Utility stocks should hold their own with regard to dividends and marketability. Electric power will always be in demand.

(48) Most railroad stocks should be avoided. Most passenger business is now being operated at a loss. Trucks, busses, airplanes, and private automobiles will ultimately force the government to take over the railroads. In the meantime, the securities of the long-haul railroads, which specialize in heavy freight, will be the best to own. The short-haul roads should be avoided by investors.

Disarmament Goal

(49) Notwithstanding the above, we cannot now become panicky or bearish. Our country is not now operating on the Gold Standard which was responsible for many of our national crises, but is now on a Political Standard. Although Newton's Law of Action and Reaction must continue to operate, yet Congress can for a while lengthen the prosperity cycles. This it will attempt to do even if it requires an economic dictator to temporarily regulate money, wages, prices, rents, taxes, and industry in general. I cannot forecast disarmament in 1958. It appears to me now, however, that the present race in guided missiles, atomic underwater navies, surprise satellites, and other tremendous destructive military equipment could ultimately rob us of our freedom and turn us back to slavery unless disarmament becomes a serious goal. The Sputniks should hasten either another military world war or the elimination of world wars. Sputniks should shorten the cold war now in progress.

(50) Speaking realistically, the hope of the United States and the world depends upon our spiritual relationships. Only as we grow spiritually, along with our material growth and military power, can the world be kept in balance. Therefore, my final appeal is for the support of all churches of all denominations and their ministers, priests, and rabbis who are carrying the torch of righteousness.

Edwin L. Tatro Co. Admits John DeMarco

Edwin L. Tatro Company, 50 Broadway, New York City, specialists in bank and insurance stocks, announced that John R. DeMarco has been admitted to general partnership in the firm.

Delafield & Delafield Admit to Partnership

Delafield & Delafield, 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Walter B. Delafield has been admitted to the firm as a general partner.

Mr. Delafield's admission to the firm was previously reported in the *Chronicle* of Dec. 12.

Thomson McKinnon Admit

Thomson & McKinnon, 11 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Mary G. Prindiville to limited partnership.

Universal Mutual Fund

KANSAS CITY, Mo.—Universal Mutual Fund Associates has been formed with offices at 5534 Troost to engage in a securities business. Floyd M. Baird is a principal of the firm.

Two Join Shaiman

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Ray A. Junge and Richard G. Sturch have joined the staff of Shaiman and Company, Boston Building.

Charles Tifft, Jr.

Charles Tifft, Jr., partner in Schirmer, Atherton & Co., passed away on Dec. 26th.

Tax Aspects of Depreciation

By DAN THROOP SMITH*
Deputy to the Secretary of the Treasury

Treasury official points out strong influence of tax treatment of depreciation on country's budget position, and also the importance of depreciation to capital investment and industrial expansion. Maintains tax laws must be fair as well as economically sound, with too liberal depreciation being discriminatory and inequitably favoring of groups benefiting therefrom. Stresses importance of depreciation accounting to national economic as well as individual corporate analysis, through its influence on costs, price policies, flow of funds, income determination, and decisions regarding new property purchases.

The tax treatment of depreciation influences tax receipts in a country's budget position in obvious ways. With corporations alone taking depreciation deductions of $13.7 billion in 1954, and expenditures for new plant and equipment now running at an annual rate of $37 billion, it is clear that changes in the methods of determining depreciation allowances can lead to large changes in tax receipts. The treatment of depreciation also is of fundamental importance because of its influence on capital investment and the rate of industrial expansion.

Dan Throop Smith

Modifications in tax depreciation have been made in various countries both to foster and to discourage capital expenditures, as required by changing national needs. In this country we have twice recently used 5-year amortization to encourage private investment for emergency defense facilities. When strictly limited to true defense needs, rapid amortization has a useful role to play, although it creates inequities and dislocations when applied too long or too extensively.

Policy in Other Countries

Canada, in contrast to our own methods of giving rapid amortization for defense plants, postponed ordinary depreciation allowances on investments in plant and equipment that were not needed for defense purposes during the period of the Korean emergency. An incentive to concentrate investment in defense plants thus arose because they alone were entitled to ordinary depreciation from the time of their construction or purchase and inflationary pressures were reduced by making other capital outlays less attractive temporarily.

Other countries have used special depreciation allowances to foster investment needed for reconstruction or in industries particularly important to the national economy. So-called "initial allowances" used in Britain, by which a substantial part of investments in specified industries were allowed as immediate deductions, with the balance of cost written off over the remaining life, has been considered useful there. The subsequently adopted "investment allowances" which gave immediate tax deductions for part of the cost of depreciable property in addition to the regular depreciation of the entire cost were even more generous because they allowed total deductions greater than total cost.

The "free depreciation" used for some time in Sweden permitted depreciation at the option of taxpayers up to 100% of cost in a single year; even the curtailment of this still left depreciation on a very liberal basis compared to other countries. Germany, too, used special tax allowances for investments in housing and certain industries after the war with what was believed to be notable success. And several countries which have suffered from drastic inflation have permitted cost adjustments or revaluation of property to give larger depreciation bases.

In essence, all the problems and controversies in depreciation accounting really come down to the two simple questions of "How much?" and "When?" These, to be sure, ignore a third question of "To whom?", which may be important in trust and estate accounting, but it is not generally important in business or investment problems.

The question of "How much?" involves a determination of the total amount to be written off over the life of an item of depreciable property, and this in turn breaks down into the gross amount of the investment and the presumed salvage, if there is a substantial amount, to determine the net cost of the use of the property to be allocated and recovered over its useful life. The question of "When?" involves both the total time period over which the net cost should be written off and the rate or rates at which it should be done. Comments on the separate aspects of these basic questions bring out the several policy issues involved.

The gross amount of an investment is typically measured in terms of the actual dollars spent to acquire it and make it ready for use. Exceptions to this general rule may be proposed for two reasons. Certain types of transactions involving exchanges of property have been permitted to occur tax free in order not to hamper normal business developments; the necessary corollary of a tax-free transaction is a carry forward or substitution of basis so that tax consequences are merely postponed rather than eliminated. Any other result would be inequitable. But the net result may be a basis for tax depreciation different from that deemed sound for book purposes and public reports.

Adjusting to Inflation

In some countries the process of inflation has been so drastic that adjustments have been made to historical cost to permit tax depreciation to correspond more closely with current replacement costs. Adjustments of this sort are crude at best, and in the process of trying to provide for tax-free recoveries of amounts sufficient to replace fixed assets, introduce new discriminations between holders of fixed real assets and holders of other assets stated only in money amounts, such as bonds. Only if the economic problem of assuring replacement of depreciable assets is sufficiently serious, should adjustments to historical costs be undertaken with the difficult alternative problems arising therefrom.

When property is used over its entire physical life, there is no great problem in adjusting for salvage value at the end of its life because such salvage is usually negligible, frequently no more than the cost of removal and should be ignored. But when a partially used item of property is disposed of while it still has substantial value, as the proverbial year-old automobile, the actual cost of its use is simply the difference between its original cost and its resale price. The purchase, use, and disposal of the property is, in a sense, a single composite transaction, and the parts must be seen in relation to each other. Probably resale value, if it is substantial, needs to be taken into acount in fixing the amount to be written off over the useful life of the property. This is especially important because of the provision of the law which gives capital gains treatment to any profit on the sale of depreciable property. By the juxtaposition of tax rates, there may be a substantial net profit from a deduction against ordinary income, even though it is partially offset by a later capital gain.

Physical Life vs. Useful Life

The consideration of substantial resale value in the determination of "How much?" is to be written off by depreciation for a particular taxpayer merges into the determination of useful life which is basic in the question of "When" depreciation is to be taken. The problem here also is to decide whether physical life or the useful life in the hands of a particular taxpayer should be controlling. Both from the standpoint of fairness and as a matter of economic policy, it seems clear that useful life to the particular taxpayer is the more important. It is of little significance that a machine tool might last for 20 years if a particular taxpayer uses it for only eight years because he requires high precision work or because the rate of technical obsolescence requires replacement every eight years to keep up with competitive standards. Similarly, the fact that a car might last five years, or ten, is of no importance to an owner who regularly replaces his fleet of cars every year. It is the actual useful life to the taxpayer and the actual salvage or resale value for each taxpayer which will give the basis for determining his depreciation; to the extent that they can be estimated, amounts and rates should be related to them.

One of the principal complaints regarding depreciation allowances has been that they were tied too tightly to historical records, with too little recognition of prospective changes which would be likely to make the future quite different from the past. The validity of this complaint was recognized in the new regulations on depreciation which invite a forward look and attention to technological improvements. Past periods of use are in fact likely to be incorrect because of a succession of circumstances which discouraged replacement of old property. First there was the depression of the 1930's, with its limitations in demand for finished goods and in financing for capital goods. Then there was the war with its shortages and urgent need for all capital goods, old and new. Then there was the period of rapid price increases after the war when it paid to repair and rebuild because of high replacement costs. These circumstances have all tended to make actual service lives longer in the past generation than they would have been under more normal conditions. Future planning should not be tied down by the pattern of replacements which developed in that period.

After it is decided over what period the difference between original cost and salvage value should be written off, a final question arises as to the way in which the total amount should be spread out in that period. Should

Continued on page 29

*A talk by Mr. Smith before the New York Society of Security Analysts.

Adieu 1957: Hail 1958

RING out, wild bells, to the wild sky,
The flying cloud, the frosty light:
The year is dying in the night:
Ring out, wild bells, and let him die.

Ring out the old, ring in the new,
Ring, happy bells, across the snow:
The year is going, let him go;
Ring out the false, ring in the true.

Ring out the grief that saps the mind,
For those that here we see no more;
Ring out the feud of rich and poor,
Ring in redress to all mankind.

Ring out a slowly dying cause,
And ancient forms of party strife;
Ring in the nobler modes of life,
With sweeter manners, purer laws.

Ring out the want, the care, the sin,
The faithless coldness of the times;
Ring out, ring out my mournful rhymes,
But ring the fuller minstrel in.

Ring out false pride in place and blood,
The civic slander and the spite;
Ring in the love of truth and right,
Ring in the common love of good.

Ring out old shapes of foul disease;
Ring out the narrowing lust of gold;
Ring out the thousand wars of old,
Ring in the thousand years of peace.

Ring in the valiant man and free,
The larger heart, the kindlier hand;
Ring out the darkness of the land,
Ring in the Christ that is to be.

By ALFRED LORD TENNYSON

Inside the "Interim Period" And the Building Industry Lag

By WALTER E. HOADLEY, JR.*

Treasurer, Armstrong Cork Company

The housing and flooring industry in the "interim period" ahead, in which profits present a real challenge to management and no new boom in general business may occur until 1960, is analyzed by Treasurer-Economist Hoadley. The Armstrong Cork executive looks forward to slightly more construction and mortgage credit in 1958 than there was in 1957, and pointedly expounds on three reasons for building growth lag.

Since there is a good deal of feeling that the country has entered the "interim period," a question immediately follows — how long will this period of activity or slow growth last?

W. E. Hoadley, Jr.

The answer is to be found largely in a quick review of the factors which have caused a tapering off of the tremendous postwar boom.

First, the artificial backlogs of demand, which arose out of depression cut-backs, war shortages and postwar expansion, and which have been gradually disappearing in recent years, have now come to an end. New backlogs of demand are unlikely unless another emergency arises.

Second, in most fields manufacturing capacity is now adequate to meet foreseeable requirements for existing goods for at least two to five years.

Third, the nation is now experiencing a low-point in family formations and current estimates indicate no significant rise until the mid-1960's.

Fourth, the financial accumulations of individuals and businesses during the war years have been largely put to use, so that sound future expansion will be heavily dependent upon the current volume of savings.

Fifth, the worst of the war devastation has now been eliminated, so that little further stimulus to world economic growth can be expected from postwar reconstruction.

All this does not mean that a serious economic adjustment is in the offing. There are many underlying elements of strength, including the longer-range plans and policies of business and government to foster growth, the ability and willingness of consumers to improve their living standards, population expansion and mobility, research by both private and public organizations leading to better products for peacetime as well as defense use, and rising obsolescence, reflecting the expanding tendency for new and better goods and services to replace existing ones.

In my judgment, **economic** forces will cause the "interim period" to persist for a minimum of two years and it may continue for as long as five. This timing, of course, may be altered by international developments or abrupt changes in domestic political policies. Those making plans for the flooring business, however, should not count on any new boom in general business until at least 1960.

Well, if the interim period is going to be around for a while, the next question logically is—what are the principal characteristics of the "interim period"?

"Interim" Characteristics

We have only to look around us to find "interim period" symptoms. Shortages have virtually disappeared and surplus capacity is on all sides. Financial problems which have been rare and quite unimportant are now attracting increasing attention and concern. Maintaining—let alone increasing—profit margins now presents a real challenge to managements.

Business leadership is redoubling efforts to produce more efficiently but primary emphasis is rapidly shifting to selling. "Interim period" markets no longer have the eager—"I'll take it at almost any price"—buyers. Customers have become very "choosy," for a very obvious reason. They have no fear of shortages. Actually, shortages are now unacceptable and judged as a sign of poor service.

All this leads us to another question which must be faced squarely if we are to make progress during the "interim period." What has happened to the growth rate of the building industry, and the closely related market for resilient floors?

The American public is now spending a smaller proportion of its income for homes and home improvements than two years ago, and perhaps even five years ago. While there has been a favorable long-term upward trend in building and resilient flooring, the growth rate in these fields has lagged — especially in the past year — behind that achieved in many other consumer markets.

Why Building Lags

Three reasons stand out to explain at least partially why building growth has lagged behind national economic growth: (1) the existence of several roadblocks to building expansion; (2) a general failure within the building industry to recognize the nature and severity of competition for the consumer dollar; and (3) some lack of knowledge about fundamental changes in building markets. Let's consider each of these briefly.

Among the roadblocks to building expansion, shortages of materials, labor and credit have stood out prominently over the years. During the past 12 months, however, shortages of materials have virtually disappeared.

But labor shortages, particularly among skilled craftsmen, including resilient flooring mechanics, continue to be reported in numerous parts of the country. Research must be intensified to find new materials and methods which will sharply reduce the building industry's dependence upon skilled craftsmen.

You may recall that in December, 1956 we labelled 1957 as a year of "moderate money misery," and so it has been in most areas. Without question, tight money has played an important part in limiting new construction this year. The general money market no longer isolates construction and mortgage credit from the remainder of the market. As a result, interest rates and related building credit terms must now be substantially competitive with all other types of financing to attract funds from lenders and investors.

The record shows that conventional lenders financed the same volume of new homes in 1957 as during each of the past several years. The decline in new home-building in 1957 can be traced almost entirely to the non-competitive interest rates of VA and FHA mortgages. Looking to 1958, slightly more construction and mortgage credit will be available than in 1957. This condition will hold because of some easing in the general money market, a decline in the credit demands of other industries, more competitive mortgage rates, and continued heavy amortization payments on existing mortgages.

In my judgment, rising costs have been more important than tight money in limiting residential building this past year. More and more prospective home buyers have been priced out of the housing market. New home costs have continued to edge forward while market values of older homes have started to slide. The result is a real equity squeeze upon present home owners who comprise two-thirds or more of the potential buyers for new homes. Rising costs now also require more credit at a time when credit is tight and thus help materially to shrink housing demand.

A closely related problem is the absence of an inexpensive "trade-in" house mechanism in each principal community in the nation. The trade-in idea has been common in the automobile field for decades, and has spread widely to appliances, furniture, tires and more recently even to soft-surface flooring coverings. Solution to the trade-in problem in housing would definitely make possible one to two hundred thousand or more additional housing sales each year.

Many more specific roadblocks could be cited to help explain why housing growth has slowed. Most of them can be summarized under such headings as — low productivity or low efficiency in building construction, government red tape, the lack of coordinated effort in materials design and usage, and the absence of aggressive merchandising and selling in both the new home and improvement markets.

Lack of Competitiveness

A second general reason for the reduced growth rate in building is to be found in the widespread failure across the industry to recognize the nature and severity of competition on all sides for the consumer's dollar. The record shows that the building industry and most of its component groups have failed to stimulate interest in better housing among the American public to the same extent that many other industries have widened buyer interest in their products and services. The toughest competition often is across the street and down the block in the form of aggressive, merchandising-minded sellers of many other types of consumer products and services, particularly automobiles, appliances, travel and other forms of recreation.

The resilient flooring industry currently is receiving a smaller portion of each dollar spent by consumers for all purposes as well as a smaller share of each dollar spent by consumers for residential building and "fix-up" work than five years ago. Many more billions of dollars have become available for spending as consumer income has risen. Yet, during the past two years, a levelling in demand has occurred for many types of resilient flooring materials. While we know a good deal about current sales activity, we still lack information on **why** sales are what they are and **what** trends and developments are in prospect.

Inadequate Data

Here, then, is the third general reason for a levelling in demand in this industry — inadequate knowledge of fundamental changes in our markets. So long as building materials generally and flooring products specifically were in short supply, there was little opportunity or need to know about changes in consumer preferences. What the consumer wanted was determined in practice by what was available. At the present time, however, what the consumer wants and finds readily available is what sells and not much else.

In the "interim period," to try to sell even the finest products into unknown markets is to risk economic suicide. For, unless a product has a very specific market in which there are potential buyers who are known to want it, the product had better not be offered at all. Experience everywhere with "interim period" selling is rapidly convincing manufacturers and dealers alike that continuing detailed knowledge of market needs and customer preferences is the only reliable guide to profitable sales growth.

A great deal of research is currently under way to determine just what is going on in America's changing markets. Much further refinement is now being made in sales forecasting by giving attention to many buyer characteristics in addition to income. As the market target has become more complex and competitive, it becomes essential to determine more precisely who the prospective buyers are, their characteristics, and where to find them.

Once the family income exceeds $5,000, many interests such as recreation, education, investments, gifts, contributions and savings—not to mention taxes—siphon off earnings from the more conventional expenditures for food, clothing and important to all of us—shelter. A larger income certainly provides more potential purchasing power for better living, but this doesn't mean it will be used automatically for better housing and resilient floors.

Furthermore, it is apparent that the so-called low-end and top-end markets are becoming relatively less important as more and more families gain incomes in the substantial middle brackets. All this means that in most instances sales and profit success can best be assured if the principal target is the growing mass middle income market.

But when we scan the vast horizon of the mass middle income market, we still have a long way to go to identify individuals and families who are ready, willing and able to buy. Market and consumer research, however, is providing more helpful clues. One of these involves the life cycle of the family.

When you stop to think about it, common sense tells you that people tend to buy many products at particular times during their lives. Wouldn't it be wise, therefore, to study **when** families become interested in housing and resilient floors and sell them when they are most likely to be in the mood?

Here are some recent findings: Most new homes are bought by people under 35 years of age. Interest in better and differently located housing rises sharply when the first child nears school age. Women are more floor conscious when they have young children than at any other time.

The do-it-yourself market is crowded largely with men and women between the age of 25 and 35, a time when they want and need almost everything and have their smallest financial resources. Improved housing and specifically more space and bathroom facilities become acute NEEDS when the first child approaches teenage.

Interest in housing tends to lag during ages 35-55 except for maintenance and repairs. Specialized modernization projects such as kitchens and bathrooms, however, are continually under consideration and professional installations are preferred. A revival in home interest occurs when retirement approaches. The do-it-yourself market also expands at the same time. It seems to me that these findings provide some promising leads for selective selling.

Where people live also is found to influence materially how they spend their money. For example, suburban homes tends to buy substantially more goods and services than homes located elsewhere. More specifically, nearly half of all resilient flooring sales are made in the 27% of the nation's homes which are in metropolitan markets but outside the limits of the central cities. In contrast, rural households are buying a smaller and smaller share of most products.

While everyone knows that the education of the average American is improving, many managements have failed to realize that 20% of the heads of all United States households have now gone to college, 42% have at least graduated from high school, and 81% have finished grade school. The key point here is that more highly educated people spend from two to three times as much on housing as the more poorly educated consumers.

Problem and Solution

When the "interim period" was first mentioned back in 1954, we had in mind conditions which could well be considered "normal" after so many hectic years of shortages and scrambling for goods. For those who have not anticipated a levelling in general business activity and who are still counting upon further immediate

Continued on page 24

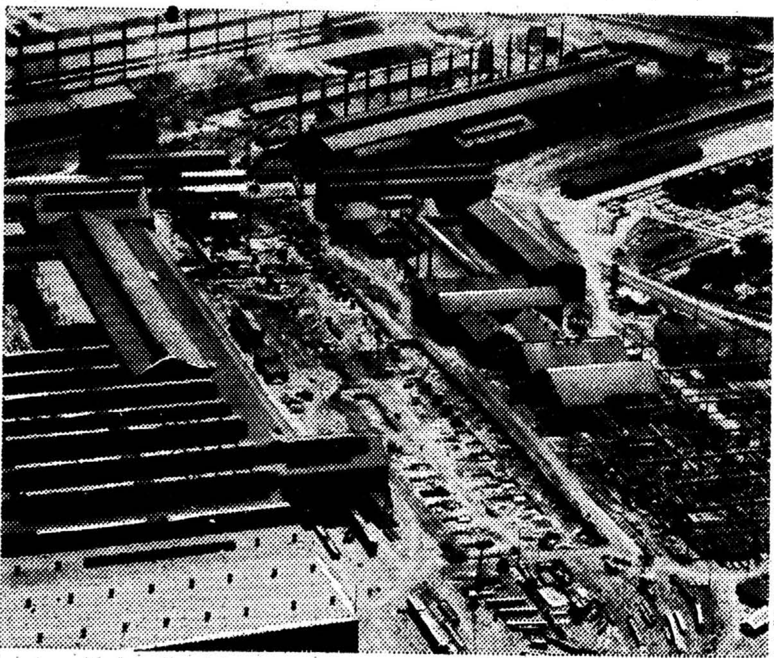
*From an address by Mr. Hoadley before The Armstrong Wholesale Distributors, Dec. 3, 1957.

Industrial miracle: 7¾-cent steel

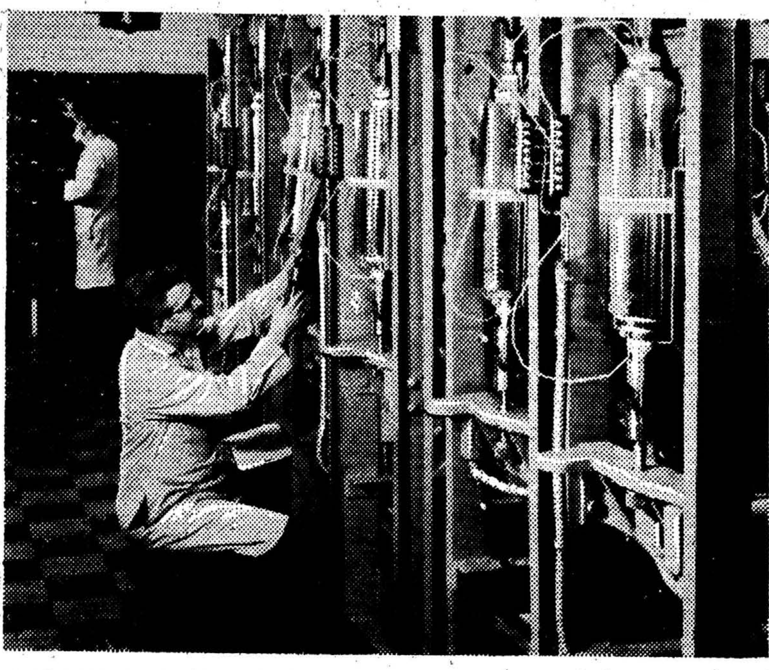
Most men and women would have no earthly use for an ingot of carbon or alloy steel. So you may not have the remotest idea of what steel costs.

Actually, for all of these steels that it ships, United States Steel gets an average of 7¾ cents a pound. Less than a dime still buys a commodity whose manufacture requires billions of dollars' worth of equipment, the skills of hundreds of thousands of men and mountains of raw materials gathered from many parts of the world

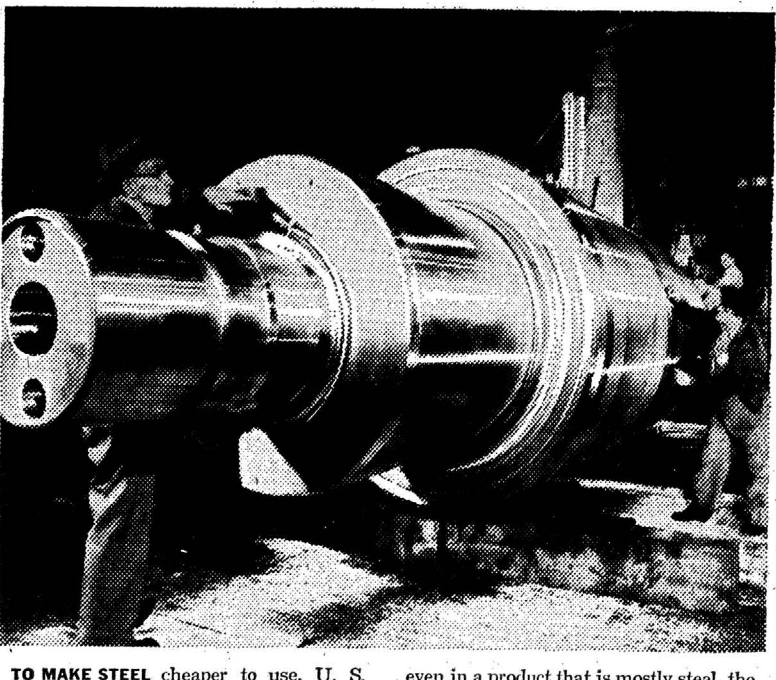
Since steel in some form touches your life every day, we think you'll be interested in what U. S. Steel is doing to keep steel the cheapest of all common metals.



TO HOLD COSTS and prices at the lowest possible level through increased operating efficiency, U. S. Steel is continually improving its facilities. In the face of mounting costs of new equipment and inadequate depreciation allowances, we have spent three and one-half billion dollars since 1945 on improvement of facilities. Modernization programs in the Chicago and Pittsburgh districts and in the West will soon increase steel-making capacity by more than two million ingot tons.



IN LABORATORIES at U. S. Steel's new research center at Monroeville, Pa., we are making today's steel a better value. There, too, we are developing steel to withstand heat from atmospheric friction as no other metal can, for supersonic flight of the future. A long-range program is aimed at developing a metal twice as strong as any now existing. Here, research men are shown studying creep rupture in the development of new steel alloys required for other high-temperature service.



TO MAKE STEEL cheaper to use, U. S. Steel supplies it in hundreds of convenient forms, to thousands of individual plants which process, fabricate and assemble steel products for sale. However, even in a product that is mostly steel, the cost of the steel is one of the smallest factors. An unusual order for steel was this plate mill roll, the world's largest, forged and machined at Homestead Works.

THE NEED for low-cost steel will grow. It is anticipated that by 1975 there will be ten million more families than there are today. Studies indicate the nation will then require 50 million additional tons of steel capacity, and U. S. Steel expects to provide its share. Looking far ahead, U. S. Steel is developing new sources of raw materials to supplement old ones. Above: ore-boat unloaders at East Coast mill.

Watch THE UNITED STATES STEEL HOUR on television. See your local newspaper for time and station.

USS

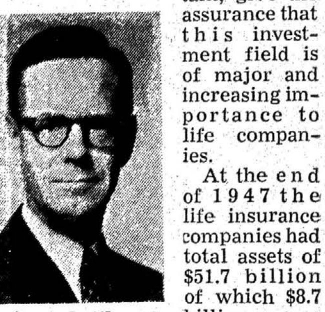
UNITED STATES STEEL

Life Insurance Investments In Real Estate Mortgages

By DR. JAMES J. O'LEARY*
Director of Investment Research
Life Insurance Association of America

Brighter forthcoming prospects for a somewhat larger flow of life insurance funds into real estate mortgages due to expected business and industry capital spending decline is pictured by Dr. O'Leary who does not contemplate any material easing in the capital markets as a whole. Commenting on the still overall historically low ratio of mortgages to life insurance assets, despite steady total growth which has offset drops in VA and FHA mortgages in past eighteen months, the insurance economist expects over the longer-run a further increase in the ratio of mortgages. Counterbalancing the minus signs in the business picture, the author is confident residential construction and consumer spending will help overcome the slack and, in passing, queries possibilities in FHA.

A brief review of the record of life insurance company investments in real estate mortgages in the past decade will, I am certain, give the assurance that this investment field is of major and increasing importance to life companies.



James J. O'Leary

At the end of 1947 the life insurance companies had total assets of $51.7 billion of which $8.7 billion were real estate mortgages. Thus, real estate mortgages constituted 16.8% of assets. This figure is low historically; in 1940 mortgages were 19.4% of assets; the high was 43% of assets in 1927. Ever since 1947 the proportion of real estate mortgages in life company assets has been steadily increasing. At the end of 1956 their holdings of mortgages amounted to $33 billion, or 34.4% of total assets of $96 billion. Accordingly, in the past ten years the life companies have increased their net mortgage holdings by $24.3 billion. Their holdings today are nearly four times the amount held in 1947.

Here is the picture in terms of the component parts of city mortgage loans. Holdings of VA mortgage loans increased from $844 million at the end of 1947 to $7.3 billion at the end of 1956. Holdings of FHA loans increased from $1.4 billion in 1947 to $6.8 billion in 1956. Holdings of conventional residential mortgages increased from $4 billion in 1947 to $10 billion in 1956. Holdings of commercial and industrial mortgages increased from about $1.5 billion in 1947 to $6.4 billion in 1956.

These figures show the steady growth of real estate mortgages of all types in life insurance company investment portfolios. These are merely the figures showing net increase in holdings of mortgages; they do not reflect the steady turnover of mortgage portfolios which results from amortization and prepayments of mortgages. The gross acquisitions of mortgages by life companies are perhaps a better measure of their activity in this field. During the 10-year period 1947-1956 the life insurance companies acquired nearly $47 billion of real estate mortgages of all types. Of this total, $35 billion were residential mortgages, consisting of $9.4 billion VA, $10 billion FHA, and $15.6 billion conventional. In the light of all the talk about scarcity of residential mortgage credit in the past year, I expect that you will find these figures rather startling.

Some recent data which we have obtained for the Select Committee on Small Business of the House of Representatives provide an additional indication of a trend in mortgage financing. A large number of life insurance companies having about three-quarters of all life company assets recently reported that in 1953 they authorized $750 million of business and industrial mortgage loans. This total increased steadily until in 1956 the aggregate was $1.3 billion, or nearly double the 1953 figure.

As we look at the trends for the past decade, therefore, what do they tell us about the prospects for life insurance company investment in real estate mortgages? The picture clearly seems to be one of greatly increased interest in mortgages. Despite temporary periods of shift away from mortgages, the life insurance companies have persistently built up their holdings and mortgages have been a steadily rising proportion of assets.

Despite the trend from 1947-1956, during the past eighteen months we have, of course, been going through a period of reduced life insurance company interest in mortgages, particularly Government-insured and guaranteed mortgages. The following figures suggest the magnitude of this decline. During the first eight months of 1956 the life companies acquired $622 million of FHA mortgages; in the same period in 1957 the total of FHA mortgages acquired was reduced to $381 million. In the first eight months of 1956 the companies acquired $1,155 million of VA mortgages, as compared with the lower amount of $674 million in the first eight months of 1957. Likewise, total acquisitions of conventional non-farm mortgages in the first eight months of 1956 amounted to $2,374 million, as compared with $2,132 million in the same period in 1957. Thus, acquisitions of VA and FHA mortgages have declined sharply this year, but acquisitions of conventional mortgages have held up extremely well. Moreover, as we all know, acquisitions of mortgages by life insurance companies this year reflect prior commitments. The rate of new commitments to make residential mortgage loans, especially VA and FHA mortgages, has fallen to even lower levels.

What are the reasons for this reduced interest by life insurance companies in the past year and one-half in mortgages, primarily Government-insured and guaranteed mortgages? Does it presage a reversal in the trend toward greater life company investment in mortgages, both in absolute amount or as a proportion of assets? Or is it merely a "breather" before resuming the trend?

Reasons for the Shift in Emphasis Away From Mortgages in the Past 18 Months

In order to appraise the prospects for life insurance company investment in mortgages in coming months, I think it will be helpful to review the reasons why life companies have shifted their emphasis away from mortgages somewhat in the past eighteen months. As we have seen, the decline has in the main centered in Government-insured and guaranteed mortgages. The reason is primarily that the investment yields on these mortgages have not kept pace with the return which life companies can earn on alternative investments.

Life insurance companies are trustees of the savings entrusted with them by their policyholders. As trustees they have the responsibility to invest these funds safely without the assumption of undue risk. To minimize risk they must not only select their individual investments carefully but they also are obliged to strive for a well-diversified investment portfolio of securities of all kinds and various types of mortgages. Beyond the element of safety of principal, however, life insurance companies have the obligation as trustees to seek to obtain the highest possible rate of return on investments, for the higher the rate of return the lower the net cost of insurance to policyholders. One of the elements of keen competition among life insurance companies is the urge to obtain a more favorable investment return than competitors. Consequently, assuming equal freedom from undue risk, and with due regard to diversification life insurance company funds tend to flow into outlets where the highest investment yields are obtainable.

During the past eighteen months or longer we have been experiencing a prodigious boom in plant and equipment spending by American business and industrial concerns. It reached a peak this year at an annual rate of $38 billion. As we all know, this has led to a heavy demand for capital funds by business and industry, both through the issuance of bonds and stocks, as well as mortgages. It has been this huge demand for capital by business and industry, plus the residential mortgage and Government financing needs which has created the so-called "tight money" situation. The much-maligned Federal Reserve Board has not been the cause of this situation—it has merely acted to permit demand and supply forces to work themselves out in the market place. The life insurance business, which has such a big stake in the stability of the dollar, admires the courage and wisdom which the Federal Reserve authorities have displayed in their efforts to combat inflation.

The point to be stressed is that as the total demand for capital funds rose in the past eighteen months interest rates were driven upward. Some interest rates were particularly flexible and responsive to market forces but others were rigid or sluggish. Generally speaking, the interest rates on business and industrial loans have exhibited the highest degree of responsiveness to market forces and have thus shown the sharpest increase. On the other hand, the rates on residential mortgages have been much more sluggish and unresponsive to forces in the overall capital market.

The primary difficulty has, of course, been the rigidity of the interest rate on Government-insured and guaranteed mortgages. The unchanged rate of 4½% on VA mortgages since mid-1953 has rendered it completely out of touch with capital market realities in which Aaa public utility bonds are being offered to yield at least 4¾% and high-grade industrial bonds are available to investors at 5 to 5½%. Despite increases in the FHA rate, the story here has been too little and too late.

Thus, in the face of increasingly more favorable yields on alternative investments, life insurance companies were required as trustees to shift the emphasis of their investments away from FHA and VA mortgages to the securities of business and industry. The funds placed in mortgages have been directed more and more into conventional residential and business mortgages in which the rate of return has been flexible and free to reflect basic forces of capital market demand and supply.

The question might be asked as to why discounts on Government-insured and guaranteed mortgages are not a satisfactory device for adjusting yields on these mortgages and thus keeping them competitive with the rate of return on alternative investments. The answer is, of course, that the rate on VA mortgages is so far out of line with the market that deep discounts are required to adjust yields. So far as life insurance companies are concerned, deep discounts are so subject to abuse and public and Congressional misunderstanding that the decision is inevitably to withdraw from the VA market. With life companies the unrealistic limitation on discounts passed in the last session of Congress did not make much difference because of the general unwillingness to purchase VA mortgages except at par or close to par. The same reasoning applies to FHA mortgages except that at the present time, with relatively small discounts, they are closer to being competitive with the return on other investments.

Thus, the basic reason for a shift of emphasis by life insurance companies away from VA and FHA mortgages has been the more favorable investment returns elsewhere. This is not the first time such a situation has occurred. We have experienced periodic curtailment of funds for VA and FHA mortgages. The pattern has unfortunately been one of feast or famine. One has only to recall the shortage of funds in the second half of 1952 and the first half of 1953 and then the plethora in the second half of 1953 through 1955. This situation is bound to persist in a dynamic national economy such as ours under circumstances in which the interest rate on Government-insured mortgages is fixed at some arbitrary level not in line with market forces. As is generally recognized, instability in the supply of funds for Government-insured mortgages cannot be cured until the contract rate on these mortgages is truly free and flexible to move in response to market forces. As I see it, this is the number one problem in the mortgage field today, as it has been for the past several years.

What Are the Prospects for Life Insurance Investment in Real Estate Mortgages?

Against this background, what are the prospects for life insurance company investment in real estate mortgages? I am inclined to think they are becoming brighter because there are good reasons to believe that next year life companies will tend to increase their allocation of funds to mortgages.

As I indicated earlier, the basic reason why life companies shifted the emphasis of their investments away from mortgages in the past eighteen months has been the tremendous demand for capital funds by business and industry and the sharp advance of interest rates in this area. All signs now indicate that expenditures for plant and equipment by industrial concerns are levelling out and are likely to decline. All of the surveys conducted on this subject by the SEC—Department of Commerce, McGraw-Hill, and the National Industrial Conference Board indicate a moderate decline next year in industrial plant and equipment spending. There seems to have developed some excess plant capacity for the time being in some of our heavy goods industries. This should mean a slackening in the demand for capital funds by business and industry.

Moreover, there are additional factors which suggest that next year the national economy may be under less tension. For one thing, there has been much talk about a reduction in Federal spending, which has been expected to exert a dampening effect on business activity. However, we know that cuts in Government spending do not come easily, and with Sputnicks I and II travelling in space it seems inevitable that Federal spending cuts will be relegated to the ashcan.

There are still other signs which point to relaxation in the general business boom. For one thing, we have had a favorable experience in the past few years in the export market, but this situation seems now to be changing toward a decline in exports. For another, we now seem to be entering a phase in which business concerns are moving to reduce rather than build up their inventories.

Against these minus signs in the general business picture, I expect there will be two major offsetting forces next year. For one, I am confident that to the extent business and industrial plant and equipment expenditures fall off next year there will be an offsetting increase in residential construction. Secondly, there is evidence that consumer spending is on the rise and I expect that increased spending for durable consumer goods will help take up the slack.

So far as the capital markets as a whole are concerned, I do not anticipate any material easing next year. The present heavy forward commitment position of life insurance companies and other investors, plus a continued large demand for funds from business and industry, public utilities, state and local governments, and others, precludes any significant easing in funds. At the same time, however, I rather expect that some decline in demand for capital funds by business and industry will cause life insurance companies to invest a larger proportion of their funds in real estate mortgages, particularly in FHA mortgages.

There are good reasons to anticipate that we may be on the verge of a trend similar to the second half of 1953. I do not believe, however, that the shift by life insurance companies and other investors toward Government-insured mortgages will be as abrupt or as pronounced as it was in 1953. It could easily mean, nonetheless, a stepup in housing starts next year to 1.1 million units.

With the demise of the VA program, a much greater burden seems certain to be placed on FHA. For this reason it is imperative to thoroughly reexamine the FHA program and to be certain that it is placed in readiness to handle the flow of funds which seems likely to come into this field. The greatest need for reexamination is perhaps in the rental housing area.

Conclusions

The conclusions I reach are as follows:

(1) During the decade since the war the life insurance companies have found real estate mortgages to be an increasingly attractive investment outlet, with mortgages rising from 16.8% of assets in 1947 to 34.4% in 1956.

(2) Due to the inflexibility of interest rates in Government-insured and guaranteed mortgages,

*An address by Dr. O'Leary at the Annual Meeting of the National Association of Real Estate Boards, Chicago.

and the heavy demand for funds by business and industry, there has been a sharp reduction in life company investment in VA and FHA mortgages in the past eighteen months. However, this has been offset to a large degree by a greater flow of funds into conventional residential and business mortgages where rates have been competitive.

(3) Life insurance companies have built organizations to make mortgage loans, and consequently they will continue active in the mortgage field.

(4) Next year there is a good prospect that life insurance companies will direct a somewhat larger flow of funds into real estate mortgages because of the expected decline in capital spending by business and industry.

(5) As for the longer run, I rather expect that in the next few years we shall witness a further increase in the proportion of life insurance company assets invested in mortgages. The overall ratio of mortgages to total life insurance assets is still relatively low historically, especially in view of the fact that a large proportion of these mortgages are Government-guaranteed or insured.

Dr. Pico President of Govt. Develop. Bank

Dr. Rafael Pico has been elected President of the Government Development Bank for Puerto Rico by the board of directors, it has been announced. Dr. Pico has been Secretary of the Treasury of Puerto Rico since 1955 and prior to that was Chairman of the Puerto Rico Planning Board, Chairman of the board of directors of the Government Development Bank for Puerto Rico since 1953, Dr. Pico succeeds Guillermo Rodriguez, President of the Bank since September 1953, who resigned effective Jan. 1, 1958.

Dr. Rafael Pico

A graduate of the University of Puerto Rico with high honors, Dr. Pico majored in economics. He also holds M.A. and PH.D. degrees in economic geography from Clark University, Worcester, Mass. He was Coordinator of Point IV activities in Puerto Rico from 1950 to 1954.

Dr. Pico was President of the American Society of Planning Officials in 1949-51 and is a director of that organization. He was Alternate United States Delegate, First Extraordinary Session, Inter-American Economic and Social Council, Washington, D. C., in 1950.

Dr. Pico, in 1956, was elected first president of the Inter-American Planning Society. He assisted as principal advisor to the United States Delegation, Organization of American States Economic Conference in August, 1957 at Buenos Aires.

With Bankers Bond Co.

(Special to The Financial Chronicle)

LOUISVILLE, Ky. — Roger W. Puckett has been added to the staff of The Bankers Bond Co., Inc., Kentucky Home Life Building.

Joins First Michigan

(Special to The Financial Chronicle)

DETROIT, Mich.—John R. Taylor has joined the staff of First of Michigan Corporation, Buhl Building, members of the Detroit and Midwest Stock Exchanges.

Bache & Company Expects 9% Cut In Business Activity

It is difficult to reach a conclusion as to where business and the market might be at any time during 1958, according to a year-end analysis by Bache & Co. Politically, the nation is faced with an international dilemma which does not seem to lend itself to solution other than through the joint effort of building up strong allies—strong both economically and militarily—in order to be able to withstand Soviet aggression. If the approach to the solution of this problem should take a different direction, the declining business curve, which has now been apparent since the early part of this year, could easily take on a much more precipitous aspect.

At the moment, the scales are weighted heavily in the direction of even increased armaments and increased aid to our foreign allies, Bache & Co. said. This will mean more spending, larger Federal Budgets and, in all likelihood, deficit financing.

Weighing all of these factors leads to the conclusion that from the levels of October-November a decline of about 7-9% in business activity is a reasonable expectation, the firm said. Such a decline will have widely diverse effects on the earnings of different groups of industries and different companies within those groups. A study of the stock market will more than ever require a study of individual components in the economy. On balance, Bache & Co. believes that earnings will decline more than dividends. This follows because it has been the practice of many companies to pay out only a reasonable percentage of their earnings, thus building up the kind of balance sheets that will permit continuation of favorable dividend disbursements in the face of temporarily declining earnings.

In early 1958 when the accent will be on unfavorable operating comparisons, particularly in view of the high level of economic activity in early 1957, price earning ratios of individual stocks may go below normal historical levels, according to Bache. On an over-all basis, the firm would look for an irregularly lower market early in 1958 with temporary rallies touched off by Congressional and Administrative actions in Washington, to be followed by rising prices later in the year. Fitting this forecast to the Dow Jones Industrial Average, Bache & Co. expects a drop to around 365-330 followed by a rally to around the 465-475 level for the year-end. The present state of flux of the entire world makes it imperative to examine all events and developments throughout 1958 as they unfold in determining investment policy.

Bache Adds to Staff

(Special to The Financial Chronicle)

CHICAGO, Ill.—Jack M. Tuhey has become connected with Bache & Co., 140 South Dearborn Street.

Britain's Prospects in 1958

By PAUL EINZIG

A preview of probable British economic developments is sketched by distinguished economist-writer, Dr. Einzig is encouraged by public's awakening to trade unions' "Fools Paradise Economics"; doubts there will be any inflationary trend to warrant employment of "reflationary deficit financing"; expects marked recovery in Gilt-edged markets as and when inflation comes to a halt and Bank rate is reduced; and—though not fearing a major slump on the Stock Exchange—sees a far from satisfactory outlook for equities.

LONDON, Eng.—At the turn of the year Britain's economic prospects appear to be rather more favorable than could reasonably be hoped for a few months ago. A major crisis through an accentuation of the flight from the pound no longer seems to be imminent. The flight from Government loans has become reversed. The more responsible Trade Union leaders show at least some signs of hesitation whether to press forward ruthlessly with their unreasonable wage demands. And the Government shows at last some signs of determination to resist the wage inflation. The fall in the prices of imported raw materials provides an opportunity for checking the rise in prices. And notwithstanding the chorus of pessimism, very few people really believe in the likelihood of a major economic depression in 1958.

Paul Einzig

Sterling's prospects have improved since the increase of the Bank rate to 7%. But the Bank rate cannot be kept at such high level forever. The question is, will it be possible during the next 12 months to defend sterling without having to keep interest rates at crisis-level, or without having to restore them to such an abnormal level in the autumn after a temporary reduction early in the New Year? The answer depends on the Government's success in arresting domestic inflation. Once the wage spiral is broken it will be possible to defend sterling with a Bank rate of 5% or lower.

The major wage disputes arising from the resistance to inflation have not so far materialized. There is bound to be at least one major strike, however, early in the New Year, and its outcome will go a long way towards indicating the prospects. Should the strikers have their way to a noteworthy extent, the outlook for sterling would be far from reassuring. In that case even a 7% Bank rate would be no guarantee against a major sterling crisis in the autumn.

There is now some slight hope, however, that in face of the changed situation and prospects there will be increased resistance to wage inflation by employers, and trade unions may come to their senses before it is too late. Once the employers realize that the Government means business, they will no longer grant wage increases light heartedly after a bare token resistance, on the assumption that they would be able to add the increased costs to their prices. The deterioration of the international economic outlook as a result of the fall in commodity prices is another reason for employers to resist wage demands. Above all, fears of a slump in the United States, however ill-founded, are infectious, and should go some way towards damping down the optimism in which the wage-price spiral has been proceeding unabated since the war.

Public's Growing Awareness

Another encouraging sign is that British public opinion is at long last beginning to awaken to the obvious fact that inflation has been due to three causes—wages, more wages, and still more wages. Until recently hardly anybody dared to whisper about the extent of the responsibility of the trade unions for the rise in the cost of living. Most economists, instead of enlightening the public, were engaged in an effort to outsmart each other in inventing tortuous "original" explanations for the rise. But gradually common sense appears to have come to prevail, and there is more and more public condemnation of the short-sighted selfishness of organized labor. Trade unionist Fools' Paradise Economics has come to be condemned, and there is now hope that before long the masses of consumers will know where the blame lies for the rising cost of living. Pressure of public opinion may then go a long way towards influencing the attitude of the Trade Unions.

It is possible, therefore, to view the prospects of checking inflation in 1958 with some guarded optimism. The next question is whether the pendulum will not swing into the opposite direction, and whether uncontrollable deflation will not take the place of controllable inflation. To a large extent the answer to this question lies outside the United Kingdom. Should a major slump develop in the United States, or should the decline in commodity prices become accentuated, Britain would be unable to isolate itself from such a major trend.

To the extent to which the trend depends on domestic developments, however, there is no cause for pessimism. It seems that the major danger is still inflation and not deflation. The official monetary policy does not aim at a contraction of business activity through credit squeeze, it merely aims at preventing an expansion in so far as this could only be achieved at the cost of a further rise in prices. There are bound to be pockets of unemployment in connection with the changes in defense expenditure and also in connection with cuts in public and private capital expenditure. In particular the building of houses is bound to slow down as a result of the increase in decontrolled rents which will curtail demand for housing accomodation. The unemployed in the building industry, the aircraft industry and possibly in a few industries affected by a decline in exports to raw material producing countries is likely to be easily absorbed, however, even if this will necessitate the transfer of many workers to lower-paid occupations.

Neither Inflation Nor Deflation

If, contrary to expectations, the deflationary trend should proceed too far, the Government is well in a position to reverse it. Mr. Macmillan is known to be longing for such opportunity that would enable him to increase his Government's popularity by embarking on a policy of tax reductions and increased public spending in an effort to check the slump. When he was Chancellor of the Exchequer he elaborated detailed plans for such reflationary deficit-financing, and he is only too keen on putting them into practice if and when economic conditions will warrant a change from anti-inflationary to anti-deflationary policy. Unfortunately there seems to be very little hope that 1958 will bring that opportunity. The pathological fears of a number of economists that the very moderate credit squeeze might drive the country into deflation have no foundation whatever in the facts of the present situation or in the prospects as they can be judged at the turn of the year.

The coming year is expected to witness a marked recovery in the Giltedged market, as and when inflation will come to a halt and as a result of the reduction of the Bank rate. On the other hand the outlook for equities is far from satisfactory. The resistance to inflation is bound to entail declines in profits and cuts in dividends, and this will induce many investors to switch back into Government loans. There is no cause for fearing, however, a major slump on the Stock Exchange.

Blair Phillips Jr. With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Blair A. Phillips, Jr. has become associated with Shearson, Hammill & Co., 208 South La Salle Street. Mr. Phillips was formerly with Baxter & Company and in the past was President of The White-Phillips Company, Inc. of Davenport.

William V. Saracco has also been added to the staff of Shearson, Hammill & Co.

Mickle & Co. Inc. to Be N. Y. S. E. Firm

HOUSTON, Tex. — Mickle & Company, Inc., Bank of the Southwest Building, on Jan. 9 will become a member of the New York Stock Exchange. Officers will be John C. Mickle, President and Treasurer; Edward Gordon Hooker, member of the Exchange, Executive Vice-President and S. Willets Meyer, Secretary.

H. W. Faath, Jr. With Marine Trust Co.

Harry W. Faath, Jr., has joined the municipal securities department of The Marine Trust Company of Western New York in the bank's New York City office, 120 Broadway. He was formerly with Braun, Bosworth & Co., Incorporated and before that Aubrey G. Lanston & Co., Inc.

Francis Callery to Enter Oil Business

Francis A. Callery retired as a partner of Lehman Brothers on Dec. 31, 1957, it was announced. He took this action in order to devote himself entirely to the oil business. Mr. Callery will maintain his offices in Houston and New Orleans and will make his office in New York at Lehman Brothers.

J. F. Reilly Co. Makes Appointments

JERSEY CITY, N. J.—J. F. Reilly & Co., Inc., 1 Exchange Place, members of the Salt Lake Stock Exchange, announce that Eugene J. Quinn has been elected a vice-president and director of their firm.

Richard H. Scott has become associated with the firm's trading department and Lloyd J. Harty, Jr., will be representaitve in Denver, Colo.

Prospects for Increased Use Of Consumer Credit Abroad

By DR. SIDNEY E. ROLFE

Economist, C. I. T. Financial Corp., New York

American consumer credit expert, reviewing the six-volume study of the Federal Reserve Board on consumer credit, predicts Europe will experience an expansion of credit exceeding the output of durable goods; as was true in the U. S. from 1920-1955. Underscores the Study's finding of the indispensability of mass financing as a concomitant of mass production and distribution; as well as of the basic strength of instalment credit as it has developed in the free economy of the U. S. Agrees that general rather than specific credit controls serve best to enhance economic freedom and growth. Rebuts contention that the export needs of European countries require consumer credit controls.

Certainly one development in which the U. S. has been first is the system of mass production, mass distribution, and mass financing of goods, and particularly those durable consumers' goods which make for a higher standard of living. It is necessary to link all three developments, mass production, mass distribution, and mass financing, for without each one none of the others could exist. The system has been compared to a three-legged stool—remove any one, the stool collapses. Mass production, particularly of consumer durable goods, and of the components of steel, machine tools, and so on, has given the U. S. its industrial power. At the same time, as goods could be more broadly produced, the cost per unit of goods has fallen, and higher wages have been paid to the workers, and this has made for an ever-rising standard of living.

Sidney Rolfe

In this system, mass financing—the widespread, almost universal use of instalment credit—has played an indispensable part. The use of instalment credit, however, means the use of money and credit. And in the U. S., as in all Western nations, the chief mechanism of adjustment the central government or central bank has over the speed and direction of economic development is a monetary control. This has brought instalment credit use into occasional conflict with some of the other goals of society. The fact that money is involved in mass scale has also given rise to a study in the U. S. of the relationship between instalment credit and the general monetary system, on which I would like to comment more extensively later.

We in America have looked on developments in Europe, since 1950 or so, with real pleasure, and a little pride. For we think we see here, despite periodic upsets, a development similar to the U. S. The remarkable growth of industrial potential, especially in Germany, has laid the groundwork for a great growth in mass consumption. Indeed, the march to mass consumption is well under way in Western Europe. Despite periodic problems it raises, the march to mass consumption, and with it mass production and mass financing, cannot be stopped. Nor should it be, for we believe, and I think you will agree, that the purpose of production is consumption, and that high and rising standards of living are the best framework for a happy, peaceful, and democratic people.

"The Consumption Revolution"

When the history of this era is written, it may well be known as "the consumption revolution," perhaps even overshadowing in importance the atomic age. Even Eastern Europe cannot escape the demands of its people for more consumption. As consumption rises in the West, these demands will become increasingly insistent in the East, with far-reaching consequences which I need not spell out. The coming development of a common market and a free trade area will further enhance the consumption revolution. With a common market, genuine mass production, and lowered unit cost, will for the first time be possible in Europe. This development will add fuel to the fire of rising living standards.

But the consumer revolution does not stand by itself. It is part of a more encompassing revolution of rising expectations, the demand on the part of the enfranchised masses for a better life. Rising consumption is one aspect: with that goes rising investments. Added to the demands for social welfare we see everywhere and the need for armaments in a restless world, the result in the U. S. and throughout the West has been inflation. Not inflation in the vicious sense you saw it in the 1920's, but a steady persistent gnawing inflation.

Every country is faced with the problem of inflation, and each country will deal with it in its own ways. But there is one aspect of this inflationary period which I believe affects us all, and which I would like to mention.

This is the period of rapidly rising consumption, perhaps the consumption revolution. There is everywhere a desire to solve the inflation problem first, too often without thinking of alternatives, by cracking down on consumption by means of special controls or other devices which run against a free market philosophy. There exists in most countries a deep emotional prejudice against consumption, especially some one else's consumption. This emotional reaction leads rational men to come to opposite conclusions from the same set of numbers, and to be blinded in their analyses of the present, and their forecasts of the future by their emotions. I do not pretend to know why the anti-consumption prejudice is so deep or widespread, but there are a few clues.

All revolutions are unsettling, and that alone can bring forth emotional reactions. But a consumer revolution is particularly menacing to many of us in the U. S. and in Europe, because it runs against the grain of our deepest beliefs. Schooled as we have been to think in terms of investment, of growth, or expansion, in the great developments which took place from the 18th century on, we find it difficult to shift our focus. It is significant that the science of economics,

Continued on page 27

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market's traditional year-end rally—one of the stronger of the seasonal trends — was a rather complete fizzle as 1957 ground to a close, one of the heaviest recent loads of tax-loss selling keeping the list subdued.

* * *

Only half a dozen other times in the last 30 years has a year-end slipped by without the selling letting up toward the end enough so that a rally could take over and give it a brighter final aspect.

* * *

It wasn't hard to find reasons for the missing rally this year. Throughout December the list was roughly handled from a news points of view —auto layoffs, steel cutbacks, carloading dips, trimmed earnings and rising unemployment streaming along steadily.

* * *

Then, too, the market analysts were in rare agreement for the most that the low for the move hasn't yet been seen. And against this background there was hardly any point to trying to participate in a brief, final trading flurry at the end of the year.

* * *

Whereas 1956 was a standoff year, the industrial average managing a modest and not entirely conclusive advance, last year was a definite down year and the first since 1953 when business was also a bit ragged. At that time some tightening of the money market had also preceded the market turndown. When the reins were loosened in mid-year, the market snapped back rather rapidly.

The Money Rate Question

By contrast, the reins were held tightly until late last year and there wasn't sufficient time to answer the question in 1957 whether easier money will turn the trick as rapidly this time.

* * *

At the beginning of 1957 the general view was that business would thrive for the first half while the second half was either a question mark or a time of lower production, depending on how optimistic the specific student was. It proved remarkably accurate.

* * *

Currently there is a high class of unanimity that the first half of 1958 will be a period of lagging business but that the second half should see a good upsurge and that the stock market will have to take its cue from business generally.

Better Feeling About Defense Issues

There was a much better feeling over the aircraft-missile division, increased government spending more or less assured for them next year and they, to a degree, are being counted on to hearten the general economy. Building supply firms were also high-rated, an upsurge in home starts seemingly in the works.

* * *

Electronic firms were highly regarded, in part because of their participation in missile work. Road building supply firms were also being projected to above-average results this year since such work is mounting steadily and, as in some localities already, will be speeded even more to take up the slack in employment.

* * *

With the first step already taken to eaiser money conditions, and indications that more easing, too, would follow any large jump in unemployment, utilities are back in favor both for their traditionally defensive nature and because the tight money conditions had depressed some to above-average values.

* * *

Some of the yields approached 6%, as in United Gas Corp., while others had been trimmed back two-fifths from their earlier, more optimistic peaks, as with El Paso Natural Gas.

Consumer Goods the Strong Spot

Investment thinking was still partial to the consumer goods lines, as against a definite antipathy toward the capital goods issues. So far consumer spending has held high despite the workweek trims, layoffs and mounting talk of a recession. Toward the end of last year there was a bit more stress on savings by consumers but no indications whatever of any drastic curtailment in their spending.

* * *

A thoroughly-depressed item in the consumer goods section is United Fruit which, in recent years, has had to put up with an uncommon lot of troubles, including an extraordinary series of storm losses last year that threaten to pare slightly the 1957 earnings from the 1956 level. Nevertheless, the dividend is well covered and, in fact, the company's dividend record is a good one stretching back more than half a century without interruption.

United Fruit is under anti-trust fire, has had to put up with threats in Latin American countries, and is embroiled in a lawsuit over higher rail fares on a retroactive basis in Guatemala. On the bright side are higher prices for bananas, increased overseas shipments and better sugar profits. If the troubles would seem to outweigh the bright spots, the market has gone even farther to discount them since the issue recently slipped to its poorest price in 10 years. In that period the 44 line had proved something of a floor no less than three times — in 1947, 1949 and 1953. But the line was broken this time.

Interesting Chain-Store Issue

National Tea is one of the neglected items in the soft goods category, having held in about an eight-point range for all of 1957. When the stock market declined around 20% from July to October, it stood its ground far better than most other items around and was hovering near its peak through the dreary trading leading to the year-end.

* * *

The company, however, has had a good earnings record and through an ambitious program of new supermarket additions and acquisitions of other regional chains has been able to show a sales gain every year since 1945. Last year's results are expected to show a sales jump to double the 1950 level and the figure is expected to reach the three quarters of a billion level this year. Earnings have been estimated at well above double the dividend requirement for 1957 and further improvement likely, so the stock is definitely a candidate for dividend improvement this year.

* * *

For the low-priced, high-yield item Standard Financial Corp. is an above-average value in the financing field. It too, has suffered mostly from neglect and the 7% yield available compares very favorably with returns available from the better known financing issues. Earnings have been moving higher without fanfare and are projected to even higher levels this year. The company's latest dividend represented a modest increase, second one in two years. Where competitive companies sell well above the line, Standard's market price is close to the $5.50 book value.

[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.]

Mountain States Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Joseph Caccaivillani, Jack C. Dahlin, James H. Klein, James J. Flood, Marvin E. Wahlstrom, Robert J. Werner and Donald W. Woodring have been added to the staff of Mountain States Securities Corporation, Denver Club Building.

1958: Return to Reality

By MILAN D. POPOVIC

President, Blue Ridge Mutual Fund, Inc.

Important factors in the current business picture are scrutinized by Mr. Popovic who advises investment thinking should be a compound of "basic faith in the economy tempered with the realization that nothing comes easily forever."

As the new year opens, an important change in the stock market appears to be coming. The aggressive optimism of recent years will probably be seriously tested, and some severe adjustments in attitudes seem inevitable.

Milan D. Popovic

In most security transactions, the odds are theoretically even: one man buys, another sells; one is right, the other is wrong. But if the stock market is rising, the odds automatically start favoring the man who buys. If the buyer also inclines to fast-moving stocks, his profits will be further increased. In the last 10 years of rising markets, this formula has made fortunes for investors who were mainly inexperienced and born optimists and aggressive buyers. In that period even experienced investors gradually joined in the expectations of a never-ending rise.

Apart from the market, what are the fundamentals today? It has been clear that we are past the boom rate of expansion. Because of overbuilding and overproducing, tightening of the belts is now necessary and inevitable. This is shown in the fact that industrial production has been declining for a year despite a record investment in additional capacity to produce. We now have to sit back and digest the tremendous activity of the past expansive 10 years.

Stock Market Function

One of the functions of the stock market is to place a dollar value on this economic system. After the last depression, this valuation was overly conservative and hardly put a fair price on the economy. As we proceeded into prosperity, the market began to put a price not only on the present but more and more on the distant future. It became fashionable to project earnings into the future and these projections became mostly plain extensions of past growth.

Another important factor in the current picture is politics. Many constructive moves were made in the past 20 years, but they were often accompanied by certain unhealthy by-products. Since it was a vigorous era, the adverse effects were absorbed easily. The public and their representatives happily rode the wave of prosperity. Now that there is some slowing down, however, the load is getting heavier. The question is now whether there will be enough common sense to fit the pace to our present economic strength. Being a practical nation, it can be expected that we shall do the right thing again through the process of trial and error. So while the future may not be as exhilarating as the past 10 years, we shall inevitably be again on another uptrend. Looking back to the starry eyed "New Era" of the 20's, it is well to remember that the things we expected then have to pass; they just didn't come as soon as was then predicted.

On that basis, the stock market will probably lose its elation and will start facing realities. The investment thinking should include basic faith in the economy tempered with the realization that nothing comes easily forever. Disappointments are to be expected as to the extent and speed of future growth. Diversified and balanced security positions, chosen to include issues with tangible and calculable values, can be held but the future expansion can be included in prices only modestly, and the profits of recent easy years should be very skeptically evaluated in many instances.

Smith, Barney & Co. Admits Four Partners

Smith, Barney & Co., investment bankers, 20 Broad Street, New York City, members of the New York Stock Exchange, have announced that Hugh Knowlton, Jr., Andrew J. Melton, Jr., Robert

Hugh Knowlton, Jr. Robert A. Powers

A. J. Melton, Jr. William E. Fay, Jr.

A. Powers and William E. Fay, Jr., have been admitted to general partnership in the firm, effective Jan. 1, 1958. Messrs. Knowlton, Melton and Powers are with the New York City office of the firm and Mr. Fay with the Chicago office.

Mr. Knowlton, a member of the corporate buying department, has been with Smith, Barney & Co. since 1952. A graduate of Harvard Law School, he practiced law prior to entering the investment banking business.

Mr. Melton is national sales manager of the firm, he joined in 1945. He is a graduate of Villanova College.

Mr. Powers, associated with Smith, Barney & Co. since 1945, is manager of the syndicate department. He is a Yale University graduate.

Mr. Fay, an alumnus of Brown University and a member of the firm's sales staff, has been with Smith, Barney & Co. since 1946.

Mitchum, Jones Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Edward G. Gleitsman, Jr., has been added to the staff of Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges. He was previously with Fairman & Co.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

By this time it will be apparent to all followers of fire-casualty insurance statistics that 1957 will have been one of the worst years for underwriting that we have experienced for a long time. The year 1956 chalked up bad enough results, but the data on underwriting that has been issued recently make 1957 appear to be really bad. In fact, one of the arguments being advanced for rate increases is that if matters get much worse, some of the smaller and less fortified units could have their surplus funds seriously depleted. There begin to be indications from a few companies that fourth quarter results of fire lines are showing improvement; and we now have several successive months in which fire loss figures have been in a favorable trend. If this experience continues it could be that it will constitute a turning point for underwriting in the fire-casualty industry.

In the insurance business the investment adjunct pretty much goes its own way and over the years shows a steady average performance, with a moderate upward trend. In years of good security markets, the results of investment income are good, for dividend receipts increase. In poor general security markets, of course, the reverse is true.

And not too much attention is paid by investors to the annual mark-up or mark-down of portfolio values. This is due partly to the fact that this figure is given little prominence; but also because the swings correspond largely with security market changes. But this year is the first in the writer's recollection when these investment figures, income receipts and realized profits on assets sold, have been mentioned so much as offsets to underwriting losses. The more correct correlation is underwriting results from year to year or from average periods.

For the greater part, insurance stock prices tend to follow underwriting results rather than investment data. We saw that in the later 1920's when insurance stock prices peaked in 1927 while the general equity market continued to rise until about the fall of 1929. And we have seen it again in the present cycle. In neither of these outstanding examples did investment results play as much of a part as did underwriting.

What is going to help the insurance companies get out of the slough they are now in is a change to more realistic rates; that is, rates that are realistic in the light of the cost to the insurance companies of doing business. In one respect the carriers have themselves to blame for one rather costly innovation, the package policy. This is a sort of conglomerate affair into which extra line coverage has been thrown in order to help the agent sell the package policy. Some of the components have been included in the policy gratis, and often these become costly to the carrier. But in the last analysis rate readjustments are the great need of these companies, for in so many cases present rates fall short of compensating for replacement costs, which have been on the rise. Rates are established on the basis of the industry's experience over three to five years. The recent refusal of the New York State department to agree to rate increases on automobile liability (which decision is being taken to the courts) was in part due to too short an experience, according to published reports.

Another area in which a change could be effected by the companies themselves is in the practice of writing longer term policies at a discount from the one-year policy rate. This had its inception as a selling point for the agent; but some of the discounts are sizable.

More will be discussed about rates in a later article; but indications continue to mount that rate increases, particularly in casualty lines, are beginning to show in the industry's news items. It must be remembered that increased rates are not reflected immediately after they are made. Policies already in force are not affected by new rates until they expire and are renewed. Rate boosts on fire and allied lines are comparatively few around the country as yet. But these must come sooner or later if the carriers are to cease doing business at a loss.

Morgan Stanley Admits A. C. Tomlinson

Morgan Stanley & Co., 2 Wall Street, New York City, members of the New York Stock Exchange, announce that Alexander C. Tomlinson will be admitted as a general partner effective Jan. 1, 1958. Mr. Tomlinson was graduated from Haverford College in 1943 and from the Harvard Graduate School of Business Administration. He also did graduate work at the London School of Economics and Political Science. He joined the staff of Morgan Stanley & Co. in 1950.

A. C. Tomlinson

United Bond & Share Opens

DENVER, Colo.—United Bond & Share Co. has been formed with offices in the University Building to engage in a securities business. Officers are Robert J. Vallier, Jr., President; C. D. Roberts, Vice-President; and Sanford B. Herts, Secretary-Treasurer.

Sixth Hunter Joins Marines

The tradition of the United States Marine Corps is nothing new to the Hunter family of Saugerties, N. Y. Shown above is Lawrence Hunter being congratulated by Captain Robert J. Hurley, Assistant Officer in Charge of Marine Corps Recruiting in the New York-New Jersey area. Looking on with pride and approval is his father Wellington Hunter (Wellington Hunter Associates, Jersey City, N. J.) (right) and Technical Sergeant Winford L. Stowell, Marine Corps Recruiter in Kingston, N. Y. Lawrence is one of six sons to have joined the Corps. At present Maurice Hunter is a Captain stationed at Norfolk, Va. Wellington, Jr., Reginald, Richard and Glenn Hunter have served in the Marine Corps and are now back in civilian life.

Lawrence will now go on to Parris Island where he will receive his basic instruction followed by further training at Camp Lejeune, North Carolina. Prior to entering the Marines he attended Saugerties High School and was graduated in June, 1957. When asked why he decided to join the Marines Lawrence answered, "Family Tradition."

Business Outlook in Coming Year

Cleveland Trust Company's epitomization of six important factors in the economic scene reveals Gross National Product in 1958 will be slightly higher than in 1957 but that the Federal Reserve Board's index of production will average 2% or 3% lower than in 1957.

A succinct analysis of the 1957 and 1958 years is presented by The Cleveland Trust Company in its recent "Business Bulletin." The Bank points out that "the business engine has been losing some steam. Various factors which previously stimulated rising activity are no longer exerting an upward pressure. Probably the most important development here has been the waning of the boom in capital expenditures. The great wave of business outlays for new plant and equipment, particularly marked in 1956, has passed its crest. Another agent on the upside in 1956 was the substantial volume of production going into inventory build-up. During 1957 the rate of inventory accumulation has been considerably slower, so there has been less push from that source. Some of the other factors are a drop in home building from last year; cutbacks and stretchouts in military orders, bringing layoffs in the companies involved; and less stimulus from consumer borrowing, since the rate of growth in consumer debt has slowed down.

Six Factors

"As measured by Gross National Product, the total dollar volume of business at the beginning of 1958 will be at a higher point than at the start of 1957. How next year as a whole will compare with the year 1957 will depend chiefly on the trend of the six items listed below:

"(1) Governmental spending—that is, purchases of goods and services by Federal, State, and local governments.

"(2) Business outlays for new plant and equipment.

"(3) Business inventories.

"(4) Residential construction.

"(5) Consumer spending for goods and services.

"(6) Commodity prices.

"When combined, the first five factors account for more than 95% of Gross National Product. Government spending, business capital outlays, and consumer expenditures were on the plus side in 1957 as against 1956. Residential construction was a minus element, and inventory accumulation was at a slower rate. The general price trend of course affects the dollar totals of the other five items.

Conclusions

"Purchases of goods and services by the Federal Government in 1958 will be somewhat larger than in 1957. State and local government spending should be at least 5% greater.

"Business outlays for new plant and equipment will probably show a drop of around 10%.

"Business inventory accumulation will change to liquidation before the end of 1957, with the latter continuing well into 1958 —perhaps beyond midyear.

"The number of new nonfarm dwelling units (private and public) started in 1958 will probably exceed 1,050,000, as compared with around 1,030,000 during 1957. In dollars, including additions and alterations, residential construction put in place may be up 4% or 5%.

"Consumer spending for nondurable goods and for services should record a moderate gain. Outlays for durable goods are likely to decline slightly. A gain of 2% or a little more is indicated for total personal consumption expenditures.

"The consumer price index may average from 1% to 2% above the 1957 level. Little change from 1957 is in prospect for the wholesale price index.

"In addition to the foregoing, the following are offered as probabilities for 1958:

"The Federal Reserve Board's index of the physical volume of industrial production (output of all factories and mines) averaged 144 for the first 10 months of 1957. The average for the year 1958 will probably be 2% or 3% lower.

"Based on results for the first 11 months, steel ingot production this year should be about $113\frac{1}{2}$ million tons. The 1958 total is not likely to exceed 110 million tons.

"Passenger automobile output for 1957 will be close to 6,200,000 cars. The figure for 1958 will probably be below 6,000,000.

"Expenditures for highway construction for the year 1957 are estimated at $4,825 million, or 8% above 1956. Next year should see greater progress on the new interstate road program, and total highway outlays in 1958 are likely to be about 15% above 1957.

"Average hourly wage rates in manufacturing will show an uptrend in 1958, but percentagewise the rise will be less than during 1957.

"Corporation profits as a whole will be lower.

"Interest rates will average lower in 1958 than in 1957, and bond prices will average higher.

"Congress will raise the present $275 billion limit on the Federal debt.

Gross National Product for the year 1958 is likely to be slightly higher than for 1957 in dollars, but a little lower in physical terms. Probably the annual rate for the fourth quarter of 1958, after seasonal adjustment, will be above that of the second quarter."

J. D. Howe, Partner In F. W. Craigie Co.

RICHMOND, Va. — Jack D. Howe became a general partner in F. W. Craigie & Company, 616 East Main St., on Jan. 1. The announcement was made by Walter W. Craigie, senior partner of the firm.

Mr. Howe is a native of Glendale, Calif. Prior to coming to Richmond, he was associated with the Bank of America. He served as a Lieutenant in the Army Air Force during World War II.

He joined Craigie & Company in 1947 as cashier and has been in the trading department since 1952.

Oristano Associates Cited for Contribution To Poznan Trade Fair

Oristano Associates, New York public relations counsel, has been awarded a U. S. Department of Commerce citation for its contribution to the international Trade Fair at Poznan, Poland, last summer.

The firm is active in the exposition industry, representing the International Flower Show and the National Sports & Vacation Show. Victor Oristano, senior partner, is a Vice-President of New York Expositions, owners and producers of the National Sports & Vacation Show.

Oristano Associates represent Outboard Marine Corporation, Waukegan, Ill., and a number of its divisions and subsidiaries, including Outboard Marine International S. A., Nassau, Bahamas; Outboard Marine Belgium S. A., Bruges; Evinrude Motors, Milwaukee; Lawn-Boy, Lamar, Mo., and Pioneer Saws, Waukegan.

The citation, signed by U. S. Commerce Department Secretary Sinclair Weeks, commended the public relations firm for its accomplishments as consultant to the Department's Office of International Trade Fairs, and for assistance in conceiving the outdoor activities exhibit staged as part of the overall U. S. program.

"The generous giving of their time, their skill and their products," the citation read, "contributed significantly to the advancement of understanding of peace and prosperity under the American system of free enterprise."

Oristano Associates, on behalf of its clients and colleagues in the recreation and outdoor living industries, also coordinated the equipment selection which depicted aspects of America's outdoor life.

With J. K. Matheson

(Special to THE FINANCIAL CHRONICLE)

HICKORY, N. C. — Herbert D. Marlowe has joined the staff of Joe K. Matheson, 256 Third Avenue, N. W.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The First National City Bank of New York announced on Dec. 26 that Thomas R. Wilcox, formerly a Vice-President, has been ap-

Thomas R. Wilcox Carl E. Schwendler

pointed an Executive Vice-President. Mr. Wilcox is the senior officer in charge of the bank's 78 branch offices in New York City.

The bank also announced the promotion to Vice-President of George E. Barnett, Jr., Bond Administration; Charles R. Dodson, Petroleum Department; Julien L. McCall, Southern District; Paul D. Millholland, Transcontinental Banking Department; Edwin A. Reichers, Foreign Exchange Department; Carl E. Schwendler, Correspondent Bank Department; and Richard S. Smith, Indiana-Ohio-Michigan District. All were formerly Assistant Vice-Presidents.

* * *

The appointment of Eugene S. Northrop as a member of the General Administrative Board of **Manufacturers Trust Company, New York,** has been announced by Horace C. Flanigan, Chairman of the Board.

Mr. Northrop joined Manufacturers Trust Company in August 1931; became an Assistant Secretary in 1939; was made Assistant Vice-President in 1946; a Vice-President in 1948; and a senior Vice-President in January of this year. For the past five years he has been in charge of the Metropolitan Division of the Domestic Department.

* * *

Fred J. Behlers, of the Installment Loan Division, and Frank Boehm, of the Banking Operations Division, were named Vice-Presidents at **Bankers Trust Company, New York,** Dec. 26, it was announced by William H. Moore, Chairman of the Board.

Simultaneously, Mr. Moore announced that George P. Barnett, Harold S. Corcoran and Lawrence J. Flaherty, all formerly Assistant Treasurers of the Banking Operations Division, were named Assistant Vice-Presidents in that division. Also named to the official staff of the bank were: Ralph E. Anderson, of the 48th Street and Madison Avenue Office; Michael A. D'Angelico, of Banking Operations; George A. Evans, of Installment Loan; Loren D. Keys, Jr. and Claude de Messieres, both of the Foreign Division and Joseph J. Neary, Manager of the bank's Little Neck Office.

Mr. Behlers, who began his career with the bank in 1943, has also served in the Credit Division; as an out-of-town officer serving the middle western states and as head of the bank's Long Island City Office before being named in charge of the Installment Loan Division. He was named an officer in 1948 and an Assistant Vice-President in 1952.

Mr. Boehm began his career with Bankers Trust Company in 1930, having served for 15 previous years with the **National Bank of Commerce.** Mr. Boehm was named an officer in 1930 and an Assistant Vice-President in 1944.

Mr. Barnett, the officer in charge of the bank's Securities Clearance operations, has been with the bank since 1920 and was assigned to his present position in 1947.

Mr. Corcoran, who began his career with Bankers Trust Company in 1929, is in charge of the Customers and Brokers Loan operations.

Mr. Flaherty, in charge of the Midtown and Lexington Avenue Bookkeeping Sections of the Banking Operations Division, began with the bank in 1922. He was named an officer in 1948.

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Charles R. Brewer has been elected Assistant Treasurer and Ernest K. Zoller has been named Assistant Personnel Director of **Chemical Corn Exchange Bank, New York,** it was announced by Harold H. Helm, Chairman.

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Albert C. Simmonds, Jr., Chairman of **The Bank of New York, N. Y.,** announced on Dec. 24, the promotion of Ralph H. Nay to an Assistant Vice-President in the Credit Department.

Appointed as Assistant Treasurers in the Banking Department were Charles J. Englert, Peter Herrick and Harry S. Oliver, Jr. Other appointments as Assistant Secretaries were Thomas M. Cuddihy and Frank U. Naughton, III, in the Investment Department and Thomas J. Troxell, Jr., and James Wood in the Security Research Department.

* * *

The appointment of Foster R. Clement, Jr. as a Vice-President of the **Chase Manhattan Bank, New York** was announced on Dec. 30 by George Champion, President. Mr. Clement, a member of the bank's national territorial organization, is associated with the district group that supervises the Bank's business in Minnesota, North Dakota, South Dakota, Wisconsin and northern Illinois. A member of the staff for thirty years, Mr. Clement was appointed an Assistant cashier in 1946 and was promoted to second Vice-President in 1951.

* * *

Irving Trust Company, New York announces the promotion of Robert A. Kerr, Edwin A. Schoenborn, Jean D. Zutter, Arnold H. Nichols, and Albert V. Doherty to Vice-President.

Mr. Kerr and Mr. Schoenborn work with accounts in downtown New York.

Mr. Zutter is in charge of the Bank's Latin American District, while Mr. Nichols handles accounts in the European District. Mr. Doherty is in charge of the Personnel Department.

John C. Selvage, Comptroller's Division, Ernest D. Shaw and Clarence E. Wilkinson, International Banking Division, were promoted to Assistant Vice-President from Assistant Secretary.

Philip K. Graham, Franklin D. Lane, Robert V. Mahoney, John J. McFadden, David W. Rockwell, Arthur R. Roy, Jr., Benjamin D. Sisson, Curtis M. Smith, and Howard M. Stuart, Jr., were named Assistant Secretaries.

* * *

At a meeting of the Board of Trustees of the **Flatbush Savings Bank, Brooklyn, N. Y.,** Crawford Young was elected President to succeed John S. Roberts, who will become Chairman of the Board. Mr. Young started with the Flatbush Savings Bank back in 1922 and was elected Trustee and Executive Vice-President in 1941.

It was also announced that Quentin Frost, Vice-President of the Flatbush Savings Bank, has been given the additional duty of Secretary to the Board of Trustees.

William E. Rowe has been promoted from Assistant Vice-President to Vice-President in charge of Personnel and Bank Operations.

Edward P. Hoffman, was promoted from Assistant Comptroller to Assistant Vice-President and Robert W. Ciulla was promoted from Assistant Mortgage Officer to Assistant Vice-President.

* * *

Three officers of the **Kings Highway Savings Bank, Brooklyn,** have been promoted, Daniel T. Rowe, President, announced on Dec. 23.

Mr. Edmund G. Flowers, former Secretary of the bank, has been elected Vice-President and Secretary. Mr. Flowers has been in the employ of the bank since 1926.

Mr. George R. Bennett, former Assistant Vice-President and Mortgage Officer, has been elected Vice-President and Mortgage Officer. Mr. Bennett has been in the employ of the bank since 1928.

Mr. E. Holmes Marsteller, former Assistant Vice-President, has been elected Comptroller. Mr. Marsteller has been in the employ of the bank since 1928.

* * *

The Richmond Hill Savings Bank, Queens, N. Y., elected John L. Batterman, a Trustee.

* * *

The Buffalo Industrial Bank, Buffalo, N. Y., plans to make a subscription offer of 18,750 new shares of capital stock at $25 a share on the basis of one share for each five held. Stockholders will vote on the proposals at a meeting Dec. 30. This would increase the bank's capital funds from $2,456,250 to $2,925,000.

* * *

The National Bank of Norwalk, Norwalk, Conn., with common stock of $504,000; and **First National Bank in Greenwich, Greenwich, Conn.,** with common stock of $500,000, were merged with and into **The Stamford Trust Company, Stamford, Conn.,** under the charter of The Stamford Trust Company and under the title **The Fairfield County Trust Company.**

* * *

A proposal to merge the **Woodlawn Trust Company, Aliquippa, Pa.,** with **Mellon National Bank and Trust Company, Pittsburgh, Pa.,** will be submitted for vote of the stockholders of both banks in January, according to an announcement on Dec. 28 by P. M. Moore, President of Woodlawn Trust and Frank R. Denton, Vice-Chairman of Mellon Bank.

Under the terms of the proposal, Woodlawn Trust stockholders would receive one share of Mellon bank stock for each two and one-half shares of Woodlawn. Subject to approval by the stockholders and by the banking authorities, the three officers of Woodlawn Trust will become officers of Mellon Bank effective Feb. 3.

Woodlawn Trust Company, incorporated in 1910, is one of the largest banks in Beaver County Pa., with assets of over $23,000,000 and deposits in excess of $22,000,000. In addition to its main office in downtown Aliquippa, the bank maintains two other offices, in West Aliquippa and New Sheffield.

According to Mr. Denton, all full-time Woodlawn Trust officers and employees will become regular employees of Mellon Bank.

* * *

Provident Tradesmens Bank and Trust Company, Philadelphia, Pa., absorbed **The Merchants National Bank, Quakertown, Pa.** The former main office of the discontinued bank and its branch will be operated as branches by the continuing bank.

* * *

The First National Bank of Morton Grove, Ill., increased its common capital stock from $150,000 to $180,000 by a stock dividend and from $180,000 to $300,000 by the sale of new stock effective Dec. 19. (Number of shares outstanding — 30,000 shares, par value $10.)

* * *

William S. MacDiarmid has been named an Assistant Vice-President of the **Merchandise National Bank of Chicago, Ill.,** while Daniel J. Proskey and Colum W. Kilcran have been elevated to Assistant Cashier.

Mr. MacDiarmid joined Merchandise National's staff in 1949 and became Manager of the credit department in September, 1955. He was elected an Assistant Cashier two months later.

Mr. Proskey, who joined the bank in 1953, was made Manager of the real estate department earlier this year.

Mr. Kilcran has been employed in Merchandise National' discount and credit departments since joining the bank in 1953.

* * *

The common capital stock of the **City National Bank of Baton Rouge, La.,** was increased from $1,000,000 to $1,100,000 by a stock dividend and from $1,100,000 to $1,600,000 by the sale of new stock effective Dec. 19. (Number of shares outstanding—160,000 shares, par value $10.)

* * *

Directors of the **Frost National Bank, San Antonio, Tex.,** voted to transfer $500,000 from undivided profits to the surplus, bringing the permanent capital and surplus of the bank to $8,000,000 from $7,500,000.

* * *

W. W. Giddings, Vice-President and Manager of **The Bank of California's N. A., San Francisco, Calif.** Modesto office, will retire from active banking on Dec. 31, but will continue on the bank's advisory board.

E. A. Soderlund, Vice-President, has been elected by the Board of Directors to succeed him.

* * *

By the sale of new stock, the common capital stock of the **City National Bank of Beverly Hills, Calif.,** was increased from $1,000,000 to $1,250,000 effective Dec. 17. (Number of shares outstanding—125,000 shares, par value $10.)

* * *

Glendale National Bank, Glendale, Calif., was issued a charter by the office of the Comptroller of the Currency. L. E. Southwick is President of the bank and Charles C. Young is Cashier. The bank has a capital of $600,000 and a surplus of $450,000.

* * *

Merger certificate was issued Dec. 13 approving and making effective as of the close of business Dec. 13, the merger of **The Washington National Bank of Ellensburg, Ellensburg, Wash.,** with common stock of $200,000, into **National Bank of Washington, Tacoma, Wash.,** with common stock of $5,200,062.50. The merger was effected under the charter and title of **National Bank of Washington, Tacoma, Wash.**

At the effective date of the merger, the receiving association will have capital stock of $5,525,062.50, divided into 442,005 shares of common stock of the par value of $12.50 each; surplus of $5,624,937.50; and undivided profits of not less than $2,105,501.33.

Joins J. L. Peeler

(Special to THE FINANCIAL CHRONICLE)

DURHAM, N. C. — Christopher Imke, Jr., has become affiliated with J. Lee Peeler & Company, Inc., Trust Building.

Green and Hansel Partners in Shields

Edward E. Green Douglas R. Hansel

Edward E. Green and Douglas R. Hansel have been admitted to general partnership in Shields & Company, members of the New York Stock Exchange and other leading securities exchanges, according to an announcement over the week-end.

Mr. Green, with Shields since 1942, is primarily concerned with nationwide institutional coverage for the firm. Prior to 1942 he was with Goldman, Sachs & Co. for four years.

Mr. Hansel, in the securities business for 35 years, joined Shields in 1950 after 19 years with Wertheim & Co. He directs the firm's dealer relations activities.

William R. Staats Co. Admits Partners

LOS ANGELES, Calif.—Admission of three new partners to the investment securities firm of William R. Staats & Co. has been announced by Donald Royce, senior partner.

A. Boardman Ganfield, Los Angeles; Harry W. Colmery, Jr., San Francisco; and William O. Keyes, Los Angeles; became partners effective Jan. 1, Mr. Royce said.

Relating the assignments of the new partners, Mr. Royce said Mr. Ganfield will become partner in charge of distribution for the southern division of the firm and have headquarters in Los Angeles at the 640 South Spring Street office. Mr. Colmery will become partner in charge of distribution for the northern division and will have headquarters in San Francisco, 111 Sutter Street. Mr. Keyes' assignment will be in the firm's corporate underwriting department at the firm's Los Angeles main office.

Mr. Royce also disclosed that Allen B. Beaumont will, in addition to his duties as partner in charge of municipal bond operations for the northern division, undertake an additional assignment as manager of administration for the northern division.

A. G. Edwards Partner

ST. LOUIS, Mo. — On Jan. 9 Lawrence C. Kingsland will become a limited partner in A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Weil & Doyle Admit

Daniel J. Davis will acquire a membership in the New York Stock Exchange and on Jan. 9 will become a partner in Weil & Doyle, 30 Broad Street, members of the New York Stock Exchange.

Three With H. Carroll

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Walker W. Carpenter, Joseph J. Conlin and Alan Stock are now with H. Carroll & Co., 324 North Camden Drive.

Continued from first page

As We See It

ably would find it difficult to do so even if it had all the facts before it. Somewhat the same is to be said of the outlook for the future so far as the technical military position of the two countries are concerned. The President is naturally fully informed and is a respected professional student of such matters as these. We must await his learned judgment — and probably can do no better than to accept it as presented.

So much for the strictly military aspects of these subjects. A very considerable part of our relative position in scientific attainment is in a somewhat similar category, since it is so closely allied to defense matters that the general public is not by any means fully advised as to the facts. There are, however, other broader aspects of our current situation which go much deeper, and about them the people of this country would do well to do some very careful thinking on their own. These problems underlie not only our ability to make use of such material resources as are at our command for self-defense, but our future economic welfare.

Realism Not Likely

There is, unfortunately, no good reason to expect the President to take a realistic look at these phases of our national affairs or to have much that is really constructive to suggest. He and his principal advisers are far too much under the influence of the unsound ideas that are responsible for our present impasse. If he or any of the others in positions of influence in Washington were to decide to tell the people what they ought to hear, some very harsh facts would have to be revealed and their true inwardness bluntly explained. The truth of the matter is that we have been living in a sort of fool's paradise for a very considerable number of years. Even if it is true as many believe, that the day has not yet arrived when we shall be banished from this putative Eden, it may be taken for granted that our economic sins will sooner or later find us out.

The boasted accomplishments, real or imaginary, of this era of welfare economics should not be permitted to lull the rank and file to sleep. True enough, wages paid to labor even when measured in terms of purchasing power are higher than ever before. Corporate profits—and the earnings of unincorporated business — are still high measured by almost any standard. The volume of total output of goods and services has been in an upward trend for a good while past, and is today at a very high point. This is true whether measured in depreciated dollars or in actual physical quantities. More people have better houses, more cars—and more gadgets—than ever before.

But let it not be forgotten that similar boastings—and similar achievements—were to be heard and found on all sides toward the end of the mad years of the late 'Twenties — a New Era it was often called at the time. There were half-humorous comments from leading politicians about two chickens in every pot and two cars in every garage. To all too many it seemed that a new day really had dawned and that the sun would never set upon it. Yet looking back on that period it seems strange that more men of light and leading did not perceive the price that had been paid for what had been accomplished and the weak foundations upon which the superstructure rested. It took the 1929 collapse and the dreadful depression of the years that followed to convince us that we had been living in a fool's paradise.

Lest We Forget

When we begin to feel boastful about our "accomplishments" during the postwar years, let us not forget for a moment that our national debt is now well over $225 billion net, or 13 times what it was at the end of 1929. Even on a per capita basis it is startlingly higher. Most, but not all of this is, of course, war generated, but it is resting on our shoulders just the same. What is more, this astronomical figure does not show even half of the obligations that we as a nation shall have to meet in the years to come. Social Security, so-called, of itself probably will lay burdens upon us even greater than is shown in the total national debt as ordinarily reported. If all the other future commitments in the forms of "insurance" and guarantees were to be added, no one can say what the total would be.

Nor is our public debt confined merely to the National Government. Our states and municipalities have added to their debt load by some 225% since 1929, and now shall have to meet the charges, to say nothing of principal, on some $[illegible] billion in the years to come. And the people as individuals have been no less reckless in their debt engagements. Home mortgage debt at the end of September, 1957, stood at $105 billion, more than five times the figure for so recent a year as 1945. So-called consumer debt, now stands well above $43 billion, a figure never dreamed of, say, even a decade ago. And if we turn to the banking statistics, we find that a staggering part of all these increases in debt have been monetized through commercial bank purchase.

Labor is demanding and getting much greater pay for many hours less work. To some extent this burden on current production has been limited by enormous expenditures on labor saving devices and technological improvements, but this has entailed enormous investments which must now be serviced. The time has come for an "agonizing reappraisal" of many things.

Continud from page 7

A Golden Opportunity In Government Bonds

the tickets. However, mild rallies have developed from time to time as dealers covered short positions, but outside of this type of trading, there has been little action in the market. As a matter of fact, it has been difficult at times to get either an offering or a bid on a block of bonds because of this inertia in the market.

Signs of Federal Reserve Change

Most types of investors had been waiting for evidence of a change in Federal Reserve policy as more and more signs of spotty weakness appeared in the business picture. There was an underlying feeling, however, that there would be ample warning before the turn was reached, and that banks and other investors would have time to adjust positions to meet the problem when it became apparent that a change in policy was imminent. Even now, in accordance with usual procedure, nothing official has been released regarding an easing of the policy of restraint, but it seems obvious to me that recent developments, such as the reduction in the negative reserves, clearly indicate that the monetary authorities are convinced that business is not as good as it is generally supposed to be, and that the time to initiate a change has at last been reached. Some additional signs of the change in policy are as follows:

(1) While it is customary at this time (in December) to add reserves to take care of the normal credit expansion of this period, I believe that the Federal Reserve is now prepared to add more than the normal amount of reserves to combat any downturn in business which may occur.

(2) On Nov. 14, while we were waiting for an announcement regarding the terms of the refunding of the Dec. 1, 1957 3⅝% certificates of indebtedness, the electrifying announcement was made instead that the discount rate had been reduced a full half point in four districts. Other districts followed suit.

Chairman Martin of the Federal Reserve Board in his testimony before the House Small Business Committee at the time said the cut in the discount rate is a "perfectly straightforward and clear signal that we saw some change in the business situation." Reserve Board Governor Shepardson said just as plainly in a speech in Chicago the same day, "It seems clear that the boom has lost much of its momentum." Mr. Mitchell, Secretary of Labor, is reported to have indicated that unemployment figures in February will be higher than a year ago, and that the October Consumer Price Index was practically unchanged from September. Furthermore, the remarks of Mr. Alfred Hayes, President of the Federal Reserve Bank of New York, before the House Small Business Committee were widely interpreted as an indication that the Federal Reserve will put additional reserves into the system.

The reduction in the discount rate will not in itself provide more reserves to the system, but the psychological impact is tremendous. If the Federal Reserve follows it up with open market operations that do provide additional reserves, as I think it will, then we can safely assume that the policy of restraint has been replaced by one of ease, even though I realize that the degree of easement is subject to further clarification. As a matter of fact, it is perhaps possible that the market has been overly optimistic regarding the ultimate results of the steps already taken, but I have the feeling that the turn has been made even though there may be a difference of opinion concerning the extent of the change.

Offers Advice

The effect of these developments has been a sharp rise in Government bond prices during recent weeks. The "two-by-fours" and the "two-and-one-half-by-fives" are now (Dec. 3) quoted at 102 22/32-26/32, and 120 26/32-103, respectively, against respective lows for these two issues of 99 30/32 and 88 29/32. Yields have been sharply reduced in all sectors of the economy, and the latest issue of bills sold at an average of 3.158%, against the all-time high of 3.660% on Oct. 17, 1957. For some little time I have been advocating a moderate lengthening of maturities in order to freeze the existing attractive rates over a period of years, and those who have done this are in a rather enviable position. The question at present is, what should be done now that the level of bond prices is appreciably higher than, say, a month or two ago?

Definite predictions are always dangerous, but I am of the opinion that it is not too late to adjust positions at this time. Those who have tax-swaps which can be accomplished at a profit, should not hesitate to complete them. I realize that the market has washed out some tax-swaps that would have been made at lower market levels, but where the trades can still be done at a profit, I think they should be done. Likewise, those who are overwhelmingly heavy in bills and certificates should give consideration to the replacement of a portion of these maturities by acquisition of issues in the intermediate brackets, 1960-61-62-63.

From a bank standpoint, I prefer the smaller coupon discount obligations because of the better after-tax yield, but some will choose the higher coupons to satisfy current income needs. Existing tax laws and the substantial discounts at which many of the low-coupon issues are now selling give rise to capital gains possibilities in these issues. The appreciation realized as a result of bond discounts is taxable at the 25% capital gains rate, whereas interest is taxable as ordinary income. For example, a corporate investor in the 52% tax bracket may purchase a Government note with a 1½% coupon maturing in October 1962 and selling at 92½, to yield 3.12% to maturity. In order to get a comparable return without the capital gain advantage, the investor would find it necessary to obtain at par a 4¼% taxable coupon on a similar maturity. I would also like to stress the importance of hanging on to the 4s of 1961 and the 4s of Aug. 15, 1962, because I am convinced that such holder-option bonds are a thing of the past, and that these were only offered as a concession to the unhealthy market conditions that existed at the time of their issuance.

The terms of the refunding of the Dec. 1 maturity of 3⅝% certificates of indebtedness and the raising of $1½ billion of new money were very attractive, as is evidenced by the premiums already quoted on all three of the new issues. You are all familiar with the small allotments made on the cash offerings, and it has been a long dry spell since we have seen cash offerings produce issues showing good healthy premium bids on their payment dates. The success of this operation indicates clearly that Secretary Anderson and his advisors will not hesitate to tap the long market when conditions are right. Under the circumstances, I am convinced that attractive offerings will continue to be issued, and that the market atmosphere indicates a continued moderately strong upward trend in bond prices. . . . I think that under present conditions, it behooves those who are in short position to lengthen out, at least moderately, as protection against a further easing of interest rates which would, of course, result in higher bond prices.

In closing, I would like to review and leave the following thoughts with you:

(1) Those who are heavy in bills and short certificates should give consideration to a moderate lengthening program to freeze presently attractive yields for a period of years. In this connection, I would suggest maturities from 1960 to 1963.

(2) Insofar as is possible, try to retain the 4% notes due Aug. 1, 1961, and 4% notes due Aug. 15 1962. You probably will not see any more of these "holder-option" obligations for a long time.

(3) If you are in a position to accept a smaller coupon in lieu of higher current income, the low-coupon discount obligations are attractive because of their better after-tax yield than high coupon issues.

E. F. Kezer V.-P. of B. J. Van Ingen & Co.

The election of Edwin F. Kezer as a Vice-President of B. J. Van Ingen & Co. Inc., 40 Wall Street, New York City, underwriters and distributors of municipal bonds, has been announced. Mr. Kezer, a member of the Van Ingen organization for 15 years, has been active in tax-exempt bond circles in the State of New Jersey for many years and at present is a member of the Board of Governors of the Bond Club of New Jersey.

With J. C. Flax Co.

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Charles A. Meehan has become associated with J. Clayton Flax & Co., 1562 Main Street. He was formerly with Edward E. Mathews Co.

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Trends in Interest Rates

were supplied with a great deal more reserve funds than they had any hope or idea of using. By the end of 1935, "free reserves" (as we call them today) had reached $3 billion. They reached nearly $7 billion at the end of 1940. Under the circumstances, it is not surprising that interest rates declined substantially from 1933 until December, 1941. But it is too simple an explanation to give easy bank credit the only important role. Private demand for credit was off, and even a Federal deficit that seemed large at the time could not fully fill the gap in demand.

Perhaps the truly surprising thing, at least from our present vantage point, is that long-term rates declined no faster than they did during the '30's. Yields on short-term money quickly all but disappeared. Day-to-day money was worthless. Even money that was ventured for a three- to five-year term or somewhat longer became worth rather little in the scramble for investment outlets. But long-term yields showed steady decline, not collapse. Yields on long-term Treasury issues, for example, had fallen from about 4¼% in 1923, to 3¼% in early 1928 — one percentage point in about five years. They fell further from about 3¼% in 1933 to about 2¼% in early 1940, another percentage point in about six years. Investors and particularly many banks, needed a lot of tempting before they would commit funds for long-term investments at record-breaking low yields. Those investors who moved early, of course, proved to be wise or lucky. As usual, it looks easy in retrospect.

For purposes of assessing the interest rate trends ahead of us today, the over-all experience of the '30's may not prove to be too helpful. It is certainly not my present expectation that anything approaching that full period is ahead in business and finance. That unfortunate period in history, however, can serve as a background reminder that short-term rates can collapse quickly under the impact of an easy credit policy designed to cushion a business slide, that intermediate-term yields are quick to follow such a collapse, and that long-term rates do not hold up either under such circumstances.

During World War II, interest rates were frozen at the low point of an unprecedented easy money period. This trick was accomplished by creating enough money to keep rates down, and then persuading people either to invest this money in government bonds, or at least not to spend it, limiting the availability of civilian goods so that there was little opportunity to spend. Because the background of a depression was in people's minds, the immediate results of this financial squeeze were successful, although it may be doubted that things would work out as well again without stronger direct controls. I am predicating my discussion, however, on a peacetime situation, or on one that is only slightly more warlike than we have had recently, so there is little point in dwelling on what might happen to interest rates in the event of war.

The Postwar Return to Flexibility

The record of much of the postwar period is one of readjustment from the controlled interest rates of the war period. It was fully five years after the war before the authorities took the essential step from concern for the level of interest rates to concern for relating the supply of money and credit to the prevailing business climate. During this five-year period, when interest rates generally were allowed gradually to firm somewhat, there was one major downward swing in rates. This was the period from the election in the fall of 1948 through the end of the year 1949. There is little to interest us in this experience, however, since it occurred in a period of rather closely controlled interest rates when circumstances were completely different from those now prevailing.

Since the return in 1951 to a flexible monetary and credit policy, we have had only one major downswing in interest rates—the period from mid-1953 through mid-1954. There is much that we can learn from this experience with respect to the behavior of interest rates at a time when a slackening in private credit demands is accompanied by a credit and monetary policy designed to cushion a business recession.

In less than one year, yields on Treasury bills collapsed from over 2¼% to substantially under 1%. Yields on five-year Treasury securities dropped from about 3% to about 1¾%. The decline in yields on long-term high-grade bonds was only a little over ½ of 1%, but that change put Victory bonds up 10 points to par.

It has been fashionable in some quarters recently to say that the authorities moved too quickly and too much in their response to the 1953-54 business downturn. This point of view even seems to have achieved a following in Federal Reserve circles. It is probably true that in the summer of 1953 the Federal Reserve took a chance in easing its policy in advance of solid evidence of a business turn, and that it later luckily proved to be correct. The Reserve seems to have felt this year that to attempt to call a business top that closely again was too dangerous because of the inflationary potential should the business turn fail to materialize. It is a far step, however, to conclude from that premise that Federal Reserve policy will not again follow the same path as it did in 1953, once a business downturn has been given official recognition. Credit easing in 1957 and 1958 may not go as far and as fast as during the 1953-54 period, but I wouldn't count on it.

Recent Interest Rate High

The recent high level of interest rates was reached from the low points of 1954 by a process that may be likened to a three-stage rocket, each rocket stage represented by a year—the years 1955, 1956 and 1957. The first stage (1955) took off with a powerful surge of credit demand from businesses, consumers, and home buyers. Interest rates rose slowly but steadily in that year; they were held back in their rise by a reduced demand for borrowing by the Federal Government, by a huge investment by business corporations of excess cash in the money market, and by a fairly substantial expansion in the volume of demand deposits and bank credit.

In the year 1956, the second rocket stage lifting interest rates, there was less use of credit by all major categories of borrowers (businesses, consumers, and government) but there was even less credit readily available. Corporations liquidated a large amount of money market investments instead of increasing their holdings, and expansion of demand deposits was sharply reduced. Reflecting the squeeze on credit supply, interest rates rose at an accelerated rate, particularly in the second half of the year.

The third rocket stage — 1957 through last month—put interest rates in the record high orbit for recent times. Actually, it is not easy to see where the third stage got the energy to produce the substantial lift in interest rates that occurred this year. On the side of credit use, the major items were increases of roughly 20% in the sale of bonds by corporations and by state and local governments and the fact that there was a much smaller amount available for debt repayment by the Federal Government. However, these factors were about offset, at least after mid-year, by a sharp slackening in business borrowing at banks and a further narrowing in mortgage borrowing. The lift seems really to have come from the fact that the Federal Reserve at last achieved a full control over demand deposit expansion and has stopped it so far this year. The Reserve did this not just because business was holding at a high level but also because the System seemed determined to break the rise in the consumer price index. For whatever the reasons, interest rates shot up further in all categories in the first nine months of 1957.

Last August, the prime rate of banks was raised from 4 to 4½%, and the discount rate was lifted from 3 to 3½%, shortly thereafter. Over this past fall interest rates related themselves to these new rates in a fairly normal pattern for a period of credit restraint. Treasury bill yields (90 days) tended to be slightly above the discount rate, while the market yield on one year Treasurys tended to run about ¼ of 1% or more above it.

At the beginning of November, we had a rate structure that was similar to what prevailed in the two tight money periods of the 20s', in the sense that short-term rates were equal to or higher than long-term yields. The Treasury's one year borrowing rate, for example, was 4%, and intermediate and long-term borrowing rates for the Treasury were also at the 4% level. New issues of high grade corporate bonds required yields of just slightly under 5% to move them into investor hands.

The Outlook

The interest rate outlook, as we have already noted, is clearer now than it was a month ago. The question posed today is not which way will the interest rates move, but how quickly will they decline, how far will they go, and how long will they stay down.

I have already mentioned that it is not too easy to explain how we got the last one-quarter to one-half of one percentage point rise in interest rates last year. Interest rates seemed to float up without too much of an additional push. In other words, relatively small additions to credit demand and declines in credit supply brought about rather substantial changes in the price of credit. Even small reversals of those pressures, therefore, might result in a similarly striking shift of credit costs on the easy side. How do the demand and supply forces seem to be shaping up for the period ahead?

First of all, business demand for bank credit has become surprisingly lethargic for this time of the year (December). There is less than one month in which we can expect seasonal strength in business loans, and yet we have had a decline rather than a rise so far since mid-year. Neither is there much zip elsewhere in the bank loan figures. After the turn of the year there could be some rather large loan declines!

In the capital markets, the extraordinary pace of corporate financing of recent months may not continue very far into the future. At present the corporate calendar is lighter than it has been for some time past. Figures on business plans for plant and equipment spending suggest that before long the related demand for funds in the capital market could ease somewhat further. Borrowing by state and local governments will probably remain large, but may not increase much if any from present levels.

Federal spending, on the other hand, seems likely to be somewhat above budget estimates, since defense outlays will be higher. It is, of course, possible to make room for larger defense spending by cutting out or cutting back on non-defense programs, and some of this may be done. I do not expect this administration to propose a deficit budget in January, despite larger defense spending. The Federal budget, however, does promise to add somewhat to credit demands as compared with 1957.

Looking at the credit supply side; there is no particular reason to expect any major change in the aggregate volume of funds available from savings institutions such as life insurance companies, mutual savings banks, saving and loan associations, pension funds, and the like. These sources have been reasonably stable and predictable in the past and there is nothing that I can see that need change that in the near term. The principal shift in credit supply may be expected in the commercial bank sector.

Recent Change in Federal Reserve Policy

We have already noted that a key factor in the rise in interest rates in 1957 was the cessation of expansion in demand deposits and of growth in bank credit to make demand deposit expansion possible. Bank credit has expanded, but that expansion has reflected only growth in time deposits. Monetary expansion, of course, was stopped largely as a result of Federal Reserve credit restraint.

It was made dramatically clear on Nov. 14 that the Federal Reserve has changed its credit policy. Some slight easing in bank reserve positions had already occurred before that day. To make any sense, the discount rate change has to be followed at some point soon by further relaxation of pressure on bank reserves. The supply and availability of bank credit, therefore, should ease further on this score. This easing may not take the form of any dramatic increase in bank loans at banks. There may not be a disposition at banks to increase loans at this time and from these levels. And there may not be the demand for loans either. Rather, banks will probably attempt to rebuild their positions in U. S. Treasury and other securities.

The surge in the bond market following the ½% reduction in the discount rate is testimony to the importance of such a shift in the supply of bank credit. As the force of Federal Reserve easing becomes real, instead of largely potential, the market will respond further, although perhaps less dramatically.

The major forces that brought about the rise in yields—primarily business demands for credit and restraint on bank credit expansion—have receded and are being reversed. The changes in credit demand and credit supply that have already become evident could easily carry the price of credit back at least to the levels of 1956. There is still a substantial further adjustment to be made in the market to the new 3% discount rate, particularly when the movement of business activity and interest rates is on the down side. Bills in January should adjust to sell at around 2¾%. The one year rate for the Treasury might not be higher than 2⅞%, the five year Treasury yield should be around 3% to 3⅛%, and the long-term 3¼% bonds of 1978-83 could sell at par, partly on scarcity value. Against even the present Treasury yields, corporates and municipals seem cheap, so the future adjustment in that sector of the capital market may be even greater than in Treasurys. All this I expect on the basis of what has already been done in credit policy.

Business Outlook

It is not my assignment to evaluate the outlook for business. Yet any judgment as to the extent of the present decline in interest rates must be predicated on some appraisal of business prospects. We may be facing a rather gentle business slide which will not last beyond mid-1958. This is the pattern that the majority of predictions would seem to consider most likely as of this present time. On the other hand, we have had a major capital spending boom, which has given us overcapacity for a time in a number of sectors. This makes the economy more vulnerable, than it was in 1953 to deterioration in confidence set off by inventory readjustments, declining profits, a sagging stock market, rising unemployment, and declining retail sales.

It seems to me that the issue now is fast becoming—can a shift in the credit climate, along with some change in the Federal budget picture, shape up businsss sufficiently so that the current business downturn does not further discourage capital and other spending and set off a cumulative cycle of business decline? Credit policy may very possibly help to prevent such a development, but only if it is orientated toward ease. It seems to me quite possible, therefore, that the Federal Reserve officials will insure that credit policy will cushion, rather than aggravate, any business slide. Accordingly, if present business trends continue over the next month or two, we can expect increasing action by the System to improve the availability and lower the cost of credit. This would inevitably result in the same kind of interest rate movements that have characterized every earlier period of monetary ease. Short-term rates would drop sharply, intermediate-term rates would quickly follow with another cycle of declines, and long-term yields would inevitably follow along. The recent decline in market yields may only be a starter and much larger moves may lie ahead.

Boston Investment Club To Hold Meeting Jan. 9

BOSTON, Mass. — The Boston Investment Club will hold its first dinner meeting of the New Year at 5:15 p.m., Thursday, Jan. 9, at the Boston Yacht Club. The speaker will be Edmund W. Tabell, Director of Institutional Research of Walston & Company, Inc. Mr. Tabell has lectured to classes at Columbia University, Harvard Business School, Wharton Institute of Finance at the University of Pennsylvania, and others, and his articles appear in many newspapers and magazines. Contributing to his national reputation as a market analyst was his prediction in 1948, when the Dow-Jones industrial average of common stock prices was around 180, that the average would reach 500 sometime around 1955. Mr. Tabell has chosen as his topic, "What are the right securities to own in 1958?"

August M. Amend

August M. Amend, partner in Walston & Co., Inc., passed away Dec. 20.

R. A. Ramm Opens

LEVITTOWN, N. Y. — Richard Arthur Ramm is engaging in a securities business from offices at 232 Division Avenue under the name of Richard Arthur Ramm & Co. He was formerly with Oppenheimer & Co.

Continued from first page

The Current Economic And Political Scene

the amount of money it could create—which is, of course, limitless.

In a free society, this situation creates a dilemma—especially for the politician, whose constituency want easy money, lower prices, higher wages, greater profits and fewer taxes.

Any effort to cope with these diverse forces, successfully, is the province of the Federal Government through its use of monetary, credit and fiscal policies. Also, Government passage of needed legislation to deal with the problems which develop on other economic fronts is of vital importance.

Commends Federal Reserve

During the past two years, the country has experienced a serious inflation of approximately 5%, which means that the purchasing power of our money has eroded by that amount. This trend, if allowed to continue, would be disastrous, for inflation destroys the will to work, save, and plan for the future, which is the very foundation of our capitalistic society.

The Federal Reserve, in an effort to curb this development, has courageously made effective use of its powers in spite of unreasoned opposition from powerful groups in—and outside of—the Government. These groups are as critical as anyone else of the inflation that has taken place—and as lacking in constructive proposals to deal with it.

Since April of 1955, the Federal Reserve raised the discount rate six times, from 1½%-3½%. This action was taken to curb the use of Federal Reserve funds — the *basis* of commercial bank credit, which is the *source* of our money supply. As a consequence of Federal Reserve action, the growth in the supply of money (demand deposits and currency) has been only about 2%, whereas the growth in the National Product has been 17% (about half of this was due to price increases). This development brought a money tightness because of an increased credit demand of borrowers — and *not* from any reduction in money or bank credit. With the demand exceeding the available supply, the cost of money was bid up. This tightness has had the effect of increasing the velocity—or use—of money about 15%—a *record*, which compensates for the curbing of its growth.

If the Federal Reserve had permitted the supply of bank credit to increase to satisfy all demands, it would have precipitated a runaway inflation—and added nothing to the available supply of goods and services. The effect of higher priced, or tight money, is to encourage savings, both individual and corporate—and to discourage spending and capital expansion. During an inflationary period, this is the effect desired.

During this period of inflationary pressures, the Government should have pursued an anti-inflationary program of larger budgetary surpluses—thereby reducing the public debt, while the private debt was increasing. Such compensatory action would have effectively supplemented the Federal Reserve policy.

Singles Out Labor

The true causes of the inflation we have had should be familiar to those who want to know them. The main cause of rising prices has been the use which labor union monopolies are making of their power to force up wages and fringe benefits, far in excess of increased productivity. Business, in turn, has added these costs on to prices—wherever possible.

The basic controversy, which will determine our economic future (hence, our type of society), is how the National Product, after the tax take, shall be divided between wages on the one hand, and business profits on the other. For many years organized labor has demanded—and is getting—an increasingly larger share. This has been reflected in increased prices and a decreasing profit margin. According to a recent study by the Twentieth Century Fund, total wages and salary disbursements were 50% of the national income in 1929—and 73% of it in 1955—whereas dividends decreased over the same period from 5.8% to 3.9% of that income. The workers' share of the national income since 1950 has increased by 10% — whereas the business share, represented by profits of all corporations, has decreased by 33%. It is apparent from these figures that business cannot absorb out of profits, as organized labor contends, increased wages without increasing prices.

If corporate profits were eliminated, as is the case in a communistic society, there would be very little difference in the prices paid by consumers for goods and services. Corporate profits, after income taxes, amount to about 6% of the national income. Approximately one-half of this amount—or 3%—is disbursed as dividends. The balance—or 3%—is retained in the business. Of the dividends disbursed, it is estimated that the Federal Government collects about one-half — or 1½% — leaving the remainder to the shareholder to spend, or to save.

If the corporations and their shareholders did not exist, the amounts collected by the Government from them in taxes, would have to come out, in one way or another, from the national economy. Therefore, the total consumer purchasing power would not be increased more than 1½%—2% even if business profits were eliminated entirely. I think this is an extremely cheap price to pay for the benefits we reap from the private enterprise system.

The combination of increasing wages, increasing prices and tight money is bringing about—as I predicted earlier last year—unemployment and idle facilities for the reason that there was not sufficient money and credit to finance the purchase of goods and services at inevitable rising prices. Organized labor has already jeopardized its real interests, I feel, by pricing many of its goods and services out of the market.

The Federal Reserve, because of this economic downturn which has been developing, recently reduced the discount rate from 3½% to 3%. This is the first relaxation of their tight money policy. I would expect this to be followed by a further relaxation of credit through open market operations, with later additional reduction in the discount rate if the downturn in the economy calls for such action. I am of the opinion that the Federal Reserve, through its monetary policy, and the Treasury, through a proper fiscal policy, will prevent the downturn from becoming cumulative. Because of the rigidities in the economy, however, there is not likely to be any reduction in the cost of living or in prices generally.

Deficit Financing

There has been recent talk about raising the debt ceiling, which I would favor, should it become necessary to meet the requirements of our economy. The President recently said that an adequate defense was more important than a balanced budget. I don't believe that they necessarily have any relationship. If you need a deficit in order to maintain economic stability because of a deflationary development, you should have a deficit—whether for defense or any other purpose. You may need a deficit *without* a defense program to maintain production and employment. But you should not permit a deficit solely for the purpose of maintaining an adequate defense program, if the effect of so doing is inflationary. It would be more in accord with a stable money policy to increase taxes or reduce other expenditures.

Looking realistically at our domestic picture, and likewise our situation on the international front, we must—if we are honest with ourselves—come to the conclusion that our leadership has failed to meet the urgent problems as they have crowded in on us from every direction. As a result, we are almost overwhelmed by the pressures upon us calling for courageous decisions and prompt action.

On the domestic front, a serious peacetime inflation has taken place, largely because the monopolistic powers of the labor organizations have been allowed to go unchallenged by the Government. These organizations, which have grown immensely in size and power, have never been subject to the anti-monopoly laws of Government to which business has always been accountable. Without such control, there could be no limit to their demands, all of which, in the final analysis, must be paid for by the entire American public through higher prices and/or higher taxes. Even with the present downturn in the economy due to the inability of business to sell its output at today's inflated prices, the news from organized labor is that there will be increased demands during the year ahead.

Turns to Foreign Field

In the foreign field, the sudden appearance of Sputnik has forced us to realize that things are not as we had been led to believe. No longer can we lean on the myth of American leadership — which has given us our sense of security. We have been unable to stop unfavorable developments, which have now lost us the world balance of power. The unhappy fact is being forced upon us that the world does not revolve around the United States. The communistic countries are much greater in area, resources and population—and are rapidly gaining a controlling influence throughout the world. This is because of the military strength which they have developed and the sagacity of their diplomatic maneuvers. The absolute necessity of a peaceful co-existence between the free world and the Communist world should be abundantly clear to us by now.

We have not been oblivious to the world problems which have been developing. On the contrary, we have spent since the war more than $60 billion on economic and military aid. It would appear, on balance, however, that we have gained neither friends nor influence by our endeavors—and our world position has rapidly deteriorated.

This, I believe, is a direct result of our mistaken appraisal of the world situation. Had we recognized Communist China (as our allies did) when it should have been apparent to everyone that that *was* the Government of China, we might have avoided the Korean War and the Chinese invasion of Indo-China. Our threatening attitude toward China only served to make her more dependent on Russia and to weld the Communist world more closely together.

Our involvement in Korea, Indo-China and Formosa, costing in economic aid and military support more than a $1 billion a year, has no terminal point, unless one could be brought about by making our peace with China. This means recognizing her diplomatically and supporting her membership in the United Nations—as we did long ago in the case of Russia and all her satellites—as well as every other Communist and Fascist country in the world. Why should the great and proud nation of China be our only exception? Why should we continue to bolster the costly and sagging Nationalist Chinese Government—isolated, with our protection, on Formosa? Why should we insist on recognition of this mockery—instead of acknowledging the real, firmly established and powerful Government of more than 400 million people on the mainland?

Why should we have used our influence to help force the British out of the Suez Canal Zone—and strongly supported the regime of Dictator Nasser, as our selection—contrary to British views?

Why should we favor the arming of Israel; approve military aid to Communist Yugoslavia; refuse to furnish arms to our erstwhile friend, Nasser—and *then* be surprised because the Russians stepped into the breach? This all adds up to the mess we have in the Middle East.

It is now recognized that our NATO organization is in jeopardy—and new plans for uniting and strengthening the alliance are under way. Why should we retain Mr. Dulles to bring about this new unity, since the dis-unity in which we find ourselves is largely a result of his making? It is under his aegis, in fact, that our fortunes have been brought to a low ebb in many corners of the globe.

New Top Leadership

These are only some of the very urgent questions that could be raised about the mistakes that have been made around the world by our present leadership. These failures in the foreign field, together with the revelation that we are far behind in our defense program, should, at this crucial time, shock us into the realization that new top leadership—men with vigor, boldness, courage and imagination are desperately needed. Without such leadership it is not likely that we can successfully meet the Russian challenge—and recover our place as the balance of power in the world.

In any case, we can find little hope in reading history that a competitive armament race is the way to avoid war. This does not mean that we have any choice, under present world conditions, to do other than to mobilize our manpower and resources in an effort to meet the Communist challenge on both the military and economic fronts. A nation which can make the progress Russia has made in the military field can certainly make equally rapid progress in the economic field, because they recognize the importance of educated and scientifically trained people.

We cannot meet the Communist threat by attempting to build up the backward countries of the world economically and militarily. The huge existing populations, together with the surging increases in these areas, dwarf the effects of the economic aid we are able to give. Generally speaking, our experience has been, along with that of other nations, that foreign aid programs, however well intentioned, never meet expectations.

In the light of the predicament in which we find ourselves, unless we change our course and attitude toward the Communist world, how can we ever expect them to change their attitude toward us? The direction we both are following must inevitably lead to war. I feel sure that neither we nor they would choose this way to sure destruction.

This over-due change in attitude cannot be reluctant, half-hearted and unconvincing. It must be a courageous, straightforward, generous right-about-face — *so convincing*, the people of the world will recognize our leadership toward peace.

Let us make a beginning by encouraging in every way possible, people-to-people contacts. We should trade with the Communist world as we do with the rest of the world. This would bring us closer together and promote confidence — the beginning of the road to peace.

We should open our doors so that the people of the world can travel freely, and get to know us. What have we got to lose by an exchange of ideas and cultures?

We should stop sabre-rattling. Someone must be first. Why not us?

Let us be magnanimous enough to recognize superiority, without envy, wherever it exists. Let us applaud when applause is indicated. We have had—and will continue to have—many firsts. Why should we be so egotistical as to resent achievement by others?

In providing such leadership, I believe we would be acting in our own enlightened self-interest—as well as charting a course for others to follow.

Let us, with courage and determination, mobilize all our moral and material resources in the service of peace. To release, for this use, the human energies and material resources now engaged in the pursuit of destruction—would revolutionize the world for the benefit of mankind.

Melis, Slade Partners In F. Eberstadt & Co.

F. Kenneth Melis   Jarvis J. Slade

F. Kenneth Melis and Jarvis J. Slade have been admitted to partnership in the investment banking firm of F. Eberstadt & Co., 65 Broadway, New York City, it has been announced.

Mr. Melis joined F. Eberstadt & Co. in 1945 and since 1950 has been a member of the new business department where he has been active in private placements for finance companies. He is an alumnus of New York University.

Mr. Slade, a graduate of Yale University and Leland Stanford University Business School, joined Eberstadt's new business department in 1950 and has been active in financial planning work and private placements, particularly in the shipping and construction industries.

With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Noel N. Rothman has become associated with Hornblower & Weeks, 134 South La Salle Street. He was formerly with Arthur M. Krensky & Co., Inc.

Charles A. Owens

Charles A. Owens, partner in Laird, Bissell & Meeds, passed away Dec. 23.

Public Utility Securities

By OWEN ELY

Duquesne Light Company

Duquesne Light, formerly an important part of the Standard Gas & Electric System, in May of this year ceased to be subject to the Holding Company Act except in a minor way, since both Standard Gas & Electric and Standard Shares (formerly Standard Power & Light) had reduced their holdings to relatively small amounts. There have been 14 sales and distributions in recent years by the company and its parents, hence, the stock may not be fully "seasoned." Thirty-three percent of the stock is now held in Pennsylvania and 24% in New York State.

Duquesne supplies electricity to a population of 1,550,000 in southwestern Pennsylvania, including the City of Pittsburgh with its population of 677,000. The district comprises a highly industrialized area with a substantial output of iron and steel, and coal and coke. Other industries include glass, ferrous and non-ferrous metals, steel fabricating, rail equipment and electrical equipment. Industrial sales contribute about 36% of revenues (a fairly high proportion), residential 34% and commercial 26%; the proportion of residential is increasing.

While residential usage in the area is below the U. S. average, this is due to the fact that gas is largely used for water-heating, and electric water heater saturation is only 3%. Excluding this factor, usage would be slightly above the U. S. average. The company has been studying a new type of electric water-heater but thus far there is some doubt whether it would produce increased net earnings.

At the end of 1956 the company's generating plants had a combined capability of 1,226,000 kw compared with a peakload of 1,106,000 indicating a reserve of about 11%. The big atomic reactor at Shippingport went into operation a few days ago, with the AEC selling the power to Duquesne. Initial capacity is 60,000 kw which will become 100,000 kw when the second core is inserted in 1960. Duquesne will complete a 172,000 kw steam unit early in 1960 and a similar unit in the winter of 1961-62.

The atomic power plant will be operated by Duquesne Light Company under a contract with the AEC, which supplied the reactor for this initial commercial venture into the atomic energy power field by an American utility firm. Westinghouse Electric, under contract with the AEC, designed and developed the reactor, while Duquesne contributed $5 million toward the reactor portion of the plant and provided the site and the turbine-generator. In order to gain the knowledge which could only be obtained by building and operating a full-scale plant, the pressurized water type of reactor was chosen in 1953 since it was the only type at that time ready for such use. Unfortunately, this type now seems high-cost and somewhat obsolete. The boiling water reactor being built by General Electric for a group of utilities headed by Commonwealth Edison now seems closer to the goal of competition cost-wise with fuel-burning plants.

Duquesne's general construction costs are running around the $27 million level per annum and are expected to remain around $27-$30 million indefinitely. The company expects to sell $15 million bonds in the first half of 1958. Offerings of common stock to raise construction funds are infrequent and none is expected before 1959.

The company's generating efficiency—about 13,000 btu per kwh—is fairly low, but in the past relatively low-cost coal has made it impractical to seek high operating efficiency since this would be more than offset by higher fixed charges to install re-heat and high pressure facilities. However, new generating units have these features and will improve efficiency.

The company is using the declining balance method of accelerated depreciation and is normalizing the resulting tax savings and carrying them to restricted surplus. The state commission has not yet ruled on this from an accounting angle although in some rate cases it seems to have favored giving the benefit to consumers (by not normalizing). Deferred taxes from accelerated depreciation would amount to about 20 cents a share and if these were not normalized, share earnings would be increased by about 20 cents per annum. However, the company wishes to be sure that Congress intends to retain the law before they decide whether to end normalization in accord with the state commission policy.

The company is not currently using accelerated amortization but may have some on Shippingport in 1958. They continue to amortize plant acquisition adjustments despite an adverse ruling by a court in a rate case; this amounts to only four cents a year and will be written off by 1960 if not sooner.

Earnings for the calendar year 1957 are estimated at around $2.50 versus $2.44 in 1956. For 1958 they expect an increase of about 7-8% in residential sales and 4-5% in commercial, with industrial sales about unchanged (National Lead is building their own plant and may discontinue taking power from Duquesne). Thus the over-all increase in sales would average about 3%, the same as in 1957.

No forecast has been made for share earnings, but these might be affected by two factors: the interest credit on construction may decline from 25 cents to 15 cents; and the mine-wage agreement might be reopened in 1958 (expenses have already advanced rather sharply in the two coal mines which the company operates). Regarding industrial conditions and the decline in steel operations, the company is not especially vulnerable because it has demand clauses in its industrial rate schedules. The steel strike in 1956 caused a loss of 25% in industrial sales for several months but this resulted in a decline in share earnings of only about 3½ cents per share which was quickly recouped when the strike ended. No new Pennsylvania taxes are expected in 1958 since the legislature will not be in session. The big Federal tax case involving Standard Gas system taxes for 1942-52 may not be settled for another year or so but the company's tax reserves are considered adequate to take care of any commitments in this connection.

The stock has recently been selling around 34½ (range in 1957 was 37¼-30½). The dividend rate is $2.00, making the yield 5.8%. Based on current earnings of $2.50, the price-earnings ratio is 13.8.

Burns, Chandler V.-Ps. Of F. Eberstadt, Inc.

Edward Burns II Samuel Chandler, Jr.

Edward Burns II and Samuel Chandler, Jr. have been elected Vice-Presidents of F. Eberstadt & Co., Inc., 65 Broadway, New York City, Manager and Distributor of Chemical Fund, Inc., it has been announced by F. Eberstadt, chairman of the board and president.

Mr. Burns, a graduate of Princeton University and Yale Law School, joined Eberstadt in 1946 as a salesman in the firm's southern territory and later became manager of the mid-western and far western sales territories. In 1955 he moved to the New York office as assistant syndicate manager and most recently has been sales manager for the nation-wide distribution of Chemical Fund shares.

Mr. Chandler has had extensive experience in Wall Street beginning with his association with Halsey, Stuart & Co. in 1920. He joined Eberstadt in 1944 and since 1946 has been sales manager for the distribution of shares of Chemical Fund and other securities in the New England and Middle Atlantic States territories.

Bertram Smith Joins Yarnall, Biddle Co.

PHILADELPHIA, Pa.—Yarnall, Biddle & Co., 1528 Walnut Street, members of the leading stock exchanges, announce that Bertram Smith has become associated with them as a registered representative, specializing in municipal bonds.

Prior to joining Yarnall, Biddle & Co., Mr. Smith was associated with Jenks, Kirkland, Grubbs & Keir for the past 16 years. Mr. Smith is a member of the Philadelphia Securities Association and the Municipal Bond Club of Philadelphia.

J. A. Birch Co. Formed

John A. Birch Company, Inc. has been formed with offices at 135 Broadway, New York City, to engage in a securities business. Officers are John A. Birch, president; Alexander Brown, treasurer; and Marcia L. Schweikert, Secretary. Mr. Birch and Mr. Brown were previously with Cradock Securities, Ltd. Miss Schweikert was with J. R. Williston & Co.

Form London Trading

London Trading Co. is engaging in a securities business from offices at 19 Rector Street, New York City. Partners are Gregory Doyle and Judson S. Blakely. Both were formerly with Pilgrim Securities Inc.

Denault Adds to Staff

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Scott Chandler and John S. Cameron have been added to the staff of Denault & Co., Russ Building.

Elias Gaillard

Elias Prioleau Gaillard passed away Dec. 25th at the age of 81 following a brief illness. He had been associated with Kidder, Peabody & Co.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market is going into the New Year on a much more optimistic note than it did a year ago. The end of inflationary pressures, and the severely restrictive monetary policy which accompanied it, has put new life into the market for Treasury obligations. This was brought about by a very sharp upturn in the prices of Government securities in a rather short period of time. Being one of the tolls of the inflation, it was not surprising that yields of all fixed income issues were carried down to levels which were bordering on the ridiculous. A rebound to an area that was more in line with the then existing money market conditions was a natural development and this accounted for a substantial portion of the recent price rise in quotations of bonds. The easier policy which is in the process of being worked out for the money market should gain momentum in the coming year. This accounts for the opinion of most money market specialists that important development along this line will be forthcoming in the near future.

Reduced Discount Rate Major Market Prop

The comeback of the Government bond market was one of the outstanding events of the past year in the money market. To be sure, there was likewise a fast and sharp upturn in the prices of corporate and tax-exempt bonds. And for a time these non-Treasury issues were the principal mediums of investment for most institutions because the yield which was available in these securities was much more attractive than the return that could be obtained in United States Government bonds.

However, with the lowering of the discount rate from 3½% to 3% there was a scramble to buy all fixed income bearing obligations, and the market for Treasury issues broadened and quotations moved ahead with considerable gusto to say the least. The change in money market psychology which came with the decrease in the Central Bank borrowing rate was responsible for the reestablishing of the Government bond market as an important fixed income bearing market.

Value of Government Portfolios Up Sharply

There is no question but what the strong upward trend in quotations of Treasury obligations has had a favorable effect upon the holders of these securities, especially the smaller commercial banks throughout the country. Many of these institutions have seen the value of the Government portfolio improve to such an extent that switches and exchanges have been made which were not possible not so many months ago, because the resultant losses would have been so large as to make such operations prohibitive. It is evident that the forces of inflation, which were fought by the monetary authorities with tight money and credit, had a very adverse effect on the Government market, particularly the more distant maturities. It is this area of the Government market that is most vulnerable to restrictive monetary policies. Yet, on the other hand, long-term maturities do respond very rapidly to any ease in money and credit conditions, which is what has been going on in the last few months.

Further Credit Ease Looked For

Despite the sharp upturn in quotations of Treasury obligations, and the prices of all fixed income bearing obligations, there does not appear to be more than a modicum of uncertainty in the money market which should mean that periods of profit-taking should turn out to be good buying opportunities. This is based on the opinions that money conditions will ease in 1958, since the position of the economy is so much on the defensive that real help will have to be given to the money market through either open market operations which could be positive or negative, or by reducing reserve requirements of the member banks of the system.

The belief that the Government bond market was, and is in for better things in the future has resulted in the extension of maturities by institutional investors. The fact that buyers of Treasury obligations were interested in taking on issues with a maturity longer than that of a note made it possible for the Government to sell a 3⅞% bond with a maturity of 17 years. The success of this new money raising operation was little short of phenomenal, since it has gone to a very sizable premium above the issue price of 100. The fact that the discount rate was reduced from 3½% to 3% a few days before the 3⅞% bond was put on the market was not an unfavorable development as far as this new money flotation was concerned. The 3⅞% bond has been one of the leading issues in the Government market.

Wertheim & Co. Will Admit Robert Bach

Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Jan. 9 will admit Robert Bach to partnership.

Metropolitan Planning

Metropolitan Planning Corporation has been formed with offices at 110 West 34th Street, New York City to engage in a securities business. Officers are Reuben Kass, President and Treasurer, and Frances S. Kass, Vice-President and Secretary. Mr. Kass was formerly with North American Planning Corporation.

Irving Lundborg to Admit New Partner

SAN FRANCISCO, Calif.—John J. Gardiner, Jr., will become a partner in Irving Lundborg & Co., 310 Sansome Street, members of the New York and Pacific Coast Stock Exchanges, on Jan. 9.

Form Capitol Securities

WASHINGTON, D. C.—Capitol Securities Co. has been formed with offices at 1519 Connecticut Avenue, N. W., to engage in a securities business. Raymond L. Roy and Philip G. Luckhardt are partners. Both were previously with A. W. Benkert & Co. Inc.

Continued from first page

Business and Economic Outlook for the Year 1958

Federal Reserve Industrial Production Index touched a peak of 147 (1947-49=100) in December, 1956, and has not attained that level since. In October, it touched 142, and it is likely to fall further in the next six months. Part of the readjustments, thus, has already been absorbed.

The seeds of contraction are always sown in the previous boom. Wage increases have exceeded productivity improvements. Prices have risen and debts have grown. Rising wages, rising incomes and increases in new investment have characterized the last few years virtually throughout the entire planet. Maladjustments and distortions have developed.

While artificial attempts have been made to support raw material prices in many sectors of our economy and throughout the world, such prices have been under downward pressure for some time. The sensitive index of commodity prices is, today, lower than prior to the Korean War boom—at an eight-year low. Production of raw materials, particularly agricultural products and minerals, has outstripped demand and there is no early prospect of any substantial early recovery in most of these prices. But attempts are being made to bring production into line with demand in many cases. The very fact that prices have been moving down does suggest that a readjustment has been underway. Possibly, such prices will not collapse drastically in the period ahead; this is a favorable factor. Meantime, however, countries relying heavily on raw material exports are left with reduced importing ability. This means lower world trade in 1958. Gold and dollar reserves among nations are unequally distributed and many countries face serious international payment problems.

Unemployment

While employment, both here and abroad, has held up remarkably well, unemployment (4.6% of labor force in October, seasonally adjusted) has recently been increasing and is likely to continue to do so. Minor declines in job opportunities in the United States under our high levels of living have tended to reflect themselves in a decline in the labor force, rather than in an increase in recorded unemployment. Thus, the figures can be misleading. But if we have a normal (average) increase in the labor force in 1958 of around 800 thousand, unemployment is likely to reach 4 to 5 million, and possibly more. The normal seasonal rise in unemployment, particularly in agriculture and construction, the layoffs in manufacturing, transportation, mining and other industries, plus the growth in the labor force can easily add up to 4 to 5 million, or even more, unemployed.

The over-full employment of recent years, plus the union-wage pressure, have caused the price of labor to rise more rapidly than productivity, and some labor is being priced out of the market.

Manufacturing employment has shown a fairly steady decrease month-by-month since the end of 1956. More than half-a-million workers have been dropped from factory payrolls since a year ago.

Orders and Inventories

While many manufacturers still have some backlogs of unfilled orders, for manufacturing as a whole the situation has worsened. In December 1956, unfilled orders had risen to over $64 billion—the highest since the Korean War. Since then, new orders fell short of shipments month-by-month, and manufacturers have relied heavily on their order backlogs to sustain production. Unfilled orders have dropped nearly a billion dollars per month. Such a trend, if it continues, must lead to layoffs. Inventories are nearly $5 billion above a year ago, mostly in factories. Some further decumulation in early 1958, with accompanying unemployment, is possible.

In many key items, such as ball bearings, castings, industrial heating furnaces, and machine tools—all good barometers of things to come — the order situation has been particularly weak. In machine tools, for example, new orders dropped to $27 million in October, 58% below October of a year earlier. Backlogs in October were 3.7 months' output, as against 7.7 months' a year ago. The work week—another good barometer—has been declining. In October, it was lower than the average for 1954—a recession year. Steel scrap has declined in price by nearly 50% within a year.

Plant, Equipment and Other Construction

Today, with the decline in sales most industries have excess capacity, although very few companies are as modern and up-to-date as they would like to be. We've passed through the greatest capital-building boom in history. In 1950 about $21 billion were spent on new plant and equipment. In 1955 this had risen to $29 billion; in 1956, to $35 billion, and in 1957 to $37 billion.

The McGraw-Hill survey of intentions indicates that investment in new plant and equipment among manufacturers is likely to be down 16% in 1958. If consumer sales drop in the months ahead, this figure could be revised down still further. In the case of the mining industry, a drop of 18% is expected; in railroads, 27%.

A total drop of investment for all business is expected of around 7%, which would still leave investment in new plant and equipment of $36 billion for the year ahead, which, obviously, would still be a very high rate of investment.

About 57% of the companies expect to spend the same as they did in 1957 on research and development, and 38% of the companies said that they would increase their expenditures for this purpose in the year ahead. This, plus the rising rate of expenditures on research and development in recent years, will spark new products and methods and, undoubtedly, will help to put a floor under the decline in new investment. Much equipment is obsolete and cost pressures will encourage modernization.

The Commerce and Labor Departments report that they expect a 5% increase in construction in 1958, or $2.4 billion—a rise from $47.2 billion in 1957 to $49.6 billion in 1958. Residential construction is estimated to be up 6%; highways, 14%. The F. W. Dodge Corporation completed a survey somewhat earlier and concluded that in physical volume construction will be up about 2% and the dollar volume will be up about 5%. Both of these estimates are plus factors for 1958—but they could be on the high side.

Our survey among trade associations revealed that only 16% of them thought that general business conditions would be better in the first half of 1958 than in the comparable period of 1957. But 40% thought that the second half of 1958 would be better than the second half of 1957.

About one-third expected better sales in their own industries in the first half of 1958, but this figure rose to about 50% for the second half of 1958. About 29% expect larger capital investments in 1958; but nearly 45% expect a reduction. For every trade group that thought inventories were too low in its industry, two of them thought that they were too high, but nearly 80% thought their inventories were at a satisfactory level.

Agriculture and Automobiles

Agricultural production and incomes are likely to change very little in the year ahead, relatively neutral in nudging the economy in either direction. Hog prices will be lower in the second half of 1958. Whether Congress will cut down on supplements to farmers' income is uncertain.

The automobile industry expects to sell about the same number of cars in 1958 as in 1957 including imports, although recent consumer reaction has been somewhat disappointing. Because of the sales peak in 1955, more than 900 thousand more instalment contracts will expire in 1958 than in 1957. This suggests the possibility of a boost in sales, if no new disturbing factors develop. But it needs to be noted that it took an increase of $1 billion in instalment debt to hold auto sales in 1957 at about the 1956 level. With greater uncertainty now, consumers and lenders may not be disposed to repeat the 1957 performance.

The Money Market

The cuts in the Federal Reserve discount rates, beginning Nov. 14, have been followed by open market operations designed to increase credit availability. If the economy continues soft in the months ahead, it is safe to assume that the FED will relax further. This has already lifted and will further lift the values of existing bonds, reduce the cost of credit and encourage credit expansion—all encouraging factors.

During the 1953-54 setback, in less than one year, yields on U. S. Treasury bills fell from over 2¼% to under 1%. Yields on 5-year Treasury securities dropped from 3% to about 1¾%. The decline in yields on long-term high-grade bonds was only a little over one-half or 1%, but that change put Victory bonds up 10 to par.

A similar decline in interest rates and improved availability of credit in the next 12 months should help spark many new loans and projects and make it easier for state and local governments to carry on their pending and new projects. Abundant financing should be available to finance over 1 million new housing starts in 1958, possibly 5% to 10% more than in 1957. This, in turn, would help many other related industries to increase their sales. But a rise in unemployment, or a threat of it, could generate caution in such heavy personal commitments.

Government

The National Government expenditures, in spite of the missile program, are not likely to rise very much in the next six months, but probably will rise in the second half. The U. S. Treasury will take in more money in the first half of 1958 than it will pay out to the public, and this may constitute a minor deflationary factor. U. S. Treasury revenues have not attained expected levels and deficit spending is likely to occur in the second half of 1958.

State and local expenditures have constituted a heavy growth factor for both goods and services since the end of World War II. It is generally expected that these expenditures will increase in 1958 at the rate of $2.5 to $3 billion; however, in a number of states, revenues have been less buoyant than expected. If the recession should become more serious, this could be a relatively weaker factor in the year ahead than has been the case in most recent years.

Conclusion

The stock market decline, occurring after mid - 1957, foreshadowed the current general contraction in our economy. Stock prices will continue to rise and fall. There is some reason to believe that the stock market has largely discounted the degree of contraction. Because of its psychological impact and if there are no further prolonged major declines, this could help restore investor and consumer confidence.

Because we've had a credit restraint program, the monetary authorities are now in a position to relax this restraint and are almost certain to do so, unless the wage-price spiral shows serious signs of recurring.

In the 1949 and 1954 recessions, the economy benefited from substantial tax cuts. With the slim or doubtful balance in the Federal Treasury for fiscal 1958, many government officials are warning that a tax cut is not probable in 1958. However, if serious contraction continues, a demand for a tax cut might be generated and this would leave more funds in the hands of business and consumers, increase the money supply and improve the liquidity of business and individuals.

While the 1958 recession is likely to be at least as severe as in 1949 and 1954 (unemployment between 5% and 6%), the basic forces making for economic expansion in the long run are as strong as ever and are likely to help prevent any major collapse. Many of the essential readjustments have already been made. There is a possibility that before 1958 closes, expansionist forces will, again, exceed the contractive forces which are now clearly visible.

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Inside the "Interim Period And the Building Industry Lag

gains in the economy, the return to normal conditions obviously is a shock. In fact, we can already hear requests for "somebody to do something about it." The primary responsibility, however, is ours. We must see that our individual organizations have very specific objectives and equally definite plans to achieve them profitably.

The individual thus is the key to an understanding of the "interim period" and to the solution of the problems which it raises.

In 1958 we can expect no more than a very slight gain in dollar measures of general business. Most forecasters, I should add, see no gain at all and frequently a decline in general business. The physical volume of business will continue to drop a little further, perhaps 2% to 3%. In 1958, inflation promises to give way—for a while at least—as the nation's No. 1 economic problem and to be replaced by the broad problem of "lack of growth."

Frankly, we are caught in the "interim period" and we're heavily committed to building markets for our current profits as well as our long-term growth and development.

Based upon a great deal of research which we and others have completed, it is our judgment that no industry has a more promising general outlook than building.

The million new houses started in 1957 may seem quite a drop from the 1,300,000 in 1955 and the 1,100,000 in 1956. Nevertheless, one million new homes require an enormous volume of materials and labor and represent total expenditures in the neighborhood of $15 billion. When the huge and growing "fix-up" market is added, together with the record volume of most other types of construction, there is no justification for claiming that 1957 has been a bad year for the building industry.

Those individuals who say 1957 has been a poor building year will find little encouragement in prospects for 1958. In my opinion, essentially the same over-all level of new home building can be expected in the new year—roughly another million new housing starts. But those who feel 1957 has been a year of high building activity and profit opportunity will find prospects for 1958 encouraging, for no shrinkage in this huge new and "fix-up" market is anticipated.

You see, during the "interim period" the outlook is largely a matter of how each one of us feels about it.

Well, what steps must we take immediately to insure satisfactory sales and earnings in 1958? Here are some suggestions which emerge directly from earlier observations on "interim period" trends and characteristics:

First, we must all take a fresh look at our markets. We must break down each market area so we can see much more definitely its dimensions and specifically the size and location of the sales potential. We must keep abreast of what competitors are doing to meet changing market needs. In short, we must play to strength by being more selective in our markets.

Second, we must carefully reappraise each customer to satisfy ourselves which have growth possibilities and which do not. We must play to strength by being more selective with our customers.

Third, we must review our product line with care, recognizing that what we are now selling won't be strong enough to provide vigorous growth throughout the "interim period." We must know precisely not only which products are selling and which are not, but **why** we are having success or failure with each product. We must be willing to devote at least 10% to 15% of our time and money to introducing and testing new products. We must play to strength by being more selective with our products.

Fourth, we must make our objectives for 1958 very specific and, above all, make clear to everyone in the organization **where** the best opportunities for sales and profits lie and how best to capitalize upon them.

Fifth, we must study our personnel roster as never before to determine the soundness of our organization and the morale of our key people upon whom we are counting for growth over the next few years. We must play to strength by being more selective with our personnel.

Sixth, we keep a close eye on finances. Money will continue to be tight next year, especially for companies which have not established close working relationships with banks. Tight control over costs and continuing attention to finances obviously are a "must" during the "interim period."

The year ahead is one in which we must "prospect for profit." I'm convinced that there are many sales and profit nuggets just beneath the surface in the rich markets we serve. If we will take time to locate these nuggets, we can then dig swiftly and deeply to get them. Personally, I'm betting on good prospecting.

Railroad Securities

Atlantic Coast Line Railroad

Earnings of Atlantic Coast Line Railroad, like most of the Southeastern carriers, have held up better than the average of the country as a whole. This was true for the first 11 months of this year. However, in December rail traffic began to decline, but even so net income for the full year should exceed $4 a common share.

For the first 11 months of 1957, Coast Line reported a net income of $10,023,000 equal after taxes and charges to $4.05 a share on 2,470,281 shares outstanding. This compared with net income of $11,011,000 or $4.45 a share in the like 1956 period and $12,345,000 or $4.99 a share in the comparable 1955 period. For the month of November, net aggregated $700,000 against $833,000 in the 1956 month and $1,308,000 in the like 1955 month.

Coast Line appears at last to have expenses under better control than formerly. Maintenance of way and structures expenses for the 11 months amounted to $22,165,000 against $26,586,000 in the 1956 period and $26,229,000 in the comparable 1955 period. Maintenance of equipment expenses for the period totaled $32,567,000 against $33,125,000 in 1956 and $30,554,000 in 1955. Transportation expenses were $58,997,000 as compared with $59,127,000 in the 1956 period and $53,989,000 in the like months of 1955.

Last year the road paid dividends of $2 a share or about 50% of indicated net income for the year. A similar amount was paid in 1956. Other income of the Coast Line plays a large part in its earnings picture. It owns 35% of the stock of the Louisville & Nashville Railroad and the latter has obtained the right to merge with the Nashville, Chattanooga & St. Louis Railway. Both of these roads have a good long-term record of earnings and dividends. Of the total net income, "other income" for the 11 months amounted to $8,077,000, almost equalling net railway operating income. In the 1956 months, other income was $8,818,000 and in the 1955 period, it was $7,624,000.

Coast Line continues in a comfortable cash and current position. On Oct. 31, 1957, cash totaled $11,544,775, temporary cash investments were $6,016,912 and special deposits, $1,221,814. This compares with cash of $10,165,226, temporary cash investments $3,992,573 and special deposits, $946,685, at the end of October, 1956. Net current assets (current assets less current liabilities) at the end of the period amounted to $28,109,546 against $26,447,679 at the end of the 1956 period.

The railroad is serving a territory growing in population and industrialization. The latter is of great importance. In the first place, manufactured products move at a high freight rate and in the second it eventually tends to iron out the seasonal movement of traffic now dominated by fruits and vegetables. The road also is participating in the heavy movement of phosphate rock which is of importance from a revenue standpoint.

Purchasing Agents Survey 1958 Business Outlook

Seventy-two percent of purchasing agents surveyed believe 1958 will not be better than 1957. Most anticipate major strikes which tempers their enthusiasm for a significant second-half pick-up.

Purchasing executives predict that the downward drift in general business will continue through the first half of 1958. In analyzing 1958, 40% of purchasing agents, who comprise the NAPA Business Survey Committee, whose Chairman is Chester F. Ogden, Vice-President, The Detroit Edison Company, Detroit, Mich., say the first six months will be worse than the similar period in 1957, 40% the same, and only 20% better. Labor uncertainties are cited by many as clouding the picture for the second six months. Most of the Committee members believe some major strikes are inevitable. This leads them to temper their enthusiasm for a pronounced second-half pickup. Viewing the year as a whole, as compared to 1957, 28% believe it will be better, 42% the same, and 30% worse.

Despite brisk retail sales, the current business situation is gloomy. The 43% reporting poorer new orders bookings this month is the highest number so reporting since January, 1954. 40% say their new order position is unchanged and 17% better. Production is also down, with 45% showing reductions, 37% the same, and only 18% a better situation.

There is little strength in commodity prices. Many of the reporting members tell of price cuts to reduce inventories and of lower quoted prices to meet competition without corresponding reductions in manufacturing costs.

Recent cutbacks in production schedules have resulted in lower employment, as well as a new drive to cut inventories so that they are in line with current production.

Buyers are becoming even more cautious about their forward commitments and they are definitely operating on a shorter-term basis. Again, in December, no items are in short supply.

Commodity Prices

Committee members report that the desire on the part of many of their suppliers to raise prices is checked by the general soft order position. In many instances, prices are being cut to meet competition without corresponding reductions in costs. As a result, only 14% of reporting members say that, overall, they are having to pay more for the items they buy. A whopping 80% state that there is no change and 6% report lower composite prices.

Inventories

The fact that the anticipated production pickup has not materialized has caused purchasing executives to scrutinize, again, their purchased material inventory position. As a result, many have effected further reductions. Forty-one percent report lower stocks, 42% no change, and the balance, slight increases. The inventory adjustment era of 1954 was the last time so many reported reductions.

Employment

Reductions in working forces, less overtime and, in some cases, shorter work weeks for all employees, are reported for December. Not since mid-1949 have so many indicated employment as lower. With only 6% saying it is better, and 45% noting no change, we find 49% reporting their picture as worse. Christmas part-time help required by retailers appears to have been the significant factor that prevented an even gloomier report.

There seems to be a little more caution on the part of buyers than previously. Forward buying of production items, MRO supplies, and capital equipment are all reported on a shorter-term basis. The few who are willing to extend do so mainly because it is the required lead time on certain items they buy.

Specific Commodity Changes

Although relatively few items are reported down in **list price**, careful buying can produce price advantages.

On the up side are: Corrugated paper, cotton, some electrical equipment and borax.

On the down side are: Copper, lead, steel scrap, tin, crude rubber and gasoline.

In short supply: Nothing.

Buying Policy

	Hand to Mouth	% Reporting 30 Days	60 Days	90 Days	6 Mos. to 1 Yr.
December—					
Production Materials	13	34	38	13	2
MRO Supplies	29	40	23	7	1
Capital Expenditures	14	5	9	23	49
November—					
Production Materials	6	33	38	18	5
MRO Supplies	26	43	23	5	3
Capital Expenditures	11	4	14	21	50

Atkinson Co. Adds

(Special to The Financial Chronicle)

PORTLAND, Oreg. — Raymond D. Johnson has been added to the staff of Atkinson and Company, U. S. National Bank Building.

With Foster & Marshall

(Special to The Financial Chronicle)

PORTLAND, Oreg.—Wilbert S. Hudson is now with Foster & Marshall, U. S. National Bank Building.

With Dean Witter

(Special to The Financial Chronicle)

FRESNO, Calif.—Gary E. Marsella has been added to the staff of Dean Witter & Co., Patterson Building.

E. F. Hutton Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Harold L. Hardwick has become affiliated with E. F. Hutton & Company, 160 Montgomery Street.

Joins Peters, Writer

(Special to The Financial Chronicle)

DENVER, Colo. — Channing F. Sweet has joined the staff of Peters, Writer & Christensen, Inc., 724 Seventeenth Street.

With Harry W. Peters

(Special to The Financial Chronicle)

GRAND JUNCTION, Colo. — Frank J. Woodruff is with Harry W. Peters, 411 Main Street.

With Illinois Mid Continent

(Special to The Financial Chronicle)

CHICAGO, Ill.—Lee Crouch is now with the Illinois Mid Continent Investment Co., 676 St. Clair Street.

Securities Salesman's Corner

By JOHN DUTTON

"It Never Does Any Harm to Tell Another Man He's Good."

This week's piece deals with a sales story that has more than one good idea for the investment salesman that may wish to use them. It was told to me by a friend of mine who has spent many years in the municipal bond business and who is both a good salesman and also a qualified expert in his field.

It pays off when you know your subject, and especially in segment of the investment business such as the tax exempt bond department. Here you must know values; also you can determine values to a closer degree than among speculative common stocks. Banks, insurance companies, trust officers, and professional investors are quick to notice whether or not a salesman has the facts and knows his subject. If he is a top bond expert it is readily discerned and he is welcomed — often his business comes to him because of his superior knowledge of values and the buyer relies upon his counsel and advice.

Radiation Comes to the Qualified and Able

My friend about whom I am relating this little story had done some business with a relatively new and rapidly growing commercial bank and, because of his ability to help the officer in charge of the bond department manage the investment bond portfolio, he would at times receive recommendations of individual investors who also wished to invest in some tax-exempt securities. One day he had a telephone call from the bank officer and he was told that he would receive a visit from one of the bank's client and that this man had never bought a bond before in his life. The recommendation from the bank official was due to his confidence in the securities man and so let us take it from there.

Six Months to Invest $170,000

When the neophyte investor called on our friend, he was willing to invest his entire available fund at one time but instead he was told to wait for attractive opportunities. During the past six months a sum of approximately $170,000 was invested in various tax-exempt bonds ranging in amounts of $10,000 to $15,000. The investor was willing to turn everything over to this municipal expert. The bank's high regard and unqualified recommendation had taken care of that. Yet, every possible opportunity to obtain the best values, the highest return, the most security, the proper maturities for this account was undertaken by this conscientious bond man. He finally wound up the portfolio with a net current return of better than 4% tax-free and the bonds in the portfolio had also shown an increased average market value over cost as the results of the Federal Reserve's easier monetary policies have recently favorably affected the bond market.

The other day when I was in this bond man's office he showed me the list of bonds he had selected. He had them typed out with the following headings: date purchased, name of issue, amount (par value), maturity, interest coupon, annual return in dollars. The total amount invested was tallied and also the annual return in dollars. It looked very impressive when set up this way. Along with this tabulated list he sent a letter to the client. In it he told him that he thought it was one of the best lists of tax-free bonds that he had seen in many a day and he also remarked that *he wished to congratulate the investor* for his TIMING of these purchases. When I expressed surprise at this he said to me, "It never does any harm to give the other man some of the credit for a good job."

All that the investor contributed to the assembling of this excellent portfolio of tax-free bonds was his "yes" when this bond man would call him and make a suggestion. In fact, several times he told him, "go ahead and do it, I'll leave it to you." On one or two occasions the buyer did call and ask whether or not he should buy certain bonds and on both occasions he was given the facts and was dissuaded from it.

Complete the Job

But the job was not completed as yet. While I sat there talking with my friend he picked up the telephone and called his friend at the bank. He gave him the name of one of his clients who was looking for a new banking connection and he was referring him to the bank officer for an introduction to the proper man who should open the account. He also mentioned that he was mailing him a copy of the portfolio and the completed investment list of the investor whom the bank officer had sent to him. He had also been told by the banker that the client was very well pleased with a good job well done.

Some Good Rules to Follow

Know your business so that people will respect you and have confidence in your recommendations.

Be conscientious and take your time . . . do a real job for your clients when you receive referrals.

When you have completed a good job put it down on paper, summarize it and write a letter to your client.

If possible give him a pat on the back too.

Notify your "center of influence" who made the referral that you have accomplished some satisfactory business because of his confidence and friendship.

Try and reciprocate by sending him some clients too!

Coast Exchange Member

SAN FRANCISCO, Calif.—William H. Agnew, Chairman of the Board of Pacific Coast Stock Exchange has announced the election of H. Theodore Freeland to membership in the San Francisco Division of Pacific Coast Stock Exchange, effective Jan. 1, 1958.

Mr. Freeland is an officer and voting stockholder of the corporate member firm of American Securities Corporation of New York City.

Loeb, Rhoades to Admit

John L. Loeb, Jr. on Jan. 1 will be admitted to limited partnership in Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York City, members of the New York Stock Exchange.

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The State of Trade and Industry

12 cents an hour over and above the basic wage boosts and improved fringe benefits covered in the labor contracts.

Continuing, it adds that close observers of the steel industry look for a price boost of $5-$6 per ton at mid-year. It could be more if a cost-of-living pay boost as substantial as the latest one is necessary next July.

Meanwhile, the steel market entered the New Year on the downbeat. Mills were operating at slightly more than 50% of capacity. New orders were being offset by cancellations and requests for holdups on delivery. Customers were asking and getting prompt delivery on all products with the exception of linepipe. Even linepipe order books were beginning to show occasional openings.

"The Iron Age" reports the news from Detroit is becoming worse instead of better. The auto companies have cut back production and laid off thousands of workers for periods up to two weeks. For steel, this means that automotive steel inventories will be that much fatter as the New Year begins. The feeling is that the automakers will reschedule more steel deliveries for the next two months and the chain reaction eventually will affect the steel ordering pattern of automotive suppliers.

It is estimated that some 15% to 25% of automotive steel originally scheduled for January delivery has been rescheduled. One steel sales office says that new orders for February delivery are off about 50% due to the shuffling of January steel into February.

A steel sales manager in Detroit puts it this way: "I'm glad I'm not a commission man. Some of them have had the New Year ham snatched right out of the oven in the last week."

Steel output this week, as it was last week, will be approximately 1,400,000 ingot tons. Except for periods of strike, it's the lowest production period in steel in more than eight years. Production is expected to move up slightly in the weeks ahead, "The Iron Age" concludes.

Electric kilowatt consumption climbed to record levels last week as Christmas lights were turned on throughout the country and Southern states, hit by a cold wave, resorted to electric heating. Power output rose to 12,570,000,000 kilowatt hours, the Edison Electric Institute reported. This was 14,000,000 kwh. above the previous high attained during the week ended last Jan. 19.

In the automotive industry last week, extended shutdowns in auto assembly killed the chances of establishing 1957 as the third-best year for United States passenger car production, "Ward's Automotive Reports" declared on Friday last.

"Ward's" said auto output was pared 43% last week as most General Motors Corp. and Ford Division plants closed at noon Tuesday through Wednesday for the Christmas holiday; other producers went down on Monday for longer periods, including Chrysler Corp. for two weeks and Mercury for one week.

The statistical agency estimated production at 79,965 cars and 12,016 trucks last week compared with 140,447 and 22,342 in the preceding week. The same week last year netted 99,577 car and 12,505 truck completions.

"Ward's" placed the entire 1957 passenger car production at 6,117,000 units, just short of the industry's third-best annual volume of 6,134,534 established in 1953.

The "Ward's" 1957 output estimate represents a 5.4% increase over entire 1956 with its 5,801,864 completions. The statistical service predicted a decline to about 5,300,000 car completions in 1958. January-March production schedules have been slashed sharply.

The projected 1957-58 output decline from the 6,000,000 to the 5,000,000-unit range finds historical precedence in the industry's two other 6,000,000-unit years—in 1950-51 when volume reached 6,674,933 then dropped to 5,338,820 and in 1953-54, when it attained 6,134,534, then slipped to 5,509,550.

"Ward's" said that since 1949 United States passenger car production has yet to increase two years in a row and 1958 is not destined to deviate from that pattern.

Personal savings advanced in the third quarter to $4,700,000,000, the highest level for the period since 1952, raising the total for the first nine months to $13,800,000,000 from $10,700,000,000 in the like period a year ago, the Securities and Exchange Commission stated. The latest nine-month total was last surpassed by the $29,300,000,000 figure in 1945 when war-time saving bond purchases swelled the total.

Steel Operations Set to Yield 59.0% of Ingot Capacity In New Year's Day Week

The world produced more steel in 1957 than ever before, even though the United States, the largest single producer, made less than it did last year. The report is made by "Steel," the weekly magazine of metalworking.

World output totaled 322,139,400 net tons of steel for ingots and castings, compared with last year's 310,785,979 tons. It was the third consecutive year of record world output, the magazine noted.

The 11,400,000-ton increase was about evenly divided between the Free World countries and the Iron Curtain area. The Free World turned out 240,251,400 tons in 1957, a 6,000,000-ton rise over 234,267,459 tons in 1956. The Iron Curtain group made 79,518,000 tons in 1957, a 5,200,000-ton gain over 74,363,520 tons in 1956. Other countries making less than 500,000 tons each produced 2,370,000 tons in 1957, compared with 2,155,000 tons in 1956.

The Iron Curtain countries produced 25% of the world's steel in 1957 and last year they accounted for 24%.

Russia produced 56,500,000 tons, or 71% of the Iron Curtain total in 1957. Last year, Russia accounted for 53,471,000 tons, or 72% of the Iron Curtain's output.

Russian production has risen every year since 1944, when it was 8,960,000 tons. United States output that year was 89,600,000 tons. Production in the United States has fluctuated, but over-all it has risen. It now has a record capacity of around 141,000,000 tons, compared with 133,500,000 at the beginning of this year.

Russian output in 1957 was equal to one-half that of the United States and showed an increase, while that of the United States decreased.

While United States production in 1957 was only 80% of its present capacity, it is believed that Russia is producing as much as its capacity will permit.

Although United States production declined to 113,000,000 tons of steel for ingots and castings, it is the third best year for the country. The record was 1955's 117,000,000 tons. The second best year was 1956, with 115,000,000 tons.

Current United States production is much below the year's average. In the week ended Dec. 29, output was about 60% of capacity, the lowest pace of the year. It reflects the slow demand for steel and the Christmas holiday. The present rate of output yields 1,536,000 net tons of steel for ingots and castings.

District production rates were down in all but three areas. The rate at Birmingham, 72.5% of capacity, was 1.5 points over that of the preceding week. Rates at Detroit (80.5%) and the Far West (77%) were unchanged.

Prices were steady as the year neared a close. "Steel's" price composite on finished steel remained at $145.42 a net ton and its price composite on steelmaking scrap held at $33.17 a gross ton.

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 59.0% of capacity for the week beginning Dec. 30, 1957 equivalent to 1,510,000 tons of ingot and steel for castings, as compared with an actual rate of 53.4% of capacity, and 1,366,000 tons a week ago.

A slight increase in steel output is looked for this week following the sharp decline during the Christmas week to the lowest point for any non-strike period since mid-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 71.5% and production 1,831,000 tons. A year ago the actual weekly production was placed at 2,490,000 tons or 97.3%.

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 Eased in Week Ended Dec. 21

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 21, 1957, was estimated at 12,412,000,000 kwh., according to the Edison Electric Institute. Output the past week was lower than in the preceding period.

For the week ended Dec. 21 output fell 158,000,000 kwh. below that of the previous week and advanced 185,000,000 kwh. or 1.5% above that of the comparable 1956 week and by 798,000,000 kwh. above that of the week ended Dec. 24, 1955.

Car Loadings Decreased 2.1% Under Preceding Week

Loadings of revenue freight for the week ended Dec. 21, 1957, were 12,693 cars or 2.1% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Dec. 21, 1957, totaled 590,343 cars, a decrease of 108,081 cars, or 15.5% below the corresponding 1956 week and a decrease of 77,136 cars, or 11.6% below the corresponding week in 1955.

Automotive Output Declined 43% in Christmas Week Due to Plant Closings

Passenger car production for the latest week ended Dec. 27, 1957, according to "Ward's Automotive Reports," declined by 43% below the level of the preceding period as a result of extended shutdowns by auto assembly plants.

Last week's car output totaled 79,965 units and compared with 140,447 (revised) in the previous week. The past week's production total of cars and trucks amounted to 91,981 units, or a decrease of 70,808 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 60,482 cars, while truck output dropped by 10,326 vehicles during the week. In the corresponding week last year 99,577 cars and 12,505 trucks were assembled.

Last week the agency reported there were 12,016 trucks made in the United States. This compared with 22,342 in the previous week and 12,505 a year ago.

Canadian output last week was placed at 3,300 cars and 515 trucks. In the previous week Dominion plants built 7,171 cars and 1,192 trucks and for the comparable 1956 week 6,128 cars and 1,066 trucks.

Lumber Shipments Fell 4.8% Below Output in Week Ended Dec. 21

Lumber shipments of 317 reporting mills in the week ended Dec. 21, 1957, were 4.8% below production, according to the National Lumber Trade Barometer. In the same period, new orders were 3.1% below production. Unfilled orders amounted to 27% of stocks. Production was 1.2% below; shipments 1.6% below and new orders were 3.2% below the previous week and 11.9% below the like week of 1956.

Business Failures Show a Sharp Decline in Week Ended Dec. 26

Business failures dropped to 166 in the week ended Dec. 26, from 276 the week before and 174 in the like period of 1956, Dun & Bradstreet, Inc., reports.

Failures with liabilities of $5,000 or more dipped to 142 from 242 a week earlier and 153 a year ago, it further noted.

Small casualties under $5,000 declined to 24 from 34 but held above the 21 of this size last year. Twenty-one of the failing concerns had liabilities in excess of $100,000 as against 18 in the previous week.

All industry and trade groups except wholesaling had fewer casualties in the holiday week. The total among retailers dropped to 77 from 136, construction contractors to 20 from 47 and commercial service enterprises to 12 from 26. A milder dip brought manufacturing failures down to 36 from 47, while wholesaling edged up to 21 from 20. More trade and service businesses failed than a year ago, but manufacturing casualties were slightly lower than in the similar week of 1956 and construction casualties were only half as numerous as last year.

All of the nine major geographic regions reported declines. Failures in the New England, Middle Atlantic and South Central States were down moderately. However, less than half as many casualties as a week ago occurred in the Pacific States, down to 32 from 78, in the East North Central, 20 as against 41 and the West North Central, off to 6 from 13. Mixed trends from 1956 prevailed and totals in four regions equalled or exceeded last year's levels whereas declines appeared in five regions.

Wholesale Food Price Index Eased Slightly in Latest Week

The wholesale food price index compiled by Dun & Bradstreet, Inc., fell slightly last week following a sharp drop the week before. The index for Dec. 24 registered $6.31 against $6.33 a week earlier. It compared with $6.12 on the corresponding date, a year ago, or a rise of 3.1%.

Higher in wholesale cost the past week were wheat, lard, steers, hogs and lambs. On the down side were flour, corn, rye, oats, barley, butter, cocoa and eggs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Climbed Slightly In Latest Week

Higher prices on livestock offset declines in most grains, flour and butter last week, resulting in a slight rise in the general commodity level. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., stood at 278.44 on Dec. 23, compared with 277.85 a week previous and 300.89 on the corresponding date a year ago.

Larger than anticipated estimates by the Government on final production of 1957 grains resulted in slight decreases in most grain trading and futures prices fell moderately. Wheat production was estimated at about 947,000,000 bushels, noticeably higher than private trade estimates. Transactions slackened and prices were noticeably lower.

There was a moderate drop in trading in corn and futures prices slipped somewhat. Chicago wholesalers reported appreciable declines in prices on oats, rye and soybeans, as buyers' interest dwindled.

Following the drop in wheat prices, flour prices declined slightly in the week. Although sugar trading lagged, futures prices were unchanged from a week earlier. Coffee prices were steady, but officials expect them to rise in the near future. Coffee trading was close to that of the preceding week.

Although wholesale volume in rice sagged somewhat, prices remained at week-earlier levels. There was a slight rise in cocoa futures prices and trading improved during the week. Buyers were waiting for reports on the estimate of the Ghana cocoa crop.

Most livestock prices rose slightly over those of a week earlier. Trading in beef improved, resulting in moderately higher prices. Steer receipts in Chicago fell below those of the prior week. A noticeable rise occurred in pork prices as purchases expanded considerably. The buying of lambs continued at a high level and prices held unchanged. Following the rise in prices on hogs and vegetable oils, lard futures prices moved forward substantially.

Cotton trading on the New York Cotton Exchange expanded moderately last week and futures prices rose significantly. According to the United States Bureau of the Census, cotton ginnings during the first 12 days of December was estimated at 1,166,000 bales, a record for the period. Domestic mills consumed about 656,000 bales of cotton staple during the four weeks ended Nov. 30. Consumption for the season through that date amounted to about 2,802,000 bales compared with 3,108,000 bales in the similar period a year ago.

The New York Cotton Exchange estimated exports of cotton staple in the week ended on Tuesday, Dec. 24, were 141,000 bales as compared with 76,060 bales in the prior week and 236,000 bales in the comparable 1956 week. Exports for the season through Dec. 17 totaled about 1,926,000 bales compared with 2,583,000 bales a year ago.

Trade Volume Rose Sharply in Past Week Over Preceding Week and Moderately Above Year Ago

A last-minute upsurge in Christmas shopping boosted retail volume sharply over that of a week earlier in the period ended on Wednesday of last week and volume moderately exceeded that of a year ago. Shoppers were primarily interested in traditional gifts, glassware, toys, food specialties and some lines of apparel. Purchases of new passenger cars, major appliances and television sets lagged.

The total dollar volume of retail trade in the period ended on Wednesday of last week was 2 to 6% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1956 levels by the following percentages: Middle Atlantic States +6 to +10%; New England and South Atlantic +5 to +9; Mountain +2 to +6; East North Central and East South Central 0 to +4; West North Central —1 to +3; West South Central —2 to +2 and Pacific States —4 to 0%.

Increased consumer buying of women's fashion accessories offset sluggish trade in cloth coats, suits and dresses, boosting total sales of women's apparel moderately over those of a year ago. Interest in men's suits and overcoats was close to that of a week earlier. Sales of children's clothing advanced substantially.

Furniture stores reported moderate gains from the previous week in sales of case goods and occasional tables and chairs, while interest in bedding and upholstered chairs lagged. Although the call for phonographs, portable radios and television sets improved, the buying of major appliances was sluggish. There was an upsurge in purchases of linens and volume slightly exceeded that of a year ago.

Housewives noticeably stepped up their purchases of canned goods, fresh meat, poultry, candy and baked goods during the week, while volume in butter, cheese and eggs was close to that of a week earlier. Grocers reported slight gains in the call for frozen foods and fresh produce.

The usual decline in wholesale buying of apparel occurred in the holiday week. There were some scattered last-minute re-orders for men's and women's fashion accessories and furnishings, but volume was noticeably below that of a week earlier. Bookings in women's Spring merchandise lagged considerably.

Textile transactions slackened during the week. Trading in woolens and worsteds dipped moderately, but interest in worsted yarns improved. The call for carpet wool equaled that of the preceding week. Despite some scattered orders for print cloths, over-all trading in cotton gray goods was sluggish. Interest in industrial fabrics and man-made fibers lagged. Mid-Atlantic dyers and finishers reported a continued decline in incoming orders.

Wholesalers in some major markets reported moderate gains in sales of draperies, floor coverings and linens during the week, resulting in slight year-to-year gains. Interest in furniture lagged and purchases of refrigerators, deep freeze units and automatic laundry equipment dipped again. Volume was slightly below that of a year ago.

Wholesale food buying dropped noticeably the past week, with the sharpest declines in canned goods, flour, rice and sugar. Interest in fresh meat, poultry and dairy products continued at the level of the prior week.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 21, 1957 increased 4% above the like period last year. In the preceding week, Dec. 14, 1957 an increase of 2% (revised) was reported. For the four weeks ended Dec. 21, 1957 a decline of 3% was reported. For the period Jan. 1, 1957 to Dec. 21, 1957 an increase of 1% was registered above that of 1956.

Retail trade sales volume in New York the past week climbed 10 to 15% above the level of the like period a year ago.

Trade observers pointed out that a last-minute Christmas rush of buying, resulting from the transit strike, was responsible for the sharp increase.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 21, 1957 increased 12% above that of the like period last year. In the preceding week, Dec. 14, 1957 an increase of 4% was reported. For the four weeks ended Dec. 21, 1957 a decrease of 2% was registered. For the period of Jan. 1, 1957 to Dec. 21, 1957 the index registered an increase of 2% above that of the corresponding period of 1956.

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which can develop curves using the calculus for determining optimum investment and output ratios, can say practically nothing sensible about consumption begging off by claiming that utility — the purpose of consumption — cannot be measured. In earlier days, class distinctions or quasi-religious beliefs, which equated thrift with God and consumption with indulgence—the least attractive of the deadly sins—served to keep consumption in check, and investment in the fore. Those days are gone, but in the subterranean recesses of our minds, the prejudice remains, and that I believe basically colors our views.

I do not mean to disparage the need for continuing investment. It is great. Nor do I mean to say there is a "correct" emotional predisposition toward these questions. But I do warn that emotional involvement will not only lead to some foolish statements, but what is worse, make accurate forecasting of future events difficult. To underestimate the force of a revolution because one does not favor its goal is the surest way to make disastrous estimates on the future.

In many ways, there have been striking similarities in certain economic developments in the U. S. and Europe in recent years, in the midst of the well-known differences between the economies of the two regions.

One area of similarity is the development, persistent, large and worrisome to many, of instalment credit use, and the consequent indebtedness it brings to consumers for future repayment.

Growth of Instalment Debt

In the U. S. the rise in private debt was considerable, with total outstanding consumer debt virtually doubling between 1951 and the present. In amounts, this meant a rise in outstanding consumer credit debt from about $21 billion at the beginning of 1951 to some $42 billion now. A friend visiting from Denmark to whom I explained these data, and their derivation, whimsically asked whether this had to do with economics or the geophysical year. Astronomical though these numbers may look from, say, a Danish viewpoint, they were fairly consonant with the general development of American economic activity. Thus, to use one measure of overall economic activity, disposable personal income which is of course simply income after taxes, had been some $237 billion in 1952, and is currently just over $300 billion, annual rate. Nevertheless, consumer debt growth has run ahead of the rise in income, as outstanding debt represented some 11.5% of disposable income in 1952, compared to 14.3% at the end of 1956. In terms of the burden of debt repayment too, there was a slight, but not unnerving rise. Thus, automobile debt repayment took 4.2% of total U. S. after-tax income in 1952, and about 5% currently.

Just a word about what the debt figures comprise, before some analysis of them is attempted. Consumer credit data, which I have been quoting, are prepared by the Federal Reserve Board in the U. S. and consist of debt in two broad categories: the first, instalment credit, includes debt for automobiles, "other consumer durables," meaning refrigeration, washing machines, etc., personal cash loans, and loans for home improvements. This sector comprises about 75% of the total of consumer credit, currently over $31 billion. Of this amount, nearly half—about $15 billion—is for automobiles, and another quarter—or $8 billion—for other consumer durable goods. The second and smaller sector includes department store charge account credit, service credit meaning doctor's bills, etc., and a final and rather extraneous category called single payment loans, repayable in one lump sum, which is used for every conceivable purpose including stock exchange speculation. In total this "non-instalment credit" sector has over $9 billion outstanding.

Notably excluded from the consumer debt category are home mortgage debt figures, which presently exceed $80 billion, which are of course, fixed payments.

In view of the rapid and large development of consumer debt in the U. S., and of the uncertainties and heated discussion to which it gave rise, the U. S. Government and specifically the Federal Reserve Board has attempted to study the question of consumer credit in relation to the American economy as thoroughly as possible, and I would like to discuss that study with you.

From this study there are, I believe, a number of implications relevant to the European development of hire-purchase, which I would also like to discuss briefly.

The Federal Reserve Study In the United States

In hitting the high spots of this study in the U. S., there are three major questions to be asked. First, why was it undertaken? Secondly, what does it say? And thirdly, what is the significance of the study for public policy?

Why it was undertaken I have touched on briefly. There has been for a long time an underlying uneasiness about the growth of consumer credit which was precipitated into action by the events of 1955, in which we had a great burst of credit growth.

The study, it should be said, was an enormous job for the Federal Reserve Board. In record time—a little over one year—the staff turned out a six-volume study, which went into every conceivable facet of the question and into the very social fabric of the nation, with commendable objectivity and astuteness.

The question around which the study was organized was really very simple and I think relevant for many European countries. Specifically, the Federal Reserve economists set out to find whether monetary policy should function through a general mechanism, as it had done, operating on the reserve position of commercial banks, or whether monetary policy would be strengthened by a battery of specific regulations relating to instalment credit and the institutions which purvey it. The staff itself reached no conclusions, as they were not supposed to, but with the publication of the study the Federal Reserve Board of Governors issued various statements culminating in its published position in the June, 1957 Federal Reserve *Bulletin*. The Board said that it felt no special regulation of instalment credit was needed or desirable.

Therefore, the question of direct controls now becomes academic and irrelevant. But the study itself throws so much light on many parts of the instalment credit market, and on its relation to the general credit and monetary situation, that it continues to deserve sober analysis.

It would obviously be cavalier in the extreme to attempt to contain in a few paragraphs the total findings of no less than a score of economists, all highly competent. Nevertheless, and with this caveat firmly in mind, a look at the highlights of the findings and of the open questions which remain is relevant.

First, as to the organization of the Study: the six-volume report falls into four parts. Part I, Volumes I and II, are in a sense the meat of the Study. They present the systematic study including technical supplements made by the Federal Reserve System's research staff. Among other things, Part I explores the inter-relations of instalment credit and consumption; the mechanics and characteristics of the instalment process; the pattern of consumer use of instalment credit and the economic burden of instalment debt; the part played by instalment credit in economic growth and fluctuations, and several other

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questions. The special supplement to this Study in Part I, Volume II, is largely a statistical analysis of some of the major points raised and, in addition, discusses the rise of instalment credit abroad, and some alternative statutory approaches were instalment credit regulations desired.

If Part I is the meat, Part II is, in a sense, the seasoning of the Study for it presents a collection of papers by university scholars prepared under the auspices of the National Bureau of Economic Research. These papers are divided broadly into pro- and anti-control arguments.

Part III presents a survey of the instalment credit industry's views on the desirability of peacetime regulation of instalment credit. This Part can be reviewed in a word—No.

Part IV, the sixth volume, printed in June, 1957, presents the results of a national field survey of new car buyers in 1954-1955. This survey will doubtless be of great and detailed interest to those in the industry. But in view of the uniqueness of the period, it will probably offer little in the way of timeless conclusions.

At present, then, the best use of review space is particularly on Part I, and a bit on Part II of the Study. The most logical point of departure is a backward look at the historic development and growth of instalment credit.

Consumer instalment credit expanded much faster than any other type of private debt over the past four decades in the U. S. From 1920 to 1955, the level of instalment credit multiplied 30 times, compared to a tripling of all private debt. Some of the reasons for this growth are readily evident. This was uniquely the period of the development of the automobile in American life and, as over half of all instalment credit is for automobile use, the growth is not unexpected. Moreover it is a period in which the method of payment for the services rendered by durable goods changed from unrecorded to recorded instalment payments. For example, the weekly iceman's allowance became a statistic when the refrigerator was bought on time. This statisticalization happened with a large gamut of goods and services purchased, and is still going, with say, vacations. Further, it was a period of changing moral values in which the prejudice against instalment debt declined to the vanishing point. Finally, and particularly in the postwar decade, it was a period of revolutionary redistribution of income among classes. And, as the Study shows, it is the "arrivistes" in the middle-income group and particularly the younger members of this sect whose use of instalment credit tends to run ahead most rapidly. In the postwar decade, with over 2 million families per year entering the $3,000 and more class per year, the base of discretionary spending was very broad for durable goods, consumption and the use of credit.

To these rather obvious factors, more can be added. However, the significant findings in the Federal Reserve Study is the fact that instalment credit grew more than could be explained by the increase in consumer expenditures for automobiles and other durable goods commonly financed on instalment credit.

The most obvious factor explaining this more rapid growth of instalment credit was the liberalization of credit terms with unrelenting consistency over the decades studied. The liberalization of terms and downpayments which took place in 1954-1955 was not unique, but rather part of a historic period of long standing.

A most important question, which is not faced in Part I of the Study is that of the quality of credit, i.e. the terms on which credit is extended and the soundness thereof. Perhaps such an important question demanded fuller treatment than the staff could afford; and, therefore, the really monumental analysis of the question by Dr. Geoffrey Moore, in Part II, is construed to be the Study's contribution to the question of quality. Among other findings, Dr. Moore points out the importance of adequate payments in establishing sound credit, a conclusion reached intuitively by most practitioners of credit. Dr. Moore's data show the direct relation of inadequate downpayment to losses, and implies this is the key with which one can estimate, from before, such losses under adverse conditions. Data outside the Study show that sales finance companies have traditionally extended credit for autos on what may be termed a collateralized base. That is, credit was thought to be sound so long as the value of the goods being financed in the market was in excess of the note to be paid on it. The downpayment was regarded as a key: it had to be high enough to offset depreciation and provide a purchaser equity. Once established, maturity length became a function of price. Obviously, with ever-increasing automobile prices resulting from a constantly better quality of car, terms could safely be lengthened without distress, even in periods of downturn.

If this hypothesis needed empirical proof, that was provided in the year 1929, the year of most rapid decline of employment and other variables of the great depression. For in that year losses among the then "Big Three" (C.I.T., Universal Credit and General Motors Acceptance Corp.) were only about two-thirds of 1%, in contrast to amounts running as high as 80% for other categories of debt. The Federal Reserve Study indicates that losses for the entire industry for this year were significantly higher, about 1.15%. Thus, the smaller companies with presumably less collateralized bases took greater losses.

Despite this historical record, it would have been highly desirable for the Federal Reserve experts to have looked further into the question of quality of credit to determine whether lengthening terms *per se* are danger signals and, if so, under what conditions. Since 1955, even with lengthening terms, the evidences of difficulty of repayment—delinquencies and repossessions—have not only stayed at their historic postwar levels but, have actually improved somewhat.

The Federal Reserve Study attempts to estimate what automobile credit might have been without lengthening maturities, and concludes the figure would have been closer to $7 billion rather than $14 billion. Whether the level of auto sales of the quality of car being produced would have been possible without this lengthening of terms is a moot point into which the Study does not go. I would guess that without lengthening terms neither mass markets nor quality cars would have been possible.

Another question worthy of reflection is the concern about the burden of debt on debtors and on the economy. With respect to the distribution of debt, the Study has used older data compiled by the Survey Research Center of the University of Michigan, with which most students are familiar.[1] These data then, as now, revealed great strength in the instalment credit picture and no significant question of burden.

New to the question of burden, however, is the Study's discovery that the ratio of inflexible payments (including housing costs) to consumer income was no higher in 1955 than it was in 1939. Further, in looking into the rise of the ratio of instalment debt repayment to consumer income, the Study found that most of the increase was accounted for by an increase in the *number* of debtors relative to the total population. Thus, individuals are no deeper in debt than they have been but more are in an income position to be eligible for instalment debt, and have used it.

The total instalment credit outstanding is owed by about 47% of the total families in the U. S., the other 53% having no debt. With respect to repayments, 85 to 90% of all U. S. families face debt repayment less than 20% of after-tax income. Only 2% repay 40% or more of their income. While there may be some scattered cases of genuine excessive burden here, in the main these cases are young, unmarried "spending units" whose income allocation permits abnormal amounts to go to auto use, where much of the individual's social life takes place.

The conclusion is inescapable that the burden of debt, under reasonably stable economic conditions, is not a serious question. Under intense cyclical fluctuations it is our guess, although not a Study conclusion, that difficulties would be most severe for those institutions or borrowers who have departed from a collateralized base for credit extension.

Related to the question of the burden of debt is the purpose of debt. The Study reaffirms the fact that consumer debt in the U. S. is not undertaken as a means of necessitous or desperation borrowing, but rather as a means of consumer capital formation. The fact that most of the debtors are young middle-class families fits the life cycle pattern, in which goods are acquired at the outset of the family consumption cycle by debt instruments which are discharged over a short period of time, in exactly the same way a corporation acquires capital assets. Of the 56 million privately owned automobiles in the U. S., an estimated 45 million, conservatively valued at $47 billion are owned free and clear of debt. Over two-thirds of these were purchased with instalment credit, now repaid fully. At the other end of the scale the burden of debt among older families, or very low income families who acquire no consumer capital, or very wealthy families which need no debt instruments to do so is very light.

This aspect of consumer capital formation is one explanation of the great soundness of consumer debt in the U. S. The acquisition and discharge of debt is part of an orderly life cycle of consumption, and not whim or spree buying. At the same time the acquisition of consumer capital provides a strong incentive for income earning, and contributes greatly to social stability through widespread ownership of durables.

Credit and Economic Fluctuations

A final question on which Part I throws some light is the relation of credit to economic fluctuations. The Study concluded that instalment credit is not a principal cause of economic cycles, although it plays some part. Like all credit, it adds some fuel to booms. During depressions it tends to be a leading factor in revival. However, it should be stressed that in any event instalment credit, in its relation to the cycle comes *after* consumer decisions to spend or not spend for durables have been made.

While these remarks do not do justice to Part I, they do, I believe, present some of the major finds. With respect to Part II, as is always true with University professors, controversy rages. Yet one or two items stand out as worthy of study. As usual, Professor Milton Friedman, in his case against direct regulations, has provided a brilliant and logical analysis. The validity of his method of thinking goes far beyond the question of instalment credit. Two National Bureau members, Mr. Don Jacobs, writing on the sources of funds for sales finance companies, and Dr. Geoffrey Moore, whose analysis of quality of credit was briefly discussed above, have also done extremely perspicacious analyses. Mr. Jacobs makes a very clear case for the fact that general controls do have an important effect on the amount and sources of funds available to sales finance companies. He leaves the clear and rather amusing implication that if the Federal Reserve Board has used all of the general controls at its disposal, operating in the long as well as the short end of the money market, the march of sales finance companies to the longer market for funds might have been slowed if not halted.

One major criticism of Parts I and II of the Study is the total omission of the significance of regulations of instalment credit already in effect. Specifically, there exists instalment credit rate regulation in some 15 or 18 states, including New York, Ohio, California and many of the larger states. Further, the adoption of rate regulation by all states is a fair prospect.

This regulation takes the form of a maximum amount which may be imposed as a service charge for instalment credit, as well as licensing, disclosure and other elements not relevant to this discussion.

From the Study, and particularly Mr. Jacob's contribution in Part II, there is clear evidence of the effectiveness of general monetary controls to affect the price of money and its source for sales finance companies. The state regulations in effect preclude, at some point, the passing of interest charges on to the consumer. This means that the instalment credit purveyors are more than ever subject to indirect monetary controls. Let us remember that the very case for direct regulation hinges on the allegation that finance companies can *always* pass their borrowing costs on to the unwary consumers. While the state regulations mentioned effectively destroy this argument, nowhere in the Study was the significance of this development analyzed.

The final point of significance in the Study is its look into the future. The Study concludes that instalment credit, and the institutions purveying it, have reached a level of maturity which means a less rapid growth of credit in the future than in the past. The Study's press release on this question continues, "Consumer credit may grow by 5% to 6% a year, more slowly than in the recent past but more rapidly than consumer income will rise. By 1965 families may be putting 13% to 14% of their spendable income into instalment buying as against 11% in the last two years, and 7% in 1940."

Policy Implications of the Study

Now, what is the significance of this, at least in the U. S.? The history of economic thought is replete with examples of limited inquiries which lead to rather broad generalizations. I think something of that type has happened here. The significance of the study obviously is not that consumer credit will be controlled because the Federal Reserve Board has said that it will not. The most important aspect of the study is the analysis it has fostered, and this analysis has been particularly made clear by the address of Mr. Abbot Mills, a Governor of the Federal Reserve Board, in a statement called "Consumer Instalment Credit and Public Policy," reprinted in the "Commercial and Financial Chronicle" of New York, April 11, 1957.

Mr. Mills makes one very interesting assumption which might be questioned in Europe, at least from time to time. His assumption, very simply, is that the social criterion with which a monetary authority should approach the question of credit use is utilitarian: that it satisfies the greatest good of the greatest number. In other words, he is saying in another way that in a peacetime free economy the purpose of credit is ultimately to satisfy the criteria of consumer sovereignty, as the purpose of production is consumption; that the sectors of the economy should be left free to go where they will.

Mr. Mills essentially argues that to satisfy this social criterion the Federal Reserve Board should regulate the *total* amount of credit, so as neither to deflate nor inflate the economy too rapidly and to provide for long run economic growth. Within this framework, the various parts may go where they will. In the immediate past, the Federal Reserve Board has performed this task admirably, but on one or two occasions has had a little trouble in providing the exact amount of credit it wanted. Sometimes this has been the result of bad judgment, and sometimes the result of forces beyond its control. For example, in the inflation in the U. S. which followed World War II, going through 1951, the American Central Bank in fact had no monetary policy because of a government fiscal policy which supported the prices of government bonds, and made it impossible for the Federal Reserve Board to act to control the money supply.

At a later time in 1955, Mr. Mills argues that the Federal Reserve Board reacted rather excessively to the recession of 1954, which in any cosmic sense was very slight. In doing so, it provided too much economic liquidity and so set off the burst of consumption which we saw. Implicit in Mr. Mill's statement and in the judgement of students is the belief that while some errors of judgment are inevitable for any central bank authority, the Federal Reserve authority in the U. S. has on the whole done extremely well, and should be allowed a normal (actually to date an abnormally low) percent of misjudgements. Mr. Mills concludes then that if the monetary authorities keep a total level of credit consonant with reasonably full employment, but not sharp fluctuations, the alternative uses of that credit within the economy are matters for the free market to determine. The implication here is quite clear, that if the market wants to allocate any given amount of credit to consumer use, the free market may be entrusted to do so, as its past performance has been good.

If the Federal Reserve Bank keeps its part of the bargain and prevents excessively rapid economic liquidity, Mr. Mills argues, the quantity of instalment credit cannot be excessive, by definition, whether it is 11, 14 or 18% of the national income. Further, he argues that the quality of credit tends to deteriorate under periods of excessive economic liquidity and inflation. The Federal Reserve's control of total credit as outlined will affect the quality of instalment credit as well as the quantity, and prevent qualitative deterioration of credit.

Personally, I agree with his general views, but I am not sure

[1] See the Annual Survey of Consumer finances in successive issues, of the Federal Reserve Bulletin, or this writer's "Instalment Credit: The $28 Billion Question", *Harvard Business Review*, July-August 1956, for a summary of these data.

that I agree with him or the Federal Reserve Board on this question of quality. Perhaps our sides should be reversed. In all honesty I must say I do not think the automatic relation between the general level of money in the economy and the question of the quality of credit is so easy. Particularly in a period when widespread instalment credit use is new, as it is in Europe, or when new institutions with less experience enter the field, as some have in the U. S., it is easy for the unexperienced to misinterpret the history of instalment credit. Losses have been low in the past because great care, and a collateralized base, was used in extending credit. Some of the new elements in the industry, anxious to gain volume, may throw caution to the winds whether the economy is inflating, stationary or otherwise. Not only will this temporarily euphoria cause losses for those who throw caution away, but what is worse, this inexpert behavior puts competitive pressure on other lenders to do the same. Thus, losses become a national problem, and not just the province of the prodigal lender.

Again, the study's data are significant. Average losses on auto paper for the sales finance industry as a whole were about 1.15% in 1929-30. But they were only ⅔ of 1% for the Big Three, with about $1 billion outstanding. That means for some of the smaller companies' losses must have ranged as high as 6 or 7% of outstandings, to bring the average up. Losses of this magnitude can bankrupt a finance company or wipe out depositor's funds extended as consumer credits by banks.

The question of the quality of credit needs better defining and perhaps continued watching. From before, one of the surest invitations to losses is inadequate down payments. Dr. Moore's study states, "The actual bad loan rate . . . on low downpayments would be about twice as high as the average rate on all loans."[2] In economic circumstances characterized by rapidly growing instalment debt, I think it would be wise to establish some clear criteria of quality and adhere to them.

Some Observations on Europe

I have been asked to conclude with some observations on the use of consumer credit in Europe. For the past two months I have studied the question in several countries and discussed with credit executives, bankers, economists and government officials some aspects of the problem. While this is a short period study, I would like to tell you what I think, in the hope that we might be able to exchange some views.

I would like to make it quite clear that C. I. T. Financial Corporation has no intention of establishing any business operations of this type in Europe, and that my trip was purely exploratory and for purposes of information only.

The first observation which I think relevant about Europe is the very striking similarity, at least to an outsider, among the countries. By this I mean that the postwar recovery which, particularly in Germany, has been outstandingly successful, has in most countries of Europe resulted in rapid—almost revolutionary—rises in the level of expectations. By this I mean the demands on the economies for greater social services, for greater investment, and for higher consumption simultaneously, has created inflationary pressures.

The German Situation

In Germany, as you well know, the problem is somewhat aggravated by the very large earnings of foreign exchange. On the other hand, the problem has been mitigated by a rapidly expanding labor force from East Germany and elsewhere which now is almost fully utilized. Consequently, I would expect Germany's future problems to resemble those of other countries somewhat more, although the impressive growth in productive facilities and in production certainly will remain a great advantage.

The most striking aspect of this European development is the terrific rise in incomes and in consumption which has taken place, and which will undoubtedly continue to take place. The forces of consumption are enormously powerful and even with periodic problems of foreign trade balances, etc., the demands for consumption cannot be denied. Nor in my opinion should they be, for if our free market philosophy really means anything, it means that the purpose of production is consumption, and that the consumer should be as free as possible to choose what he will consume.

Rising living standards mean a shift in the type of consumption as well as a general increase in consumption. This shift is of course from non-durable to consumer durable goods, and ultimately to greater services as well. To date, in most European countries there has been a very strong bias against the free consumption of consumer durable goods. The use of credit for consumer durables has been restricted in various ways, and particularly in social democratic countries, non-durable consumption has actually been subsidized.

I think the major problem facing European government officials is the recognition and adjustment to the fact that the consumption revolution is on, that its strength is enormous and perhaps inevitable. The attitude which automatically and always wants to restrict consumption might well belong to a past period of postwar development. Along with rising consumption in durable goods, an extension of consumer credit will be necessary, and is I believe equally inevitable.

European officials who look at the U. S. experience will, I think, make several mental reservations. First, I have said the social criterion of the Federal Reserve Board was consumer sovereignty. Europeans may ask whether they can yet afford consumer sovereignty, in view of the periodic pressure of the export markets. The need for export, it is commonly said, makes domestic restrictions of consumption desirable.

I wonder if this is so. We all know that the heart of successful competition abroad is competitively priced product. Particularly for the motor industry but for other durable consumer goods industries as well, a large home market provides that low unit cost base which in fact makes successful exporting possible. This is true now, and will be even more true in a common market.

Secondly, because of inflation, it is natural in Europe to want to dampen some sector of demand, usually durable consumption. This is the easiest lever to use, and is not as politically dangerous as trying to reduce social services or agricultural subsidies for example. But what really happens when the attempt is made to reduce consumption by consumer credit controls on durable goods? Is consumption as a whole really reduced, or is its pattern changed? Is it not possible that money which cannot be spent on durables will go for more non-durable consumption, better vacations and so forth, with no real diminution of demand, no more savings, and no consumer capital formation as well? I do not know, but I would suggest this is an area well worth further study in Europe. I am impressed with a study I found in Sweden, in which people with consumer credit debt indicated they cut down liquor, tobacco, and transportation expenditures, in that order, to carry their debt. It is logical that without debt to carry they may just as easily increase this type of expenditure. Granted there is an immediate saving when controls are introduced, as repayments run ahead of new credits, that situation is short lived, and the longer run consequences may be very harmful to economic development for the reasons I have cited.

These are rather broad generalizations. You know better than I that the collection of cultures known as Europe really demand more detailed analysis. I would like to conclude these remarks with a few figures in some detail, which may summarize the developments, at least as I see them.

The Rise in Motor Consumption

The rise in motor consumption, which is indicative of durable goods consumption generally, has been remarkable since 1950. In terms of total numbers Germany has lagged every country except Italy. Yet in the last few years the rate of growth in Germany has been perhaps the fastest in Europe, and I believe that in the next few years you will catch up in this type of consumption with terrific rapidity. Taking a closer look at the immediate past and likely future of durable consumption I think some of the following figures for the OEEC countries may be significant. Durable goods consumption for the years 1954, 1955 and 1956, having risen 14%, 12.8% and 13.5%, respectively, compared to increases in total consumption for the same years of 4.2%, 5.7% and 3.9%. In the same years the increase of Gross National Product has been 4.9%, 6% and 3.6%. In short, in the face of policies designed to slow the rate of durable consumption and to subsidize non-durable consumption, durable goods consumption has nevertheless risen three or four times as rapidly as other types.

Specifically in the case of automobiles, increases in production have been remarkable. Comparing the second half of 1954, 1955, 1956, to the year previous, automobile production has increased 27%, 24% and then decreased 5% compared to the year earlier for the OEEC countries as a whole. If the U. K. is excluded from these figures, the increases are even greater, being 28%, 31% and 11%, all positive. Taking a look at the period ahead, and again using OEEC data, the estimate for the period 1955-60 may be summarized as follows: the percentage increase in total consumption for this period is likely to be in the vicinity of 18% for the OEEC countries. However, durable goods consumption is estimated at an increase of 31½% and automobile consumption at an increase of 44%. I could total these figures by groups of countries, but the only point I would make again is that Germany is likely to run ahead of the average. On the other hand, there is a danger that more backward countries of the European family will continue to fall further behind, at least until a common market investment scheme can be developed which will assist these more backward countries to increase their living standards. It is of course obvious that it is of great benefit to the advanced countries that they assist the more backward members in this goal. My own observations on these data are first, that they probably underestimate the rate of growth, and second, in order to accomplish this rate of growth increasing use of consumer credit will be absolutely essential, and that credit growth will far outrun the growth of consumption.

The facilities for providing consumer credit vary greatly among the European countries, but in each country there has been, despite a general shortage of money, a heavy inflow to this sector. The financial institutions are making an attempt to be able to provide adequate capital for this development, with varying degrees of success. There have been no important imports of capital for the purpose of consumer credit but I think it is obvious that were capital to be imported it would release domestic capital for other purposes, and serve to supplement the available local capital.

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[2] G. Moore *et al.* "Changes in the Quality of Consumer Instalment Credit", Part II, Vol. 1, P. 78 of the Federal Reserve Bank Study.

Continued from page 11

Tax Aspects of Depreciation

it be in equal annual amounts by the straight-line method or in varying amounts following another of the recognized methods of allocation?

The changes in our tax law in 1954 dealt especially with this aspect of tax depreciation. In comparison with provisions in other countries they were indeed very modest changes. The law gave specific statutory authority for the declining-balance method of depreciation at double the rate to be used under the straight-line method, and for the sum-of-the-years-digits depreciation method. These permitted more flexibility and realism in depreciation than was possible under the traditional straight-line method. I do not need to emphasize to this group that there is no absolute truth or perfect method in income determination. Various alternative accounting methods, when consistently applied, give measures of income which are equally acceptable under differing assumptions and for different purposes. It was felt that the simple straight-line method of depreciation which had come to be prevalent under the tax law was unduly restrictive and hampered reasonable flexibility in business practice. The fact of different accounting methods, whether they involve the difference between FIFO or LIFO inventory, or between declining-balance or straight-line depreciation, limit the strict comparability of financial statements and add to the difficulty, and fascination of your profession. But ease of statistical analysis should not be the dominant criterion for business accounting or for the tax laws which may influence if not determine business practices.

It is axiomatic, I believe that the sooner a capital investment can be recovered, the more likely it is to be undertaken and the more easy it is to be financed. Thus, tax laws which facilitate faster capital recovery are generally preferable on grounds of economic policy to those which defer it, since capital investment in the long run is the basis for greater productivity of labor and higher standards of living. The importance of tax depreciation is increased by the fact that book depreciation is often made, by management decision, to conform to tax depreciation, and, in turn, decisions on retirement and replacement of depreciable property are often made to depend, illogically but nonetheless actually, on whether the old property has been fully depreciated. Tax depreciation may thus have an influence far beyond what it might be expected to have directly or logically.

The tax laws must be fair as well as economically sound, and too liberal depreciation is discriminatory in favor of those groups benefiting from it. The chance for real abuse arises from the opportunity, previously mentioned, to apply a lower rate of tax on the profit from the sale of depreciable property than was applied to the depreciation deductions themselves. It is notable that many of the recommendations recently made to the Commissioner of Internal Revenue in connection with the current study of useful service lives note that shortening of lives which they recommend could well be protected by the removal of this differential tax treatment.

Desirability of Simplicity

Tax depreciation to the extent possible should also be made to conform to the criterion of simplicity to the greatest extent possible. Here, too, recent changes have all been in the right direction, I believe. The Internal Revenue Service announced in 1953 that it would not require changes in estimates of useful service lives of depreciable property unless major changes seemed to be indicated. This policy is intended to remove recurring small controversies which have been too frequent in the past. A more fundamental change in the interests of both simplicity and economic policy has been advocated by various taxpayer groups. This would involve the establishment of a few broad categories of property with useful lives or a short range of lives for each group to take the place of the almost indefinitely large number of separate items and lives of depreciable property now used. A plan of this sort has been used in Canada with apparent success.

My remarks today have not been intended to cover any new ground. Depreciation accounting is a major factor in income determination. The funds arising from depreciation, a non-cash expense item, provide a major source for capital investment. These funds, in the long run, are not likely to cover more than the replacement of retired capital assets, and they may not do that if replacement costs exceed original costs of retired property. But in an expanding economy or company with fairly stable prices, depreciation will run ahead of retirements and provide funds for additional investment. This is one of the notable differences between ordinary depreciation accounting and the retirement accounting which most railroads used until in World War II they had few feasible retirements at the very moment when tax rates became so very high under the excess profits tax.

In the economic analysis of a nation, as well as in financial analysis and planning in a company, and in your security analysis of alternative investments, depreciation accounting is important through its influence on costs, on price policies, on the flow of funds, on income determination, and on decisions regarding new purchases of depreciable property. To us in the Treasury, depreciation accounting for tax purposes is an immediate concern through its effects on taxable income and tax receipts. But tax depreciation is also of importance to us because of its influence on book depreciation and through book depreciation on the various aspects of the country's economic life to which I have referred above. In the brief time available I have not attempted to do more than set the problem of tax depreciation into perspective.

Securities Now in Registration

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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., and Kidder, Peabody & Co. (jointly); 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 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.

★ **American Telephone & Telegraph Co. (2/7)**
Dec. 31 filed $718,313,000 of convertible debentures to be offered for subscription by stockholders at the rate of $100 principal amount of debentures for each nine shares held; rights to expire on or about March 12, 1958. Subscription warrants are expected to be mailed on or about Feb. 7. **Price**—100% of principal amount. **Proceeds** — For advances to subsidiary and associated companies; for purchase of stock offered for subscription by such companies; for extensions, additions and improvements to company's own plant and for general corporate purposes. **Underwriter**—None.

★ **Anderson Electric Corp.**
Dec. 23 (letter of notification) 14,760 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds** —To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters**—Courts & Co., Birmingham, Ala.; Wayne Hummer & Co., Chicago, Ill.; and Merrill Lynch, Pierce, Fenner & Beane, Birmingham, Ala.

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

★ **Arcoa, Inc., Portland, Ore.**
Dec. 26 filed $4,000,000 of U-Haul fleet owner contracts. **Proceeds**—To increase number of trailers available for rent.

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.

★ **Cadre Industries Corp.**
Dec. 20 (letter of notification) not exceeding 2,000 shares of common stock (par $10) to be offered for subscription by employees. **Price** — $20 per share. **Proceeds** — For working capital. **Office**—20 Valley St., Endwell, N. Y. **Underwriter**—None.

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 4,861,810 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.

★ **Colonial Fund, Inc., Boston, Mass.**
Dec. 16 filed (by amendment) 2,000,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds** —For investment.

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. (1/8)**
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.

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.

★ **Commonwealth Stock Fund, Inc., San Francisco, Calif.**
Dec. 26 filed (by amendment) 350,000 additional shares of common capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ **Composite Fund, Inc., Spokane, Wash.**
Dec. 16 filed (by amendment) 100,000 shares of capital 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. **Offering**—Expected this week.

★ **Consolidated Cuban Petroleum Corp.**
Dec. 30 filed 500,000 shares of common stock (par 20 cents) 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** — For exploration activities and capital expenditures. **Office**—Havana, Cuba. **Underwriter**—H. Kook & Co., Inc., New York.

★ **Consumer Finance Corp. of America**
Dec. 27 filed $1,000,000 of capital notes due Feb. 1, 1973 (with detachable class A common stock purchase warrants). **Price**—To be supplied by amendment. **Proceeds**—To reduce bank loans and for working capital. **Change in Name**—Formerly People's Finance Corp. **Office**—Denver, Colo. **Underwriters**—S. D. Fuller & Co., New York; and Paul C. Kimball & Co., Chicago, Ill. **Offering**—Expected first week in February.

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.
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). **Pro-**

ceeds—For expansion, making of loans and to reduce short-term debt. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Daybreak Uranium, Inc., Opportunity, Wash.
May 7 filed 631,925 shares of common stock (par 10 cents). **Price** — At market (approximately 53 cents per share). **Proceeds**—To selling stockholders. **Underwriter** Herrin Co., Seattle, Wash.

DeLuxe Check Printers, Inc.
Aug. 28 (letter of notification) 25,000 shares of common stock (par $1) to be offered to employees and present stockholders. **Price**—$11.80 per share. **Proceeds**—To acquire new machinery and equipment. **Office** — 530 N Wheeler St., St. Paul 4, Minn. **Underwriter**—None.

Disc, Inc., Washington, D. C.
Oct. 10 filed 400,000 shares of class A common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For investment. **Business**—Purchase and development of real property, and acquisition of stock of business enterprises. **Underwriter**—None. Irving Lichtman is President and Board Chairman.

★ **Dixon Chemical & Research, Inc. (1/20-24)**
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office** — Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Expected week of Jan. 20.

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. Statement effective Dec. 26.

NEW ISSUE CALENDAR

January 3 (Friday)
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
International Bank for Reconstruction and Development ("World Bank") ______ Bonds
(The First Boston Corp. and Morgan Stanley & Co.) $150,000,000

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
Worldmark Press, Inc. ______ Common
(J. A. Winston & Co., Inc.) $300,000

January 8 (Wednesday)
Chicago, Burlington & Quincy RR. ______ Bonds
(Bids noon EST) $24,500,000
Commercial Credit Co. ______ Notes
(First Boston Corp. and Kidder, Peabody & Co.) $50,000,000
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 noon EST) $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 13 (Monday)
J-V-M Microwave Co. ______ Common
(Aetna Securities Corp.) $288,000

January 14 (Tuesday)
Commonwealth Edison Co. ______ Bonds Debentures
(Bids 10:30 a.m. CST) $50,000,000
Iowa Power & Light Co. ______ Preferred
(Smith, Barney & Co.) $5,000,000

January 15 (Wednesday)
Missouri Pacific RR. ______ Equip. Trust Ctfs.
(Bids to be invited) $3,450,000
Ohio Water Service Co. ______ Debentures
(McDonald & Co. and Blair F. Claybaugh & Co.) $1,248,000
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 Coast Telephone Co. ______ Preferred
(Blyth & Co., Inc.) $4,000,000
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
Dixon Chemical & Research, Inc. ______ Common
(Offering to stockholders—underwritten by P. W. Brooks & Co., Inc.) 165,625 shares
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 11:30 a.m. EST) $8,500,000

January 21 (Tuesday)
Chicago, Burlington & Quincy RR. __ Equip. Tr. Ctfs.
(Bids to be invited) $4,500,000
Kimberly-Clark Corp. ______ Debentures
(Blyth & Co., Inc.) $30,000,000
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 noon 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

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.

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 Investors Corp., New York**
Dec. 16 filed (by amendment) $100,000,000 periodic payment plans (DW and DWH) and single payment plans (DWP). **Proceeds**—For investment.

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**
Dec. 26 filed 470,000 shares of common stock. **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office**—Portland, Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President.

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.

★ **Ford Motor Co., Dearborn, Mich.**
Dec. 17 filed $60,000,000 of participations in the company's Savings and Stock Investment Program for Salaried Employees, together with 1,500,500 shares of common stock issuable under said program.

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.

★ **Funding Co., Reno, Nev.**
Dec. 23 (letter of notification) $50,000 of 5½% certificates of indebtedness payable on or before Dec. 31, 1963. **Price**—At par (in denominations of $250 each). **Proceeds**—For working capital. **Office**—129 North Center Street, Reno, Nev. **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.

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General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

Genie Craft Corp.
Aug. 8 (letter of notification) $100,000 of 10-year 6% convertible debentures and 120,000 shares of common stock (par 10 cents) to be offered in units of one $50 debenture and 20 shares of common stock. **Price**—$100 per unit. **Proceeds**—To discharge short term obligations; purchase merchandise inventory; and for working capital. **Office** — 1022 18st St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Gold Seal Dairy Products Corp.
Oct. 25 filed 175,000 shares of class A stock (par 10 cents) of which 15,000 shares are to be reserved for prior offer to employees. **Price** — To be supplied by amendment. **Proceeds**—To acquire outstanding stock of Kulka Electric Manufacturing Co., Inc. **Office**—Elizabeth, N. J. **Underwriter**—Amos Treat & Co., Inc., New York. **Offering**—Indefinitely postponed.

Great Divide Oil Corp.
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Great Northern Life Insurance Co.
Oct. 7 (letter of notification) 44,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For capital stock and unassigned surplus. **Office** — 119 W. Rudisill Blvd., Fort Wayne, Ind. **Underwriter**—Northwestern Investment Inc., Fort Wayne, Ind.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

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.

★ **Hill-Valentine Oil Co., Edgemont, S. D.**
Dec. 23 (letter of notification) 31,585 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For oil development. **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 noon (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. (1/14)**
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.

★ **J-V-M Microwave Co., Lyons, Ill. (1/13)**
Dec. 20 (letter of notification) 96,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—To repay bank loans and for general corporate purposes. **Office**—4633 Lawndale Ave., Lyons, Ill. **Underwriter**—Aetna Securities Corp., New York.

★ **Kimberly-Clark Corp., Neenah, Wis. (1/21-22)**
Dec. 31 filed $30,000,000 of sinking fund debentures due Jan. 1, 1983. **Price** — To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

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.

★ **Mercantile Acceptance Corp. of California**
Dec. 19 (letter of notification) $21,000 of 6% 15-year capital debentures. **Price**—At par. **Proceeds**—For working capital. **Office**—333 Montgomery Street, San Francisco, Calif. **Underwriter** — Guardian Securities Corp., San Francisco, Calif.

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.

★ **Modern Sports Enterprises, Inc.**
Dec. 20 (letter of notification) 196,500 shares of preferred stock (par $1). **Price**—$1.35 per share. **Proceeds**—For working capital, etc. **Office**—116 Nassau St., New York, N. Y. **Underwriter**—None.

★ **Montana Power Co.**
Dec. 23 (letter of notification) approximately 6,600 shares of non-assessable common stock (no par) to be offered to employees pursuant to a stock purchase plan. **Price**—At market (estimated at $45 per share). **Proceeds**—To reimburse the company for the cost of purchasing the securities. **Office**—Electric Building, Butte, Mont. **Underwriter**—None.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

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, 1983, 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.

★ **Multnomah Kennel Club, Fairview, Ore.**
Dec. 26 filed $250,000 of 10% unsecured debentures and 400,000 shares of class A non-voting common stock (par $1) to be offered in units of $250 of debentures and 400 class A shares. **Price** — $910 per unit. **Proceeds** — To repay bank loans and short-term unsecured notes. **Underwriter**—Stone, Moore & Co., Inc., Denver, Colo.

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.

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.

★ **Ohio Water Service Co., Struthers, Ohio (1/15)**
Dec. 23 filed $1,248,000 of convertible subordinated debentures due 1977. **Price**—At 100% of principal amount. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—McDonald & Co., Cleveland, Ohio, and Blair F. Claybaugh & Co., Harrisburg, Pa.

Oil & Mineral Operations, Inc.
Nov. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For development of oil and mineral properties. **Office**—208 Wright Bldg., Tulsa, Okla. **Underwriter**—Universal Securities Co., 201 Enterprise Bldg., Tulsa 3, Okla.

Old American Life Co., Seattle, Wash.
July 22 filed 15,825 shares of class A stock (par $10) and 3,165 shares of common stock (par $10) to be offered in units of one common share and three class A shares. **Price**—$260 per unit. **Proceeds** — For working capital and other corporate purposes. **Underwriter**—None.

★ **Pacific Gas & Electric Co. (1/21)**
Dec. 27 filed $75,000,000 of first and refunding mortgage bonds, series CC, 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.

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.

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.

● **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 being offered in units of $50 of debentures, one common share, warrants to purchase four common shares plus $1 in cash. These units are to be issued in exchange for each outstanding share of preferred stock (par $25) plus accrued dividends. The offer will expire on Jan. 31, 1958. **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.

★ **Preston Moss Fund Inc.**
Dec. 23 filed (by amendment) 20,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

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 pilor mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

Reichhold Chemicals, Inc.
Oct. 10 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York. **Offering** — Temporarily postponed.

Research Instrument Corp.
Oct. 7 (letter of notification) $125,000 of 10-year 10% convertible debentures and 12,500 shares of common stock (no par) to be offered in units of one $100 debenture and ten shares of common stock. **Price**—$200 per unit. **Proceeds**—For equipment, working capital and inventory. **Office**—7962 S. E. Powell Blvd., Portland, Ore. **Underwriter**—Campbell & Robbins, Inc., Portland, Ore.

Resolute Bay Trading Co., Ltd.
Oct. 29 (letter of notification) 30,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—For working capital, etc. **Business**—Purchase and sale of commodities. **Office**—St. John, N. B., Canada. **Underwriter**—Irving Weis & Co., New York.

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. Registration statement withdrawn.

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.

★ **Service & Nuclear Fund, Inc., Philadelphia, Pa.**
Dec. 30 filed (by amendment) 20,000 additional shares of common stock. **Price**—At market. **Proceeds**—For investment.

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.

★ **Sheraton Properties, Inc., Boston, Mass.**
Dec. 30 filed $990,000 of first mortgage sinking fund bonds due Dec. 1, 1973. **Price**—At par. **Proceeds**—To repay indebtedness. **Underwriter** — Sheraton Securities Corp., a subsidiary.

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.

★ **Southern Electric Steel Co.**
Dec. 23 (letter of notification) $300,000 of 6% second mortgage serial bonds (with common stock purchase warrants). **Price**—At par (in denominations of $1,000 each). **Proceeds**—For payment of demand notes payable and working capital. **Office**—2301 Huntsville Road, Birmingham, Ala. **Underwriter**—None.

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 677,403 shares of common stock, of which 377,403 shares are to be issued for the account of selling stockholders and the remaining 300,000 shares issued from time to time in exchange for oil and gas properties. Of the 377,403 shares, 132,558 shares, 61,392 shares and 47,606 shares, respectively, are to be issued as dividends to stockholders of Texolina Oil Co., Mountain Valley Oil Corp. and Trigg Drilling Co.; while 57,239 are to be offered immediately to the public, while the balance of 78,613 shares are to be similarly offered in the near future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

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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**—442 W. California Road, 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.

Union of South Africa
Sept. 12 filed $15,000,000 10-year external loan bonds due Oct. 1, 1967. **Price**—To be supplied by amendment. **Proceeds**—For transportation development program. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—Postponed temporarily.

United States Coconut Fiber Corp.
Sept. 30 filed 735,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—For expansion program and other corporate purposes. **Office**—Washington, D. C. **Underwriter** — Southeastern Securities Corp., New York.

United States Sulphur Corp.
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

Universal Drilling Co., Inc., New Orleans, La.
Oct. 31 filed 400,000 shares of class A common stock (par $1). **Price**—$5.50 per share. **Proceeds**—To pay obligations incurred and to be incurred in connection with construction and equipping of a drilling barge; and for working capital and other corporate purposes. **Underwriter**—Kohlmeyer & Co., New Orleans, La.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment (expected to be $1 per share). **Proceeds**—For exploration purposes. **Underwriter**—To be named by amendment. Graham Albert Griswold of Portland, Ore., is President.

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 Coast Telephone Co. (1/15)
Dec. 26 filed 160,000 shares of $1.44 junior cumulative convertible preferred stock (par $25). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Office** — Everett, Wash. **Underwriter**—Blyth & Co., Inc., San Francisco and 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 11:30 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 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.

★ Worldmark Press, Inc. (1/7)
Dec. 20 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For working capital and general corporate purposes. **Office**—207 East 43rd Street, New York, N. Y. **Underwriter**—J. A. Winston & Co., Inc., New York.

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

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.

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. & Hutzler.

• **International Bank for Reconstruction and Development ("World Bank") (1/6)**
Dec. 17 it was announced that the Bank is planning to market $150,000,000 of 21-year bonds in this country. **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.

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.
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 up to noon (EST) on Jan. 8 for the purchase from it of $3,975,000 equipment trust certificates maturing annually Feb. 1, 1959 to 1973, inclusive. 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.

Kidder, Peabody to Admit

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 2 will admit Jean B. Webster to limited partnership.

Joins Hardy, McGauley

(Special to THE FINANCIAL CHRONICLE)

SARASOTA, Fla. — Anton A. Cedervall has become affiliated with Hardy, McGauley & Co., Inc., 1278 North Palm Avenue.

Mutual Funds

By ROBERT R. RICH

Business Shares Asset Value Off Only 3 Percent

Annual report of American Business Shares, Inc., a balanced fund, shows net assets at Nov. 30, 1957 fiscal year end equivalent to $3.63 a share. Asset value a year earlier, after adjustment for a capital gains distribution of nine cents, was $3.74 a share—a net decline in the year of 3%, compared with 7½% decline in Standard & Poor's 500 Stock Index.

Dividends from income in the year amounted to 15 cents a share, or one-half cent more than in previous years.

"The decline in our shares was quite small," writes H. I. Prankard, 2nd, President, "partly because about 50% of our assets were held in high-grade bonds and preferred stocks and partly because the readjustment that has been taking place favors the type of stocks in which we have the bulk of our equity investments."

Diversification of assets as of Nov. 30, 1957 shows 31.2% in the common stocks of service industries, 12.5% in stocks of producers of consumer nondurable goods, 4.2% in fuel and raw material, and 1.4% in producers of consumers durable goods, a total of 49.3% of the assets of the company in common stocks. The remaining 49.6% was divided as follows: 12.9 U. S. Government bonds; 28.3 corporate bonds; 7.9 preferred stocks; 0.5 guaranteed railroad stocks; 1.1% cash. Net assets were $25,646,831 on Nov. 30, 1957 compared with $28,805,358 on Nov. 30, 1956, before the capital gains distribution paid in December 1956.

In regard to the stock market, Mr. Prankard comments that the declines in prices have been greatest in many of the stocks producing machinery, equipment, and other durable or capital goods which do well in periods of great industrial expansion.

"The slowing of capital expenditures, the rise in productive capacities and the resulting increase in competition for business volume which has been taking place have had an adverse effect on prospects of these companies. At the same time, stocks of many other companies with equally good records of growth in earnings in the postwar years experienced more moderate advances and never sold at prices which seemed to us to be unattractive. The stocks of a number of such companies are found in the service industries, among the producers of consumers non-durable goods, and, to some extent, among the producers of fuel and raw materials.

"The services and products offered by these companies are consumed or used up in a relatively short time. The demand for such services and products is relatively constant and it tends to increase with the growth in population. There is every reason to expect the stocks of these companies to perform relatively well while the current readjustment continues."

Issues added to or eliminated from the portfolio in the year ended Nov. 30, 1957 were as follows:

Additions

Bonds:

American Telephone & Telegraph Co. 5s, 1983
Associates Investment Co. 5¾%, 1977
Associates Investment Co. 5¼%, 1977
Kerr-McGee Oil Industries, Inc. 5¼%, 1977
Louisiana Power & Light Co. 4¾%, 1987

Preferred Stocks:

El Paso Natural Gas Co. 5.68% cumulative
General Telephone Co. of California 5% cum.
New Orleans Public Service Inc. 4¾% cum.
Texas Eastern Transmission Corp. 6.70%

Common Stocks:

H. J. Heinz Co.
United States Plywood Corp.

Eliminations

Bonds:

Columbia Gas System, Inc. debentures 3⅜, 1977 "C"
Consumers Power Co. 1st mtge. 3⅛, 1981
Georgia Power Co. 1st mtge, 3½, 1981
Illinois Power Co. 1st mtge. 3½, 1982
Michigan Consolidated Gas Co. 1st mtge. 3s, 1975
Potomac Edison Co. 1st and coll. 3⅜, 1981
Pubuc Utility District No. 2 Grant County, Wash., revenue bonds, 3⅞, 2005
Tennessee Gas Transmission Co. 1st mtge. 3½, 1971

Common Stocks:

American Natural Gas Co.
American Tel. & Tel. Co.
Central Hudson Gas & Electric Corporation
General Foods Corporation
Westinghouse Electric Corp.

With Elkins, Morris

PHILADELPHIA, Pa. — Elkins, Morris, Stokes & Co., Land Title Building, members of leading stock exchanges, announce that John B. Muir has become associated with them as a registered representative. For the past 12 years Mr. Muir had been associated with Eastman Dillon, Union Securities & Co.

Joseph S. Kimball Joins Bigelow, Young, Inc.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Joseph S. Kimball has become associated with Bigelow, Young, Inc., 82 Devonshire Street. Mr. Kimball for many years conducted his own investment business, J. S. Kimball & Co., in Boston.

Investing in 1958 Requires Balance

"Investing in 1958 requires a sound balance of securities more carefully selected than at any time in the past decade," according to Walter L. Morgan, President of the $600 million Wellington Fund.

"Conservative investors," Mr. Morgan said, "should balance the proportion of their investment funds placed in fixed-income securities with that placed in common stocks." Furthermore, they should exercise the most prudent choice in the purchase and retention of individual securities, because of what Mr. Morgan calls "the return of normal competition to the economy." Vigorous competition after many years of war, defense, and high boom conditions, means in his judgment that the profits will be made only by the best managed companies in the most favorably situated industries.

Mr. Morgan stated that the 1957 decline in common stock prices has to some extent anticipated lower business activity for the economy as a whole. While there is no evidence common stocks have reached a base, they have clearly reached a better balance with business levels, earnings, and dividends, than has prevailed in recent years, he said. For example, he noted that yields of representative common stocks are now moderately above those afforded by good-grade bonds.

The market for fixed income securities — bonds and preferred stocks—has undergone a striking improvement, according to Mr. Morgan. Much of this improvement has resulted from the reduction in the rediscount rate by the Federal Reserve Board. He believes that the Reserve Board's action reaffirms its traditional flexibility, whereby monetary policy is used as a supporting as well as a restraining measure.

While 1958 will be a year of continuing business readjustment, Mr. Morgan sees it merely as a temporary interruption in the long-term growth trend of the American economy.

Early 1958 will be marked by numerous cross-currents, characteristic of such readjustments. Among the supporting or cushioning factors in the economy are a generally high level of consumer incomes and employment, although the latter is below peak levels. Federal, state and local government expenditures are high, and rising. Consumption of steel during the years is estimated to be considerably above the present production rate, indicating that current inventory reduction should be completed in a reasonable time.

Among the depressing factors are an anticipated decline in business spending for plant and equipment and a slowdown in consumer spending in certain areas, as evidenced by sluggish retail trade reports and lower auto sales. In addition, general attitudes have changed from high confidence to caution, as a result not only of lower business activity, but also of domestic political uncertainty and sweeping Russian advances in scientific and military fields.

Mr. Morgan concluded that American business in 1958 will be readjusting from boom conditions and inflation stress to a better balanced economy at a high level, although somewhat below the recent peak.

Now With Walston

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Robert A. Spira is now connected with Walston & Co., Inc., 201 South La Salle Street. He was formerly with Arthur M. Krensky & Co., Inc.

Mass. Growth Stock Fund Assets Gain

Massachusetts Investors Growth Stock Fund, in its annual report for the year ended Nov. 30, 1957, reports total net assets of $131,180,646, a new year-end record high, compared with $103,641,791 on Nov. 30, 1956. Net asset value per share was $9.41, which, together with a capital gain distribution of 21 cents per share this month, amounted to $9.62, compared with $10.16 a year ago.

The number of shareholders on Nov. 30 totaled 53,029, also a new high, against 32,570 a year ago. Shares outstanding on Nov. 30 were 13,943,633, compared with 10,201,034 a year ago.

The report commented: "The next few years and the next decade should offer opportunities for growth stock investing which will be many and varied, regardless of interim economic fluctuations. Investing for growth, based upon proper selection of stocks, will be attractive to conservative investors interested in longer-term appreciation of capital and increase of income."

Among the changes in the fund's investments during the last quarter were:

Purchases

Company	Shares
Avon Products, Inc.	24,000
Florida Power & Light Co.	30,000
Ford Motor, Canada, Ltd. "A"	10,000
Halliburton Oil Well Cementing	10,774
Kerr-McGee Oil Ind., Inc.	35,000
Louisiana Land & Expl. Co.	15,000
Min. & Chem. Corp. of Amer.	23,400
Newmount Mining Corp.	10,000
Pan American World Airways	20,000
Polaroid Corporation	15,000
Seaboard Oil Co.	19,700
Texas Pacific Coal and Oil Co.	33,000

Sales

Monterey Oil Company	15,000
Rayonier Inc.	5,400
Union Carbide Corp.	5,000

Resources Fund Reports for Year

Net investment income of International Resources Fund, Inc. increased to $427,802 in the fiscal year ended Nov. 30, 1957, from a total of $331,660 the previous year, it was announced Dec. 27 by President Coleman W. Morton in his annual report to the shareholders. Net assets of the company on Nov. 30, 1957 were $16,606,363 compared with $14,337,722 a year earlier. During the same period shares outstanding rose to 4,424,155 from 3,106,970, and the number of shareholders rose to 18,011 from 13,483, an increase of 34%.

Net asset value per share on Nov. 30, 1957, was $3.75, compared to $4.61 on the lesser number of shares outstanding at the close of the previous fiscal year. Adjusting for the capital gains distribution of 33 cents per share made during the period, the decline in per share net asset value during the year amounted to 11.5%, reflecting the general decline in the level of stock prices.

The report pointed out that in retrospect sharp market sell-offs, such as we have seen recently, have not prevented our national economy from later achieving ever higher levels of productivity and prosperity. Emphasizing that the most profitable investments for the long term are often those securities which, at the moment, face the bleakest near-term earnings prospects, Mr. Morton expressed the opinion that despite the currently indicated slowing down of industrial activity, little has happened to alter the basic factors which encourage the long-term investor to view the future with confidence.

On Nov. 30, the company held cash and short-term U. S. Governments in the amount of $2,382,207, equal to 14% of net assets. According to the report, these funds are available for investment in special situations currently under study, and for other buying opportunities that may be presented during the remaining period of economic readjustment.

The report listed the following four broad basic considerations which will continue to shape the investment policy of International Resources Fund:

(1) Combined military and economic competition with world Communism will not long permit any substantial or prolonged idleness of productive capacity in our free world.

(2) The strong growth trends which have characterized the free world economies in the postwar era are likely to accelerate once the current readjustments are past.

(3) There cannot be growth or progress in the free world without creating a substantially enlarged demand for the raw materials of industry, and the major known reserves of many natural resources are located outside the United States.

(4) Inflation is not a problem only of the past.

Putnam Growth Assets Over $1,000,000

Total net assets of over $1,000,000 and more than 400 shareholders are announced by The Putnam Growth Fund, a new mutual investment fund with emphasis on long-term capital growth, introduced on Nov. 6, 1957.

Charles M. Werly, Trustee, stated that at the present time approximately 40% of the Fund is invested in common stocks, with the balance in bonds and cash. The common stock investments of the Fund include Air Products, Avon Products, Calgary Power, Connecticut General Life, Continental Casualty, Dominion Stores, Federal Insurance, Florida Power & Light, Grolier Society, Houston Lighting & Power, International Business Machines, International Utilities, National Lead, Outboard Marine, Polaroid, Royal Dutch Petroleum, Schering Corp., Southwestern Public Service, Standard Oil of New Jersey, Superior Oil Company.

Long Reports on Growth Stk. Study

Growth companies, by-and-large, "plow back" a high percentage of their earnings into research and development. A new study by Hugh W. Long & Co. indicates just how high this percentage may be. According to the study, which covers the four years 1953-56 inclusive, 46 growth companies plowed back, on average, 69.1% of their earnings. This compares with an average of 37.5% for the Dow-Jones companies and 51.8% for the Federal Trade Commission's list of "All Manufacturing" companies, which does not include service industries.

Were these growth companies able to utilize retained earnings to increase their sales and profits? The study found that, during the same four year period, sales of the growth companies rose 44%, as against only 15% for all manufacturing companies. And the growth company net profits increased 78% as against 43% for all manufacturing companies.

The 46 growth companies selected for comparison are those whose shares are currently held by Diversified Growth Stock Fund, Inc., a mutual fund sponsored by the Long Company. The study points out that it would be extremely difficult for the average investor to follow the divergent movements of the many companies engaged in such complex fields as atomic energy, drugs, chemicals, nucleonics, natural gas and petroleum and that not all growth companies have records similar to those of the 46 issues selected for investment by Diversified Growth Stock Fund, Inc.

Merrill Lynch Firm to Change Its Name

Michael W. McCarthy, managing partner of Merrill Lynch, Pierce, Fenner & Beane announced that in order to honor the directing partner, the name of the firm will be changed to Merrill Lynch, Pierce, Fenner and Smith, effective March 1, 1958, the beginning of the firm's fiscal year.


Winthrop H. Smith

The "Smith" is Winthrop Hiram Smith who started with the firm 41 years ago as a $7 a week runner and has been a top partner since 1940.

Mr. Smith was born in South Hadley Falls, Mass. in 1893. He is a graduate of Amherst College and went to work for Merrill Lynch a few weeks later. After a stint in World War I as a Second Lieutenant in the Field Artillery, he returned to his firm where he quickly advanced from stock salesman to Bond Sales Manager to Sales Manager of the entire firm.

In 1940 he was chief liaison in the merger between Merrill Lynch and E. A. Pierce and Co. This resulted in the largest "wire house" in the U. S. and Mr. Smith was made Managing Partner. Win Smith worked side by side with co-founder Charles E. Merrill until the latter's death in late 1956. At that time Smith became Directing Partner.

Mr. Smith has served as Vice-President and Governor of the Association of Stock Exchange firms and as Governor of the New York Stock Exchange—1949-55. While in Chicago he was a director of the Chicago Board of Trade and served as Chairman of the Business Conduct Committee. He is a trustee of Amherst, Mount Holyoke and Colby Colleges.

The firm also announced the retirement of Alpheus C. Beane as both a general and limited partner effective Feb. 28, 1958. His mother, Mrs. Marian B. Beane of Greenwich, Conn., will continue as a limited partner in the firm.

Mr. Alpheus C. Beane of Merrill Lynch, Pierce, Fenner & Beane issued the following statement in connection with the retirement from that firm:

"My decision to retire from Merrill Lynch on Feb. 28, 1958 was made so that I might have an opportunity to form my own firm or become associated with some other member of the New York Stock Exchange.

"By doing this I would hope to have a greater participation in management and policy-making decisions.

"I have great confidence in the part our industry will play in the future growth of America.

"I want to be in a position where my 26 years experience in all phases of the security and commodity brokerage business can be more fully utilized.

"I am happy to learn that Merrill Lynch will honor Directing Partner Winthrop H. Smith by including his name in the firm name. Mr. Smith's contribution to his firm and the growth and stature of all Wall Street cannot be over-estimated."

Selling and Attracting Mutual Funds to Americans

By JEROME C. HUNSAKER*

Vice-President, Gas Industries Fund, Inc.
Partner, Colonial Management Association, Boston, Mass.

Pointers on selling mutual funds are offered by a mutual fund official who finds today's uncertain stock market period makes mutual funds more appealing and timely than ever. Mr. Hunsaker anticipates decline in investor interest as soon as present stock jitters and tax switching ceases. Calls for intensive selling effort, cites data indicating prospects abound almost everywhere, and advises salesman to emulate the insurance salesman's "radiation" technique.

Why are mutual funds selling so well? Why has this become a big industry? What is so good about them? Well, many know the answer and I will not discuss this for long. Mutual funds provide a valuable service needed and required by the investing public. The industry is a big one. The total assets of mutual funds are now some $9 billion held by over 2½ million shareholders. It is another fundamental statistic.


J. C. Hunsaker, Jr.

The appeal of mutual funds is, as you know, a fundamental one. In addition to the theory of safety in numbers through diversification, is the appeal of passing off management to professionals, the advantage of liquidity, and the convenience of ownership. Further, of the 150 odd funds, they are all so different that a particular fund can be picked to meet the particular needs of a particular investor. . . .

I should point out, as an aside, that with the decline of the stock market and the talk that inflation is over, all capital gain stocks have had a pretty heavy correction and this has affected the oil and gas businesses just as much as any other. Good oil stocks are off as much as 30% to 40% and the smaller ones 50%, or cut in half. In our opinion the industry is very much undervalued at the present time. From the market point of view, it might be said the shares are behind the parade.

Well now let's turn to that market. I think it is very timely, at the time of this writing, Nov. 27, to dwell on mutual funds. Ever since this summer we have had a very jittery stock market—it went off 100 points—bounced up 17 points in one day—followed by further declines influenced by news of Sputnick — and days of big movements, up $6 one day; off $5 the next. Obviously, this is sort of a scary climate in which to pick a winning horse. Obviously also it is a time when one should seriously consider whether the correction has not been made and now is the time to put money to work. The difficulty is how—which particular issue—which group of issues? This block to action can be overcome with a mutual fund.

Excellent Time for Mutuals

All right, now let's get down to the facts of life on the sales side. . . . In my opinion the present market is a difficult one to put customers' money safely to work in any individual issue. Conversely, it is an excellent time in which to buy averages in the form of a mutual fund. If a fellow is interested in making money, a package of natural resource and growth utilities is a good answer. If he wants more than a cross-section, then that sort of an all-weather pattern of many of the other 150 funds provide similar good vehicles.

I think we can look forward, as soon as the present stock market jitters are over and the tax switching days are behind us, to a period of pretty low activity ahead. In other words, I do not think we are going to have our customers bothering us on the telephone with their orders—I think dealers are going to have to go out and solicit business. Soliciting business is a high-cost operation and customers are and should be glad to pay a commission commensurate with the work done.

Commission's Size

This, in turn, points the finger directly at mutual funds. As you know, the normal dealer concession on mutual funds is typically 6% and a stock exchange order about ¾ of 1% is about standard. You have all done the arithmetic as to the unfavorable comparison to the salesman. Usually the house keeps more than half to three-quarters of a stock exchange commission, so that of a $10,000 order, the salesman compensation for doing the work might well be $25 or $30; while a comparable $10,000 mutual fund order, the house might take $600 and the salesman receive $250 to $300—10 times as much as the latter. That is all familiar and old stuff to many in the trade.

So far I have covered why mutual funds have such a universal appeal, the various kinds of mutual funds there are to meet the many needs of investors, and the money that can be made in selling mutual funds.

Who Buys Mutuals?

Now let's find out specifically who the prospects are for mutual funds. I should first mention that quite contrary to the song that is preached by our industry about the little man being the real mutual fund prospect, it is a fact that a good proportion of our stockholders and the customers of other mutual funds are big investors, with more than $25,000 invested. It is interesting here to note that a study by the National Association of Investment Companies indicates that the typical owner of mutual fund shares has an annual income of $7,000 and holds mutual fund investments worth $4,900. The study further reveals that this typical mutual fund holder also owns $12,900 worth of corporate stocks, $9,200 worth of life insurance, and $3,600 in bank accounts or savings bonds. This study was the result of questionnaires sent to 11,462 shareholders.

The point that I wish to make is that mutual fund prospects range anywhere from below $7,000 annually to well up into the higher income brackets. The study further reveals that mutual fund shareholders have a variety of occupations, and are well represented in every age group with a good percentage of the shareholders in the 50-years-of-age-or-older bracket. In addition to individual investors there are also many institutional investors such as colleges, unions, banks, hospitals, and churches and others that invest heavily in mutual funds.

The point, of course, is that all this means that the "World is your apple." Mutual fund prospects are all around you and it's just a matter of finding them and developing them into good customers. This is where the hard work and shoe-leather begins. The job is to get to know the mutual fund prospects in your community and one good way of doing this is to take a page from the book of the life insurance salesmen. As many know, most insurance salesmen operate on the "radiation" principle whereby they make sure that as many people as possible know they are in the insurance business and that as many people as possible radiate this information on to others. One can do the same thing. One can begin one's radiation by making sure that all friends and relatives firmly understand who is the expert in mutual funds as well as other securities and establish this fact so firmly in their minds that they almost unconsciously know who to recommend when the discussion of investments comes up. One can do one's own radiating by spreading himself throughout the community—by joining clubs and organizations and in general making sure of being well known as an investment man in your community.

Other Methods

There are ways to develop additional prospects by, for example, watching real estate transactions, watching, and I hate to say this, the obituaries, and many other name-getting devices. By organizing a list of prospects so that while calling on some and closing some new names are being constantly added to the list. Sooner or later there will begin to develop a certain percentage of closing and one will begin to find out that calls on, say 10 prospects, will result in two sales and that it is to one's advantage to keep a backlog of more prospects at all times.

Efficient prospecting calls for the organization of time and this perhaps can best be done by sitting down at the beginning of the week and organizing the calls that are planned for during each week. This action will establish whether or not there is scheduled an adequate number of cold calls, it will give some idea as to how many sales will be made, and it will eliminate much wasted time and motion. It will also, and this is a curious and somewhat difficult thing to explain, provide a good psychological edge. By this I mean that confidence and enthusiasm are better when one knows that calls are organized, and these basic ingredients for selling — enthusiasm and confidence—will have an immediate effect upon the people contacted.

I will conclude with these observations. Better salesmen have a thorough knowledge of their product, have the confidence that the product they are selling has a definite and universal appeal, enthusiastically present this knowledge and confidence, and make sure that enough new people are exposed to this enthusiasm throughout each work day.

*From a talk by Mr. Hunsaker before the Boston Investment Club.

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)	Jan. 4	§59.0	*53.4	71.5	97.3
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 4	§1,510,000	*1,366,000	1,831,000	2,490,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 20	6,914,800	6,884,200	6,832,370	7,376,100
Crude runs to stills—daily average (bbls.)	Dec. 20	¶7,712,000	7,774,000	7,699,000	8,061,000
Gasoline output (bbls.)	Dec. 20	27,264,000	27,336,000	26,715,000	28,018,000
Kerosene output (bbls.)	Dec. 20	2,436,000	2,167,000	2,061,000	2,594,000
Distillate fuel oil output (bbls.)	Dec. 20	13,106,000	13,118,000	12,138,000	13,945,000
Residual fuel oil output (bbls.)	Dec. 20	7,581,000	7,761,000	7,107,000	8,856,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 20	189,486,000	188,845,000	183,390,000	180,543,000
Kerosene (bbls.) at	Dec. 20	27,719,000	29,904,000	32,942,000	32,029,000
Distillate fuel oil (bbls.) at	Dec. 20	152,383,000	159,275,000	169,877,000	134,819,000
Residual fuel oil (bbls.) at	Dec. 20	57,674,000	59,034,000	59,286,000	42,577,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 21	590,343	603,036	632,763	698,424
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. 26	$273,767,000	$265,614,000	$378,727,000	$282,274,000
Private construction	Dec. 26	122,226,000	97,323,000	169,814,000	148,848,000
Public construction	Dec. 26	151,541,000	168,291,000	208,913,000	133,426,000
State and municipal	Dec. 26	135,124,000	145,675,000	191,389,000	113,253,000
Federal	Dec. 26	16,417,000	22,616,000	17,524,000	20,173,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 21	9,380,000	*8,910,000	9,480,000	11,334,000
Pennsylvania anthracite (tons)	Dec. 21	469,000	484,000	490,000	569,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 21	275	*266	155	265
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 21	12,412,000	12,570,000	12,136,000	12,227,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 26	166	276	235	174
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 24	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Dec. 24	$66.42	$66.42	$66.42	$63.04
Scrap steel (per gross ton)	Dec. 24	$32.83	$32.00	$32.33	$63.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 25	26.600c	26.300c	25.975c	35.700c
Export refinery at	Dec. 25	21.950c	23.100c	22.800c	33.400c
Lead (New York) at	Dec. 25	13.000c	13.000c	13.500c	16.000c
Lead (St. Louis) at	Dec. 25	12.800c	12.800c	13.300c	15.800c
‡Zinc (delivered) at	Dec. 25	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Dec. 25	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig. 99%) at	Dec. 25	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Dec. 25	92.625c	92.750c	87.125c	101.375c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 31	93.13	92.65	91.88	87.75
Average corporate	Dec. 31	92.79	92.20	89.23	95.32
Aaa	Dec. 31	100.98	100.32	95.77	98.88
Aa	Dec. 31	97.16	96.38	91.91	97.78
A	Dec. 31	92.06	91.34	89.09	95.77
Baa	Dec. 31	82.65	82.27	80.93	89.37
Railroad Group	Dec. 31	90.48	89.23	86.65	94.12
Public Utilities Group	Dec. 31	92.06	91.91	89.37	96.69
Industrials Group	Dec. 31	96.07	95.77	91.62	95.47
MOODY'S BOND YIELD DAILY AVERAGES:					
U S Government Bonds	Dec. 31	3.09	3.13	3.20	3.52
Average corporate	Dec. 31	4.22	4.26	4.47	4.05
Aaa	Dec. 31	3.69	3.73	4.02	3.82
Aa	Dec. 31	3.93	3.98	4.28	3.89
A	Dec. 31	4.27	4.32	4.48	4.02
Baa	Dec. 31	4.97	5.00	5.11	4.46
Railroad Group	Dec. 31	4.38	4.47	4.66	4.13
Public Utilities Group	Dec. 31	4.27	4.28	4.46	3.96
Industrials Group	Dec. 31	4.00	4.02	4.30	4.04
MOODY'S COMMODITY INDEX	Dec. 31	391.2	394.6	389.6	441.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 21	206,345	254,413	250,778	207,805
Production (tons)	Dec. 21	290,705	288,876	295,993	280,141
Percentage of activity	Dec. 21	93	92	94	96
Unfilled orders (tons) at end of period	Dec. 21	276,494	368,256	388,664	340,551
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Dec. 27	108.26	108.22	109.26	110.16
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 7	1,497,380	1,914,260	1,373,960	1,720,690
Short sales	Dec. 7	304,800	453,550	376,150	356,480
Other sales	Dec. 7	1,147,680	1,510,300	1,020,470	1,374,030
Total sales	Dec. 7	1,452,480	1,963,850	1,396,620	1,730,510
Other transactions initiated on the floor—					
Total purchases	Dec. 7	397,110	403,500	306,560	424,230
Short sales	Dec. 7	44,900	95,800	102,800	46.300
Other sales	Dec. 7	403,520	426,100	223.190	329,150
Total sales	Dec. 7	448,420	521,900	326,990	375,450
Other transactions initiated off the floor—					
Total purchases	Dec. 7	505,535	615,952	470,810	568,415
Short sales	Dec. 1	130,300	160,510	132,150	100,540
Other sales	Dec. 7	527,102	575,605	345,180	611,949
Total sales	Dec. 7	657,402	736,115	472,330	712,489
Total round-lot transactions for account of members—					
Total purchases	Dec. 7	2,400,025	2,933,712	2,151,330	2,713,335
Short sales	Dec. 7	480,000	709,860	612,100	503,320
Other sales	Dec. 7	2,078,302	2,512,005	1,588,840	2,315,129
Total sales	Dec. 7	2,558,302	3,221,865	2,200,940	2,818,449
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	Dec. 7	1,225,767	1,257,516	1,277,297	1,438,457
Dollar value	Dec. 7	$50,692,078	$52,552,708	$52,512,111	$79,932,473
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 7	1,084,277	1,045,486	911,726	1,058,087
Customers' short sales	Dec. 7	11,791	20,056	27,646	6,721
Customers' other sales	Dec. 7	1,072,486	1,025,430	884,080	1,051,366
Dollar value	Dec. 7	$43,552,805	$43,101,315	$38,131,123	$51,788,355
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 7	320,570	297,490	182,280	227,880
Short sales	Dec. 7	-------	-------	-------	-------
Other sales	Dec. 7	320,570	297,490	182,280	227,880
Round-lot purchases by dealers—					
Number of shares	Dec. 7	452,460	480,370	589,640	649,190
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	Dec. 7	663,830	1,018,030	979,860	597,720
Other sales	Dec. 7	11,668,470	13,036,520	9,200,470	12,618,720
Total sales	Dec. 7	12,332,300	14,054,550	10,180,330	13,216,440
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Dec. 24	a	118.2	117.8	116.3
Farm products	Dec. 24	a	92.8	91.6	88.4
Processed foods	Dec. 24	a	107.3	106.0	103.3
Meats	Dec. 24	a	95.0	91.5	81.1
All commodities other than farm and foods	Dec. 24	a	125.8	125.6	124.7

*Revised figure. ¶Includes 1,030,000 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. a Not available.

	Latest Month	Previous Month	Year Ago
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Nov. 30:			
Imports	$268,094,000	$248,287,000	$277,461,000
Exports	459,495,000	464,590,000	295,077,000
Domestic shipments	8,906,000	10,559,000	15,381,000
Domestic warehouse credits	212,766,000	215,386,000	183,954,000
Dollar exchange	63,580,000	93,750,000	9,700,000
Based on goods stored and shipped between foreign countries	210,791,000	192,249,000	142,870,000
Total	$1,223,632,000	$1,224,821,000	$924,443,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of Nov. (in millions):			
Total new construction	$4,114	$4,467	$3,964
Private construction	2,950	3,057	2,922
Residential buildings (nonfarm)	1,474	1,528	1,521
New dwellings units	1,085	1,125	1,140
Additions and alterations	338	355	339
Nonhousekeeping	51	48	42
Nonresidential buildings	802	806	804
Industrial	251	256	276
Commercial	332	332	329
Office buildings and warehouses	179	177	165
Stores, restaurants, and garages	153	155	164
Other nonresidential buildings	219	218	199
Religious	78	80	74
Educational	46	47	47
Hospital and institutional	49	48	32
Social and recreational	28	27	27
Miscellaneous	18	16	19
Farm construction	114	133	111
Public utilities	539	570	475
Railroad	37	42	43
Telephone and telegraph	97	97	107
Other public utilities	405	431	325
All other private	21	20	11
Public construction	1,164	1,410	1,042
Residential buildings	55	53	31
Nonresidential buildings	361	403	344
Industrial	32	34	45
Educational	234	262	210
Hospital and institutional	24	26	26
Administrative and service	34	40	33
Other nonresidential buildings	37	41	30
Military facilities	110	132	117
Highways	405	555	326
Sewer and water systems	105	118	110
Sewer	67	73	60
Water	38	45	50
Public service enterprises	32	38	32
Conservation and development	87	100	73
All other public	9	11	9
BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of November:			
Manufacturing number	213	214	166
Wholesale number	114	99	94
Retail number	559	544	482
Construction number	194	176	171
Commercial service number	93	89	86
Total number	1,173	1,122	999
Manufacturers' liabilities	$18,061,000	$11,601,000	$11,714,000
Wholesale liabilities	5,912,000	7,691,000	3,743,000
Retail liabilities	12,895,000	16,947,000	11,476,000
Construction liabilities	13,420,000	7,994,000	11,099,000
Commercial service liabilities	2,611,000	3,195,000	1,854,000
Total liabilities	$52,899,000	$47,428,000	$39,886,000
BUSINESS INCORPORATIONS (NEW) IN THE UNITED STATES—DUN & BRADSTREET, INC.—Month of November	9,270	11,251	8,749
CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of Nov. (000's omitted)	$325,000	$738,200	$314,400
COMMERCIAL PAPER OUSTANDING—FEDERAL RESERVE BANK OF NEW YORK—As of Nov. 30 (000's omitted)	$560,000	$516,000	$568,000
COTTON GINNING (DEPT. OF COMMERCE)— To Dec. 13 (running bales)	9,200,605	--------	12,815,385
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of October	819,816	659,651	726,669
In consuming establishment as of Nov. 2	1,284,906	1,079,895	1,147,035
In public storage as of Nov. 2	10,802,463	9,651,766	16,180,356
Linters—Consumed month of October	107,298	100,170	156,174
Stocks Nov. 2	786,316	711,503	935,251
Cotton spindles active as of Nov. 2	18,130,000	18,147,000	18,839,000
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Nov. 2	21,096,000	21,161,000	21,695,000
Spinning spindles active on Nov. 2	18,130,000	18,147,000	18,839,000
Active spindle hours (000's omitted) Nov. 2	10,475,000	8,441,000	9,162,000
Active spindle hours per spindle in place Oct.	419.0	422.0	458.1
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE—U. S. DEPT. OF LABOR—Month of November:			
Weekly earnings—			
All manufacturing	$82.32	*$82.56	$82.22
Durable goods	88.70	*88.96	88.99
Nondurable goods	74.30	74.29	72.86
Hours—			
All manufacturing	39.2	39.5	40.5
Durable goods	39.6	*39.9	41.2
Nondurable goods	38.7	39.1	39.6
Hourly earnings—			
All manufacturing	$2.10	*$2.09	$2.03
Durable goods	2.24	*2.23	2.16
Nondurable goods	1.92	1.90	1.84
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of Nov.:			
Seasonally adjusted	139	*141	146
Unadjusted	141	*145	147
MOODY'S WEIGHTED AVERAGE YIELD OF 100 COMMON STOCKS—Month of Nov.:			
Industrials (125)	4.36	4.45	4.05
Railroads (25)	7.71	7.82	6.02
Utilities (not incl. Amer. Tel. & Tel.) (24)	5.04	5.17	4.86
Banks (15)	4.84	5.08	4.37
Insurance (10)	3.56	3.74	3.30
Average (199)	4.58	4.68	4.25
NEW CAPITAL ISSUES IN GREAT BRITAIN — MIDLAND BANK LTD.—Month of November	£10,998,000	£50,280,000	£27,472,000
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S. — HOME LOAN BANK BOARD—Month of Oct. (000's omitted):			
Savings and loan associations	$854,969	$796,235	$847,957
Insurance companies	131,554	[illegible]	134,263
Bank and trust companies	394,803	353,541	474,741
Mutual savings banks	131,389	121,439	182,855
Individuals	321,176	288,479	326,899
Miscellaneous lending institutions	391,857	347,153	438,671
Total	$2,225,748	$2,026,413	$2,425,386

The Construction Outlook for 1958

The year 1958 should prove to be second highest in physical construction volume, according to the U. S. Labor Department, despite expected decline in industrial buildings. Non-farm residential building is seen increasing 6% over 1957 and, while mortgage funds may continue to limit housing activity, some easing in the mortgage market for 1958 is assumed.

The latest Federal survey of new construction in the continental United States, released by the U. S. Department of Labor, Nov. 15, indicates that prospects for a greater advance for 1958 over 1957 exist than that for 1957 over 1956.

The study in full text follows:

Outlays for new construction are expected to total $49.6 billion in 1958 — 5% above the record expenditure of $47.2 billion evident for 1957, according to outlook estimates prepared jointly by the Departments of Labor and Commerce. This rate of dollar outlay would mark 1958 as the second highest year in the physical volume of work put in place (expenditures adjusted for price changes), exceeded only by 1955.

The $2.4 billion expansion in 1958 construction will be mostly in residential building (private and public) and on highway work, which altogether are expected to account for $2.1 billion of the gain. Expenditures for almost all other major types of construction will probably rise moderately, or remain at about the 1957 level. The only notable declines will be for private industrial plants and military facilities.

Reflecting the anticipated reversal of the 1956-57 down-trend of private housing activity, total private expenditures for new construction are expected to contribute more to the total 1958 expansion than public — rising by $1.4 billion to $34.7 billion, compared with a $1 billion increase to $14.9 billion for public projects.

The expected volume of new construction in 1958 is based on the assumption that any change in the economic pace next year—as measured by national output, income, and employment — will not be great enough to exert a significant push up or down on the total of new construction activity. It was assumed also that international developments would not affect construction in the continental United States. The estimates reflect expectations of an adequate supply of materials and labor, and the assumption that construction costs will continue to trend moderately upward, but at a somewhat slower pace than in 1957.

Supply of mortgage funds will continue to be a chief limiting factor in housing activity next year. Some easing in the mortgage market is assumed for 1958, however, in part because of increased savings of the types used for mortgages, and also because investment in home loans should benefit from some tapering off in funds demand for such purposes as industrial plant and equipment expansion. The outlook assumes, therefore, that a total of about 1,100,000 new non-farm dwelling units will be started in 1958, about 1,050,000 of which will be privately financed. This compares with a probable total of a little less than 1,000,000 private units and about 50,000 public units in 1957.

Residential Building

A strong advance in total new residential building (private and public) is anticipated for next year (8%, from $17.0 billion to $18.4 billion). This represents an expected 6%, $675 million increase in new private nonfarm dwelling units to be put in place, and, in addition, rapidly rising expenditures for additions and alterations to existing housing (up $335 million), and for construction of new public residential buildings (up $345 million).

The number of new private dwelling units expected to get under way next year represents a larger increase from 1957 in the number of apartments to be started than single-family houses, continuing the decided uptrend in multifamily residential building which began early this year. It is likely that apartment units will constitute almost a fifth of total housing starts in 1958—the largest proportion since 1949, when apartment house construction was assisted by easy credit conditions and by special financing aids under the former Section 608 program of the National Housing Act. The rising rate of rental-type homebuilding at present may be attributed to a number of influences, including expanding programs for rebuilding urban centers; anticipation of greater returns on rental investments; and a large core of demand for convenient, central-city locations from the fastest growing adult segments of the population—both young couples without children and the elderly.

Outlays for public housing next year will probably climb to a record $850 million, chiefly to put in place the sharply rising number of armed services (Capehart) units that have been getting under way this year. Public housing starts will about double in 1957 as compared with last year, and then are expected to level off in 1958 at about 50,000 units, reflecting some decline in armed services housing starts, offset by a rise in other public housing programs. The chief deterrent in armed services housing will be the dearth of credit for low-interest mortgage loans.

Major fix-up work (additions and alterations) to existing private housing has been rising sharply since 1955. This trend is expected to continue into 1958. Under current stringent credit terms and limited housing availability, many families tend to add rooms or redesign their present homes, rather than buy new houses, to meet changing requirements.

Private nonresidential building construction for the first time in six years will not show an increase in outlays. This is primarily due to an expected decline in industrial construction of about 9%. Long-range expansion programs for the construction and modernization of many plants have been largely fulfilled, and a substantial volume of new capacity has been added in the past three years. The value of contract awards for new plants began tapering off in mid-1957. This trend is expected to continue in 1958. However, spending in this sector will still be about one-fifth greater than in 1955. In general, expenditures for other nonresidential building groups, with the exception of office buildings, warehouses, and hospitals, will probably be maintained at or near the 1957 values. In the case of office buildings and warehouses, the general high volume of business activity and the relatively low vacancies, especially in buildings with more desirable features and convenient locations, promise another year of expansion to bring annual outlays above the $2 billion mark for the first time. Hospital construction will continue to show substantial growth in 1958, to almost the $600 million mark, despite the more than 50% increase in 1957. Federal-aid funds have provided considerable stimulation in this area.

Outlays for stores, restaurants, and garages will stabilize at slightly above 1957 levels, following a sharp drop this year. Completion of many new large regional and community shopping centers started in previous years dominated activity in 1957, when a declining number of such projects were begun. There are, however, prospects that continued suburban growth and high retail sales will help maintain the present annual outlays for this group. Private school building, which also declined in 1957, will return to approximately the 1956 level.

Farm construction expenditures will remain unchanged from the last few years, in line with the relative stability of farm income.

The strongest single sector of nonresidential private construction in 1957 was public utilities. Prospects are that next year this group will show a 6% advance in spending—about half the 1957 rate of increase. The tight money market and moderating pressures for increased output have resulted in some stretching out of existing long-range expansion programs. Nevertheless, an aggregate of $6 billion will be reached for the first time in 1958. This will be one-fifth greater than 1956 expenditures. The chief areas of spending will be for electric power and gas facilities, for which the increase will be over 10%. A $2 billion record should be attained in 1958 for gas facilities construction, about double the spending rate of three years ago. Both the railroad and telephone expenditures are expected to decline by almost 10%. However, in the case of the latter industry, spending in 1958 at the billion-dollar level will still be more than one-third above the expenditures of four years ago.

Public Construction

Almost all of the expected $1 billion rise in public construction to $14.9 billion will come from State and locally owned projects, and 60% of it will be accounted for by the new interstate highway program. Prospects are that total outlays for public highways, streets, and roads will rise sharply, by 14%, to $5.5 billion, and that nine-tenths of the gain will occur on the 41,000-mile Federally aided system initiated in 1956, for which expenditures (90% Federal and 10% State) will expand from about $250 million this year, to **$850 million in 1958. Other highway programs expected to show expenditure gains in 1958 are the basic and continuing Federal-aid highway program** (which originated with the Federal-Aid Road Act of 1916 and for which matching generally is on a 50-50 basis), **and construction of urban and county roads by individual localities. Outlays for roads financed solely by the States, including toll roads, will continue the downtrend which began in 1957, as State funds are increasingly used for the interstate system.**

Public educational outlays in 1958 are expected to reach the $3 billion mark, accounting for one-fifth of all public expenditures for new construction. This is more than three times the level in 1949, reflecting the relentless demand for more schoolrooms in the wake of substantial development of suburban areas, the large rise in the population of children of school age in the post-World War II period, and the low building rate of the 1930's and 1940's.

Construction of both sewer and water works is expected to decline next year in response, to some extent, to the drop in residential construction since 1955. In the case of sewer facilities, the 4% drop which seems likely represents the first reversal of a steady upward trend since 1945, whereas the 7% decline in outlays for water works construction continues the downtrend begun in 1957. **The 9% expected increase for administrative and service building expenditures maintains the advance in outlays for this type of construction during the past decade, reflecting the increased complexity and the growth of State and local administrations to meet the requirements of expanding populations.**

The expected decline of 14% in expenditures for military facilities, to $1.1 billion, continues the decline begun this year, and reflects both reduced appropriations and completion of many support facilities begun during the two-year expansion in 1955 and 1956.

Conservation and development **programs are likely to continue at about the record 1957 rate, as gains in Corps of Engineers and Bureau of Reclamation programs are offset by a drop in activity on the St. Lawrence Seaway, on which peak construction is now past. Although few large Corps of Engineers projects have been authorized for start in 1958, a number of sizable programs begun in previous years—some multi-purpose projects, and others for flood control or navigation alone —will be reaching peak construction levels next year. On the other hand, increasing expenditures by the Bureau of Reclamation in 1958 will result from work on the early stages of two new projects — the Glen Canyon dam (key structure in the Upper Colorado River Storage project), and diversion of Trinity River waters** into the Sacramento River.

New Construction Put in Place in Continental United States
1956, 1957, and Outlook for 1958*

Type of Construction—	—Value (in millions)— 1956	1957†	1958	Percent Change 1956-57	1957-58
TOTAL NEW CONSTRUCTION	$46,060	$47,200	$49,600	+ 2	+ 5
PRIVATE CONSTRUCTION	33,242	33,300	34,700	‡	+ 4
Residential buildings (nonfarm)	17,632	16,530	17.575	— 6	+ 6
New dwelling units	13,490	12,125	12,800	—10	+ 6
Additions and alterations	3,695	3,915	4,250	+ 6	+ 9
Nonhousekeeping	447	490	525	+10	+ 7
Nonresidential buildings (nonfarm)	8.817	9,155	9,150	+ 4	‡
Industrial	3,084	3,170	2,875	+ 3	— 9
Commercial	3,631	3,585	3,775	— 1	+ 5
Office buildings and warehouses	1,684	1,870	2,025	+11	+ 8
Stores, restaurants, and garages	1,947	1,715	1,750	—12	+ 2
Other nonresidential buildings	2,102	2,400	2,500	+14	+ 4
Religious	768	870	870	+13	0
Educational	536	525	540	— 2	+ 3
Hospital and institutional	328	505	590	+54	+17
Social and recreational	275	300	300	+ 9	0
Miscellaneous	195	200	200	+ 3	0
Farm construction	1,560	1,600	1,600	+ 3	0
Public utilities	5,113	5,825	6,150	+14	+ 6
Railroad	427	450	400	+ 5	—11
Telephone and telegraph	1,066	1,075	1,000	+ 1	— 7
Electric light and power	1,845	2,100	2.350	+14	+12
Gas	1,400	1,800	2,000	+29	+11
Other public utilities	375	400	400	+ 7	0
All other private	120	190	225	+58	+18
PUBLIC CONSTRUCTION	12,818	13,900	14,900	+ 8	+ 7
Residential buildings	292	505	850	+73	+68
Nonresidential buildings	4,072	4,470	4,710	+10	+ 5
Industrial	453	455	450	‡	— 1
Educational	2,549	2,830	3,000	+11	+ 6
Hospital and institutional	298	330	340	+11	+ 3
Administrative and service	362	430	470	+19	+ 9
Other nonresidential buildings	410	425	450	+ 4	+ 6
Military facilities	1.395	1,275	1.100	— 9	—14
Highways	4,470	4,825	5,500	+ 8	+14
Sewer and water systems	1,275	1,345	1,270	+ 5	— 6
Sewer	701	785	750	+12	— 4
Water	574	560	520	— 2	— 7
Public service enterprises	384	395	400	+ 3	+ 1
Conservation and development	826	965	950	+17	— 2
All other public	104	120	120	+15	0

*Joint estimates of the Department of Labor and the Department of Commerce.
†Last 2 months estimated.
‡Change of less than one-half of 1%.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Although the competition is going to be keen, more firms are going to be given an opportunity in 1958 to bid on government contracts.

Congress is insisting that the Pentagon, which spends more tax dollars than any agency in the world, open more doors and let the light shine on more of the actions. The Army, Navy and Air Force have been spending hundreds of millions of dollars every month in the year, and most of it has been through negotiations behind closed doors.

Under this method, companies that have no influence with the Army, Navy and Air Force are not selected by the Pentagon to negotiate. Therefore, they never hear of these business opportunities to bid on Uncle Sam's business. As a result there has been a dwindling list of suppliers.

Congress is demanding that the military procurement people call for competitive bids preliminary to buying goods and services. Probably many Pentagon higherups would like to continue to do business behind closed doors. It is easier to cover up mistakes through a closed door policy. However, under orders of Congress they are reluctantly writing new regulations to carry out the order.

More Anti-Trust Action

The Department of Justice proposes to keep up a steady program of anti-trust activity in 1958. More cases are expected to be filed against producers of consumer goods, and more against distribution systems and more against price maintenance.

There is speculation in legal circles in the Capital that the Department will inquire into automobile prices, and natural gas sales, among others.

The sharp rise in the number of mergers is causing concern in Washington. Some Congressmen and Federal officials are apprehensive that the many consolidations mean a lack of basic good health in many industries. However, some think the whole trouble grows out of direct and indirect laws by Congress of former years.

Once again there are discussions of a projected Federal anti-merger law, which would flatly prohibit mergers at all levels of industry and trade except those authorized by a Federal commission or board. A question of constitutionality would be involved in such a commission or board.

On the other hand mergers have the effect of keeping some plants open that otherwise would be forced to cease operating. The question of a Federal anti-merger law will come up in the new Congress. Whether or not it gets beyond the talking stage depends on whether or not there is an acceleration of mergers.

Standby Controls Unlikely

Federal controls over prices, rent and wages are not now in sight. However, there are some discussions of such restraints in high places. At this time enactment appears remote, but the picture could change.

The Eisenhower administration is on record as being opposed to controls on the ground that a free economy is best. Nonetheless, there are members of Congress in both major parties advocating standby controls be passed without delay. Secretary of State John Foster Dulles says he will use his influence in an effort to get Congress to pass price controls if the Federal budget shows signs of getting out of balance.

Senator Homer E. Capehart, Republican of Indiana, and a member of the Senate Banking and Currency Committee, favors a sweeping price control program for the duration of the "emergency." Meantime, some longtime observers believe there is little likelihood of Federal controls being enacted, unless runaway inflation threatens to engulf the country.

More Foreign Aid

The White House will beat the drums for foreign aid totaling about the same amount as Congress passed for the current fiscal year. The executive branch of the government is advocating from $2.5 billion to $3 billion a year for foreign military assistance indefinitely. Congress does not like the idea of placing foreign aid on a permanent basis. Many members think it should be completely stopped now. Nonetheless, President Eisenhower will get most of what he asks for this program.

Seek Tariff Law Extension

President Eisenhower is seeking a five-year extension of the reciprocal trade law with power to cut tariff as much as one-fourth. He will probably have to settle for less. He would cut the tariff by 5% each year.

It is predicted that Congress will approve a three-year extension of the trade laws, plus giving the President authority to reduce tariffs up to 15%.

Nation's Bank Structure

There were 14,184 banks operating in the United States on June 6, 1957, according to the recent Federal Deposit Insurance Corporation. This was a decline of 63 from the previous June 30. Of the total in operation, 13,445 were insured by the FDIC. Insured banks consisted of 13,211 commercial banks and 234 mutual savings banks which together held 96% of all bank deposits.

Of the 739 banks not insured by the FDIC on June 6, 1957, 391 were commercial banks, 292 mutual savings banks, and 56 were nondeposit trust companies. Many of the non-insured banks have not applied for Federal deposit insurance, particularly mutual savings banks which are members of State insurance systems.

Total assets of all banks amounted to $244 billion on June 6, an increase of 2% over the previous June 30, but appreciably below the $252 billion held at the beginning of 1957. Deposits of all banks totaled $218 billion on June 6, 1957, an increase of 0.7% from June 30, 1956. Demand deposits declined 3%, while time deposits were 7% greater. All states showed increases in time deposits of business and individuals. Eighteen states registered gains greater than 10%, while the increases exceeded 20% in Florida, North Dakota, Oklahoma and South Carolina.

Short Takes

Defense spending the next fiscal year on July 1, probably will be substantially greater than the amount (approximately $39.5 billion) recommended by President Eisenhower in the new budget. Additional sums for defense will be sought in supplemental appropriation requests to Congress.

There are more white collar workers in this country than blue collar workers. The trend toward white collar workers is expected to continue. An additional 10,000,000 people will be needed in the labor force for the 10-year period, the Labor Department says.

Government economists predict that new construction in 1958 will total $49.6 billion or 5% greater than 1957. They estimate that the $2.4 billion increase will be mostly in residential building, public and private, and highway construction. Expenditures for other types of business will remain about the levels as 1957.

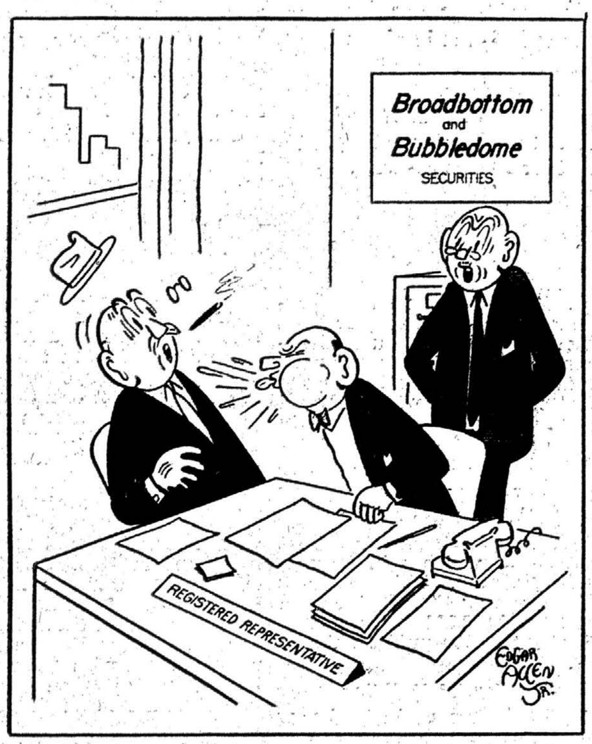
A substantial growth is expected in hospital construction amounting to an estimated $600,000,000. Federal aid funds will provide considerable stimulation in this field. A decline will result for private industrial plants and military installations.

Most of the increase in highway construction will occur on the 41,000-mile multi-laned divided interstate system.

The Eisenhower administration favors insurance for hazardous-weapon producers. Should an explosion occur, the public would be able to sue for damages. The government will undertake to protect producers up to a point. The Bureau of the Budget would limit Federal indemnity to $500 million per project. Congress will make the final determination.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ



"I'm afraid, Figbar, that's not quite what I meant about being forthright with our customers!"

K. G. LeFevre Joins Montgomery, Scott

PHILADELPHIA, Pa.—Montgomery, Scott & Co., members of leading stock and commodity exchanges, announce that Kenneth G. Le Fevre has become associated with their Philadelphia office, 123 South Broad Street.

Mr. LeFevre, who had been associated with the Fidelity-Philadelphia Trust Co. for the past 45 years, retired as Vice-President and Treasurer of the bank on Dec. 31, 1957.

Two With L. L. Blair

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Joanna A. Kaczanowski and Priscilla Perry have become associated with Lorraine L. Blair, Inc., 30 North La Salle Street.

Business Man's Bookshelf

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