ESTABLISHED 1839

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 187 Number 5706 New York 7, N. Y., Thursday, January 9, 1958 Price 50 Cents a Copy

EDITORIAL

As We See It

Congress is now back at work in Washington. It is commonly expected to do what it can and all that it can to "cut the President down to size" politically—so far as events have not already attended to that chore. A number of members of Congress, some in each of the major political parties, have long deeply desired to get at such a task, but have either felt it politically unwise to undertake it or else were able to make no progress of importance when they did try it. The several illnesses of the President, the general course of foreign events, including Russia's alleged success in the missile and related fields, and now more recently the apparently persistent downward course of business have presumably subtracted something from the glamor of "Ike's" name, and thus provided opportunity to his opposition in both the Democratic and Republican parties.

Meanwhile, developments have created new very real problems, and rendered acute or more difficult a number of old problems. It is, of course, easy enough—and politically speaking, at least, quite natural—to place the blame for much that has been happening upon the party and the Administration in power at Washington. In some instances, doubtless, there is a good deal of truth in these charges, but even when there is none, accusations of this sort against those in power are likely to be taken seriously by many voters. The Administration has already been finding it much more difficult to be effective with Congress than in earlier days, and it is taken for granted that its path will be even more thorny in the months to come. All in all, it may be taken

Continued on page 30

A Fair Appraisal of an Existing Serious Situation

By JEROME K. KUYKENDALL*
Chairman, Federal Power Commission

Federal regulatory head outspokenly appraises recent court decisions disruptive to natural gas industry, which he believes should be reversed, and denies non-reversal of the decision spells an unfavorable outlook for investors. Mentions such remedial possibilities as: (1) revising Section 5 to permit expeditious increase in rates; (2) statutory correction; and (3) constitutional protection against property-confiscation. Appeals to securities industry to help prevent unnecessary panic; announces interim policy of maintaining *status-quo* until case is completed; and is pleased with unexpected good the by-product economic education should provide.

The decision of the Court of Appeals for the District of Columbia Circuit, rendered on Nov. 21, 1957, gave birth to a severe case of "Memphis Blues" which now afflicts the natural gas industry.

J. K. Kuykendall

This decision completely overturned the established procedure which the entire natural gas industry, consumer interests, and the Federal Power Commission had thought, and the Federal Courts had assumed, was provided by Section 4 of the Natural Gas Act. If this decision stands, a pipeline company cannot file a new rate even if the purchaser has agreed that this might be done. Under this decision, a different rate can be filed and become effective only if the purchaser has agreed in advance to the particular rate which is to be filed, or the Federal Power Commission has, under Section 5 of the Natural Gas Act,

Continued on page 24

*An address by Mr. Kuykendall before the New York Society of Securities Analysts, Jan. 3, 1958, New York City.

Appraising New Situation In the Credit Market

By ROY L. REIERSON
Vice-President and Chief Economist, Bankers Trust Co., New York City

Mr. Reierson presents economic and financial background of recent credit developments in appraising the money market outlook. Concludes: (1) long-term demand and supply of funds and other pertinent factors will be such as to preclude drastic decline in interest rates; (2) Federal Reserve will avoid undue, or too hasty, ease in the credit markets; (3) banks will utilize fall-off in credit demand to retire indebtedness to Federal Reserve and to improve their liquidity, and (4) increased credit ease and lowered interest rates will ensue only if economic conditions deteriorate more than current near-term indications.

The reduction in the discount rate initiated by four Reserve banks in mid-November, and soon followed in all other districts, resulted in an immediate and abrupt change in the climate of the money market. As late as a month or two earlier, money rates and bond yields had been advancing to new highs, new security offerings were accumulating on dealers' shelves, bank reserves were under pressure and the banks were readying themselves for the expected seasonal upturn in loan demand. Moreover, statements by leading Federal Reserve officials, although carefully worded, were hastily interpreted by many as indicating that the authorities continued to be concerned almost exclusively with the fight against inflation. This is not to say that an easing of credit was a complete surprise. As the autumn season brought signs of weakness in the business picture, the anticipation spread that the Federal Reserve would gradually relax its restrictive policy. The general expectation, however, was that this would be achieved through open market operations, and

Roy L. Reierson

Continued on page 32

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 38.

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.)

VIRGIL A. STOCK

Baker, Simonds & Co. Detroit, Mich.
Members: Detroit Stock Exchange

American-Marietta Company

American-Marietta Company is one of the fastest growing and most diversified industrial corporations to be found in the United States today. Emphasis by management on research and development, improvement of profit margins, and an alertness to favorable expansion possibilities has placed the Company in an enviable position. A well known reliable source in its rating of domestic industrial corporations shows American-Marietta ranked 195th in sales, 198th in assets, 133rd in net profits and 125th in number of stockholders.

Virgil A. Stock

The Company began as a partnership with $5,000 capital in 1913 as the American Asphalt Paint Co. It was incorporated in Illinois in 1930, merged with the Marietta Paint & Color Company in 1935 and adopted its current name in 1940.

Forward looking management as early as 1949 began an acquisition program with particular emphasis in the building and construction materials field. As a result of this program of external expansion and concurrent programs of internal expansion through "plowback" of retained earnings, American-Marietta Co. today ranks as the largest manufacturer of concrete drainage pipe, cement additives, metal powders, resins and adhesives, food and beverage can linings and household mops. It is also a leading producer of pre-stressed concrete products, cement, printing inks, paints (industrial and household), chemical lime and limestone products, and brick and tile.

In the 10 year period 1947 through 1956, the Company had a tremendous growth record. To cite a few of the outstanding figures, sales rose 625%, net income 1,100% and net worth 730%.

Common Stock was first offered publicly at $15 per share in November, 1947. Stock splits of two for one were paid in 1952 and 1955, a five for four split in 1956 and a three for two in 1957. There have been 10 increases in the dividend rate since 1950.

An initial 100 share investment of $1,500 in 1947, if not disturbed, would now be represented by 750 shares, worth $22,000 as of Dec. 13, 1957.

Dividends on 750 shares in 1957 would have totaled $637.50 for a remarkable one year return of 42.5% on the original $1,500 investment.

OUTLOOK — SHORT TERM: Short term sales and earnings prospects are good. It is estimated that outlays for new construction will total $49.6 billion in 1958—5% above the record expenditures of $47.8 billion evident for 1957. The $2.4 billion expansion in 1958 construction will be mostly residential building (private and public) and highway work.

Public utility construction expenditures are expected to reach the annual rate of $6 billion for the first time in 1958—up 6% over 1957, while public educational outlays are expected to reach the $3 billion mark—more than three times the 1949 level.

Total outlays for highways, streets and roads are expected to increase sharply in 1958 to $5.5 billion up 12.2% from the 1957 estimate of $4.9 billion. It is important to note at this point that construction materials accounted for more than 50% of American-Marietta's 1956 sales volume of $202 million.

OUTLOOK—LONG TERM: The long term sales and earnings outlook is extremely promising. The Bureau of Public Roads has estimated that under the Federal Aid Highway and Highway Revenue acts of 1956, expenditures will rise to a peak of about 8 billion by 1960 and remain near that point the following 7 years before dropping to about $7.5 and then $7 billion respectively for the last 2 years of the program.

This indicates a potential increase in total road expenditures alone of 63% between 1957 ($4.9 billion) and 1960 ($8 billion).

Water and sewerage construction in the next 20 years is estimated at $41 billion, broken down as follows:

$10 billion—to catch up
$14 billion—to offset obsolescence
$17 billion—to keep up with population growth

Enormous quantities of products of the various Company divisions will be consumed in each of these major construction programs.

American-Marietta Company has more than 150 well equipped plants strategically located in major market areas throughout the United States and Canada. Certain operations are also carried on in Cuba, Mexico, Colombia, Brazil, Holland and France.

American-Marietta Company common stock currently trading in the over-the-counter market at approximately $30 a share is yielding in excess of 3% on an estimated dividend payout of 30% of available earnings. Investors seeking good capital appreciation over a reasonable period of time in my opinion will be amply rewarded by commitments made at the price mentioned above.

American-Marietta Company Common Stock is recommended for accounts interested in capital appreciation. It is deemed suitable for inclusion in trust accounts where current return is not emphasized and is suitable for long term purchase by donors of stock gifts to minors.

WILLIAM WITHERSPOON

Investment Counselor
Saint Louis, Mo.

Allied Chemical & Dye Corporation

There are many stocks that I like for long-term investment and especially following the sharp decline in the market from mid-July I believe that there are some extremely sound and attractive values in common stocks. Therefore, to select the one issue that I like best is almost impossible, but I would say that Allied Chemical & Dye is an issue that I like very much at the present time.

William Witherspoon

During the past 10 years Allied Chemical & Dye has demonstrated an aggressive spirit of development and growth. Its fundamental position for many years has been that of producing basic chemicals, but since World War II, the company has been diversifying its production into intermediate chemicals and end products on which the profit margin is better. Nylon and polyethylene are examples of this latter program and, although there has been some overproduction of capacity in both of these fields with the resulting temporary squeeze on profit margins, I believe that this greater diversification of product has been a highlight of Allied's postwar development and points to a much more interesting future.

Another evidence of this more aggressive and capable management has been the disclosure of information about the company's operations. It will be recalled that the annual report of Allied Chemical used to be a "masterpiece" of brevity and for years stockholders wondered what constituted the large item the abbreviated balance sheet entitled "Investments." Now we know that these investments, which aggregate $52.3 million at even the current low market, are headed by Owens-Illinois Glass and followed by American Viscose, U. S. Steel, Virginia, Carolina Chemical, LOF Glass Company and others in that order of importance. Furthermore, the annual report is a large and attractive booklet that gives a very detailed picture of the company and its operations.

The company's capitalization is composed of $200 million 3½% SF Debentures, due April 1, 1978, and this is followed by 9,915,589 shares of common stock. According to the balance sheet, common stock and surplus constitutes 68% of the total capitalization and based upon the current market, is about 81% of the total.

Earnings in 1956 amounted to $4.74 a share after allowing $50.4 million for depreciation. Earnings in 1957 will probably be slightly less at around $4.50-$4.60 per share, but most of this decline came in the first quarter. The company reported earnings of $1.09 per share in the third quarter of this year, versus 99¢ last year and the December quarter will probably be somewhat higher than the $1.21 per share reported in the last period of 1956.

Earnings in 1958 may continue this advancing trend that has begun to be manifest and a total of something over $5.00 per share may be reported next year. An adjunct to this increase is the fact that the accelerated amortization program appears to have passed its crest and will begin climbing sharply in 1958. The normal depreciation is picking up sharply so the net result will be a possible leveling off in the next few years rather than increasing sharply as in the past few years.

The market action of Allied Chemical has been very encouraging of late. It reached a high of 129½ in April of 1956 when it sold at the abnormally high price-earnings ratio of around 23.8 times 1955 earnings. Since then, it declined to around 87 by last spring and at that time the market appeared to be rounding out in something of a reversal pattern. From there it advanced to about 98 last July, only to be hit vigorously by the general market

Continued on page 8

This Week's Forum Participants and Their Selections

The Business Outlook and Specific Business Advice

By RUSSELL H. METZNER*
Economist and Vice-President
Central National Bank of Cleveland, Cleveland, Ohio

It is the considered judgment of Cleveland banker and economist, in disagreeing with the pessimists' and the optimists' views of the economy, that current industrial production decline should not exceed 5% and last no more than 9 to 10 months. Mr. Metzner anticipates an accompanying increase in money supply resulting from credit ease and increase in government spending. For the long run, the author assumes an industrial production growth at same rate as in past decade, with more competition and inflation as troublesome non-war problems. Offers specific fourfold advice as to what businessmen should do under present circumstances.

Statistically, 1957 will be the best business year in the history of our nation, with gross national product, personal incomes, personal consumption expenditures and government expenditures about 5 to 7% over 1956. Price increases account for much of the rise as industrial production is only a shade higher for the year.

Russell Metzner

The high level of business activity was sustained throughout the first three quarters by a further rise in outlays for new plant and equipment, Federal spending, public spending as well as a moderate rise in consumer spending on non-durable goods and services. Declines in new housing starts, and in sales of durable goods to consumers were the principal offsetting factors.

The downturn in business in recent weeks reflects lower defense spending, some easing in new plant and equipment expenditures, and a further decline in consumer durable goods sales. For the most part, these are the industries and products that are most exposed to the adverse effect of the policy of credit restraint.

There are many indications that the policy of credit restraint has brought to an end the inflationary spiral of the past two years and that we are now entering a period of adjustment wherein the excesses of the past two years are being corrected.

It is evident from Chart I that the boom has peaked out and that business activity has turned down. It is interesting to note that the trend of business activity, as measured in terms of physical volume of units sold, has been declining for some months.

With scarcities giving way to surpluses in all phases of economy, inflation is no longer the disturbing force of past months. If defense spending is not to be stepped up appreciably, the return to a more stable economy will justify further easing of the credit restraint program in the months ahead.

What are the basic economic factors underlying the present downturn in business activity?

Some economists regard the current easing in industrial activity as a pause in the long-term growth of the economy—a temporary period of adjustment following two years of inflation. They foresee a moderate correction of relatively short duration. Hereafter, I shall refer to this group as the optimists.

The other economists view the current business correction as broader in scope than just an adjustment following a period of inflation. They look upon it as a transition to a more normal rate of growth, more in keeping with the rate of increase in productivity, population and technological progress. They foresee a correction period of somewhat longer

Continued on page 26

*An address by Mr. Metzner before the Annual Forecast Luncheon of the Cleveland Chamber of Commerce, Cleveland, Ohio.

CHART I
1957 — A Year of Contrast

	1st of Year	End of Year
Confidence	Optimistic	Pessimistic
Trend of the Economy	Inflationary	Deflationary
Industrial Production	High	Declining
Personal Income	Rising	Declining
Employment	Rising	Declining
Defense Spending	Rising	Declining
Plant & Equipment Expenditures	Rising	Declining
Retail Sales	Rising	Declining
New Construction	Rising	Rising
Consumer Prices	Rising	Steady
Primary Metals Prices	Declining	Declining
Housing Starts	Declining	Slightly up
Steel Production	Steady	Declining
Manufacturing Inventories	Rising	Steady
New Orders	Down	Down
Unfilled Orders	Down	Down

INDEX

Articles and News

Regular Features

Published Twice Weekly
The COMMERCIAL and FINANCIAL CHRONICLE
Reg. U. S. Patent Office
WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 7, N. Y.
REctor 2-9570 to 9576
HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
Thursday, January 9, 1958
Every Thursday (general news and advertising issue) and every Monday (complete statistical issue — market quotation records, corporation news, bank clearings state and city news, etc.).
Other Offices: 135 South La Salle St. Chicago 3, Ill. (Telephone STate 2-0613).

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 8, 1879.
Subscription Rates
Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $65.00 per year. in Dominion of Canada, $68.00 per year, Other Countries, $72.00 per year.
Other Publications
Bank and Quotation Record — Monthly $40.00 per year. (Foreign Postage extra.)
Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

Observations . . .

By A. WILFRED MAY

MR. BARUCH AND THE BARUCH-ANA

Capping his life-long series of cosmic achievements, Mr. Baruch now appears twice on the Best Seller lists. For Margaret L. Coit's monumental autobiography (*Mr. Baruch: The Man, the Myth, the Eighty Years, By Margaret L. Coit. Illustrated. 784 pp. Boston: Houghton Mifflin. $6.95*), already a Book of the Month selection for December, now joins (if at some distance behind) the colorful "Bernie's" autobiography on the booksellers' sweepstakes.

A. Wilfred May

This fortunate inflation of the literature and our knowledge concerning the great capitalist-statesman-gambler-investor-economist-lord of the manor-*bon vivant*, has come about through authors' crossing of signals.

Way back in 1950, noting the brilliance of Miss Coit's biography of John C. Calhoun, which went on to win the Pulitzer Prize, Mr. Baruch invited the young lady to devote her biographical talents to himself. There ensued five years of painstaking work on his personal files, collateral research and interviews resulting in a half-million words of manuscript, which she duly submitted to him for factual corrections. Thereupon, our meticulous biographee, objecting to some of the interpretations, saw fit to withdraw his personal material and proceeded forthwith to do his own book, which burst on the public in time for last August's birthday celebration. Confronted by the necessity of beginning again from scratch, she devoted a full year to the burdensome task of recasting her voluminous material, including re-researching all factual statements and quotations from original sources.

Quite surprisingly, a thoroughly smooth product has evolved from Miss Coit's back-tracking labors. There has resulted a volume that is thorough and coherent as it is valuable as a monumental contribution (280,000 words of text and 40,000 of documentation) to the history of our times.

The Bitter-Sweet Treatment

Despite any personal controversy between the author and her subject, the treatment is objective and fair. In fact, she will be pleasing both his admirers as well as the detractors who, viewing him as a public-relations product, welcome any explosion of "Myths" about him. In the latter area of her subtitle, the author gives full value in casting skepticism regarding that Presidential-Adviser role. In her own seemingly split personality about him, calling him "the greatest living American legend" she terms it tragic that his make-up rendered him unwilling to accept more risks, including those of running for elective office, so that he could serve his countrymen and the world more effectively. But she does not go along with those cynics who are nastily expressing regret over her devotion of herculean biographical efforts "in search of a great man who isn't there."

The Serious Investment Implications of "Potato-Making"

For the thoughtful investor, the twin volumes provide authoritative evidence on that perennial question of how the expert actually "makes his potatoes." This is not at all in the customary "how-to" vein. Contrariwise, the how-it-is-done angle is left in the air. Did B. B. make his potatoes as a speculator or serious investor; and, in any event, actually through following the rules which he professed to hold sacred? For the answers to these behavior questions, detached observations additional to the protagonist's own self-analysis, even when coming from a self-professed inexpert as Miss Coit, a history and English teacher at Fairleigh Dickinson University, are enlightening.

The unwitting intermingling of his speculative and investment propensities, as well as his own unawareness of the extent to which he was artistically "playing it by ear" have been noted in our previous review of his autobiography*

Investment Versus Speculation

The shadowiness of the demarcation between the speculative and investment characteristics of his conduct is now confirmed by Miss Coit's findings. In the face of the reiterated stress on "Mr. Facts'" getting those facts, we are confronted with persistent reversion to rough-and-tumble gambling, with this shrewd and/or lucky pirate in the majority of frays out-maneuvering his rival buccaneers on the Spanish Main.

*In the "Chronicle" Aug. 15, 1957, page 5.

Whereas Miss Coit reiterates his own stressing of how he pored over the statistics, including use of the *Chronicle* and *Poor's* as bibles, she also cites these playing-the-market attitudes: "A good stock was its own best advertisement . . . the stock that was the first to rise and the last to fall was usually a good stock. Cheap stocks were no bargain. . . . The old rules still held—and hold today—to buy low and sell high, but the question was in knowing just when a stock had reached the high- or low-water mark. This was the area where rules could no longer operate, nor knowledge suffice, and you were alone in the twilight world of your own instincts. When in doubt, sell was the only safe rule, and it was the small and carefully garnered profits, not the big coups that totaled up to wealth in the end.

"Baruch has said that never in his life did he buy at the bottom and get out at the top. All his life, in fact, he got out too soon. This was his canny judgment. Satisfied with the smaller and surer profit, he did not share the risks nor the heartbreak of those who waited too long and too late. [sic] Although in general he would advise the average trader to buy on a rising market and sell on a falling one, for himself, like Ryan, he reversed the rule. It was not that he lacked the courage to take the risks."

His entanglement in the ordinary market player's recurrent difficulty of determining just when "high" is too high, was frequently demonstrated. In the great rise in Smelting and Refining stock at the turn of the century, he warned the Guggenheims he felt constrained to sell at 100, following which the stock promptly hit 179.

Nor, surely, were his activities as a short-seller, a pool member, or his afternoons spent as an inside member of the glamorous Waldorf Crowd, exactly consistent with fulfillment of the role of an analyst burning the midnight oil over the statistical manuals.

An Art, Not a Science

Nor do the following key observations by Miss Coit set Baruch's conduct and philosophy in line with either statistical appraisal procedure or discernible market rules—either by way of do's or don'ts.

"But one gamble you had to make — on the future. You not only had to know the other fellow; you had to know the trends of your time. That was where Baruch's talent came into play. For talent alone was not the answer. This was what no 'rules of success' could ever teach. This is what he could not transmit, could not even explain. Study was not enough. As he would say: 'I tell you, making money is purely and simply a faculty.'

"Baruch was, in fact, essentially an artist in finance. Neither in talent nor in temperament did he conform to the pattern of the average businessman. One writer has described Baruch's brilliant intuition as some kind of fourth mental dimension. He made money quite simply and naturally as other men might have composed music or painted pictures."

We should remember that Rembrandt and Mozart could hand out no how-to rules? Nor did they even bring home their own potatoes by following any!

Thus, the flood of *Baruchana*, giving us such a full documentation of the man and his times, still leaves us—necessarily—without a clearcut or consistent categorization of his underlying investing philosophy (or of its differences from his less successful contemporaries); and without a convenient set of workable *how-to* rules.

The State of Trade and Industry

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

As the year 1958 unfolds, forecasts and predictions by business leaders over the country for their respective industries, augur well for the economy in coming months, but notwithstanding these optimistic pronouncements, an undertone of caution prevails.

This week in the steel industry the projected rate of ingot capacity is expected to rise to 60.5% of capacity for the entire industry as against 58.6% in the week preceding, nevertheless steel men have ceased deceiving themselves about the short-term market outlook, according to "The Iron Age," national metalworking weekly and admit it is going to be bad, although they take some comfort in the thought that it can't get much worse.

"The Iron Age" states that the mills are trimming their sails until the storm of inventory-cutting and slow buying shows signs of abating. Most of them have quit trying to guess the month in which it will come. Instead, they are waiting for a definite reversal of form.

Meanwhile, it continues, steel firms are laying off workers, cutting out overtime and shutting down melting furnaces and rolling mills. Retrenchment is the byword. Coupled with this attitude is some of the hardest selling in steel in years. Salesmen and production men are dovetailing their operations to pin down sales they would have spurned in mid-1957.

Notwithstanding the current sour tune of the market, the mills are convinced they are not in for a full-fledged recession. They do not know when the turn for the better will come, but they know it will perhaps as early as the second quarter.

Most of the bad news is coming from Detroit with the automakers sitting on their hands until their own market outlook clears up a bit. They know they can get quick delivery when they want it and are playing out the role of the reluctant suitor, declares this trade weekly.

It says the automotive steel market may come to life about midway in second quarter. Most observers of the auto labor scene figure that the odds favor a strike over union demands in the mid-year contract negotiations. This, they figure, will prompt the carmakers to stock up on new models as a hedge against a possible shutdown. Recent comments of auto executives indicate they will take a firm stand on the expected demands of the auto union.

Another hopeful note for steel is the probable effect of stepped-up defense spending this year. Most of the forecasts on this year's steel output were made before the seriousness of the defense situation became apparent. Now the Administration has officially plumped for a defense spending figure in line with the unofficial estimates of months past.

There is reason to believe that defense outlays will run even higher than those mentioned to date. This, of course, will affect the outlook for metalworking and in turn the outlook for steel. To some extent it already has stemmed the decline in manufacturers' orders, "The Iron Age" concludes.

Looking into the nation's employment situation it is noted that new claims for unemployment compensation hit a 1957 record of 550,995 in the week ended Dec. 28, the United States Department of Labor reported.

This was an increase of 137,400 from the week before, the Department said, "substantially larger" than the usual year-end increase. In the corresponding week of 1956, claims rose by 50,000 to 338,970.

The Department's Bureau of Labor Statistics attributed the larger increase to unusually heavy Christmas layoffs in trade; temporary plant shutdowns for inventory; temporary layoffs in automobile plants and cutbacks in primary and fabricated metals and machinery plants.

Guy D. McKinney of the Bureau said the total number of unemployed workers covered by Federal-state jobless insurance programs declined from the record 1,976,000 of the week before. The apparent decline is not significant, however, he added, because during the holiday season, many unemployed workers are unable to go through the formality of renewing their claims. They remain unemployed and continue to receive payment, but are not included in the week's total.

Mr. McKinney also cited several factors he said tend to make unemployment figures appear higher now. Law changes in 1954 increased the number of workers covered by the Federal-state program. These changes, combined with growth of the population, added about seven million workers to the number eligible to receive unemployment insurance, he further stated.

For the week ended Dec. 21, new claims for unemployment compensation totaled 416,500, up 3,500 from the week before, the Bureau of Employment Security stated. In the like week in 1956, new claims rose by 24,100 to 288,750, the latest rise being largely seasonal.

New York's 22,200 new claims made up the biggest increase, attributed by the agency to recent layoffs in aircraft, machinery, construction and apparel industries. Other sizable increases were reported by Pennsylvania and Ohio with 8,200 each, California 7,900, Illinois 7,400, Michigan 6,600 and Massachusetts 6,200.

The Labor Department summary said half the states reported increases and the rest decreases in the week.

In the automotive industry passenger car production in the closing week of 1957 ended with Chrysler Corp. reaching its avowed "comeback" goal of 20% of industry volume and Ford Motor Co. posting its best penetration since 1930, "Ward's Automotive Reports" stated on Friday of last week. It added that the Big Three in 1957 extended their bite of annual output to a better

Continued on page 34

Canada's Natural Gas Picture

By E. D. LOUGHNEY*
Senior Vice-President, The British American Oil Co., Ltd.
Toronto, Canada

Canada's oil industry must export natural gas without further delay "in order to keep alive," oil executive asserts in revealing operators have gone through many years of developing reserves without markets and they would, otherwise, be forced to cut back severely. Mr. Loughney notes the markets Canadian gas could capture—if quick action is taken—and presents data on exploration rate, production, pipeline and plant expansion, and huge sums required in oncoming years. Hopes, therefore, explorers will find justification for continuing operations on a scale such as that which has been a practice in the past.

Sources of energy are the basic framework on which a highly industrialized nation is built; and so far, history records no country achieving high industrialization on the basis of imported power alone. Home-grown power is the key to industrial growth.

Canada is blessed with a variety of energy—water-power, coal, petroleum, natural gas, and uranium for the eventual production of commercial atomic energy. Each has its special uses, and to a great degree they are interchangeable. Their future use will call forth an even greater flexibility.

Canada has long faced a basic problem in reconciling the location of energy resources with the economics of their distribution. But in comparatively recent times, she has been strikingly solving it, making large reserves of energy economically accessible at markets far removed from their source.

The obvious result of all this is a more **developed** Canada. But an even more important—if less immediately apparent — result is a more **unified** Canada. In the country's future development, the networks for transporting energy — whether by interconnecting hydro or atomic electrical systems, oil and gas pipelines, or any other form—will effect an economic and political unification and strength much greater than that created decades ago by the transcontinental railroad. The networks will allow better utilization of other resources, for a more equitable distribution of the national prosperity. We have already achieved much in this respect, and greater things are in store.

It is not my purpose to debate the relative costs — or relative merits—of one form of energy as against any other. Canada will continue to have need for many forms of energy. What I would like to discuss is the natural gas development to date; what we can expect of it in the future; and the essential conditions, if this source of the nation's energy is to thrive and make its maximum contribution.

*An address by Mr. Loughney before the Rotary Club of Toronto.

The Early Days

Canada's gas industry is more than 120 years old. It commenced with the introduction of manufactured gas in Montreal in 1873. Natural gas was discovered near Medicine Hat, Alberta, in 1833 and in Essex and Welland Counties, Ontario, in 1889. The well drilled at Pelican Rapids on the Athabasca River caught fire in 1897 and burned out of control for 21 years. The first commercial production of natural gas took place in Ontario. Since large markets in the Windsor - Detroit area were available, gas was exported to the U. S. from the early Ontario discoveries, but this had to be discontinued in 1908 when the demands became too heavy for the small fields.

Calgary, Lethbridge and other communities in Southern Alberta first received natural gas from the Bow Island gas field in 1908. By 1920 the needs of this marketing area exceeded the supply available from Bow Island but, fortunately, in 1924 gas was discovered at Turner Valley. This field still supplies part of the Calgary area with natural gas.

In 1914 gas was discovered at Viking, Alberta, 80 miles east of Edmonton. World War I delayed the early disposition of the Viking gas but by 1923 Edmonton was being supplied. In more recent years, dry sweet gas from the Viking Kinsella pool has found its way to dozens of communities, large and small, between Edmonton and Calgary.

When oil was discovered at Leduc in 1947, it marked the beginning of "The Modern Age" for Canada's petroleum industry. The intense search for oil since that time has resulted in the discovery of tremendous quantities of natural gas as well. Industry statistics show that for every 10 oil discoveries in the past eight years, there have been about 8.7 gas discoveries.

It should be kept in mind that these discoveries were made while the industry was concentrating on the discovery and development of oil reserves. If large markets for natural gas had been available—and the industry had been concentrating on the discovery and development of gas as well as oil, it is almost certain that natural gas discoveries would be higher than at the present time.

What Is a Trillion?

When we talk about the demand for our reserves of natural gas, the strings of zeros may be confusing. It may help if you bear in mind that the terms thousand, million, billion and trillion cubic feet are used to express the volumes. In each case, one term is a thousand times the previous term: thus, a billion is a thousand times a million, and a trillion is a thousand times a billion. This mathematical relationship is easily understood, but it does not demonstrate the amount of energy for a given volume of gas. An average cubic foot of natural gas will contain approximately one thousand B. T. U.'s of heat. By way of comparision, a trillion cubic feet of natural gas is equivalent to 37 million tons of anthracite coal, or 150 million barrels of fuel oil.

A practical measure of the energy in one trillion cubic feet of gas is the fact that it will supply the maximum contract demands for natural gas in the Toronto area for a period of 15 years.

Demand and Supply

Since transmission systems, either constructed or planned, will serve much of Canada's population in future years, let us for a moment consider the demand for gas in Canada.

In 1944 Canadians consumed 85 million cubic feet per day, and in 1954, 240 million per day. Even this three-fold increase in a 10-year period will be insignificant, compared to the tremendous increases that will be made possible by pipeline systems now in operation or building.

A glance at the U. S. will give you some idea. In 1955 Canadians consumed only 7,400 cubic feet per person, while Americans consumed 50,000. But by 1965 it is estimated that Canada's per capita annual consumption will be 27,000 cubic feet, and by 1975, 42,000 cubic feet. We will, therefore, be approaching the U. S. figure in less than 20 years.

Statements made recently by transmission companies and governmental agencies have indicated that Canadian demand in 1958 would be 736 million cubic feet per day, and in 1962 would be 1,363 million cubic feet per day—nearly double within a five-year period.

The Gordon Commission reported that 4% of Canada's energy in 1953 was supplied by natural gas and natural gas liquids, but that this figure should increase to about 25% in 1980. In addition, the report indicates that Canada will consume slightly over 3 billion cubic feet per day by 1980. Recent investigations made by our company agree very well with the above and indicate that Canada will be consuming about 2.8 billion cubic feet per day by 1975. The above data indicate that Canada will consume about 17.5 trillion cubic feet in the next 25 years.

Reserves—Present and Future

Where will this tremendous amount of gas be obtained?

First, let us look at what we now have. Present proved reserves in Western Canada are already estimated at 24 trillion cubic feet of saleable gas. This estimate is undoubtedly conservative, because very little development drilling has been done around many of the gas discoveries, due to the lack of markets in the past; and hence, the proved reserves reported for these discoveries is for only a small area around the well. An even more representative figure would include the probable reserves, which gives a grand total of 28 trillion cubic feet.

This means, then that Canada's needs for the next 25 years can be met with reserves already proved, conservative as the estimates are, and that a surplus would still exist. And, as I have just mentioned, this surplus is, of course, increased if the probable reserve is recognized.

We next come to the question of what the future has in store in the line of additional reserves. Earlier I said that industry exploration has found 8.7 gas wells for every 10 oil wells discovered. These discoveries have proved up about 3 trillion cubic feet per year in the past. There is every indication that this discovery rate will continue in the future, since a very small percentage of Canada's geologically favorable sediments have been actually proven productive or barren.

Only one wildcat has been drilled for each 126 square miles of sediments in Western Canada, indicating that the surface has just been scratched. It should be pointed out that many of these wildcat wells have been drilled because of drilling requirements on government-owned lands. In addition, a large percentage have not been taken to the "basement" rock and thereby do not prove or disprove the total sedimentary section. An example of the latter is deeper drilling in Texas and Oklahoma. The main sedimentary basin in Western Canada stretches from the U. S. Border to the Arctic Ocean. It covers some 700,000 square miles—a great land mass equivalent to the combined areas of Texas, Louisiana, Oklahoma, Kansas and California, with part of the offshore region in the Gulf of Mexico included.

That area in the U. S. contained a proven reserve of 189 trillion cubic feet of natural gas in 1955. At the present time the gas reserve for all of the United States has been reported at over 325 trillion cubic feet. We can be reasonably sure, therefore, that an estimate for Western Canada of 74 trillion cubic feet of virgin reserves by 1980 is ultraconservative.

The fact that a host of companies are actively engaged in exploration in Canada proves that they believe more oil can be found. And to point up this fact, it is estimated that the oil industry is annually spending approximately $500 million on oil exploration and production—about $1.5 million a day. Statistics throughout the world show that huge reserves of natural gas will be found in conjunction with this intense search for oil. It is reasonable to assume that future exploration and development will prove up 2 to 3 trillion cubic feet of gas per year. But to adopt a more conservative position, let us assume that only 2 trillion will be discovered yearly. At the end of 25 years the virgin reserve would be 50 plus the existing proven reserves of 24—or 74 trillion cubic feet.

Now, if we subtract the 17.5 trillion cubic feet needed for Canada's needs, we will have left about 56.5 trillion to be utilized.

Export gas lines, either in operation or planned, would take one billion cubic feet of gas daily for a 25 year period—or a total of 9.1 trillion cubic feet. (Incidentally, presently existing export permits are for a specific volume of gas rather than an unlimited volume depending upon market conditions at the sales end of the pipeline.)

Let us next subtract this volume from the remaining 56.5 trillion, and we still have 47.4 trillion cubic feet—**enough to supply all**

Continued on page 30

The State of Business in 1958

By PAUL T. BABSON*

President, United Business Service, Boston, Mass.

Economist predicts for 1958: (1) it will be an "off," rather than an "up," year, with the second half better than the first; (2) spending will continue high at all levels; (3) reduction in business capital investment will be offset by increased defense outlays and more active housing; and (4) effects of growth forces of increasing population, and technological improvement will be decisive over the long-term. Concludes: "Don't sell the U.S.A. short, even though you may feel like it at times."

I ran across a little squib in one of the magazines a few days ago which seems rather appropriate—it read,

"An economist can take some consolation from the fact that no one else can forecast the future, either."

My only comment is, that in our line of business, we have to keep on trying.

In presenting our Annual Forecasts a year ago, I emphasized one statement which I should now like to repeat. I said, "1957 will be a year of hesitation on a high plateau—a period to sort of 'get our business wind' for the long pull climb which lies ahead."


Paul T. Babson

There may be some here who look upon the business decline of the past several months as more than "a period of hesitation," but when you look back over the total results for 1957, I believe that in most cases, you will agree that the figures support just such a description—"a year of hesitation on a high plateau."

Now let's step away from generalities and quickly review some of the specific forecasts made last year. They weren't all bulls-eyes, but they weren't so far "off target" either. Take Steel for instance, which rated lowest among the 16 items that we regularly cover in our Annual Forecast Report. On the price side, we were about right as to both trend and degree. But our forecast of total production was much too high. As we look back upon it now, it is clear that our estimates of demand in several important steel consuming industries were at fault, and these combined to throw us off rather badly on the total.

*A talk by Paul T. Babson before the Executives' Club of the Greater Boston Chamber of Commerce, Boston, Mass.

Score-Keeping on Last Year's Forecasts

One of these large steel consuming industries, where our estimates were definitely on the high side, was Automobiles. We forecast the production of 7 million cars and it now appears that the total for 1957 will do well to reach 6,200,000.

Our forecasts of Commodity Price Trends, Employment, Retail Trade, Building, Capital and Defense Expenditures, and Agriculture were all pretty satisfactory—about as good as anyone could reasonably expect.

In the Money Rate — Bond Market area, we really hit the bull's eye. Some may recall that I gave specific yield limits for various types of Bonds, and in all categories those limits represented almost the exact high points of the actual ranges for the year. (I only hope that we can call our shots as well in this area for the coming year.)

On the Stock Market—and on Earnings and Dividend items, we would rate about "medium" I believe. We did not anticipate as sharp a decline in stocks as has actually taken place over the past 5 months. In terms of the Dow-Jones Industrial average, we expected a minimum of around 450 or perhaps 440. However, it actually dropped to 420, but has since recovered to around the 450 level where we had expected it to bottom out.

On Earnings and Dividends, our year-ahead forecasts were a bit on the high side, but not seriously so. We said corporate Earnings would be up 2-3% and they will probably work out "about even." Dividends we forecast "up 5%" and it now appears that they will be up only 3-4%. Not quite a bulls-eye, but pretty close.

A Look Into 1958

Well, I guess that's enough on past history—now let's take a look into 1958. Before outlining our individual forecasts, however, may I again remind you that the forecasting of business and investment trends is not an exact science like mathematics or physics—and, in my opinion, it never can be. To be sure, our forecasting techniques have improved a great deal over past 30 years. We now have much better statistical materials to work with, and we know how to use them more effectively. But the days of making mistakes in business and financial forecasting are not all behind us.

Let me say also that the forecasts which I shall present now are not merely my personal opinions. They are the considered judgments of our entire United Business Service staff. They are, in fact, a combination of factual research, careful statistical analysis and experienced judgment.

The International Picture

Let's get on to the Business and Investment Outlook for 1958—First, a quick look at the International picture:

Now—as was the case a year ago—the situation in the Middle East is far from satisfactory. It continues as a sort of "open powder keg" which might erupt at any time. Mr. Dag Hagmarskjold has just completed a good job of "calming down the hot heads," but no important issues have really been settled. Everyone involved is unhappy and suspicious—but, even so, we do not expect any serious trouble to develop in that area during 1958. Border clashes and raids, yes—but a big war, no.

On the Sputnik front, the rivalry between Russian and Free World scientific development will be greatly intensified, but we doubt that it will lead to war. In fact, I am personally rather inclined to believe that just the reverse may be true—both sides

Continued on page 45

Consumer Credit Policies For Bankers in 1958

By THOMAS C. BOUSHALL*

President, Bank of Virginia, Richmond, Va.

Virginia banker lists significant considerations affecting bankers' consumer credit policies in the coming year, and suggests criteria to prevent either over-cautious or excessively lax credit terms. Mr. Boushall expresses his satisfaction that the recent Federal Reserve Board consumer credit study rejects qualitative controls, and warns his fellow bankers to acquit themselves well so as not to invite or provide any excuse for qualitative restrictions.

Let us face some economic facts as best we can determine them.

The first one is that there is a consensus that the 1954-57 boom has ended.


Thomas C. Boushall

The second fact is that business in the first half of 1958 will be lower than in the first or last half of 1957.

The third fact is that there is the beginning of an easier money climate with apparent assurances that the Federal Reserve, heretofore seeking to halt inflation, is now equally determined to use its monetary machinery to temper any substantial degree of deflation.

A fourth set of related facts is that President Eisenhower's uncertain state of health unsettles confidence throughout the world as to the positive and effective leadership of our national administration, that in turn leaves open to question the free world's position in the present cold war; that situation opens up the issue of added defense spending that may result in a rise of our Federal national debt; may result in our resort to deficit spending; may cause added Federal appropriations to meet any appreciable rise in unemployment; and, because labor leaders are putting their individual membership's apparent welfare ahead of the health of our national economy and the profitable conduct of the corporations that employ labor, we may face a price rise that can impede public buying of the products of these companies and accelerate the prospective economic downtrend to the detriment of all concerned.

The fifth fact is that banks presumably will have ample funds to finance the business and individual credit demands that are likely to be requested in 1958 irrespective of whether the rates of interest on such borrowings remain constant or go lower.

A sixth fact that bears on this part of our overall discussion is that with respect to consumer credit, the Federal Reserve Board, in May of 1957, issued a most significant and basic policy statement, namely, that after exhaustive research the Board had concluded that a quantitative control of the volume of consumer credit would be more appropriate and more effective than the previously adopted policy of qualitative control as expressed in the administration of Regulation W.

The seventh fact, pertinently significant, is that since the year 1955, when there was an explosive burst of consumer buying on instalment terms, there was a downtrend of the net increase in 1956 and 1957 with a corollary implication that in 1958 there is most likely to be a net reduction in outstanding instalment credit as opposed to the increase of

5.5 billion in 1955
2.5 billion in 1956, and
2.5 billion in the 12 months' period that ended Sept. 30, 1957.

All consumer credit, which includes charge accounts at stores and for other services, plus single payment bank loans, began to lose momentum as to the strong increase as follows:

Net gain for all consumer credit outstanding in 1955 was 6.4 billion.

Net gain for all consumer credit outstanding in 1956 was 3.2 billion.

Net gain for all consumer credit outstanding in 1957 (twelve months' period ending Sept. 30, 1957) was 2.9 billion.

The eighth relative fact is that as at Sept. 30, 1957, all consumer credit stood at $43 billion; of this, store service and single payment loans to individuals stood at $9.8 billion; thus net instalment payment credit stood at $33.2 billion.

The ninth significant fact is that at the most recent estimate available the income of the American people was running, in 1957, at the annual rate of $345 billion, with a net disposable income of $298 billion; a total individual and governmental debt of $515 billion, or $3,014 for every man, woman and child in this country. This total does not include corporate debt but only that of the Federal Government ($270½ billion as of Nov. 30), state and local governments ($52½ billion as of June 30), home mortgage debt ($150 billion), and consumer debt ($43 billion).

A basic part of this ninth fact is this: historically (so long as the records have been kept, namely, from 1929 through September, 1957), the American people have utilized consumer credit as an assist in buying consumer goods that require a period of months to liquidate the rest of the purchase price, in an outstanding amount that has approximated 10% of the annual income of all the people. That is to say, when the total income back in 1933 and 1934 ran to a total of some $35 billion outstanding, instalment consumer credit ran to $3.5 billion. It has fluctuated — except for the war years of 1942-1945 when there were but few available durable or hard consumer goods to buy on a time payment basis—from a low of 8% to a high of 11%. It will be noted from the above figures that in 1957, with an annual income of some $345 billion, instalment consumer credit outstanding was $33.2 billion, or 9.3%.

If, then, we have a lowering of our national income, there could occur a reduction of outstanding instalment credit perhaps in direct ratio to that lowered income. It is possible that if the American people become apprehensive as to the degree to which the economy may recede before it corrects the trend and turns up again, there may be an even further reduction in the percent that outstanding consumer credit bears to the total national income.

The tenth and last fact is that Russia's putting Sputnik into outer space has rocked the American people out of their complacency related to our free

*An address by Mr. Boushall before the Credit Policy Conference, Virginia Bankers Association, Richmond, Va., Dec. 12, 1957.

world's leadership and our supposed superiority over anything that Russia could do. Hence a jittery Republican Administration and a jealous Democratic opposition can cause us to adopt and pursue rash public policies that can be most disturbing to our economy. There can be a possible resumption in 1958 of unsound inflationary trends that had just now seemed to be coming under control.

Bank's Responsibilities

In addition to this list of significant facts, there are many presumptions and assumptions that have great bearing on the prospects for the extension of consumer credit, its use and management in 1958. These presumptions and assumptions can afford some fair measure of the outlook for 1958. They indicate responsibilities of bank managements in meeting with and measuring up to the proper role of the banking fraternity as essential participants in and contributors to the cushioning of the impact of a terminating boom; a leveling out at a non-disastrous plateau; setting the scene for a resumption of the characteristic upward expanding movement of our cherished free private enterprise system to which we are all so passionately and irrevocably dedicated.

These presumptions and assumptions are that a boom getting out of hand and inflation threatening the soundness of the value of our dollar calls for restraint in making credit too freely available on too lax terms, which tends to develop an unrealistic demand for goods beyond the realistic capacity of our industrial machinery to produce adequate goods to meet this self-generated excess of demand. And corollary thereto, we have the history proved, valid presumption that if private enterprise, including credit managers and factory managers, does not find it wise itself to correct this mushrooming and unsound trend, then Government, representing the overall will and presumptive wisdom of the people's elected public servants, will step in, take over, and correct those trends by the exercise of Federal power and the machinery it has developed to do so.

A corollary assumption to this presumption is that labor leadership, industrial management, and private banking trustees would be foolish beyond conjecture unless each in his own field, and in concerted action, first recognized and set about adopting measures to avoid the possibility of this catastrophic prospect; and by anticipatory action proved the control, the statesmanship, and the wisdom that lie inherently within the managerial intelligence of all sectors of our private enterprise system, vis-a-vis the dictatorship of a socialistic or a Facist master state.

An added assumption, based on historical fact, is that consumer credit has now become a concomitant, integral and vital part of the American economic process of production, distribution, and consumption; that has by the development of the instalment payment credit machinery of our financial area made possible the attainment of the highest per capita level of production of hard and soft consumer goods, and their acquisition and use, that the world has ever known. This achievement has run to a greater degree than earlier economists, politicians, social planners, or wild dreamers ever believed to be attainable within an added century of the date of our actual achievement.

In 1934, assuming that an emphasis on consumer credit on the instalment payment basis could create and stimulate a rising level of employment to get the American economy sparked and going again, the Federal Government inaugurated many programs to bring about as universal as possible acceptance, adoption and use of this concept. The Government guaranteed the consequent loans of the people to encourage and assure lenders of safe entrance into and use of this heretofore questioned field of finance.

Such was the success of that stimulating concept that when World War II, and later the Korean Police Action came, the Government stepped in to temper the extent of the use of this now popular machinery and to restrain its use to prevent an excessive demand for civilian goods in a war economy. In turn these restraints were removed in each following era of a non-war economy, to the end that the use of consumer credit would restimulate industrial production and universal public consumption.

With all this background of where we have come from, where we are, and what we face, there are two questions to propound, the answers to which may fairly indicate the role of banking related to consumer lending in the year ahead.

Bankings' Responsible Role

The first question is: If presuming, as I do, that the economy will be in a definite downtrend in the first quarter of 1958, and perhaps a modifying of that downtrend in the second quarter; a leveling out of that trend in the third quarter, and a possible reflection that the trend has been perceptibly turned upward in the fourth quarter of 1958, what is our role as bankers, what should be our attitude, our response and our responsibility in the management of extension of consumer credit?

The second question is: Can banking, in fulfilling its proper responsive role under the first question just propounded, gain stature in the eyes of the public; can banking gain in public confidence as to its quite proved, deep social sense; can it show an ability to bulwark the free functions of the private enterprise system; can banking truly prove that it has risen to a level of broad statesmanship in managing the liquid wealth, i.e., the time and demand deposits of the people, in a properly restrained but constructive and stimulating manner?

Pressures to Lower Credit Standards

We can anticipate that in early 1958 the public will be more widely conscious of the fact that our recent boom is at an end and that there may be further downtrends before correction occurs. This in turn will cause a vast number of people to become apprehensive that they too may be forced to join the rising ranks of the unemployed. They may fear that they will be subjected to a lower income status, shorter hours, lack of overtime work and possible intermittent layoffs. Financial history tells us that when this climate develops, a wave of cautionary buying develops, particularly in those cases where forward long-time (a year, two years or three years) contracts are required for the liquidation of the unpaid balance of the proposed purchase of hard consumer goods.

The natural consequence of this self-protective timidity of instalment purchase, particularly of

Continued on page 45

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.

Automation Instruments Inc.—Analysis—Oscar F. Kraft & Co., 530 West Sixth Street, Los Angeles 14, Calif.

Bond Survey 1957—Halsey, Stuart & Co., 123 South La Salle Street, Chicago 90, Ill.

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

Cement Industry—Review with particular reference to **General Portland Cement** and **Alpha Portland Cement Co.** — Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also in the same circular is a study of the **Construction and Construction Maintenance Industry; Gypsum Industry** (with particular reference to **U. S. Gypsum Co.** and **Bestwall Gypsum Co**); **Asbestos, Asphalt Roofing, Wallboard Industries** (with particular reference to **Masonite Corporation, Flintkote Co., Certain Teed Products Corp., Celotex Corp.** and **Ruberoid**); **Plywood Industry** and **Georgia Pacific Corp.** and **U. S. Plywood;** and **Sherwin Williams Co.**

Electric Utilities in 1958—Review — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Electrical Machinery Manufacturing Industry in Japan—Review in current issue of Nomura's Investors Beacon—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also in the same issue are discussions of the Japanese Bond issue market and the Shipping Trade.

Electric Utilities Stocks—Survey—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. In the same survey are data on **American Gas & Electric Co., Commonwealth Edison Co., General Public Utilities Corp., Interstate Power Company, South Carolina Electric & Gas** and **Union Electric Company.**

Insurance Stocks—A reappraisal—Robert H. Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

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

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

New York City Banks—Comparative statistics on 10 largest banks in New York City—Bond Department, Bankers Trust Company, 16 Wall Street, New York 5, N. Y.

New York City Banks—Review of net operating earnings—M. A. Shapiro & Co., Inc., 1 Wall Street, New York 5, N. Y. Also available is an annual study of New York City bank deposits.

New York City Bank Stocks—Comparison and analysis of 1957 earnings of 13 New York City bank stocks—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

1958 Railroad Outlook—Study—Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Outlook for 1958—Analysis with particular reference to **Electric Utility, Electrical Equipment, Chemical, Rubber, Paper, Petroleum, Metal and Glass Container, Steel** and **Automobile** industries—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

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

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Alpha Portland Cement—Data—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular are data on **Chesapeake & Ohio.**

Bausch & Lomb Optical Co.—Memorandum—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

Calgary Power Limited—Detailed report—Cochran, Murray & Hay, Dominion Bank Building, Toronto, Ont., Canada.

California Electric Power Company — Data—Oppenheimer, Vanden Broeck & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **Great Atlantic & Pacific Tea Co. of America, Transamerica Corporation** and **Wilson & Company, Inc.**

Chesapeake & Ohio "Flash Report" for 1957—Chesapeake and Ohio Railway, 3809 Terminal Tower, Cleveland 1, Ohio.

Cuno Engineering Corporation—Analysis—Joseph Walker & Sons, 120 Broadway, New York 5, N. Y.

Dewey Portland Cement Company—Report—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

Ekco Products Company—Analysis—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

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

Florida Power & Light—Analysis—Dreyfus & Co., 50 Broadway, New York 4, N. Y.

Food Machinery & Chemical Corp.—Analysis—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

General Public Utilities—Survey—Abraham & Co., 120 Broadway, New York 5, N. Y. Also in the same circular are data on **National Gypsum** and **United Biscuit.**

Iowa Southern Utilities Company—Analysis—New York Hanseatic Corporation, 120 Broadway, New York 5, N. Y.

Lone Star Steel—Report—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

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

Montgomery Ward & Co.—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **Union Oil Co. of California.**

Ohio Oil Co.—Memorandum—Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **Union Electric Co.**

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

Standard Oil Company of New Jersey—Review—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. Also available are brief reviews of **Columbia Broadcasting System, Inc., Middle South Utilities, Inc., Philip Morris, Inc., California Water & Telephone Company** and **Grinnell Corp.** and a study of the **Real Estate Bond and Stock Market.**

Sterling Drug—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is the "Pocket Guide" with a discussion of 20 candidates for dividend increases, and the current issue of "Market Review" with three sample portfolios.

Sun Oil Company—Booklet of pertinent facts and historical data—Sun Oil Company, Philadelphia 3, Pa.

Temco Aircraft Corp.—Memorandum—A. C. Allyn & Co., Inc., 122 South La Salle Street, Chicago 3, Ill.

Turbo Dynamics Corporation—Review—Simmons & Co., 40 Exchange Place, New York 5, N. Y.

NSTA Notes

BOND CLUB OF SYRACUSE

The Bond Club of Syracuse will hold its annual dinner meeting and election of officers Jan. 20 at the Hotel Syracuse. Edward T. McCormick, President of the American Stock Exchange, will be guest speaker.

ATTENTION STANY MEMBERS

The Wall Street Industry's Blood Bank has made arrangements for a Red Cross Bloodmobile Unit to be at the Sub-Treasury Building, Pine Street entrance, on Jan. 13, 14 and 15. The Security Traders Association of New York is a division of this blood bank and the members are being urged to make up their deficit and trade a pint of blood for that good feeling of knowing they have helped someone less fortunate.

Continued from page 2

The Security I Like Best

decline of the past four months to establish a low of 68½. I believe much of this latter decline was induced by tax-loss selling and as that pressure is relieved somewhat with the recent recovery in the market, the stock has responded quite vigorously on the up-side to current levels of around 76½.

The dividend of $3.00 per share has been paid regularly since 1949 at this rate and yields approximately 4% at the current market.

I believe that this is a very attractive price for this important Chemical Company and that the patient holder will not only receive a very attractive return for this growth chemical, but will enjoy substantial capital appreciation over the next four or five years as the whole market advances to new historic highs.

Cartwright, Valleau Formed in Chicago

CHICAGO, Ill. — Cartwright, Valleau & Co. has been formed with offices in the Board of Trade Building to act as specialists in insurance stocks. Principals of the firm, which is a member of the Midwest Stock Exchange, are Levering Cartwright, Harry O. Valleau, Roger Q. White and Wayne W. Olson.

Milwaukee Office for McMaster Hutchinson

MILWAUKEE, Wis.—McMaster Hutchinson & Co., members of the Midwest Stock Exchange, have opened a branch office in the First Wisconsin National Bank building under the management of Fred D. Jenkins. Charles W. Brew, Henry E. Schlass and Robert E. Schwab have also become associated with the new office. All were formerly with Brew, Jenkins Company, Inc.

COMING EVENTS

In Investment Field

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

Jan. 20, 1958 (Syracuse, N. Y.)
Bond Club of Syracuse annual dinner meeting and election of officers at the Hotel Syracuse.

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.

Improving Our Real Strength

By ROGER W. BABSON

Of concern to Mr. Babson is our country's "real" strength, and he admonishes the home, school, business and church for making us the "world's worst example of 'training for softness'." Advocates, before it is too late, that we make ourselves tougher, hardier, more industrious and anxious to sacrifice.

I shall begin the New Year by discussing something far more important than stocks, bonds, real estate, or mortgages. My text will be the slogan which President Eisenhower brought back from Paris, namely, "Strength With Peace."

What is strength? We all know that it consists of something far more than and very different from guns, navies, airplanes, or missiles. Yet, these are the things that we read about chiefly in the newspapers and magazines. This is the "strength" which physicists, engineers, and metallurgists are called to Washington to discuss.

Roger W. Babson

This situation must be changed. Yet, my able friend President Killian of my Alma Mater — the Massachusetts Institute of Technology — has been brought to Washington amid much applause to aid in producing such material strength, not the real strength. This whole trend seems cockeyed to me. Neither America nor Russia will win with this kind of strength. I am very serious about this.

Real Strength Comes from What?

Real strength comes from Courage, Faith, Hardiness, and Rejoicing in Sacrifice. Have we got this strength? Are any civil men being called to Washington to instill this strength in our people? Our unbalanced setup is foolish and dangerous. More scientists will not save us. Our missiles, costing millions of dollars each, may be no more effective than the Great Wall of China or the Maginot Line of France.

Instead of training our youth for Courage, the training of our homes, schools, and even churches is for softness. Our manufacturers and merchants advertise "easy living", our schools provide "plush" accommodations; our automobiles must have power steering, automatic brakes, and push-button windows. We are the world's worst example of "training for softness" rather than for strength. (Exceptions are our marines and certain others of our armed services—but these fine men make up only about 1% of our population. Furthermore, these men know nothing of hardship until they enter the service after their habits have been formed.)

Some Examples of Our Foolishness

In recent issues of a great magazine I find these significant advertisements: A "baby nipple which will keep the baby from dirtying its bib or dress." My comment is that when I spilled my food, my hands got a good slap! Another advertisement treats of food which is so ground and mixed that the child does not need to chew! Over 350,000,000 copies of juvenile books were published in 1957, breaking $80,000,000. About one in every three books now published are to amuse children and take them away from TV.

We send our children to school in buses and keep them awake with gymnastics. Children are practically born in automobiles; walking is becoming a lost art. As a result, the retail trade of our cities may be ruined by the parking problem. Finally, youth is no longer getting its social life in such outdoor games as were formerly common, but rather in cocktail parties that leave them a "hangover" which is undermining health, character, and industry. Accompanying this curse, labor leaders state that their motto for 1958 is "Less work, higher wages, and more comforts."

Let Us Study History

All the progress this nation has ever made has been through work, struggle, and sacrifice. Muscles became strong through exercise; learning came by use of midnight oil; morals developed through religion and self-control. Growing strong permitted no furlough from struggle and sacrifice. It was not money or ease which made America. Our great growth came from strength of muscle, mind, and spirit. Softness and luxury are our greatest enemies today.

Why is this not being recognized in Washington? It is true that our President is setting a good example by attending church on Sundays. It is true that the clergy are publishing optimistic statistics and creeds. But what is being DONE by government, schools, or churches to make people tougher, hardier, more industrious and anxious to sacrifice? The best in each of us thrives on difficulties. These can be overcome only by courage and sacrifice. It may be too bad that this is so, but it is true. Let us not learn it too late!

Chicago Inv. Women to Hear Edw. B. Hall

CHICAGO, Ill.—The Investment Women of Chicago dinner meeting will be held at 6:00 p.m. on Wednesday, Jan. 15, at the Chicago Bar Association Lounge, 29 South La Salle Street.

Edward B. Hall will speak on the subject, "A Midwesterner's View of Washington Activities." Mr. Hall organized Harris, Hall & Company in 1935 and served as President of that investment banking firm until it was merged with Dean Witter & Co. in 1953, at which time he became a limited partner of Dean Witter & Co. During his career in investment banking, Mr. Hall was active in the Investment Bankers Association, serving on its Board of Governors as Treasurer and was its President in 1936-1937. During World War II, Mr. Hall promoted the sale of war bonds and held the title of Assistant to the Secretary, U. S. Treasury Department. After his retirement from active business, Mr. Hall was appointed Director of Trade, Investment and Monetary Affairs in the Foreign Operations Administration at Washington. In 1956 and 1957 he served as Consultant in the Executive Offices in the White House, particularly in connection with the work of Mr. Clarence Randall, Chief Advisor to the President on Foreign Economic Policy.

Stein Roe & Farnham Admits Thos. Field

CHICAGO, Ill. — Stein Roe & Farnham, investment counsellors, 135 South La Salle Street, announce that Thomas Field has been admitted to partnership in their firm.

As 1957 Passes We Notice Our Troubles Are Man-Made

By CHESTER D. TRIPP
Economic Trend Line Studies, Chicago, Ill.

Mr. Tripp pinpoints some of the unrecognized mistakes glossed over by the cloak of past ten years of boom, some of them social, political and legal, and others economic, and calls for their correction. Holds our future "is bright without limit" and that our troubles are man-made and, thus, should be cured as soon as detected. How intelligently this is done, the author opines, will determine how much better conditions will look at the end of 1958.

We have come to the time of year when it is our custom to briefly review the trends of the year we are just finishing and try to project those trends, or the effects of them, into the next year.


Chester D. Tripp

The year, 1957, leaves the American people with emotions greatly mixed. The year opened like a lamb and, to say the least, is going out like a lion. The change has been sudden and dramatic but I think the trends that have made the change were inevitable and have been apparent for some time. It has been a year of rather boundless and rotating enthusiasms. The country started full of optimism and, based on that optimism, we have carried out the greatest capital construction program on record and as a people have gone further into debt than probably we or anybody else ever did.

From top to bottom there has been a sort of thoughtlessness in the air. One hundred seventy million people never owed so much money or, until a few months ago, ever felt more secure about their future. It seems as though we literally had two chickens in every pot and that the American standard of ever-expanding living was here to stay.

As the year closes, a number of misgivings have raised their ugly heads. In the first place, the whole question of segregation had come to the fore. Districts, states and even cities were divided. Philosophically, almost every American realized that segregation was anachronism in a democratic community, but clearly we were facing one of those great social imponderables where prejudice, custom and the law of the land were at loggerheads. Many of us began to realize that we were on the verge of facing an impossible task of solving moral and social problems by legalistic methods. Our misjudged experiment in prohibition was so far behind us that the lessons thereof had been lost. Yet as an idealistic people, in theory we were against sin, generally favored prohibition and abhorred segregation. This exceedingly involved problem that we faced in the dying year seems more social and moral than economic in nature, but as time unfolds we may find that there are some profound economic aspects to the problem that we would not have recognized a year ago.

Discovering Mistakes

The final months of 1957 certainly showed a decline in individual well-being in many quarters, and it is dawning on many that perchance we are finishing a 10-year boom where numerous economic mistakes went unnoticed because they were submerged in the rising tide of prosperity. How much time or suffering will be involved in skimming off these errors is hard to say, but it can be stated categorically that the mistakes were man-made, generally the result of ignorance, stupidity or selfishness. The price we will eventually pay for them depends on how much wisdom and intelligence we can apply to the problems we have brought on ourselves. I think it is safe to say that, if we could assume that we would act wisely, we could consolidate many of our gains and easily repair some of the unsound trends that 170 million people have given way to. Is this a reasonable expectation?

As 1957 comes to a close, the average American is very sensitive to the fact that manmade satellites were actually circling our globe and almost hourly violating the air rights that we have assumed to be ours.

The accomplishments of Russian scientists is a matter of enormous scientific interest, but the accomplishment of Russian propaganda is of even greater social interest. To read our papers and to hear many of the men in public life speak, you realize that we are on the verge of a public hysteria that may express itself in national expenditures in the months and years just ahead of us, expenditures that may go a long way to prove Lenin's theory that the capitalistic economy will eventually destroy itself by the unwisdom of its acts.

From a Russian point of view, what could be more perfect than to realize that our expanded economy was beginning to recede and have this phenomena properly timed with an urge to increase national spending on a presently unknown but probably substantial extent? This is a particularly interesting combination when we realize that election year is not too far off and that the great forces of democracy expressing itself in politics is about to encourage expenditures far beyond the point of good judgment.

I wonder how different things might have been five years from now if President Eisenhower could have felt free to wire congratulations to the Russians and then quietly gone to work on our own scientific problems instead of having the facts turn out as they did wherein we have announced to the world the inferior complex that we feel at the very thought of Russia being first in this one matter of scientific gadgetry. There is nothing in our record tha really looks as though we are short of scientists—as a matter of fact, we have larger technical staffs than all the rest of the world together. To be sure, like everybody else, we could use more scientists. I think this will always be true, but I still cling to the old-fashioned idea that what the world really needs is more broadly educated people who, through wisdom, keep their sense of proportion and, therefore, have a broader view of what mankind's real problems are.

Entering 1958

We will enter 1958 with larger inventories, larger debts and larger productive capacity per capita than any people have ever known. We also enter the new year with large ideas of what the government, our neighbors and life in general owes us in the way of a living. Forty million of us are well versed in getting something for nothing. Little matters of billions show up in the government figures, under the head of transfer payments, in other words, expenditures without compensating contributions. We also face the new year with a strong belief of built-in protection for the individual, protections that originally were based on sound objectives, but unfortunately over the years have gone far astray.

As the year 1957 closes and 1958 opens, I cannot help but feel impressed with the field day the demagogues, politicians with their ears to the ground, and opportunists handling industrial voting blocks in the country, will have facing the months ahead. At the same time, I realize what a difficult future a real statesman has to face, and I say statesman in the broadest sense of the word. He may be a senator or a congressman, a business executive or a union leader, but if at the same time he aspires to being a statesman, he faces greater difficulties than he did a few years ago.

For months we are going to have a great clamor for more credit, particularly from bad risks and from little business. Yet the main reasons for this clamor is that we have gone too fast and we have already borrowed too much. The basic problem we face is to get back to normalcy, but who can define normalcy? To a statesman it is one thing, but to a group under great pressure it is something else, and that something else for many people is to continue the good old days a little further, rather thoughtlessly of ultimate consequences.

The year 1958 will give us a great choice of palliatives. Many of them old, tried and found wanting. But a voter or a hard pressed borrower being human is quite prone to listen to the advice that seems to relieve his immediate difficulties.

Railroads' Plight

We face a real problem with American railroads. I think we all agree that they are vital to the country's well-being, they are big users of material, and employers of labor, but all is obviously not well. At the present moment they need nursing more than manhandling. The railroads are institutions that are half slave and half free. They are governed by a series of laws and by a Commission whose rules and point of view are based on a half century ago when the railroads were the prime movers of our commerce. Is it surprising that they are in difficulty under circumstances that have made them highly competitive, not between themselves, which was our original concept, but between several other forms of transportation, all important, some somewhat subsidized, but in the main, creating an economic atmosphere unknown a few years ago?

Another subject that calls for much wisdom, and some radical change, is the relationship between unions and the public. We can say with some satisfaction that steps are now being taken to clean up the graft, misuse of union funds, but are we willing to touch on the misuse of union power? Here, in certain ways, we have a legalized monopoly that deprives workers of freedom to act and is able to incorporate its demands into the price structure of the country. I have no doubt that if these trends get bad enough, they will be cured by the insistence of the public, but at the present time, no solution is in sight.

One might also ask — is our

banking mechanism understood well enough by the public to keep it out of politics? Too many people feel that banks are lending their own money and, therefore, should be under pressure to be a little big-hearted. The facts are that banks are lending the public's money and the banks own capital should be considered only as reserves. It is the people's deposits that are up for loan and we would be better off if we thought of the banks purely as custodian for these funds and encouraged under the law to dispense them in a safe and sane manner.

One other point worth mentioning before we close this tiresome list, and that is the current concept of the Department of Justice on controlling operations in terms of size and not monopoly. Is there any real logic in such a shift of point of view? I do not presume to have the answer but I gravely doubt the wisdom of the change. It may have a good deal of bearing on the obvious hesitance that faces industry in the coming year.

Last but not least, a word should be said about our tax situation. Hasn't it grown like Topsy and simply been kept without much change solely for the reason that we need the money? There is no question about this latter point, but there is a grave question as to whether we are getting it in a logical way. Over 75% of the taxtake is based on incomes, corporate and individual, and these are two variables that could suffer extreme temporary recessions. No country in the world even approaches us in raising such a large percent of tax requirements from income. A recession would make us and has made us extremely vulnerable to mass shifts in the national industrial activity. It is a fair question to ask whether the main trouble, with so-called little business, is that they have been so drained by taxation that they could not expand logically without incurring too much debt and thereby becoming very vulnerable to minor changes in the economic cycle.

Correcting Manmade Mistakes

The queries seem pessimistic simply because of their magnitude, but they represent the problems that statesmen in all walks of life have to face and try to solve. It is not in the spirit of pessimism that I mention this but our well-being depends on their being somewhat resolved. I, therefore, state again that the best way to handle the road ahead in 1958, or longer is a reasonable recognition of our social acts that have caused the trouble. Ten years of boom and rising prices have smoothed out many a bump in the road that we have been following and as the accumulations of error increase, adjustments can become depressions simply through the lack of wisdom in handling our social, political and legal mistakes of the past.

The troubles that we see on the horizon are not only due to Russia, or Sputniks, or lack of scientists, they are far more fundamental — due to organizational mistakes that the ordinary workings of democracy naturally generate.

On the other hand, the future of America is bright without limit. In the main, we have the richest country on the face of the globe, teeming with people willing to work and fired with the ambition for better ways of life. All these aspirations are reasonably possible and in closing it is well to keep in mind the old saying that—in the main, all our troubles are man-made—and the most important thing we could do is to cure our social errors as soon as they can be really detected.

Predicts Economic Trends

A few very personal guesses on economic trends for 1958 would seem to be in order:

Bank Loans should recede throughout most of the year and money rates would react to this trend by becoming easier.

National Income will probably recede, corporate earnings will be under considerable pressure as adjustments are made.

Inventories should recede for a considerable period.

Employment will be spotty with a tendency for working hours to decrease with an accompanying decrease in takehome pay.

Federal Government will do all in its power and possibly more than in its power to reproduce the sunshine of a year ago.

Federal Government Budget on the expenditure side will remain high, could increase; however, declining national income could reduce the taxtake materially. A deficit in the national budget is not improbable for the 1958-1959 fiscal year.

Conditions at the end of 1958 might look much better, depending largely on how intelligently we can handle the different problems that we face.

D. P. Matheson Opens

GRAND RAPIDS, Mich.—Donald P. Matheson is engaging in a securities business from offices at 2135 Wealthy Street, Southeast under the firm name of Don P. Matheson and Company. He was formerly with R. D. Matheson, Inc.

Wm. J. Riley With E. F. Hutton & Co.

William J. Riley has joined E. F. Hutton & Company, 61 Broadway, New York City, members of the New York Stock Exchange, as co-manager of its municipal bond department, it was announced by Ruloff E. Cutten, managing senior partner.

Mr. Riley, who was formerly with Drexel & Co., investment bankers, has spent the past 30 years in the municipal bond field. He is a member of the Municipal Bond Club of New York and is on the Board of Governors of the Municipal Forum of New York.

Annett Educ. Dir. Of IDA of Canada

TORONTO, Canada—William S. Annett, who has been active in the investment business in Edmonton, has been appointed Assistant Director of Education for The Investment Dealers' Association of Canada.

Mr. Annett, who is a graduate of the University of Manitoba, will join the Association's head office staff in Toronto on Jan. 2, 1958.

Joins Paynter Staff

(Special to The Financial Chronicle)

FT. MORGAN, Colo. — K. L. McGraw is now with Paynter and Company, 114 East Kiowa Ave.

Will Business and the Market Turn Up in 1958?

By PETER L. BERNSTEIN*

Executive Vice-President, Bernstein-Macauley Inc., New York Financial, Economic, and Industrial Consultants

Investment counsel maintains it is not a question of whether we will have a depression, but only of its duration. Asserts the spending urge by businessmen as well as consumers is over. States corporate earnings are moving downward, and because of pressure by excess capacity on the price level, will continue lower throughout 1958. Regards dividend cuts more likely than rises and with the still below-normal spread between bond and stock yields below normal, Mr. Bernstein concludes stocks, particularly the Blue Chips, are still unattractive.

I am going to provide you with an ample supply of gloom this afternoon. But somehow I do have sufficient confidence in the vitality, financial solvency, and political and economic sophistication of the American people to believe that the spectre of 1929 is a pretty dead issue—for the present, at least.

Peter L. Bernstein

Furthermore, although I expect the stock market to sink below its present level, the bottom still may not be so far away in time or even in price. Stocks drop much faster than they go up, and, although they may be slow in reviving after a major decline like this one, it may well be good policy to begin to nibble at the market within a year after the onset of the bear market.

Thus, bearish as I shall appear to you in these remarks, I nevertheless reject the word depression, and, indeed, may well be recommending the purchase of common stocks before 1958 has passed into history.

Now, our first step must be to define the issues. What are we really trying to find out here today? My case is not proved by the simple and obvious fact that business activity is now clearly on a downtrend, for if the decline is to be shallow and brief, then everyone will be feeling a lot more cheeful a year from today than he is right now.

But the case of the optimist is also not proved if business activity in 1958 is only slightly lower than it was in 1957. The duration of the decline is the crucial and critical issue. Unless activity is clearly and vigorously climbing toward new heights by the end of this year, the profit squeeze will become very considerably worse, we will not have enough jobs for our maturing youngsters entering the labor force, and plant and equipment expenditures will shrink still further. Then we could be in for a real mess through a general loss of confidence and running for cover, in which only a very heavy and undesirable dose of Government spending could save the day—and then only if the Government acts promptly enough.

Recovery Time Uncertain

The real issue, then, as I see it, is not how far down we may go during 1958, but whether we will be on the road back up before 1959.

If we admit right off that Government spending is on a rising trend but that, on the other hand, at least six or nine months will be necessary to shake our excessive supply of business inventories down to a more workable level, the basic questions are: (1) What is the outlook for consumer spending, and (2) what is the outlook for business spending on new plant and equipment?

Although I could discuss these two factors separately, spending decisions on the part of both businessmen and consumers today are motivated by much the same influences.

Disappearance of Spending Urge

Essentially, these influences may be summed up by saying that the need and the urgency to spend money are no longer present in the economy. We have finally exhausted the enormous backlogs of demand inherited from the depression and the war, and, to boot, splurged still further as a result of the stimulus these backlogs of demand gave to the economy from 1946 to 1953. Now we are all too generously stocked up with the merchandise and the factories we wanted so badly, while, on the other hand, we have substantially exhausted the financial resources needed to carry forward this very hectic boom.

As one of my clients said the other day, "When I was a boy, we never got a new pair of shoes before the old ones were all worn out. It could be that that attitude is coming back." This is a homely example to illustrate the very bright and absolutely valid quip I read somewhere recently—"Prosperity is the result of spending money you don't have on the things you don't need!"

Now, I hesitate to drown you in a mess of facts and statistics, but, as this is the gist of my argument, I think you should know the evidence on which my argument is based. The evidence consists of five main groupings of facts, some of which follow from one another.

Growth Indigestion

First, we are still digesting and will take some additional time to digest the abnormally rapid rate of growth which characterized the first six or seven postwar years. Not only was the rate of growth extraordinarily high up to 1953—you may be surprised to learn that we have been growing at a **sub-normal rate since 1953!**

If we measure from 1948, which was a business cycle peak, to the next peak in 1953, we find that the total output of goods and services in the United States in physical terms — that is, after adjusting for price increases — grew at an average annual compounded rate of growth of 4.6%—well above the long-term rate of a little over 3%.

Since 1953, however, the rate of growth has been very much less than it was during the period from 1948 to 1953 and even less than the long-term average of 3% a year. It has been 2.8%, to be exact.

The figures for industrial production alone are even more dramatic. The compounded annual growth rate was 5.2% from 1948 to 1953 and only 1.7% from 1953 to 1957.

Thus, we apparently ran too fast up to 1953, and now we must **both** compensate for that excessive rate and also adjust to a more normal pace.

Former Plans Askew

Second, this process of compensation and adjustment is likely to be all the more prolonged because we got so used to the faster rate of growth in the earlier years. The annoying human habit of assuming that the future will simply be a smooth extension of the present undoubtedly has led in this instance to serious errors in business planning. The significant and early warning of a weakening in housing and automobile demand in early 1956 was ignored. Overoptimism has resulted in substantial excess productive capacity and inventories, together with heavy debts and reduced liquidity. Manufacturing industry today is operating at only 80% of capacity, compared with a preferred rate of something over 90%.

This excessive capacity to produce together with the burden of outside inventories will keep the pressure on the price level downward. Supply, in other words, is well in excess of demand at present prices. Ultimately, an adjustment to a lower price level could be very much to the good, but meanwhile it is hardly a bullish factor.

Most important, I believe it will lead to cutbacks even sharper than those now contemplated in plans to spend money for plant and equipment. Such plans depend essentially upon rising profits, and in our postwar economy, rising profits have been concentrated in years of rising prices.

Since 1946 corporate profits before taxes have just about doubled—but all of this was accomplished in 1947-48, 1950-51, and 1955, years when the price level was climbing fast. In the six other postwar years, profits have been only steady or have declined.

Consumers Overstocked

Third, consumers, too, seem extremely well stocked with goods. There should be little wonder, in the light of all the things that have been bought in the last 10 years, that homebuilders and automobile and appliance manufacturers are having a hard time of it. Just think of it—in the past 10 years we have turned over 60 million cars — more than double the number of cars on the road in 1945! More than 10 million nonfarm houses have been built in the same 10 years—enough to house comfortably the populations of New York, London and Moscow combined!

There is further evidence that consumer spending may show less vitality in the future. Between 1929 and 1941, there was an extremely close relationship between the income consumers had available after taxes and the

Continued on page 35

*A talk by Mr. Bernstein at the Luncheon Forum of the Harmonie Club, New York City, Jan. 4, 1958.

Another Look at Government In Collective Bargaining

By NATHAN P. FEINSINGER*
Professor of Law, University of Wisconsin
Former Chairman, National Wage Stabilization Board
Impartial Umpire for General Motors Corp. and U. A. W.

Fearing still more governmental intervention lies ahead, national labor authority warns that if strikes are held to be harmful to the economy and Congress prohibits them then "that means compulsory arbitration . . . and wage and price controls . . . which are abhorrent in a free . . . economy. . . . But we cannot eat our cake and have it too." The G. M. C. and U. A. W. impartial umpire wants responsibility for controlling labor demands to remain that of labor and management, *via* collective bargaining; wonders whether all scholars agree unions cause inflation and are too powerful and, if so, whether Congress can come up with the answers after unions have been "cut down to size"; and suggests greater self-confidence on part of management when convinced it is right.

The role of government in a democracy is to resolve conflicts among individual and group interests to the extent necessary to protect the public interest, using the minimum degree of compulsion necessary to that end. The decisions of government must often be based on a choice of competing values. In the field of labor-management relations, the dominant public interest lies in the preservation of industrial peace, and protection of the individual worker against oppression. At the same time, the public has a vital interest in encouraging free competition between labor and industry as elsewhere in our economic society. When these values conflict, as they sometimes do, the problem of striking a proper balance is a difficult and delicate one.

Nathan P. Feinsinger

Free competition implies the right of labor to strike and the right of management to resist. It implies the right of unions and management to negotiate agreements on wages, hours and working conditions according to their own standards, to establish their own system of adjusting disputes arising under such agreements and to choose their own means of enforcement. The process of collective bargaining, then, is governed by considerations of cooperation as well as competition. Competition may lead to strikes affecting industrial peace. Cooperation may lead to injustices to individual workers. Either may lead to inflation. Since these are matters of public concern, what role should government in all its branches play in the collective bargaining process; what role has it played; and what role is it likely to play in the forseeable future?

I should like to discuss these questions against the background of the Wagner Act of 1935, World War II, the Taft-Hartley Act and the Korean crisis, and some recent or impending developments.

I

The Wagner Act of 1935

Prior to the 1930's, the courts, rather than Congress or the state legislatures, played the principal role in the regulation of labor-management competition. The net effect of judicial intervention was to hamper the growth of unions through restrictions on strikes, most notably by the unrestrained use of injunctions.

In the Norris-LaGuardia Act of 1932, Congress not only limited the use of the injunction in labor disputes, but also indicated a general belief that neither legislation nor litigation was a fruitful means for adjusting such disputes. Government intervention, it was felt, should be limited to the prevention and punishment of acts of fraud and violence.

Organized labor, at least, was happy with this indication of a governmental "hands off" policy. Almost immediately, however, labor commenced a drive for the Wagner Act, thus obviously seeking a departure from such a policy. By that Act, adopted pursuant to its power to regulate interstate commerce, Congress undertook, through compulsion on employers, to insure the right of unions to organize and to bargain collectively. It reasoned (1) that disputes over such issues caused strikes which burdened commerce and (2) that collective bargaining would tend to produce agreements for fixed periods which would promote industrial peace and stability.

Congress did not attempt to **compel agreement.** It left labor free to strike and management to resist if negotiations became stalemated. Congress did not attempt to control the **procedure** of collective bargaining, nor to determine the **contents** of collective bargaining agreements, except to prohibit the negotiation of a "union shop" agreement in any form except with a majority union. Congress did not attempt to regulate **the conduct of unions** towards their constituents, towards those whom it sought to organize, or towards employers. At least in theory, Congress simply brought the unwilling employer to the bargaining table and left the parties free to carry on from there.

It must be difficult for the new generation to appreciate the revolutionary character of the Wagner Act, despite the precedent of the Railway Labor Act of 1926 and 1934, in its impact on our industrial society. By a single stroke, unilateral control of the employment relation by management in vast segments of unorganized industry was changed to bilateral control. The capacity of American management to absorb the shock is a tribute to its strength of character, its adaptability and its regard for law.

Many disturbing questions lay ahead. Would collective bargaining really bring greater industrial peace? Would the economy of the nation, which American industry, without extensive participation by organized labor in the determination of wage levels, had nurtured so successfully, really be better off? Would the dignity of the individual worker really be enhanced by emancipation from complete control by his employer, or would he ultimately find himself subject to being mistreated by two masters rather than one? Would government really maintain a "hands off" policy after the parties had sat down at the bargaining table?

II

World War II

The dust had hardly settled on the scene of the legal battles over the constitutionality of the Wagner Act when World War II began to loom on the horizon. Girded for economic war at the bargaining table—a fair description of the attitude of the parties through the remainder of the 30's — labor and management were called upon to cooperate in fighting a common enemy. Some mechanism had to be found to substitute temporarily for the strike as the leveller in collective bargaining. The first mechanism, the National Defense Mediation Board, fell apart with the impact of the closed shop issue. The President proceeded to call a conference of leaders of labor and management, who agreed that all labor disputes affecting war production would be submitted to a tri-partite War Labor Board with authority to issue "directive orders." Later, when inflation became a problem on a par with the problem of strikes affecting war production, the Board was vested with authority to stabilize wages, as a counterpart to the stabilization of prices by the Office of Price Administration (OPA).

Thus, at the moment when newly organized industries were, in many cases, for the first time brought face to face with unions at the bargaining table, government entered the collective bargaining process with a vengeance. If collective bargaining had been firmly established 10 years previously, the impact of government intervention might have been less severe. Coming when it did, its impact can hardly be exaggerated.

Continued on page 36

*An address by Professor Feinsinger at the Michigan State University's Labor and Industrial Relations Center, East Lansing, Michigan.

Trends of British Stock Market

By PAUL EINZIG

British economist analyzes forces serving to lower price of equities and provide firm tone to Government loans, and predicts former will be appreciatively lower and latter higher in six months' time. Dr. Einzig credits halt in price rise to Government's timid disinflationary measures, reinforced by drastic Bank rate rise, and falling cost of raw material. Reports widespread feeling of possible dip in next two years, but no severe recession, and that this time a moderate U. S. A. recession is liable to affect markedly British business conditions

LONDON, Eng.—The London Stock Exchange witnessed in recent weeks two opposite tendencies running concurrently. On the one hand, equities were inclined to continue to drift downward, even if the movement was moderate and hesitant. On the other hand, Government loans have been quietly firm. It seems reasonable to expect that these conflicting tendencies will continue for some time to come and may even develop into major trends. For, while the prospects of equities are far from encouraging, those of Government securities justify a fair degree of optimism.

Paul Einzig

Beyond doubt, the firm tone of the Gilt-edged market is largely explained by the pessimistic outlook about equities. For years there was, until September, 1957, a growing trend towards switching investments from Government loans into equities. This was due in part to the growing realization that the real purchasing power of the interest and principal of fixed interest bearing securities was depreciating fast as a result of the relentless rise in prices, and in part to the assumption that the expansion of production, prices and profits would ensure steadily rising dividends on industrial equities.

Moreover, Government stocks fluctuated rather widely in recent years, so that they came to be regarded as being practically as speculative as equities. Indeed, while the range of their fluctuations was not so wide as that of equities, their long-range trend pointed distinctly downward, so that their holding appeared to entail speculative risk without compensating advantages. In the circumstances first-rate industrial equities came to be looked upon as much safer investments than Government loans. More and more investors of a highly conservative type switched over to equities, and there was a real danger of a general flight from the Gilt-edged market.

There can be little doubt that, had it not been for the increase in the Bank rate to 7%, such a flight would, in fact, have taken place in the autumn. The increase in the Bank rate and the other disinflationary measures affected Government issues in two ways. They gave rise to hopes that, after all, the inflationary spiral might be brought to a halt, so that the depreciation of the real purchasing power of money invested in Gilt-edged securities would be interrupted. It was the continuous character of the rise in prices which was mainly responsible for the demoralization of the Gilt-edged market. More and more people felt impelled to abandon hope that this process would ever be halted let alone reversed. With a cautious revival of such hopes the prospects of Gilt-edged securities have improved.

Dip in Next Two Years

At the same time the disinflationary measures gave rise to growing doubts and fears about business prospects. Even though a severe recession is not widely anticipated, there is a widespread feeling that during the next year or two it will not be so easy to earn large and growing profits as it was during recent years. Even though the Government's measures merely aim at preventing a further expansion, the possibility that some industries may have to cut down their output and/or their prices is borne in mind.

The Government's timid disinflationary measures would not in themselves have produced such effect. But since the increase of the Bank rate the Government clearly indicated its determination to resist wage demands in the public sector of the economy. Its example is expected to be followed to a large degree in the private sector. A wage freeze would effectively halt the rising trend of prices, especially as the cost of raw material has been falling, and there is growing pressure by the Government on manufacturers to lower their prices.

It is true, there was an orgy of spending just before Christmas. Most people were holding back their purchases till the last week, as they wanted to see "which way the cat jumped." In the absence of any clear indication whether there would be inflation or deflation in 1958, millions of consumers who usually spread their Christmas shopping over several weeks rushed to buy during the last few days. There was a record expenditure and the note circulation rose to a new record figure. But this outward evidence of inflationary boom failed to bring about a noteworthy recovery in equities.

That consumer demand will be lower in 1958 than in 1957 is taken widely for granted. There are indications that capital expenditure is already declining. In the absence of substantial wage increases there would not be sufficient consumer purchasing power available to maintain the demand at higher prices.

A factor of some importance is the removal of rent control. The resulting increase of rents will transfer some £100 million or more from many millions of tenants to a few hundreds of thousands of landlords. This will mean that, while tenants will continue to pay the same amount in taxation, the amount transferred to landlords will be subject to income tax and surtax which will wipe out more than half of the amount. A high proportion of what remains will be saved by the recipients who, as members of higher income groups, save a larger proportion of their incomes. And a high proportion of what is spent will be spent on luxuries which do not affect the cost of living to anything like the same extent as spending on necessities does. On balance there will be a marked decline in consumer demand owing to the operation of this factor.

Question of U. S. A. Recession

There is also uneasiness among investors about the prospects of the markets in equities owing to the decline in raw material prices, and more especially owing to the prospects of a business recession in the United States. It is true, very few people in Britain expect an aggravation of the downward trend in American business. But it is felt that even a moderate recession is liable to have marked repercussions on British business conditions.

Few people believe that the "miracle" of 1954, when Britain was able to maintain an inflationary economy in face of a business recession in the United States, without any adverse effect on the balance of payments, would repeat itself in our life-time. The reason why Britain got away with it last time was that the American recession was operating in 1954 against a background of an expanding world economy. At present the trend of world economy is contracting. Already several raw material producing countries have decided to curtail their imports.

It is no wonder many investors feel that the right course is to switch back into the Gilt-edged market. So the strength of Government stocks is largely a reflection of the weakness of industrial securities. For each investor who believes that Government loans are inherently strong there must be several who prefer them because they are relatively stronger than equities. But whatever be the reason, the outlook for Gilts is good. Even though a reduction in the Bank rate will benefit both sections of the Stock Exchange, the chances are that in six months' times Government loans will be appreciably higher; equities appreciably lower.

Shearson, Hammill Co. Opens Boston Office

BOSTON, Mass. — Shearson, Hammill & Co., members of principal stock and commodity exchanges, announced over the week-end the opening of an office here under the management of John H. Dean. Situated at 75 Federal Street, this is the 30th branch office in the 56-year-old investment firm's coast-to-coast network.

Mr. Dean was associated with the Boston office of Halsey, Stuart & Co. for 20 years. A graduate of Harvard College, he captained the Harvard football team in 1933.

Clark, Dodge & Co. to Admit E. C. R. Whitcraft

On Jan. 16 Edward C. R. Whitcraft will be admitted to partnership in Clark, Dodge & Co., 61 Wall Street, New York City, members of the New York Stock Exchange.

M. J. Beere to Be Sutro Bros. Partner

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, on Feb. 1 will admit Milton J. Beere to partnership.

With Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — George E. Wright has become associated with Bache & Co., 140 South Dearborn Street. He was formerly with Francis I. du Pont & Co., Reynolds & Co. and Shillinglaw, Bolger & Co.

United States Gypsum Company—Dean of the Building Stocks

By DR. IRA U. COBLEIGH

Enterprise Economist

A current summary of the unique investment values inherent in U. S. Gypsum common.

The past year was nothing wonderful for building stocks as a class. Plywoods had hard sledding, a number of cement shares receded 30% to 50% from their 1957 highs and credit restrictions cut housing starts down to 980,000—the lowest in years. But out of this rather dreary aggregation of down trends the bellwether of the building companies, U. S. Gypsum, has gone along its majestic way with net sales dipping only from $265 million in 1956, to around $250 million for 1957; and with indicated net per share for 1957 only about 20 cents a share lower than a year earlier.

Ira U. Cobleigh

A company that can do so well under the conditions prevailing, and whose stock demonstrated an ability to perform so well in a soggy market—such a company must offer many of the qualities of an ideal investment equity.

The magnitude of U. S. Gypsum operations is not generally understood. USG is the dominating factor in its line turning out about 50% of the annual U. S. production of gypsum plaster and wall board. It operates totally 46 plants in the United States and 8 in Canada, and it has in prospect for this year a complete new gypsum plant just outside of Houston, Texas. This is a strategic location to serve Texas and the Gulf South. It represents a king-size investment (about $10 million) and will be capable of delivering annually 150 million feet of wall board, and 50,000 tons of plaster. The raw gypsum will be supplied at very low water transport cost, from the island of Jamaica where the company has huge deposits, and very low extraction costs. The broad geographical diversification of both plants and owned mineral deposits is supplemented by a diversification of products. The company produces about 20% of the metal laths sold in the U. S., asphalt roofing, insulations, paints, industrial plasters, used in fertilizers and cement, and an assortment of lime products.

The postwar pattern in the gypsum business has a familiar ring to it. First, acute shortage, then some over supply. From 1945 through June of 1956 there just wasn't enough gypsum to go 'round and salesmen did more allotting than selling. In the past 18 months, however, substantial increases in production have come on stream with the result that there is no longer a shortage but rather a capacity to serve 1,350,000 housing starts annually (against the 1,100,000 starts estimated for 1958). This doesn't seem to worry the management at U. S. Gypsum very much, as they have their sights set on the probable increase in demand a few years hence.

In connection with most industrial companies today you hear, increasingly, about the profit squeeze, and the high percentage of plant operation necessary in order just to "break even." The position of U. S. Gypsum on these two points is remarkable. Instead of feeling a profit squeeze USG carried through net income for the first 9 months of 1957 equal to 15.8% of sales; against 15.3% for the identical period in 1956. U. S. Gypsum is one of the very few major industrial enterprises that can break even, while operating at only 30% of capacity. (Present operations are running at about 70%.) In some special way, management here has developed cost controls which have kept the entire organization running at practically maximum efficiency.

Management has been forward looking. It spent $38 million for capital expansion in 1956/7 and will spend $20 million more this year. The money needed will come about $9½ million from depreciation and depletion, and the balance from retained earnings which have been plowed back into a rich corporate treasury. Fact is that, practically for decades, U. S. Gypsum's balance sheet has been an accountant's dream. For example, at the 1956 year-end, current assets stood at $123 million with current liabilities at $40 million creating a munificent net working capital of $83 million. The main worry U. S. Gypsum has about interest rates is in regard to the return on all the U. S. and Canadian Government bonds it owns. If all businesses were as solvent as U. S. Gypsum, we wouldn't need credit men!

In addition to getting a top balance sheet-rating, U. S. Gypsum has racked up quite a record for sustained profitability. It has never shown an operating loss since 1901 and has paid cash dividends, without hiatus, since 1919.

U. S. Gypsum is not a very good client for the investment banking fraternity. It has expanded plant completely from retained earnings (plus depreciation and depletion allowances) and should be able to continue that policy for years without recourse to the security markets. There is no debt and present capitalization consists merely of 8,225,220 shares of common and 87,277 shares of non callable cumulative $7 preferred. Both issues are listed NYSE. The preferred is an authentic blue chip with its dividend earned 63 times over. Selling at 168, it yields 4.1%. The present total of common came into being as a result of a 5 for 1 split in January 1956. The indicated dividend is $2.75 which at 67½ provides a yield of 4%. For those who might complain that this return is a bit on the meager side, let it be remembered that USG is in a long range rising earnings' trend with per share net advancing from $2.31 in 1952 to $5.01 for 1956; and as earnings have risen, the cash dividend has frequently followed suit.

We already mentioned the balance sheet, but we neglected to state that, a year ago, the entire plant assets stood on the books at $142 million. It would probably cost at least twice that to duplicate the total facilities today.

Everyone in the building trades is a bit worried about price structures. U. S Gypsum seems pretty well positioned along these lines. There appears no immediate prospect for price increases in 1958 but, with the exception of rock wool insulations, the prices of all the standard production items should be sustained at least at present levels.

There can be no question about the fact that U. S. Gypsum is one of the most efficient operators in the entire building supply industry. Growth in earnings from here therefore should be expected from increase in sales, over time. What then are the prospects for this increase in gross which, in this company, can be so reliably translated into net? Housing starts this year may increase as much as 10% over 1957. Easier money is releasing not only more funds (and at lower cost) for new construction, but can help provide funds for home repair, renovation, enlargement and remodeling which areas provide a steadily rising demand for USG products.

To be specific, USG has a fair chance to pick up in 1958 the $15 million in sales it lost in 1957, and to project its net per share again past $5. Many economists and business leaders are calling for a significant upturn after the 1958 mid-year, and that's about all USG would need for a resumption of its long term rising trend in gross and net.

Marketwise USG has been one of the really solid performers in recent months. With a 1956/7 range between 51¼ and 69¾, the stock today at 67½ is being given a sort of market Oscar for sustaining so well its profitability through the recession, "breather" or whatever you care to call the down spin of recent months. At 67½ and presuming a $2.75 dividend, the yield is just above 4%. USG, however, should not be judged so much on its immediate yields as its historic record for top-flight management, Tiffany-type solvency, intelligent expansion, financed by ploughed back earnings, fabulous cost control, and over half a century of unbroken profitability. If the markets of the past few months have "separated the men from the boys" then surely USG is one of the men!

George W. Hall V.-P. Of Wm. E. Pollock Co.

Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City, have announced that George W. Hall has been elected a vice-president of the firm.

F. A. Arnstein Jr. Now Partner in Stix Co.

ST. LOUIS, Mo.—Frederic A. Arnstein, Jr. became a partner in Stix & Co., 509 Olive Street, members of the Midwest Stock Exchange on Jan. 2.

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market bumped into inevitable profit-taking at times this week, following the new year rally, but overall buoyancy was still the order of the day and the consensus opinion was that there was still plenty of room for an extension of the rally.

* * *

Concrete indication that Congress will be asked for sizable funds to step up the missile work drastically set off the aircraft-missile items and they were able to save the market when it was dull or irregular.

* * *

Shipbuilding shares were also prominent on strength, largely because some of the funds requested are to be aimed at missile-carrying submarines. The first request of the New Congress for $1¼ billion included a third of a billion for missile development, sites and submarines to carry them.

Optimistic Angles

Government spending is rapidly taking over the emphasis of being what will lift the economy out of its recession, the other important support being consumer spending.

* * *

In addition, there are many individual cases where the promise of good operations is pretty certain for 1958 despite the trend of the overall economy. Chemicals, for one, had their troubles for a year or so but seem to have made the crucial turn now.

Some Earnings Estimates

Earnings estimates are a bit short of being spectacular but if they work out will constitute solid improvement. Allied Chemical's results for this year are estimated at $4.75 against $4.40 or so for last year, du Pont $9 against $8.65 and Union Carbide around $5 against $4.60. If these projections do come near the mark, they certainly are no cause for any more urgent selling in issues that have been cut down well below their recent peaks.

* * *

Westinghouse and General Electric are also in position to boost their results moderately as is General Motors—top names in the market. Chrysler is generally regarded as due for a decline, estimates putting this year's results at $8 to $9 against around $15 for 1957. But the stock never did respond fully to the 1957 rebound and has little to discount. The issue lately has been hovering at around seven-times the estimates for this year which is clearly no sign of speculative excess.

* * *

Apart from the top grade issues and the defense section, enthusiasm was a bit restrained by some unfavorable dividend actions and the expectation that the 1957 earnings reports, due to hit flood tide in a couple of weeks, will show fully how slow the final quarter of 1957 was. So opinion on the market's future for the intermediate term was still a bit guarded.

The Technican Position

The important technical barrier is the November high of around 450 for the industrial average. But the index was toying with this level this week and any decisive penetration would go a long way toward quieting the bearish sentiments and extend the rally potential uphill.

* * *

For a slightly longer-range viewpoint, there is another cloud ahead—the spring selling to raise funds for tax payments. Much of the recession was discounted in the 1957 correction and a good share of funds realized in the year-end tax-loss selling hasn't reappeared in the market so far. But it is moot whether the retained funds will obviate the need for more selling when tax time approaches.

* * *

Standing out a bit prominently were some issues that have been making good statistical progress and have shrugged off the market fluctuations rather successfully, such as American Chicle. Because of the nature of its products, which rely importantly on the teen-age element, plus the fact that this segment of the population is increasing at a greater rate and will continue so for a decade or so, the company has been showing sales and earnings increases. While promotional expenses run high, its operations are highly mechanized and the labor factor is low. It has increasing earnings regularly with the expectation of continuing the trend this year. Its better than 5½% return is on the high side.

Rebounding Rails

Rails were able to participate in the rebound along with the other sections but much of this was viewed as a technical recovery since traffic generally has yet to show any strong upturn. Nevertheless, the beating this section had taken last year was attracting some bargain hunters, particularly the roads that don't have to contend with the large passenger deficits. The Pocahontas coal carriers, for one group, have been holding up well and Chicago Great Western is something of a rarity in that it is expected to show higher earnings for 1957 than for the year earlier.

In addition to the roads with above-average prospects, there are some high-yielding preferreds available, including that of Chicago Great Western which has been available lately at an 8% yield. The road plans to offer holders a bond exchange on the basis of one $1,000 bond for each 20 shares which would be a nominal $50 value for the shares available lately at a shade over $30. There are also two preferreds of the Colorado & Southern that have been available at an 8% level. Moreover, the Chicago, Burlington & Quincy has been aggressively acquiring both as well as the common, and held 43% of the senior issues and 88% of the common at a recent tally, making Colorado & Southern an eventual candidate for a merger or lease operation.

Well-Acting Drugs

One of the better-acting groups for months has been the drug shares. The laggard in this group, at least as far as its price action last year, is Sterling Drug which didn't even carve out a 10-point swing while the rest were alternating in popularity. The impressive results the company has been turning in have had little effect on the market and its better-than-5% yield and growing earnings for the last half dozen years without exception indicate that it has been anything but a speculative pet.

* * *

Sterling Drug, moreover, has not been backward in introducing new products of the "wonder" variety for various diseases and one of its old-time staples, aspirin, is in short supply throughout the world which led to a price increase late last year. The company has been active in new acquisitions, too, adding to its line steadily. Estimates of last year's results indicate that the $1.50 dividend could be covered with an excess of around a dollar a share and there is no sign that 1958 results won't be even better.

[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.]

Wakefield, Carder & Holt

TULSA, Okla. — Wakefield, Carder & Holt, Inc. has been formed with offices at 320 South Cincinnati to engage in a securities business. Officers are Harry H. Holt, President; David L. Carder, Vice-President; and John C. Wakefield, Jr., Secretary-Treasurer. Mr. Holt was previously with Warren G. Morris & Co. and Miller & Co.

Understanding Industry's Role

By LAMONT du PONT COPELAND*

Vice-President, E. I. du Pont de Nemours & Company

Du Pont official sees in public understanding of the nation's problems the key to survival and, in particular, indicates how lack of understanding in economic areas, if not corrected, can "lead to public attitudes toward business and industry severe enough to put a brake on our economic, scientific, social and military progress." Specifically, Mr. Copeland calls upon the press to undertake extraordinary efforts to inform the public fully about bigness in business, proposed progressive income tax on corporations, and capital's role in industrial progress.

Major threats and problems have come up, some of them like flash floods, to harass us in both the international and domestic areas. Our situation has led some observers to wonder if the philosophy on which our way of life rests is not now to be brought to its ultimate test.

L. du Pont Copeland

That philosophy consists, I take it, of these concepts: that the individual citizen has the intelligence and the desire to gain the information upon which important decisions can be based; that he has the judgment and the wisdom to determine what should be done; and, finally, that he has the strength, the courage, and the will to see that the proper course is followed, whatever the obstacles.

If such a test does lie ahead—and the press is better qualified than anyone else to judge whether it does or not—it will be no new thing in the history of the republic. But there is, it would seem, one important difference: we have very much less margin for error. In the past we could, and did, make mistakes of omission or commission without suffering more than temporary embarrassment. Our great land mass, our protecting ocean barriers, our wealth of natural resources, gave us room in which to recover from false steps. We could even afford public indifference and complacency.

Can't Afford Minor Errors

But now it seems we have come to the point where minor errors can involve us in real difficulty, while major ones can be catastrophic. In the international sphere, we have enemies who make no bones of their intention of bringing us to our knees and who have been developing the muscles with which to tackle the job.

The decisions that lie ahead will determine whether education and experience have brought to this country a wisdom that will enable it to avoid the collapse that has inexorably overtaken all earlier democracies—all, without exception. It is not an original thought to say, in this connection, that our intentions will be of little significance. But it is important that we understand it. If we flunk the tests confronting us, it will not matter that we meant well.

Specifically, ignorance is no excuse. And this brings me to grips with what I want to say. As I considered the background I have just been building here, I recalled an observation by one of the greatest of modern journalists, the late Raymond Clapper.

He said that while the press must never underestimate the intelligence of the American people, it must never overestimate their information. Translating this into a modern image, the greatest Univac in the world will come up with the wrong answer every time if the information fed into it is wrong. The analogy to the human brain is precise. Reasoning based on false premises, on inaccurate or inadequate information, cannot possibly produce the correct conclusions.

The implications of this for the press are obvious to me. We recognize that our newspapers must provide accurate and soundly interpreted information in all areas of news coverage. It is hard to escape the conclusion that among the most important of these areas is the operation of our economic system. Specifically, there is good reason to doubt that the public understands as much as it should about the operation of the economic principles that underlie our social, cultural, educational, scientific, and even religious structures. This is important beyond question, for you must have knowledge about its workings if you are going to take proper care of any mechanism.

The average American, for example, approaches the care of his automobile with full and exact knowledge. He knows what kind of oil it should have, what kind of gasoline, the proper inflation of the tires, the most efficient engine temperature. He knows his car will run better, look better, and last longer if it is given proper care.

Information First

Our economic system is a mechanism, too. If people do not know what conditions our industrial machine must have to do its job, then it is impossible to expect them to insist that these conditions exist. Worse, it is very easy for them to acquiesce in the establishment of conditions that would actively impede the efficient operation of our economy.

I emphasize the importance of the job that our industrial machine must do. There is none more important to the future of our nation. This job is, first, to make the major contribution toward keeping our economy on a solid base and to advancing our standard of living; second, to make a major contribution to the peace and security of the nation.

If it were proposed to enact a law requiring governors on automobiles so they could not go faster than 10 miles an hour, people would not stand for it. The reason is simple enough: it would affect the individual in an area where he is interested and where he has strong feelings. He has both information and motivation. But propose that a progressive income tax be imposed on corporations, which would certainly have the effect of putting a governor on the motor of our industrial machine, and he might very well remain indifferent.

This is a very serious matter, for, tenuous though the connection may seem to the average citizen, his opinions about the forces that are molding our civilization are, in the last analysis, controlling. If he is in favor of them, they survive. If he is opposed to them, they die. If he is indifferent to them, then that too is a form

Continued on page 37

*An address by Mr. Copeland before the Associated Press Managing Editors Association, New Orleans, La.

Morale and Psychology and The Stock Market Outlook

By G. M. LOEB

Partner, E. F. Hutton & Company
Author: "The Battle for Investment Survival"

Mr. Loeb bases prediction of higher stock market and uptrend a year from now on factors of morale and psychology. Believes price spread between "blue chips" and "deflated secondaries" may well be reduced in coming year, and that stock market capital gains opportunities lie in the latter rather than those few still popular.

The outlook for the stock market during 1958 is that it will be higher and in an uptrend a year from now as compared to today. This is based on an improvement in our morale as to world affairs and political leadership. There should be improved business sparked by increased defense and other government financed expenditures but basically improved because of a turn for the better in business psychology. Inflation will again become a factor.

G. M. Loeb

Morale and Psychology

This forecast rests very heavily on factors of morale and psychology because it is the decisions of people that make business better or worse rather than their absolute needs. These decisions have lately snowballed towards contraction mainly because of the loss of feeling of national security and continued growth. The chances favor but of course do not guarantee a reversal.

Confidence begins in Washington. Since President Eisenhower's recent stroke, a great deal of attention is focusing on Vice-President Nixon. In my opinion, the more his influence rises the more will confidence in Washington's policies rise.

Confidence is manifested in the stock market by ascending prices as investors look to the future optimistically. Confidence is demonstrated in business by liberal decisions on production, inventory, advertising, and expansion. Confidence is expressed in personal affairs by the purchase of a new automobile or home. Lately, these psychological forces have been rapidly growing weaker. Once turned around, they can just as quickly snowball in strength.

The stock market tends to justify any given level or trend. Given a stock earning $10 a share and the tendency is to value it on that basis along with expectations of a continuation of such earning power. Have the earnings decline to $5 a share and the tendency is to expect them to stay lower. Many shares today are thus valued on the basis of forecasted lower earnings and more of the same to come. We have a broad market today with many different industries and shares and if there is an exception to this generality it is among the so-called "blue chips." The price spread between such favorites and the deflated secondaries may very well consequently be reduced during the coming year.

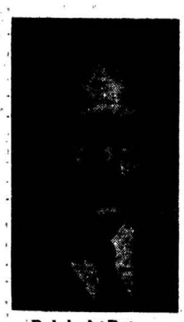
Capital Gains Opportunities

Any real recovery such as many visualize as a probability, must of necessity be sufficiently broad to include our basic industries and raw materials and not confined to the specialty lines which show better than average business today. Thus the stock market capital gains opportunities will lie among the shares now in disfavor rather than the few that still retain some popularity.

Sees Attractive Market Opportunities in 1958

Ralph Rotnem, Research Partner of Harris, Upham & Co., successful predictor of the 1957 stock price range, anticipates a Dow-Jones industrial spread of about 360 to 460 in 1958, affording encouraging purchasing power prospects for investor's money.

Ralph Rotnem, research Partner of Harris, Upham & Co., 120 Broadway, New York City, nationwide investment brokerage firm with 36 offices coast to coast and members of the New York Stock Exchange, said recently that "our estimates of stock prices are for a range in the Dow-Jones industrial average of about 360 to 460, affording investors with good buying opportunities."



Ralph A. Rotnem

Mr. Rotnem, whose remarks were reported on the radio program, "Wall Street Final," said that "the current downward movement actually began in April, 1956, when the Dow-Jones Industrial Average hit an all-time high of 521.05, ending the sharp advance that had begun in September, 1953 and that had carried the industrial average up 100%. The market has shown continuing signs of weakness, especially since last July, reflecting the uncertain outlook for many sensitive segments of the economy. The interruption of the rise has fortunately kept stock prices from getting too far out of line with the realities of our economy and sometime in 1958 the market should be in a good position to anticipate the attractive outlook for the next decade."

He added that "it is important to remember that scientific research is assuming a role of increasing importance in building new industries for the amazing world of tomorrow. The forward-looking investor may, in 1958 and beyond, anticipate investment opportunities that will permit a full participation in the continuing dynamic progress of the American economy."

A Successful Predictor

Mr. Rotnem, who last year predicted a probable 1957 range of between 520 and 420 (the actual range for 1957 was 520.77 to 419.79) pointed out that "investors should be on the alert for buying opportunities during market declines. Business news will be less favorable in 1958, but the stock market has been anticipating this trend. It is important to remember that the best long-term buying opportunities occur when the news is at its worst."

"Now that the danger of inflation has subsided," he concluded, "it is reasonable to expect a further easing of interest rates. Accordingly, bonds and preferred stocks should exhibit more strength in 1958 than in several years. In addition, quality common stocks in the consumer-goods industries — foods, tobaccos, drugs, soft drinks, and food chains—can be expected to perform better than those that benefit primarily from expansion of industrial facilities. An encouraging element in the present picture is that the investor's money today will buy 20% more shares and 20% more dividends than it would have at the market peaks of 1956 and 1957."

Francis I. Du Pont Co. Branch in Pittsburgh

PITTSBURGH, Pa.—Francis I. du Pont & Co. has opened a branch office in the Union Trust Building under the management of Harold M. Keir and Mark M. Grubbs. Both were formerly partners in Jenks, Kirkland, Gruggs & Keir.

$50 Million Notes of Commerical Credit Co. Placed on Market

The First Boston Corporation and Kidder, Peabody & Co. jointly head an underwriting group which, on Jan. 8, offered for public sale an issue of $50,000,000 Commercial Credit Company 4⅛% notes due Jan. 1, 1978. The notes are priced at 99% to yield 4.20% to maturity.

Proceeds of the sale will be added to the company's working capital where they may be used for the purchase of receivables, may be advanced or invested in subsidiaries, or used for other corporate purposes. Initially the proceeds may be used to reduce short term loans.

The notes are not redeemable before Jan. 1, 1963. On or after that date the notes are redeemable at prices ranging from 102 to 100% after Jan. 1, 1973.

The business of the company and its subsidiaries consists primarily of specialized forms of financing and insurance. In addition, the company has several manufacturing subsidiaries. The finance companies collectively are one of the three largest enterprises in the United States engaged in the business of acquiring instalment obligations, deferred payment obligations and accounts receivable. Total gross receivables purchased by the financing companies in the nine-month period ending Sept. 30, 1957 amounted to $2,909,944,000, compared with $2,479,115,000 in the corresponding 1956 period. Total gross receivables held as of Sept. 30, 1957 amounted to $1,435,792,000, compared with $1,235,366,000 a year earlier.

Federal Home Loan Banks Market Notes

Public offering of $86,000,000 Federal Home Loan Banks 3.30% series F-1958 non-callable, consolidated notes dated Jan. 15, 1958 and due July 15, 1958 is being made through Everett Smith, Fiscal Agent of the Banks, and a nationwide group of securities dealers. The notes are priced at 100%.

Net proceeds from the offering, together with current funds of the Banks, will be used to retire $105,000,000 of 3.95% notes maturing on Jan. 15.

Upon completion of the offering and the payment of the Jan. 15 maturity, the Banks will have $807,000,000 notes outstanding compared with $826,000,000 at present.

$150,000,000 World Bank Issue Offered

First Boston-Morgan Stanley Group offers new issue of 4½% bonds, due in 1979, at a price of 99.50, to yield 4.29%.

A nationwide underwriting group comprising 176 investment firms and banks, managed by The First Boston Corp. and Morgan Stanley & Co., on Jan. 6 offered an issue of $150,000,000 International Bank for Reconstruction and Development (World Bank) 4½% bonds of 1957, due Jan. 15, 1979, at a price of 99.50 and accrued interest, to yield 4.29% to maturity.

The new bonds will not be callable prior to Jan. 15, 1968. On and after that date they will be callable at the option of the Bank at prices ranging from 102½% and accrued interest if redeemed on or before Jan. 14, 1970, down to 100% after Jan. 14, 1976. As a sinking fund for the bonds, the Bank will redeem $7,000,000 annually beginning in 1968 and including 1977, and $5,000,000 in 1978. Purchases for the sinking fund, which is calculated to retire 50% of the issue prior to maturity, will be at a price of 100%.

As in other recent issues by the Bank in the United States, arrangements have been made for the sale of bonds for delayed delivery to certain institutional investors. Such sales will be at the public offering price, and deliveries will be made under contracts between the Bank and the purchasers providing for deliveries on one or more quarterly dates from April 15, 1958 through Jan. 15, 1961. A commitment fee of ¾% a year will be paid by the Bank to purchasers under the delayed delivery contracts.

The delayed delivery arrangement, as in the past, is expected to enable the Bank to coordinate a portion of its borrowing with its loan disbursements, and to make it possible for purchasers to arrange their payments to suit their projected cash positions.

This is the eighth issue of World Bank bonds to be marketed in the United States on a negotiated basis by underwriting groups managed jointly by The First Boston Corporation and Morgan Stanley & Co.; the last such sale consisted of $75,000,000 of 23-year bonds placed in mid-October, 1957. Net proceeds from the current sale will be used in the general operations of the Bank. Application will be made to list the bonds on the New York Stock Exchange.

As of November 30, 1957, the Bank's outstanding funded debt was $1,270 million. Slightly more than half of this was held by investors outside the United States. Giving effect to the present issue and to delivery of bonds under delayed delivery contracts, the Bank's funded debt is increased to $1,471 million. It includes United States dollar obligations of $1,271 million and Swiss franc, Canadian dollar, sterling and Netherlands guilder obligations aggregating the equivalent of $200 million.

From its establishment to Dec. 31, 1957, the Bank had entered into loan commitments in an aggregate principal amount equivalent to $3,480 million to finance programs or projects in 46 countries.

Saunders, Stiver & Co. Celebrate 25th Year

CLEVELAND, Ohio—Saunders, Stiver & Co., One Terminal Tower, celebrate their 25th anniversary this year, Jack O. Doerge, President announced.

Jack O. Doerge   Alvin J. Stiver

Mr. Doerge said the story of the local independent investment house is woven significantly into the business and commercial life of Cleveland, the nation's fifth largest market and thriving industrial center. Saunders, Stiver & Co. is one of the 51 independent Cleveland investment firms doing business in this area, along with some 24 other branch offices of national investment houses.

Officers of the firm are Alvin J. Stiver, Chairman of the Board; John O. Doerge, President; William H. Stanley, Vice-President; Thomas A. Sidman, Treasurer.

Saunders, Stiver & Co. has prepared an anniversary booklet, which simply and directly describes the many services which this company offers to the public. Copies are available at no obligation.

J. O'Brien, Associates Join Reynolds & Co.

PHILADELPHIA, Pa.—Reynolds & Co., members of the New York Stock Exchange and other leading stock and commodity exchanges, announce that Joseph L. O'Brien, Frank J. Keller, John T. O'Brien, Jr., Edward J. McGuire and John Heron, all former officers of the investment securities firm of Joseph L. O'Brien Co., have become associated with their firm.

Joseph L. O'Brien is widely known in the investment securities business, having been associated with the industry for the past 47 years. He had been President of the firm of Joseph L. O'Brien Co. since 1954 and was senior partner of Carr, O'Brien, its predecessor, since 1937.

Mr. O'Brien is a member of the Board of Directors of Alan Wood Steel Company and the Altoona & Logan Valley Electric Railway Company. He lives at 504 Hampshire Road, Drexel Park, Pa.

Mr. Keller, formerly a Vice-President of Joseph L. O'Brien Co., has been in the investment securities business since 1917, being previously associated with Harper & Turner, Frazier & Co., Inc., Cassatt & Co., Inc.

John T. O'Brien, Jr., formerly a Vice-President of Joseph L. O'Brien Co., had been associated with the firm since 1941, with the exception of the period from 1947 to 1953.

Mr. McGuire, formerly Secretary and Treasurer of the O'Brien firm, has been in the investment securities field since 1939.

Mr. Heron, formerly Assistant Secretary and Assistant Treasurer, had been associated with the O'Brien firm for the past 20 years.

Laird, Bissell Branch

DOVER, Del.—Laird, Bissell & Meeds have opened a branch office at 225 South State Street under the management of Walter W. Burrows. Mr. Purrows was formerly local manager for Blair & Co. Incorporated.

Depression or Boom—What's Ahead?

By CHARLES T. BRODERICK*
Chief Economist, Lehman Brothers

Prominent industrial economist asserts danger of the current "retreat" developing into a deep depression is too negligible to merit consideration, and predicts FRB index will fall five points during next six months, but fully recover by year end; and, similarly, downward course of profits will be markedly reversed by Fall. Expects current "slide" will be less troublesome than either 1948-1949 or 1953-1954.

The economy is now in the throes of a fairly rapid decline in production and a much slower decline in consumption or final sales. The most pressing question of the moment is whether the current retreat in general business activity will degenerate into a rout like those of 1932 or 1938, or in other words whether the present recession will develop into a deep depression.

Charles T. Broderick

In my opinion, the chances of such an occurrence are too negligible to be worth considering. The post-World War II economy is structurally different from its predecessors and is fundamentally less susceptible to prolonged mass unemployment. Among the reasons why our present economy is much more stable than it used to be are the general acceptance of tax reduction as our first defense against impending depressions, the magnitude and rigidity of Federal expenditures (especially for defense purposes), our greater immunity to fluctuations in corporate capital expenditures and the numerous cushions under consumer demand. It should be conceded, however, that we will probably remain as susceptible as ever to occasional inventory recessions like those of 1948-49 and 1953-54, but such recessions are by nature self-liquidating and do not permanently divert long-term business trends.

Another such period of inventory liquidation is now in the making and in many respects resembles the business relapse of 1953-54. As in the latter case, defense spending has been on the downgrade, and inventory-sales ratios in late 1957 were somewhat top-heavy and still require some further trimming. In both respects, however, the outlook is less ominous now than it was in 1953-54. For example, the annual rate of national security expendtures then dropped $13,000,000,000 over the span of a year and one-half, whereas they will very likely hit bottom in early 1958 and thereafter rise fairly substantially. Even though excess capacities have reared their ugly heads in many industrial lines, it is likely that the trend of the general economy will turn upward by midyear 1958 and that the subsequent recovery will be more rapid than the downturn in the first half of the year.

To be more precise, the Federal Reserve Board index of industrial production will probably fall about five points to 132 or thereabouts during the course of the next six months but return to the level of about 142 by the end of this calendar year. The downward course of corporate profits in general and manufacturers' profits in particular is also likely to be arrested around the middle of the year and to be reversed markedly in Fall 1958. In short, we shall probably look back upon the current business slide, when it has finally run its course, as an even less troublesome one than the recessions of either 1948-49 or 1953-54.

*Summary of a talk by Mr. Broderick at a Luncheon Forum of the Harmonie Club, New York City, Jan. 4, 1958.

Chas. W. Scranton Co. Partners Change Status

NEW HAVEN, Conn.—The 66-year-old investment firm of Chas. W. Scranton & Co. has announced a change in status of two of its partners. Paul W. Redfield of New Haven, Conn., and Paul L. Sampsell of New London, both formerly general partners, have become limited partners. Both, however, will continue their connection with the Scranton firm in substantially the same capacity they have occupied in the past.

Mr. Redfield has been with the firm 48 years, beginning his connection immediately on graduation from Yale University in 1909. Senior partner for the past four years, he is well known in investment circles throughout the State and for many years served as Treasurer of the New Haven Chamber of Commerce. He is a Deacon of the Edgewood Congregational Church, a Trustee of Hiram Lodge No. 1, A. F. & A. M., a member of the Graduates Club, the Quinnipiack Club, the Civitan Club, and is a past President of the local chapter of the Sons of the American Revolution.

William J. Falsey, who has been a partner of the Scranton firm for the past 11 years, will succeed Mr. Redfield as senior partner and representative as a member of the New York Stock Exchange and Associate member of the American Stock Exchange. Mr. Falsey has been connected with the Scranton organization for the past 40 years. He is a director of the Connecticut State Chamber of Commerce, a former director of the New Haven Chamber of Commerce, and past President of the Connecticut Investment Bankers' Association. He is also a director of the First Federal Savings & Loan Association of New Haven, and Treasurer and director of the Connecticut Radio Foundation, Station WELI, and a member of the Distribution Committee of the New Haven Foundation. Mr. Falsey has been a member of the New Haven Board of Finance for the last 20 years.

Other partners of the investment firm are Edward A. Burgess, Frank M. Johnson, Leslie B. Swan, Stephen G. McKeon, John M. Flanagan and Gordon E. Johnson, all of New Haven, and Bertram B. Bailey of Waterbury, all of whom are general partners, and Wilbur G. Hoye, limited partner.

A member of the firm has emphasized that these shifts in partnership status signify no change in the organization's local and national underwriting and brokerage activities or in its policy of comprehensive service to the investors of this area, through its offices in New Haven, Bridgeport, Danbury, Waterbury and New London.

Time-Tested Equities and 1958 Stock Market Prospects

By CHARLES T. GREENE
Manager, Research Department,
Amos Treat & Co., New York City

Disclaiming subscription to the theory that market behavior can be accurately and authoritatively charted, market analyst asserts a stock's value can only be demonstrated by experience (not by market price) as reflected in year and year-out comparable return on investments. In view of this, and the belief that the current market readjustment will end next Spring, Mr. Greene advises prudent investors to begin a judicious accumulation of time-tested equities deemed to be available at bargain prices.

On the threshold of another year, we are reminded of a line from the Book of Proverbs—*Hope deferred maketh the heart sick.*

Charles T. Greene

Certainly the almost steady decline in the stock market during the last half of the year just ended "maketh the heart sick," especially in the case of all but the intrepid professional, whose cardiac member, as the result of experience, has become case hardened.

But we do not mean to place our emphasis upon the sickness of the heart which in the process of time can be overcome. Rather, we emphasize upon the two leading words in the Proverb as offering something more substantial in the way of recovery. For, to quote another well known saying—this from Alexander Pope—*Hope springs eternal in the human breast.*

We offer this sure consolation that because hope is a part of our nature, the worst that can happen to it is deferment—not destruction. As a matter of record, the speculation for the rise in market values that started in the mid-year 1955 was based upon hope; but a too enthusiastic hopefulness. On the threshold of a New Year, we have returned or are returning to a saner appraisal of the prospects. These we hasten to add have not changed; only the time of their realization, as expressed in speculative market values, has been deferred.

Can We Forecast?

If one were to chart the course of the stock market beginning in the summer of 1942, he would come out at the end of 1957 at about 450 for the Dow Jones Industrial Average, whereas the extravagances of speculation had carried it to a peak of 521.05 attained twice during 1956, and again approximated mid-year 1957. The lower level of the channel of price fluctuation since 1942, attained a level in 1957 of only 320 with a median of around the 380 level. It is such a chart that forms the basis of some published statements by market technicians that a base will have to be formed in that area, before the market can resume its upward course.

I am not a market technician, and do not subscribe to the theory that market behavior can be accurately and authoritatively charted. I adhere to the view that the course of speculative prices is based primarily upon popular attitudes which has many times been proved to be mainly psychological in character. No doubt but that a change in market psychology has overtaken us. For instance, not so many months ago, economists—supposed to be immune to emotional excesses—were referring to the recessions of 1949 and 1953 as "mild." They had been expecting something more in the way of a readjustment than actually had taken place. In their estimation, as then expressed, these setbacks or pauses were characterized as "mild."

Now, how do they characterize them?

They have recently been quoted as considering them "bad" or "severe," and they are expecting the present lull or pause in our economy as likely to prove eventually to be as "bad" or "severe" as those of 1949 and 1953.

From the standpoint of time, it looks as though the current market readjustment will have been terminated about the time the sap begins to rise and the summer foliage begins to burgeon. In the interim, I am confident that many categories of equities will offer sound values that are not likely to be duplicated for another three to five years. And this brings us to a discussion of value.

Defines Stock Value

Our word value, and the idea behind it, is from the Latin by way of the French—to be strong, to be worth. In economics, value stems from the power which an object confers upon its possessor; irrespective of political compulsion or personal sentiment, to command the commodities and services of others.

The value of an article depends, not upon its *total* utility but upon its *marginal* utility, diminishing as the supply increases. This is amply and definitively demonstrated in our mass production era.

Now, value can be demonstrated only by experience; hence when an investment advisor states that "the value is there" irrespective of the market price, which is primarily emotional, he is basing his judgment upon the experience of managements in producing, year and year out, a satisfactory and reasonable return on the investment.

When, on the other hand, prospective value is based upon untried, unproven economic correlatives, to the extent that the desired result no longer is within the realm of proven probability, we have a market situation such as finally culminated in the summer of last year.

Only the foolhardy — not the courageous — would invest in an equity that, on his cost price, would yield less than Government bonds or other obligations based upon money rates. Fortunate it is that such excesses always have proven to be the exceptions; but unfortunate, it is equally true, that these exceptions have been the more powerful in exciting the appetitive instincts of homo sapiens, so that, literally, the tail has been wagging the dog.

Stocks At Bargain Prices

A review of the stock market as a whole—not merely the so-called averages which, at best, only indicate the direction of the market, reveals that time-tested equities are now definitely on the bargain counter. Naturally, they are sucked into the trough of the speculative leaders, either up or down. Latterly, with the leaders trending downwards, the bulk of the tried and true dividend paying equities are now definitely in a buying zone.

Up to this point, I have stressed the economic factors governing what determines fair value; but every so often in world affairs, crises develop that cause mankind to pause and to make a new appraisal, if he can, of the world outlook, both politically and economically. At the present time, world politics suggests the possibility of a third world conflict, and this undoubtedly has given rise to the necessity of a new appraisal of the outlook not only of economics but even of civilization itself.

But hope being, in my belief, a natural endowment of mankind, I refuse to be frightened by the threatened publication of the Gaither report popularly conceived of as based upon defeatism. Certainly our greatest captains of industry are not frightened into inactivity. The directors of our two greatest enterprises — The American Telephone & Telegraph Co. and the Standard Oil Co. of New Jersey—have recently raised additional millions for expansion, and, following their lead, the directors of the world's greatest international petroleum enterprise —The Royal Dutch Shell Group— are planning a huge new capital raising program for early in 1958.

So, at the beginning of the year 1958, we renew our pledge to give the best guidance of which we are capable. The writer has had plenty of experience with the ups and downs of markets. It is often said that what goes up must come down. I submit that it is equally true that what is slapped down undeservedly must eventually rebound, and it now behooves the prudent investor to begin a judicious accumulation of time-tested equities.

Glore, Forgan Admits Caulkins, Jackson

Glore, Forgan & Co., 40 Wall Street, New York City, members of the New York Stock Exchange, announces the admission of two limited partners: Dan P. Caulkins and William H. Jackson.

Mr. Caulkins was formerly a Vice-President of the Bankers Trust Company.

Mr. Jackson, who recently resigned as a special assistant to President Eisenhower, was formerly the managing partner of J. H. Whitney & Co.

Oppenheimer Branch

JERSEY CITY, N. J. — Oppenheimer & Co. has opened a branch office at 26 Journal Square under the direction of Charles K. Krieger.

From Washington Ahead of the News

By CARLISLE BARGERON

In those places where they put up plaques and statues for men of accomplishment and valor, such as Cooperstown, N. Y., the parks of Washington, the halls of the Capitol; indeed, Tousard's wax museum in London, there ought to be some recognition for as gallant a band as ever operated in this country. I refer to those intrepid souls who set out, with some success, to reduce government spending at the last session of Congress. They were led by the United States Chamber of Commerce and the State Chambers of Commerce.

Carlisle Bargeron

Fired with a crusading zeal such as has marked all successful movements, they withstood the jibes of the "liberals" and the "leftwingers;" they bore unflinchingly the epithets that they wanted our children to grow up uneducated; that they held dollars above national security. They held their lines against the military and, strangely enough, or maybe because it has been overworked in the past, no Russian submarines were sighted off our coasts just as the military appropriation bills were under consideration by Congress.

These people rendered a service to their fellow men, I submit, and they should be honored because of their effort, in realization of the fact that their accomplishment was only temporary. They should be honored, too, because they are readying for the same fight this year in the face of all of hell's fury.

Undaunted, both the U. S. Chamber and the organized State Chambers have announced that a Russian sputnik and a Russian sputnik No. 2 do not intimidate them.

Relating that the spending groups are blaming our alleged lag in missile development on government economy, the State Chambers say the "special interest spending lobbies and advocates of big Federal spending generally" see a golden opportunity.

There is no doubt that they do. For the National Education Association and others who for years have been advocating Federal aid to education, the two sputniks are like manna from Heaven. The Eisenhower Administration has been weakly resisting this lobby but the only thing that has saved us has been the squabble between the Administration and the "liberals" over the amount of aid to be given and over segregation.

But now the Administration's back has been broken and it plans to recommend billions for scholarships and added facilities for training youngsters of scientific promise. The thing that may save us non-spenders this time is that the States have got to put up about half of the money. If, however, the States should accept this proposition the taxpayers are really in for an awful time. An outright Federal contribution might be absorbed in the Federal budget. If the States take on any of this burden you can expect every property owner's tax, in every state, to be increased. My state of Maryland has increased property taxes for education for the last three years hand running, as it is. It so happens that the States are way behind in their payments on the interstate highway program.

It is truly surprising about our schools being in the condition described. I have before me an announcement by the DuPonts of grants totalling $1,150,000 for 135 universities and colleges. There is nothing new about this. DuPont has been making these grants for years and it is only one of the many private sources that has been doing so.

I come downtown every morning, except on Saturdays and Sundays, asking myself what I can do to meet the challenge of the sputniks as I am being besought to do on every hand, and by every bleeding heart. But the opportunities of meeting this challenge that are being presented to me are too overwhelming. I would sort of like to help out, too.

W. H. Miller to Serve Legal Aid Campaign

William H. Miller, senior Vice-President of The Hanover Bank, will serve as Chairman of the Commercial Banks Division in the Legal Aid Society's 1958 campaign for funds, of which John D. J. Moore, Vice-President of W. R. Grace & Company, is general Chairman.

Mr. Miller, a Princeton graduate and a Colonel in the Air Force during World War II, is a director of the Society and of the Transcontinental Insurance Co. of Hartford. He is a member of the Union League, Hartford and Economic Clubs.

The Legal Aid Society, founded in 1876, provides necessary legal services to more than 70,000 needy clients annually. The Society will seek $537,000 to support its eight offices throughout the city during 1958.

James Ovens Retires; Arizona Security Pioneer

PHOENIX, Ariz. — James M. Ovens, one of Arizona's pioneers in the security investment field, and for 23 years manager of the Phoenix branch of E. F. Hutton & Company, members of the New York Stock Exchange, retired Jan. 2 at the age of 68.

Mr. Ovens entered the brokerage business in Phoenix as manager of L. J. Overlock & Co. in 1922 when the population within the city limits was 29,000 and all security transactions were channeled through a morse code telegrapher who sent and received orders and noted price changes on a blackboard.

Born in Silver King, Arizona, he had his early schooling in Bisbee. His ambition was to become a mining engineer, so he attended the Michigan College of Mines. After graduation he returned to Bisbee where he obtained his first job as an engineer for the Denn Arizona Mining Co.

However, he discovered better opportunities in the field of stocks and bonds. Within five years of his entry into the field he was made a partner of his firm when it merged and became known as Overlock, Stevens & Co.

Since he began his financial career in Phoenix, Mr. Ovens has seen the burgeoning city increases in population sixfold, and watched local commerce develop from the farms of 35 years ago to the 200-odd industries of today.

"Phoenix and the State have a wonderful future in the security business and in industry," he remarked. "The shift of population is Westward, and I expect it to continue for a long time. My early clients were ranchers, bankers and small businessmen. In recent years many retired persons, industry executives, and young marrieds have joined our clientele."

Mr. Ovens looks forward to spending more time with his family consisting of two sons, two daughters and nineteen grandchildren. He is a life member of the Bisbee Elks since 1912, also a member of the Knights of Columbus and the Arizona Club.

With Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Charles B. Jones is now connected with Mountain States Securities Corporation, Denver Club Building.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED
CAPITALIZATIONS

The appointment of Eugene S. Northrop as a member of the General Aministrative 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.

MANUFACTURERS TRUST CO., N. Y.

	Dec. 31, '57 $	Sept. 30, '57 $
Total resources	3,348,233,137	3,097,064,393
Deposits	2,966,201,511	2,770,655,344
Cash and due from banks	979,533,805	812,118,258
U. S. Govt. security holdgs.	701,080,360	661,210,133
Loans & discts.	1,255,767,526	1,216,308,582
Undiv. profits	60,685,826	63,794,424

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W. Emerson Gentzler, formerly executive Vice-Presient, has been elected President of the **Empire City Savings Bank, N. Y.** He will succeed Charles Diehl who retired Dec. 31. Mr. Gentzler has been a Trustee since 1938.

* * *

Guaranty Trust Company of New York today opened its new London Office building at 33 Lombard Street. The new edifice is on the same site the company first occupied when it began the overseas operation more than 60 years ago.

Guaranty has been occupying temporary quarters in London since it was dislodged from its quarters by a bomb during a blitz attack in 1940. The new building includes a 24-inch thick bomb proof slab at ground level as an added protection.

One of the few holdover items from the old structure that has been made a part of the new building is the massive door of the bank's huge vault. It was not damaged in the blitz attack.

Besides providing ample office space for Guaranty's banking operations, the new building also houses The Guaranty Executor and Trustee Company, Ltd., an affiliated British trust corporation offering fiduciary services.

GUARANTY TRUST CO. OF NEW YORK

	Dec. 31, '57 $	Sept. 30, '57 $
Total resources	2,967,393,052	2,990,619,471
Deposits	2,438,414,144	2,446,072,510
Cash and due from banks	601,308,471	582,591,567
U. S. Govt. security holdgs.	525,408,071	582,893,097
Loans & discts.	1,609,992,036	1,592,262,215
Undiv. profits	92,808,019	94,862,546

* * *

Edward A. Carroll, former Assistant Comptroller, has been appointed Assistant Vice-President **of Chemical Corn Exchange Bank, New York** it was announced on Jan. 6 by Harold H. Helm, Chairman. Mr. Carroll is with the Bank's International Division at 165 Broadway.

CHEMICAL CORN EXCHANGE BANK OF NEW YORK

	Dec. 31, '57 $	Sept. 30, '57 $
Total resources	3,310,208,023	3,105,106,636
Deposits	2,933,275,719	2,760,101,122
Cash and due from banks	928,662,276	737,732,247
U. S. Govt. security holdgs.	480,438,148	455,139,746
Loans & discts.	1,468,755,111	1,528,584,978
Undiv. profits	37,674,790	38,158,862

* * *

The Seamen's Bank for Savings, New York, honored Segur Gulbransen, Assistant Vice-President at a dinner Dec. 27, on his 50th anniversary with the Bank. He joined the Bank as a clerk and for many years he has been in charge of advertising and promotion.

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THE CHASE MANHATTAN BANK, N. Y.

	Dec. 31, '57 $	Sept. 30, '57 $
Total resources	7,809,784,526	7,620,914,548
Deposits	6,884,500,209	6,706,568,451
Cash and due from banks	2,001,534,526	1,812,800,152
U. S. Govt. security holdgs.	1,151,802,281	1,092,713,201
Loans & discts.	3,737,123,272	3,786,372,502
Undiv. profits	84,551,090	81,424,467

* * *

THE FIRST NATIONAL CITY BANK OF NEW YORK

	Dec. 31, '57 $	Sept. 30, '57 $
Total resources	7,636,750,881	7,497,017,001
Deposits	6,692,688,345	6,443,987,827
Cash and due from banks	1,899,087,995	1,717,710,197
U. S. Govt. security holdgs.	1,156,472,300	1,121,826,347
Loans & discts.	3,867,671,355	3,884,506,823
Undiv. profits	82,299,440	78,531,851

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CITY BANK FARMERS TRUST CO., NEW YORK

	Dec. 31,'57	Sept. 30,'57
Total resources	165,887,304	143,394,407
Deposits	124,176,818	102,654,992
Cash & due from banks	49,774,371	30,990,672
U. S. Govt. security holdings	29,146,632	76,713,559
Loans & discounts	2,342,908	2,425,685
Undivided profits	13,464,953	13,498,514

* * *

BANKERS TRUST COMPANY, N. Y.

	Dec. 31, '57 $	June 30, '57 $
Total resources	2,910,512,836	2,701,038,222
Deposits	2,556,159,290	2,384,073,763
Cash and due from banks	815,266,719	645,919,065
U. S. Govt. security holdgs.	514,033,626	380,817,707
Loans & discts.	1,448,257,250	1,573,254,587
Undiv. profits	56,439,887	57,530,880

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IRVING TRUST COMPANY, NEW YORK

	Dec. 31, '57 $	Sept. 30, '57 $
Total resources	1,804,051,252	1,791,380,590
Deposits	1,578,462,572	1,567,226,112
Cash and due from banks	502,571,153	453,956,787
U. S. Govt. security holdgs.	344,867,667	337,220,628
Loans & discts.	806,148,812	844,986,480
Undiv. profits	27,801,493	26,297,181

* * *

THE HANOVER BANK, NEW YORK

	Dec. 31, '57 $	Sept. 30, '57 $
Total resources	1,796,060,422	1,815,610,696
Deposits	1,576,068,695	1,591,691,024
Cash and due from banks	500,560,881	487,499,763
U. S. Govt. security holdgs.	262,538,456	228,273,985
Loans & discts.	912,329,335	973,163,369
Undiv. profits	27,507,257	28,266,467

* * *

J. P. MORGAN & CO., INCORPORATED, NEW YORK

	Dec. 31,'57 $	Sept. 30,'57 $
Total resources	876,053,503	851,248,831
Deposits	759,452,990	739,176,677
Cash & due from banks	220,214,610	193,818,151
U. S. Govt. security holdings	185,381,480	176,875,665
Loans & discounts	385,196,102	397,598,219
Undivided profits	16,997,163	16,112,135

* * *

THE NEW YORK TRUST CO., NEW YORK

	Dec. 31,'57 $	Sept. 30,'57 $
Total resources	852,884,584	769,939,845
Deposits	743,273,075	661,835,365
Cash & due from banks	253,372,195	151,655,755
U. S. Govt. security holdings	151,026,083	156,903,521
Loans & Discounts	399,216,332	412,858,161
Undivided profits	11,841,518	11,189,821

* * *

THE MARINE MIDLAND TRUST CO., NEW YORK

	Dec. 31,'57 $	Sept. 30,'57 $
Total resources	630,638,341	608,668,051
Deposits	551,977,518	544,250,332
Cash & due from banks	208,727,475	203,534,974
U. S. Govt. security holdings	100,501,780	98,212,508
Loans & discounts	286,286,429	275,601,339
Undivided profits	10,960,141	10,942,087

* * *

THE BANK OF NEW YORK

	Dec. 31,'57 $	Sept. 30,'57 $
Total resources	587,842,052	491,570,634
Deposits	517,762,329	428,117,062
Cash & due from banks	194,156,062	118,771,481
U. S. Govt. security holdings	89,091,904	93,477,947
Loans & discounts	264,822,760	245,918,701
Undivided profits	4,940,891	9,361,405

BROWN BROTHERS HARRIMAN & CO., NEW YORK

	Dec. 31,'57	June 30,'57
	$	$
Total resources	232,819,400	225,571,001
Deposits	196,609,261	193,376,935
Cash & due from banks	52,638,941	47,362,413
U. S. Govt. security holdings	44,723,127	39,421,086
Loans & discounts	71,310,429	81,436,101
Capital and surplus	14,645,284	14,605,284

* * *

GRACE NATIONAL BANK OF NEW YORK

	Dec. 31,'57	Sept. 30,'57
	$	$
Total resources	207,922,583	204,425,666
Deposits	186,957,102	183,291,855
Cash & due from banks	53,701,408	60,533,052
U. S. Govt. security holdings	49,119,892	47,358,753
Loans & discounts	85,742,788	77,166,588
Undivided profits	1,355,347	1,628,595

* * *

THE STERLING NATIONAL BANK & TRUST CO., NEW YORK

	Dec. 31,'57	Sept. 30,'57
	$	$
Total resources	164,407,496	143,096,009
Deposits	149,817,510	128,404,070
Cash & due from banks	44,034,031	20,584,224
U. S. Govt. security holdings	42,574,970	36,568,594
Loans & discounts	74,516,283	81,496,339
Undivided profits	1,640,302	1,604,879

* * *

J. HENRY SCHRODER BANKING CORP., NEW YORK

	Dec. 31,'57	June 30,'57
	$	$
Total resources	133,181,654	135,735,211
Deposits	94,971,695	98,126,316
Cash & due from banks	18,021,249	12,646,412
U. S. Govt. security holdings	51,773,122	62,113,677
Loans & discounts	32,631,683	30,899,249
Surplus and undivided profits	5,600,000	5,300,000

* * *

SCHRODER TRUST CO., NEW YORK

	Dec. 31,'57	June 30,'57
Total resources	$74,419,878	$75,529,594
Deposits	66,655,058	68,256,227
Cash & due from banks	15,476,425	14,789,822
U. S. Govt. security holdings	38,161,962	43,784,802
Loans & discounts	19,666,769	15,947,634
Surplus and undivided profits	2,750,000	2,720,000

* * *

FEDERATION BANK AND TRUST CO., NEW YORK

	Dec. 31,'57	June 30,'57
	$	$
Total resources	122,305,265	111,456,815
Deposits	110,901,266	101,898,672
Cash & due from banks	25,276,749	23,303,237
U. S. Govt. security holdings	30,053,902	27,598,037
Loans & discounts	49,937,280	47,942,423
Undivided profits	826,121	822,781

* * *

COMMERCIAL STATE BANK AND TRUST COMPANY OF NEW YORK

	Dec. 31,'57	Sept. 30,'57
	$	$
Total resources	119,472,818	110,841,654
Deposits	108,247,070	99,294,233
Cash & due from banks	21,341,564	17,899,107
U. S. Govt. security holdings	35,974,088	29,469,426
Loans & discounts	57,204,788	58,453,514
Surplus and undivided profits	1,799,819	1,899,728

* * *

THE CLINTON TRUST COMPANY, N. Y.

	Dec. 31,'57	Sept. 30,'57
Total resources	$40,391,046	$39,014,463
Deposits	37,289,872	35,922,225
Cash & due from banks	9,171,202	8,435,111
U. S. Govt. security holdings	14,353,497	14,534,023
Loans & discounts	13,439,041	12,708,620
Surplus and undivided profits	1,409,428	1,378,799

* * *

James M. Nicely, and George C. Scott both Vice-Presidents have been elected senior supervisors of the **First National City Bank of New York's** midtown Manhattan branches. Mr. Nicely has been co-supervisor of the metropolitan district, a part of the Bank's domestic division.

* * *

Everett C. Southwick, 66, retired Assistant Vice-President of the **National City Bank, N. Y.** (Now **First National City Bank**), died Dec. 30.

* * *

Walter A. Blankfort a Vice-President of the **Sterling National Bank and Trust Company of New York** died Dec. 31 at the age of 59.

* * *

Frank Mcloughlin, formerly an Assistant Vice-President of the **Union Square Savings Bank, N. Y.,** has been elected Treasurer.

* * *

By the sale of new stock, the common capital stock of **The Queens National Bank of New York, Springfield Gardens, New York** was increased from $600,000 to $852,500 effective as of the close of business Dec. 23, (Number of shares outstanding—85,250 shares, par value $10).

* * *

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	Dec. 31,'57	June 28,'57
Total resources	$78,558,944	$80,889,344
Deposits	63,130,245	70,686,890
Cash & due from banks	9,214,417	12,794,846
U. S. Govt. security holdings	17,378,973	20,227,926
Loans & discounts	21,432,281	21,164,591
Undivided profits	1,000,000	935,951

* * *

NATIONAL BANK OF WESTCHESTER WHITE PLAINS, N. Y.

	Dec. 31,'57	Sept. 30,'57
	$	$
Total resources	147,541,693	148,564,361
Deposits	136,027,293	134,605,273
Cash & due from banks	19,363,542	15,688,311
U. S. Govt. security holdings	43,220,330	51,916,396
Loans & discounts	58,834,418	48,871,306
Undivided profits	1,414,286	1,408,782

* * *

The County Trust Company, Mount Vernon, N. Y. announced that Fred E. Goldmann, first Vice-President in charge of the Mount Vernon region, retired on Jan. 1 at the age of 70. Mr. Goldmann had been President of the **Mount Vernon Trust Company** until its merger with County Trust. He will be succeeded by Andrew A. Rindlaub.

* * *

Merger certificate was issued Dec. 20 approving and making effective as of the close of business Dec. 20 the merger of **Bank of Waterford, Waterford, New York,** with a capital of $135,000, into the **National Commercial Bank and Trust Company of Albany, Albany, N. Y.,** with common stock of $5,134,500. The merger was effected under the charter and title of The National Commercial Bank and Trust Company of Albany.

* * *

Stockholders have approved the merger between the **Windham National Bank, Bellows Falls, Vt.,** into the **Vermont Bank and Trust Company.**

* * *

Benjamin F. Sargent, Jr., President of the **Powow River National Bank, Amesbury, Mass.,** died on Dec. 27 at the age of 71.

* * *

RHODE ISLAND HOSPITAL TRUST CO., PROVIDENCE, R. I.

	Dec. 31,'57	June 30,'57
	$	$
Total resources	305,198,877	308,199,983
Deposits	271,165,111	263,776,816
Cash and due from banks	50,919,038	43,956,905
U. S. Govt. security holdings	71,648,694	80,579,292
Loans & discounts	162,022,256	162,877,667
Undivided profits	2,970,606	2,939,799

* * *

Edward M. Bleser was elected a Director of the **Waterbury National Bank, Waterbury, Conn.,** to succeed the late Rodney Chase.

* * *

FIRST NATIONAL BANK & TRUST CO., PATERSON, N. J.

	Dec. 31,'57	June 30,'57
	$	$
Total resources	241,244,877	232,862,041
Deposits	222,721,098	214,043,679
Cash & due from banks	44,440,662	39,361,965
U. S. Govt. security holdings	52,416,914	50,845,005
Loans & discounts	58,216,217	56,275,604
Undivided profits	3,089,500	2,229,113

* * *

COUNTY BANK AND TRUST COMPANY, PATERSON, N. J.

	Dec. 31,'57	June 30,'57
	$	$
Total resources	135,296,714	135,099,182
Deposits	122,697,771	122,493,199
Cash and due from banks	21,006,124	18,412,829
U. S. Govt. security holdings	23,474,189	23,827,500
Loans & discounts	26,865,566	28,836,516
Undivided profits	2,314,006	2,132,495

* * *

William E. Selby, Sr., Vice-President in charge of the trust department of the **Federal Trust Company in Newark, N. J.,** died Dec. 26. He was 72 years old. Mr. Selby joined the bank in 1922 and was Chairman of the Executive Board.

* * *

The New Jersey Commissioner of Banking and Insurance and the Federal Deposit Insurance Corporation have approved the merger of the **United States Savings Bank,** the **Franklin Savings Bank,** and the **Half Dime Savings Bank of Orange, N. J.** The merger will give the state a bank with assets of about $137,000,000. The combined bank with six offices in Newark and surrounding communities, will have deposits of more than $125,000,000 and surplus and undivided profits of more than $10,000,000. William B. Licklider, formerly Treasurer of the **New Savings Bank, Manhattan,** will become President of the Bank.

* * *

The Hackensack Trust Company, Hackensack, N. J. elected Arthur Phelan a Vice-President.

* * *

The First Camden Bank and Trust Company, Camden, N. J., elected Samuel P. Orlando and S. Harman Chegwidden Directors. Mr. Orlando was formerly a Director but resigned to accept an appointment as a judge in the New Jersey Superior Court.

* * *

Howard C. Petersen, President, **Fidelity-Philadelphia Trust Company, Philadelphia, Pa.** announces the appointment of a new Vice-President and an Assistant Vice-President.

Frank C. P. McGlinn will join the Bank on Jan. 13 as Vice-President in charge of Advertising and Public Relations.

Evan W. Drake will resign his position as Assistant Vice-President, **First Camden National Bank of Camden, New Jersey** to join Fidelity's Correspondent Banking Department on Dec. 30.

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THE PHILADELPHIA NATIONAL BANK, PHILADELPHIA, PA.

	Dec. 31, '57	June 28, '57
	$	$
Total resources	1,047,420,003	1,005,517,622
Deposits	935,141,791	878,895,345
Cash and due from banks	338,345,859	266,955,607
U. S. Govt. security holdgs.	174,273,814	155,037,714
Loans & discts.	435,920,180	477,761,409
Undiv. profits	11,759,995	10,659,352

* * *

The Central National Bank of Buckhannon, West Virginia increased its common capital stock from $60,000 to $180,000 by a stock dividend and from $180,000 to $200,000 by the sale of new stock effective Dec. 23. (Number of shares outstanding — 10,000 shares, par value $20).

* * *

SOCIETY FOR SAVINGS IN THE CITY OF CLEVELAND, OHIO

	Dec. 31,'57	Sept. 30,'57
	$	$
Total resources	318,927,173	316,206,929
Deposits	287,407,862	283,001,899
Cash & due from banks	19,160,091	16,953,912
U. S. Govt. security holdings	70,747,935	74,697,512
Loans & discounts	184,237,412	181,964,862

* * *

AMERICAN TRUST CO., SOUTH BEND, INDIANA

	Dec. 31,'57	Dec. 31,'56
Total resources	$26,154,079	$26,308,260
Deposits	23,996,805	24,267,097
Cash & due from banks	6,184,989	6,341,419
U. S. Govt. security holdings	9,824,158	9,716,246
Loans & discounts	9,314,732	9,234,092
Undivided profits	314,694	476,645

* * *

CONTINENTAL ILLINOIS NATIONAL BANK & TRUST CO., CHICAGO, ILL.

	Dec. 31, '57	June 30, '57
	$	$
Total resources	2,674,362,165	2,560,632,886
Deposits	2,394,495,171	2,293,343,573
Cash and due from banks	598,854,093	636,140,311
U. S. Govt. security holdgs.	713,887,129	573,628,719
Loans & discts.	1,163,844,563	1,166,566,922
Undiv. profits	32,891,449	22,938,263

* * *

The First National Bank of Minneapolis, Minn. elected Clarke Bassett, a Vice-President, a senior Vice-President.

* * *

THE SECOND NATIONAL BANK, ASHLAND, KY.

	Dec. 31,'57	Dec. 31,'56
Total resources	$32,115,873	$34,648,823
Deposits	29,397,811	32,087,129
Cash and due from banks	7,708,090	8,715,693
U. S. Govt. security holdings	7,991,081	9,969,160
Loans & discounts	11,514,306	11,833,616
Undivided profits	307,895	324,051

* * *

R. A. Liggett, Chairman of the Board of **The First National Bank of Tampa, Fla.,** announced on Jan. 1, the retirement of Victor H. Northcutt as President and the election of his successor, W. Howard Frankland.

* * *

The Dania Bank, Miami, Fla., has elected J. Vincent O'Neill, President and chief executive officer to succeed I. T. Parker, who has been advanced to the post of Vice-Chairman. Mr. O'Neill has been President and Chairman of the **Mercantile National Bank of Chicago,** and worked for the **First National City Bank of New York.**

* * *

The common capital stock of the **Louisiana National Bank of Baton Rouge, Louisiana** was increased from $1,200,000 to $1,400,000 by sale of new stock effective Dec. 24, (Number of shares outstanding —140,000 shares, par value $10).

* * *

Mr. Hall Assistant Cashier at the **American National Bank, Denver, Colo.,** retired on Dec. 31, after completing almost 40 years of service. Charles W. Wadell, President, Mr. Adolph Kunsmiller, Chairman of the Board, officers and staff of the Bank were all on hand to wish him well in the years ahead.

Mr. Hall commenced his employment as an assistant teller on April 4, 1918. He served as a bookkeeper for a short time before entering the U. S. Army. After his discharge Mr. Hall served as a teller, a member of the loan and discount department, the exchange and collection cage, and as utility and payroll clerk. He was appointed Assistant Cashier in January of 1950.

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The Bank of California, N. A., San Francisco, on Jan. 2 opened its 17th office at 130 Town and Country Village in Palo Alto.

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The Bank of America National Trust and Savings Association, San Francisco, Calif., elected Constant M. Van Vlierdn a Vice-President in the international banking department. Mr. Van Vlierdn joined the Bank in 1951 and was made an Assistant Vice-President 4 years ago. He was formerly Assistant Manager of **Nationale Handelsbank Amsterdam in Hong Kong.**

* * *

Jean Villechaise has been elected a Vice-President of **Morgan & Cie. Incorporated, Paris, France** subsidiary of **J. P. Morgan & Co. Incorporated, New York.** Before joining Morgan & Cie. in 1953, he was an attorney with the International Bank for Reconstruction and Development (World Bank) in Washington, D. C. The Morgan office in Paris, which is the oldest and largest American banking establishment there, serves many U. S. and Canadian companies doing business abroad.

Joins Putnam Staff

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn.—William E. Blankenburg, Jr. is now affiliated with Putnam & Co., 6 Central Row, members of the New York Stock Exchange.

Dip in Expansion and Employment Forecast by Prominent Economists

Group of economists at National Industrial Conference Board forum anticipate general business investment and inventory decline in 1958. Partial offsets to this is expected in moderately increased consumer and government spending. Forecast overall slight decline in first half of 1958 followed by slight rise in second half, leaving 1958 G. N. P. about $1 billion above current economic level of $440 billion with proportionate effect upon employment.

A decline in U. S. business investment, at least partly offset by expansion in other sectors, is forecast for 1958 by thirteen distinguished economists participating in the National Industrial Conference Board's latest session of the Economic Forum.


John S. Sinclair

The business investment sector was designated the major problem area of 1958. The Forum members expect a significant decline in business expenditures for plant and equipment, and some decline in inventory investment in the first half of the year. Moderate gains in dollar volume were anticipated for consumer spending and purchases by government.

The panel consensus was that, in dollar terms, 1958 will be a year that compares favorably with the current economy. Gross National Product, which is at an annual rate of approximately $440 billion at the close of 1957, is expected to drop to $438 billion during the first half of 1958, then climb to $441 billion for the second half of the year. While wholesale prices are expected to decline during the year, a slight rise is foreseen for the consumer price index.

Unemployment, which is about three million in the fourth quarter of 1957, is forecast by Forum participants to rise to an average of 3.6 million in the first six months of next year, then decline slightly to an average of 3.4 million during the balance of 1958. This, the panel members believe, will mean a year in which the number at work will stand close to full employment, as distinct from the hyper-full employment of recent years.

John S. Sinclair, Conference Board President, was chairman of the Forum meeting. Participants were:

John D. Wilson, Vice-President, Chase Manhattan Bank.

Bradford B. Smith, Economist, United States Steel Corporation.

Walter E. Hoadley, Jr., Treasurer, Armstrong Cork Company.

Louis J. Paradiso, Assistant Director-Chief Statistician, Office of Business Economics, U. S. Department of Commerce.

Solomon Fabricant, Director of Research, National Bureau of Economic Research; Professor of Economics, New York University.

George P. Hitchings, Manager, Economic Analysis Department, Ford Motor Company.

Ira T. Ellis, Economist, E. I. du Pont de Nemours & Co.

Nathan M. Koffsky, Chief, Farm Income Branch, Agricultural Marketing Service, U. S. Department of Agriculture.

O. Glenn Saxon, Professor of Economics, Yale University.

Norris O. Johnson, Vice-President, The First National City Bank of New York.

Helen Slade, Managing Editor, The Analysts Journal.

Jules Backman, Professor of Economics, New York University.

Martin R. Gainsbrugh, Chief Economist, National Industrial Conference Board.

The following are highlights of the remarks by participants:

Mr. Wilson on "The General Outlook": The picture at the moment is of an economy that may be at a broad turning point. It seems to me there are three critical questions: How great will be the decline in capital expenditures; what course will be taken by government expenditures; and how will the consumer react once he sees unemployment increasing.


John D. Wilson

. . . I assume that capital expenditures will decline by $5 billion (annual rate) from the fourth quarter of 1957 to the fourth quarter of 1958. . . . The decline in defense expenditures will not be as great as initially expected. I do not think we will get down to $38 billion this year. For fiscal 1959, I see an overall Federal budget that might be up $2 billion from the current level. At the same time, state and local government expenditures will be increasing, perhaps $2 or $3 billion. . . . That brings us to the consumer. Automobile sales next year will be slightly less than this year. In the housing field I feel we shall not witness a large increase in starts.

. . . We are likely to see GNP in the first half of next year decline by several billions. This reduction would be accompanied by some decrease in the index of industrial production.

Mr. Smith on "Steel": During this coming year we may have two, three or four million tons of further steel inventory liquidation. I think we will be entering the new year with steel production at an annual rate of around 100 million tons; that is about as good a figure as any to take for the production rate next year.


Bradford B. Smith

. . . There are many signs around that a termination of an historic boom is occurring. Consumer credit has been expanding at a rate greater than income; manufacturing inventories have been rising; the splurge of capital expenditures is coming to a close; machine tool builders' new orders are at one-half the rate of a year ago; heavy construction awards are down 30%.

Mr. Hoadley on "Construction": As far as total construction is concerned, 1958 looks to be very close to 1957. Physical volume is likely to be just a bit lower, but the dollar volume will be the same, or a shade higher because of rising costs. My forecast for housing is one million starts for 1958. The outlook for the residential "fix-up" market is for at least another 5% advance. Commercial construction has leveled off; industrial construction is already heading down, and a further decline of at least 5% is in prospect next year. Public construction will rise materially. Educational building looks as though it will be strong for some time to come. We can look for a substantial increase in highway construction.


W. E. Hoadley, Jr.

. . . Money will be somewhat easier in the mortgage field in 1958 than during the past year. I do not anticipate sharply lower interest rates, but more money will be available for construction.

. . . A serious roadblock to construction activity is rising costs in the building industry. Many people are definitely being priced out of the residential building market.

Mr. Paradiso on "Inventory and Government Spending": Finished goods inventories have been increasing in the first three quarters of 1957 and the proportion of finished goods inventories to total inventories is much higher than last year. This indicates to me that there has been some involuntary accumulation. But inventories generally are not high in relation to production and sales. With business continuing on a plateau, or even showing signs of turning downward, some inventory liquidation may develop, but it will be of a very modest nature. The extent of the inventory change will be a direct function of the course of business.


Louis J. Paradiso

. . . Federal government purchases of goods and services next year will be at least equal to the amount for this year. State and local government expenditures are going to increase, probably to the extent of $2.5 billion to $3 billion.

Dr. Fabricant on "The Stage of the Business Cycle": We seem to be undergoing a turn in general business, but I do not think that the recession which may be in progress now will turn into a serious contraction. The Federal Reserve has already taken action to ease the monetary situation. The government's expenditures may rise more than might have been anticipated a few weeks ago. There may be a speed-up in the giving out of orders for government procurement. If the situation continues to deteriorate despite these actions, I think we might well have a tax cut. I think it important that the government's action not be too hasty. The several steps that might be taken if things continue to soften up could restore the threat of inflation.


Dr. S. Fabricant

Mr. Hitchings on "Consumer Durables": The underlying demand for new cars could support a moderate rise in the consumer buying rate for 1958. But it is highly unlikely that a surge of demand will occur to pull up the economy as a whole as it did in 1954 and 1955. A factor making for a higher new car market in 1958 is that there are 900,000 to one million more new-car contracts scheduled to mature in 1958 than in 1957. I think the potential market is above 5.8 million, but the actual market will depend upon consumer buying power and confidence. I am not optimistic about any improvement in these factors in 1958.


Geo. P. Hitchings

. . . Business spending for new plant, equipment and inventory reached peak rates in 1957 that could not be fully sustained in 1958. The problem in 1958 is to keep adjustments in these areas from developing into an unnecessary spiral. Maintenance of consumer and business confidence is essential in preventing such a spiral.

Mr. Ellis on "Soft Goods and Retail Trade": There will be some increase in personal spending for soft goods and services in 1958, and a further small increase in total retail sales. Consumer prices next year will be about 1% above the 1957 average. I am assuming that general business activity will not be declining sharply in the second half of 1958.


Ira T. Ellis

. . . There will be a small increase in output of textile mill products in 1958. The improvement will be in both natural and man-made fibers. Textiles have been making adjustments in production for two years; they do not now seem vulnerable to further decline. Demand for petroleum products next year will rise about 2%, in physical terms.

Mr. Koffsky on "Agriculture": Agricultural production next year can equal or exceed this year's level if weather continues favorable. The prospects for further reduction of farm stocks are not very promising. For next year, farm prices will average about the same as this year. Production expenses, however, should increase further. This means about the same aggregate net farm income next year as this year. But it also means higher income per farm, and per person, because the number of farms and the number of people on farms are still declining. A slight increase in retail food prices seems likely. I do not look for any significant improvement in farm machinery sales next year.


Nathan M. Koffsky

Dr. Saxon on "Foreign Trade": Exports in 1958 will hold at least to the present peak of $21 billion; they may go to a new all-time high. I expect lower prices for imported raw materials, but a larger volume of imports: I would expect a slight decline in the dollar amount of imports, to $12 billion. That would mean a continuing rise in the surplus of exports over imports; we will have a new peacetime peak for the export trade balance. This increasingly large dollar export surplus will raise a new demand for further reduction in tariffs next year.


Dr. O. Glenn Saxon

. . . I don't see a recession abroad of the order that some of us expect in this country during 1958.

Mr. Johnson on "Money and Credit": It should be easier for business, and for the mortgage market, to raise money next year. the discount rate action will have psychological and rate impacts, although it does not give the banks any more money to lend. We have passed the point where a moderately easier credit policy would set inflation on the loose again. I do not think the whole structure of rates will be disturbed. I would not expect the banks during the next year to cut the 3% savings rate. Cheaper borrowing costs are indicated for the Treasury.


Norris Oliver Johnson

. . . The incipient business recession has been remarkably slow to unfold. I don't think it will be deep or long, or offer many parallels to the Thirties.

Mr. Gainsbrugh — Summary": On average the Forum expects GNP to decline to $438 billion in the first half of 1958; almost without exception, Forum members expect the second half of 1958 to be better than the first half. For the first half of 1958, the consensus is for 3.6 million unemployment; for the second half, 3.4 million. The index of industrial production (1947-1949=100) is expected to average 139. The Forum expects expansion in other sectors of the economy to offset anticipated declines in capital spending. It also expects little gain in living standards, and no increase in real income. If 1958 warrants the label "recession," the Forum figures suggest it may be one of the most prosperous recessions on record.


M. R. Gainsbrugh

. . . The business investment sector was designated a major problem area in 1958 — a significant difference between this pattern and the pattern of earlier mild postwar recessions. In those earlier recessions, contraction was evident early in the inventory sector. The data do not suggest that we are now experiencing an inventory recession; a cycle that begins in the capital sector may go deeper and last longer than the inventory cycle to which we have been accustomed.

. . . We also said there still remain many elements of strength in the economy. 1958 may be "a shake-out year"; it may also represent an opportunity for intensive pursuit of cost control. The year ahead shapes up as a testing period.

Miss Slade on "Security Prices": I believe this is a good time to buy stocks in moderation. Disturbances in 1958 may depress stock prices for a time, but the duration of these declines should be brief, and they should provide good buying points. This recession, which began last July, should have run its course by next May or June. By that time it is likely that the Dow-Jones averages will have touched or broken 400. The end of 1958 will seek stock prices above their lows; the highest grade bonds have already seen their lows.

Helen Slade

Mr. Backman on "Prices": I anticipate that the consumer price index will remain fairly stable from now through the end of 1958. The prices of some goods will decline, while the price of services will continue to rise. I anticipate a moderate decline in the wholesale price index, probably about 2%.

Jules Backman

. . . General wage increases will be a minimum of 8 to 10 cents an hour in 1958, plus some liberalization of fringes. The 1958 wage movement will mean a drop in profits of considerable magnitude, and will contribute to unemployment. We will not have a significant rise in productivity in 1958, and unit labor costs will increase moderately; profit margins will narrow. I expect unemployment of 3.5 to 4 million; in addition, we will have unemployment in the partial sense of shorter workweeks.

Loewi Co. Announces Official Changes

MILWAUKEE, Wis.—J. Victor Loewi, President of Loewi & Co. Incorporated, 225 East Mason Street, members of the New York Stock Exchange, has announced the following management changes made by the board of directors, effective Jan. 2, 1958. Joseph Carson, formerly Treasurer, has been elected a Vice-President; Marshall A. Loewi, formerly Assistant Treasurer, has been elected Treasurer. Robert C. Sullivan has been appointed an Assistant Vice-President.

Mr. Carson has been an officer and director of the firm since 1931. Marshall A. Loewi, Assistant Treasurer since 1954, joined Loewi & Co. Incorporated in 1950, upon graduation from Marquette University. Mr. Sullivan, a graduate of Yale University, attended the University of Wisconsin Law School and became associated with Loewi & Co.'s corporate finance department in 1954.

Public Utility Securities

By OWEN ELY

Central & South West Corp.

Central & South West is an integrated utility holding company controlling Central Power & Light, Public Service of Oklahoma, Southwestern Gas & Electric and West Texas Utilities. The system serves electricity to a population of about 2,700,000 in the states of Texas, Oklahoma, Arkansas and Louisiana. Some 57% of revenues are obtained from Texas, 30% from Oklahoma, 9% from Louisiana, and 4% from Arkansas.

Central & South West became an integrated holding company early in 1947, the recapitalization and system set-up having been approved by the SEC and the courts. The system has enjoyed vigorous growth in the 11 years which have elapsed. Generating capability is now about 1,729,000 or over four times the 400,000 kw with which the recapitalized system started. Gross electric plant account probably now exceeds $600 million, compared with $176 million at the end of 1946. Electric revenues have increased from $43 million to about $136 million.

Territory served is largely devoted to farming with a wide variety of products including citrus fruits and winter vegetables, in addition to livestock, cotton, corn and wheat, rice, etc. The long Texas drought which was broken this year had little effect on system operations. West Texas Utilities, the subsidiary most completely in the drought area, had an excellent year in 1956 with a gain in kwh sales of 16% over 1955. Ownership of farms has passed into stronger hands in recent years, with the percentage of farms having over 180 acres more than doubling in 20 years. Almost half the farm operators have work at off-farm jobs, and many of them earn more off the farm than on it; only one out of eight now live on the farm as contrasted with almost half in 1920. The growth of manufacturing, trade and government service in the Southwest has tended to reduce the importance of farming; in 1954 farming accounted for only 8% of total personal income, compared with about 18% in 1930.

The drought effects have been irregular and while the number of cattle declined in West Texas (up to 1957) the number in East Texas and Louisiana increased. Moreover, the drought greatly stimulated irrigation—over six million acres in Texas are now irrigated, compared with one million in 1940. This has, of course, brought business to the utilities.

The area served has a wide variety of natural resources including oil, gas, coal, lumber, sulphur, salt and gypsum. The development of numerous oil fields and the gain in revenues from oil, pipeline and pumping loads has been a substantial factor in increased utility income. Military establishments including the jet bomber base at Abilene have also used electricity, and there are a number of manufacturing activities.

During 1947-56 the system rate of growth in kwh sales exceeded 13% compounded, while revenues gained 11% (the difference being accounted for by a decline in average kwh revenue.) Up to 1950 air conditioning was not a factor, but in later years it has become increasingly important and in 1956 the peak load was 21% over the previous years.

During 1957-9, inclusive, the company expects to add about 950,000 kw to capacity—325,000 kw in 1957, 250,000 in 1958 and 375,000 in 1959. Including firm purchased power of about 10%, the system will have a total capability of 2,000,000 kw in 1957 and 2,600,000 in 1959. Peak loads are expected to increase about 12% a year to around 2,250,000 kw. A generating reserve of about 15% is being maintained which means that the company is keeping at least a year ahead of demand.

The construction budget for 1957 approximated $70 million, and the company has projected expenditures of about $85 million each in 1958 and 1959—probably a maximum figure. The $452 million construction program for the decade ending 1956 was taken care of as follows: 30% from internal cash, 38% from debt issues and 25% from retained earnings and sale of common stock. During 1957-9, the company has planned to issue more debt and less equity. The $20 million common stock offering of March 14, 1957 (600,000 shares offered to the public at $36.75) may be the only equity issue during the three-year period. It is possible that the company may do equity financing in 1959, but it may well be postponed to 1960.

In the decade ended 1956 the equity ratio rose from 30½% to around 34½%; it may decline to around 32% in 1959 but would again be raised by equity financing.

As shown in the accompanying table, during 1947-51 share earnings showed comparatively little change, being retarded by a 30% dilution of the stock and in 1951 by heavier taxes resulting from the Korean War. Since 1951, equity financing has been less of a factor and dilution has averaged only about 3% a year, which with some tax relief permitted an increase of 75% in earnings. In 1957, with a 10% dilution from the sale of common stock, share earnings have been showing a modest gain to an estimated $2.40.

The common stock has been selling recently around 41, making the yield based on the $1.60 dividend 3.9%. Assuming that the estimate of $2.40 for 1957 is realized, the price-earnings ratio is slightly over 17 which is about in line with stocks of other growth utilities.

Year	Revenues (Mill.)	Common Stock Record Earned	Dividend	Approx. Range
1957	$137*	$2.40*	$1.60	43–35
1956	128	2.32	1.45	41–33
1955	114	2.04	1.34	37–30
1954	105	2.00	1.20	32–23
1953	96	1.72	1.04	24–19
1952	88	1.60	0.95	21–17
1951	80	1.34	0.90	17–13
1950	73	1.44	0.90	16–12
1949	67	1.40	0.825	15–11
1948	62	1.38	0.75	12– 9
1947	55	1.38	0.35	12– 9
1946	50	1.22	——	——

*Estimated.

U. S. Securities Corp. Formed in Atlanta

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga.—U. S. Securities Corporation has been formed with offices at 64 Ponce de Leon Ave., Northeast. Officers are William G. Hays, Jr., President and Treasurer; Robert E. Sherwood, Vice-President and Secretary; and James B. Sanders, Vice-President. Mr. Hays and Mr. Sherwood were formerly with First Southern Corporation, and prior thereto were with Johnson, Lane, Space & Co., Inc.

With Norman F. Dacey

(Special to THE FINANCIAL CHRONICLE)

BRIDGEPORT, Conn. — Harold Mazer has joined the staff of Norman F. Dacey & Associates, 114 State Street.

Continued from first page

A Fair Appraisal of an Existing Serious Situation

completed an investigation and hearing, and issued an appropriate order.

The *Memphis* decision is an extension of the doctrine of the *Mobile* and *Sierra* cases, decided by the Supreme Court on Feb. 27, 1956, wherein that Court held that the rate in a long term contract for the sale of gas and electricity could not be changed by the unilateral filing of a new rate subject to possible suspension by the Commission under section 205 of the Federal Power Act or section 4 of the Natural Gas Act. It should be pointed out that the facts in the *Mobile* and *Sierra* cases would, I believe, tend to cause any judge who was unfamiliar with the regulatory process, to be sympathetic with the purchasers, the prevailing parties in those cases. Those cases are, in my opinion, excellent proof of the truth of the old adage that "hard cases make bad law."

It was quite generally thought that the effect of these two decisions could be overcome by a provision in the service agreements similar to the one which, in the *Memphis* case, has now been held to have no efficacy. If the *Memphis* case becomes the law of the land, it would seem to follow that all pipeline companies which presently are collecting increased rates subject to refund under section 4 must refund all of such sums to their customers. As of Nov. 1, 1957, the total amount being collected subject to refund was about $217 million per year, and the total amount subject to refund for the total time all existing suspended rates had been in effect was approximately the same amount. Indeed, it may rather logically be contended that all rate increases obtained at any time since the passage of the Natural Gas Act, by unilateral rate filings under section 4, are a nullity and must be refunded, with the possible exception of those cases which were settled by agreement of all parties and with approval of the Commission. I will come back to this subject shortly.

FPC's Interim Policy

What does the Federal Power Commission propose to do under such circumstances? The Commission will do all it can to obtain a review of this decision by the Supreme Court. The Solicitor General, with the cooperation of the Commission, has already filed with the Supreme Court a petition for certiorari. If certiorari is granted, the Commission will supply pertinent and factual information to the Solicitor General to assist him in urging the Supreme Court to give some priority to this case. The Solicitor General and his staff appreciate the importance of this case.

I confidently expect that the Supreme Court will grant certiorari. I am hopeful that the Court will hear and decide this case during this term. Of course no one can make a positive prediction as to what the Court's final decision will be.

In the meantime, we will do our best, with due regard for the rights of consumers, distributing companies, pipelines, and producers, to maintain equilibrium in this vast segment of our nation's economy. The *Memphis* decision will not be binding on the Commission until the mandate from the Court of Appeals reaches us. This mandate will not issue unless the Supreme Court denies certiorari. If the Supreme Court grants certiorari, no mandate will issue until the Supreme Court has finally disposed of the matter.

There is ample precedent for the Commission not to accept the doctrine of a court decision as applicable to other parties in other cases until that particular decision has become final. The *Phillips Petroleum* case is a recent example. The Court of Appeals held that Phillips was a natural gas company in May of 1953. The Supreme Court affirmed that result in June of 1954. During that interim the Commission did not attempt to force Phillips and other independent producers to comply with the Natural Gas Act. To do so would have been fruitless as well as inconsistent with the Commission's position in the Supreme Court. Undoubtedly any independent producer would have resisted any effort of the Commission to assert jurisdiction over him during that period and would have utilized appropriate court action for that purpose. The only result of such untimely efforts by the Commission would have been the creation of a great volume of litigation.

The *Memphis* decision presents an analogous situation. So long as that decision is not final, any appealable order issued by the Commission which is based on the principle involved in *Memphis*, whether in accord with, or contrary to it, will be appealed. The creation of such a mass of litigation clearly would not be in the public interest, and can, I hope, be avoided.

Nevertheless, the Commission, in an effort to avoid unnecessary litigation will not endeavor to irreparably prejudice any rights any one may now have, or hereafter acquire, if the *Memphis* decision becomes the law of the land. Although the Commission does not recognize *Memphis* as final or binding in any manner at this time, the Commission nevertheless has not ignored the possibility that it may become so.

In an order issued this week, the Commission declined at that time to pass on a motion to dismiss a pipeline rate case, filed pursuant to section 4. In the same order, however, the Commission ordered the pipeline company to post a bond for the entire amount of the increase or supply other satisfactory evidence of ability to refund the entire amount. Personally, I believe that by such action, we have done the best that could be done, in this difficult situation, to protect the public interest.

Outlook for Investors

What is in store for investors in natural gas pipeline securities if the *Memphis* case is not reversed? I do not believe that this industry necessarily must become bankrupt if this decision stands.

The demand for natural gas is as great now as it was before the *Memphis* decision. There is still a market and a seemingly insatiable demand for the product. Unlike an old overcoat or automobile, old gas supplies, previously used, cannot be made to serve longer. Where there is a demand and a supply, sales and purchases will be made. Thus the essential ingredients for a healthy industry remain.

Some pipeline companies are hopeful that they can reach a settlement of their pending cases with their customers. The City of Memphis itself has been an active and willing participant in such negotiations. Numerous distributing companies fully realize that neither they nor their customers want a refund which bankrupts the long distance transporter and terminates or even jeopardizes future service.

A number of the pipeline companies which would have to refund large sums would also receive large refunds from other pipelines from whom they have purchased. Some would receive more than they would have to refund. All companies which had to make refunds would have the right to obtain a refund of the resultant over-payment of income taxes.

Protection Against Confiscation

The opinion in *Memphis* directed the Commission to reject the rate schedules filed by United Gas Pipeline Company. It follows, as was mentioned earlier, that all companies similarly situated would have to do likewise, but there is another principle, not mentioned or considered by the Court, which, it seems to me, may come into play. Would the constitutional provision against confiscation of property protect a regulated company in a business affected with a public interest from refunding money to the extent that if thereby become bankrupt and thus was no longer able to render necessary service to the public?

I doubt very much if the Court comprehended the magnitude of the result of what it was doing, and realized that in addition to dealing with the price of gas to the City of Memphis, it was setting a precedent involving, as of now, more than two hundred million dollars in refunds.

Consequently, I doubt if the Court considered the constitutional point just mentioned, or considered whether or not United Gas Pipeline Company, or any company similarly situated, would be entitled to have a *quantum meruit* recovery for gas delivered, if it is not entitled to the filed rate. Those questions were not covered in the *Memphis* decision. I don't profess to have unequivocal answers to them, but I will repeat that I find it difficult to believe that the *Memphis* decision will ultimately cause the bankruptcy of an important part of the natural gas pipeline industry, and thereby prevent the public from getting the natural gas service it needs and deserves.

A number of pipeline companies had expected to raise substantial sums of money for expansion during 1958. As you know, such expansion must be approved by the Federal Power Commission before it can take place. In other words, FPC has found that it is in the public interest that the facilities of certain companies be enlarged, and has found such expansion to be feasible. It would be regrettable indeed, if this needed expansion did not take place as scheduled. The public needs the additional and improved service which would thereby be rendered, and at this time, particularly, our economy needs the benefit of the expenditure of these many millions of dollars for plant construction.

Expediting Rate Decisions

Necessity is the mother of invention. Let us all do our part in a great effort to keep the natural gas industry alive, strong, and growing. I suspect that we may find that a rate case under section 5 can be processed in much shorter time than was ever thought possible. We know that in such a case, the pipeline company would supply all the data that our staff would request, as soon as it possibly could. When the customer companies realize that additional supplies of needed gas cannot be forthcoming until the pipeline company is first granted reasonable rates, it would seem that they would likewise cooperate to bring the case to a speedy conclusion. The Commission and its staff will, I know, do everything they can to expedite their work, so that our economy will not suffer unnecessarily, and to the end that the public will get the increased natural gas service it requires.

All of us have heretofore considered that section 5 was enacted for the purpose of providing a method of lowering rates, and have not considered its use in passing on applications to increase rates. It may be found that our rules and procedures should be revised in view of this changed situation. I am sure the Commission will revise its procedures in any way that is found to be proper and necessary to expedite action, and in so doing would be limited only by existing law and protection of the public interest.

Perhaps those who play a part in the marketing of pipeline securities can revise their procedures and their customary way of doing business and find ways of doing their part in keeping the natural gas industry healthy and able to render service. I urge they try their utmost to do so. In times of economic crisis, the psychological factor may tip the scales one way or another. Let us see that we who are in a position to affect psychological reactions say and do those things which will prevent a panic where no panic is called for.

Legislative Recourse

The effect of the *Mobile, Sierra*, and *Memphis* decisions can be corrected by appropriate legislation, although such legislation could only operate prospectively. The Commission is already on record as favoring such legislation, having taken such action long before the *Memphis* decision. Such a recommendation will appear in the Commission's annual report which is now being printed. Congress has many times demonstrated that it can act speedily when the need to do so has been shown. The Federal Power Commission will support such legislation, and I for one do not now know of any interests or groups which would oppose it if they ascertain and understand the facts.

There may be some good which will come out of the present difficult situation. Some people, both in the natural gas industry and in the political field, have over-simplified the various problems of the natural gas industry. They have believed, or have acted as though they believed, that each issue merely presented the question of "whom are you for?—the consumer or the industry?" Such persons have, for example, opposed a rate increase as an inherently evil thing, without any regard to the question of whether a rate increase was necessary in order for service to be rendered, and have opposed any legislation supported by any segment of the industry, apparently on the theory that if the industry wants it, it's bad for consumers. (Let me make it clear that I referred to "some people" only, in the preceding sentence.)

The *Memphis* decision is forcing such persons to face reality and to admit that, after all, a pipeline company must remain solvent if it is to render service. There seems to be good reason to hope that the present difficult situation will ultimately lead to creation of a better environment in which to dispose of regulatory problems.

It is always difficult for a member of a regulatory commission to speak on a subject of current interest in his field. If he succeeds in avoiding any comments which could, in or out of context, be deemed as an indication of what his commission may do in certain cases in the future, he also succeeds in boring and disappointing his listeners. If he succeeds in saying anything of interest or value to his audience, he subjects himself to the criticism that he has pre-judged issues before him. In what I have discussed, I have tried to make a fair appraisal of the existing serious situation.

Securities Salesman's Corner

By JOHN DUTTON

Don't Let Them Forget YOU!

There are many people who will invest in securities only occasionally. Sometimes a year or two will pass by before they may turn again to stocks or bonds when they think of an investment. Others may have had an occasional trade with you but have not been the active substantial account that warranted your following them closely. Yet these people should be followed regularly from time to time and you should keep your name before them. This can be done in various ways and the main purpose of doing this is to keep contacts alive which someday may turn out to be valuable. If people have done business with you once or twice, and they have no reason to be dissatisfied with your service, they should be considered as potential sources of additional business even though they are not steady investors.

You Never Know From Whence The Order Grew

The small investor can become a large one. The young person starting out with a small account can know other people whom they may send to you. The young married man who buys a few shares of a speculative growth stock hoping for a capital reward in the future may have a retired mother or father that could invest substantial funds in income securities. There may be a desirable piece of financing that can be directed to you because someone that likes you heard of such an opportunity.

Since people know people you never know where a recommendation may arise. Here's one from last week's experiences. Several years ago I sold some good bonds to a customer who sold his house and moved to another city. Occasionally I would write him and keep in touch by mail. Last week he revisited the man who bought his home and they began talking about investments. He recommended me and I received a telephone call from my former customer whom I hadn't seen in over two years. He introduced me to his friend over the telephone, and I have stepped into another promising account which I would have never met if it hadn't been for my former customer's recommendation.

Use the Mails

You just don't have enough time to properly follow hundreds of small accounts and so the best method is to use the mails, combined with an occasional phone call. Recently, I saw some postcards that were mailed by an investment dealer that were dignified and also carried a confidence inspiring message. This dealer sends out these cards once or twice a month as the spirit moves him and when he has something to say. He has them printed by a good printer on a card several times larger than the postal card. Then this printer reduces them by photo-offsetting them on the back of regular two-cent postal cards. The effect is excellent and it is surprising how much can be said on these cards and how readable they are.

Here is a theme for one of them. When the market recently had suffered a severe decline for several weeks, this dealer pointed out that quality stocks decline with other stocks in a weak and declining stock market. If an investor owned stocks that declined and his were among the few that did so, while at the same time the rest of the market was not declining, then he would have something to worry about. The main issue to consider was whether or not the **quality** of an investor's securities was adequate because **quality stocks** will recover when markets once again turn higher. An offer to check the **quality** of the investor's holdings was included in the brief message. Other generalized and timely subjects can be placed before your clientele in this way and, if you think it through, there is quite a bit you can say that will be of helpful interest to those of your customers who only occasionally send you an order.

Every time you do business with someone you are adding another potential booster to your own cause. Let people know that you haven't forgotten them and they won't forget you.

W. F. A. Palmer V.-P. Of Mullaney, Wells

CHICAGO, Ill.—William F. A. Palmer has been elected Assistant Vice-President of Mullaney, Wells & Company, 135 South La Salle Street, members of the Midwest Stock Exchange.

W. H. Morton Co. Names Officers

W. H. Morton & Co. Incorporated, 20 Exchange Place, New York City, underwriters and distributors of state and municipal bonds, announced that Peter V. N. Philip has been elected Vice-President and Francis P. Gallagher, Jr., Assistant Vice-President, of the firm.

Continued from page 3

The Business Outlook and Specific Business Advice

duration and of moderately greater intensity. Hereafter, I shall refer to this group as the pessimists.

The Pessimists' Views of the Long-Term Trend

A brief summary of the principal factors making for a slower rate of growth in the economy in future years is as follows:

(1) *Production facilities* are again ample to meet all consumer demands and defense requirements. The only deficiency today is in public facilities such as highways, schools, etc. This raises the question as to what factor will bring about a sharp rise in the growth of the economy in the future.

(2) *Inflation* encourages industry to anticipate plant requirements to avoid the future rise in construction costs. This has created over-capacity in many industries where facilities were expanded on the assumption that demand would continue to grow vigorously.

Inflation also encourages the accumulation of inventories in anticipation of rising prices. It discourages consumer buying. This increases the risk of a recession in 1958.

(3) *Rising prices* adversely affect unit sales. Not all segments of the population participate equally in the rise in personal incomes. The incomes of pensioners, public servants and salaried workers lag or do not rise at all. In 1957, net disposable income rose sharply but net per capita income declined. Price increases lower the standard of living of vast segments of our population. For a nation geared to mass production and sales, it can mean only one thing—a slower rate of growth for the economy as a whole.

(4) *Inventory changes* over a short period of time exert a tremendous impact on the general level of business activity. Unfortunately, inventory figures are the least reliable of the published statistics. At the present time, the published inventory figures do not appear to be excessive when related to sales. However, in a period of rapidly rising prices, it would be most unusual if inventories were not substantially higher than the published figures.

The sharp decline in steel operations would indicate that steel inventories were in excess of the published figures. With the passage of time, other industries may report similar situations. A period of inventory liquidation of greater intensity than presently anticipated would come as a shock to business, and confidence would be shaken.

(5) *International Trade* reflects the export boom of the past seven years resulting from the industrial expansion that has taken place throughout the free world and the inflation that followed. The rate of growth and the height to which exports soared may be attributed to governmental expenditures under the Marshall Plan, economic assistance to under-developed nations, stock-piling of strategic commodities, military assistance expenditures, and the monies expended to maintain our military forces throughout the world. In recent months, additional financial assistance has been made available by the World Bank and the Export-Import Bank to forestall an international monetary crisis.

The international Trade Policies now undergoing revision will have far-reaching effects on world trade.

To avoid recurring international monetary crises, the so-called soft currency nations are revamping their internal economies in preparation for an all-out drive to increase exports to the so-called hard currency nations. The immediate effect on us will be to increase competition and lower profit margins.

(6) *The decline in Corporate Liquidity* in a period of falling earnings and heavy fixed charges calls for a review of capital expenditure programs. With industry operating at less than capacity, sales not up to expectations, labor costs rising, and profit margins squeezed, a resetting of capital expenditures more in keeping with corporate liquidity is in order. Consequently, a sharp decline in capital outlays by manufacturers is anticipated in the months ahead.

(7) *The Growth in Indebtedness* has accompanied the rapid expansion in industry. If the economy is to continue to grow at a rapid pace, the over-all indebtedness of the nation will grow. The question is—at what rate will it grow and in what segments of the economy will the growth in indebtedness take place? Throughout the Korean War the Federal debt grew rapidly. This was followed in the years 1955 through 1957 by a rapid increase in consumer, corporate and public indebtedness. In the future, the growth in indebtedness is expected to take place in all sectors of the economy but at a lower rate than took place in any one sector in the past.

The pessimists are of the opinion that the future growth in indebtedness will be at a lower rate, more in keeping with the rate of increase in personal incomes, expenditures for national defense, productivity, and scientific achievements in the perfecting, manufacturing and marketing of new products.

The rate of increase in indebtedness in 1958 will be off slightly from that of 1957.

A 20 to 25% decline in the rate of growth of corporate debt of manufacturers in 1958 should be offset by increases in real estate mortgage debt, public debt, consumer debt, Federal debt and corporate debt of other industries.

A contraction of credit of $1 billion in commercial bank loans would adversely affect the aggregate increase in indebtedness in 1958. This is a net decline from the current year of $1½ billion. The impact of this decline will come in the first half of 1958. Such a decline will be reflected in the Federal Reserve Index of Industrial Production and will be referred to as an inventory adjustment. Its effect on gross national product will be small.

CHART II

Expenditures — Gross National Product

(In Billions)

Economic Group	Third Quarter Rates Adjusted to Annual Basis 1955	1956	1957	(Est.) 1958	Dollar Change 1957-58	Percent Change 1957-58
Government						
Federal, State and Local	77	81	87	91	+ 4	+ 5%
Business						
Plant and Equipment	30	36	37	33	— 4	—10%
Inventory Accumulation	4	3	2	0	— 2	------
Residential Construction	18	17	16	17	+ 1	+ 5%
Consumer						
Durables	37	33	35	36	+ 1	+ 3%
Non-Durables	128	134	142	148	+ 6	+ 4%
Services	93	101	106	111	+ 5	+ 5%
Other	10	12	14	14	0	------
Gross National Product	397	417	439	450	+12	+ 2½%
Possible range for 3rd Quarter				448-454		

CHART III

Statistical Forecast for 1958

	1956	1957	(Est.) 1958	Change 1957-58
Industrial Production Federal Reserve Board Index	143	144	138	—6
Gross National Product (Billions of Dollars)	411	435	450	+15
Personal Income (Billions of Dollars)	327	344	354	+10
Consumer Expenditures (Billions of Dollars)	267	281	294	+13
Construction Expenditures (Billions of Dollars)	46	47	48	+1
New Residential Starts Non-Farm (Millions)	1.3	1.0	1.05	+.05
U. S. Automobile Production (Millions of Cars)	5.8	6.2	5.8*	—.4
Steel Production (Millions of Tons)	115	114	109**	—5
Retail Sales (Billions of Dollars)	15.8	16.6	17.0	+4
Consumer Price Index (1947-49 = 100)	116	120	121	+1
Unemployment (Millions of Employees) Maximum Unemployed	2.6	2.9	3.4	+.5
Non-Agricultural Employment (Millions of Employees)	58	59	58	—1

*Range for 1958: 5.6 to 6.0 **Range for 1958: 107 to 111.

Summary of Pessimists' Views

The pessimists regard this as a period of transition from a high level of industrial expansion to a moderately lower level. In addition, there are the excesses to be corrected that grew out of two years of inflation. The combination of forces will intensify competition and increase pressures on profit margins. The over-all effect will be to intensify the decline and extend its duration. A 10% decline extending over a period of some 20 months is the pessimists' forecast of the immediate future.

The Optimists' Views of the Economy

The optimists contend that the economy is basically sound; that the policy of credit restraint has been much more effective in limiting and restricting the growth of excesses than is generally realized. They cite the lack of growth in industrial production over the past 12 to 18 months as proof that not all segments of the economy participated in the excesses. Some segments of the economy such as durable goods and housing were adversely affected by the policy of credit restraint. These segments are in a position to advance with any easing in credit policy. Where imbalances still exist, no advance will take place until these are corrected.

Basic Soundness of the Economy. In the past, serious recessions in business have been accompanied by a sharp contraction in credit. This usually followed the employment of large amounts of short-term credit to finance speculative purchases of securities, commodities and real estate; and in the case of business, the accumulation of excessive inventories. This type of situation does not exist today. Regulations governing the purchase of stocks preclude this kind of speculation. Other loans are not outstanding in sufficient volume to bring about a spiraling contraction in credit, commodity price, wages, etc.

Defenses Against Serious Recession

Broader Economic Base. The growth in industries and products has brought greater diversity to the economy. No one industry dominates the economy such as the steel industry once did. The economy is much more flexible and self-regulating. Some industries will be undergoing adjustments downward at the same time others are rising — a far more rolling type of economy than in the past. This makes for greater stability but it does not eliminate cyclical fluctuations.

Stabilizing Force of Government Expenditures. Unemployment insurance and agricultural price supports provide some defense against recession but they do not exert a stabilizing influence comparable to that of Federal, state and local municipality expenditures. These seldom follow the cyclical fluctuations in business activity. In fact, they are more likely to rise than fall. At the present time, the total cash expenditures by all the various units of government approximate $89 billion per annum. This is a strong stabilizing influence to the economy.

Growth Factors

Population. The increase in population is a powerful force making for a rise in consumer spending. It is estimated that to feed, clothe, house and educate the growing population under the present standard of living, it will be necessary to increase consumer expenditures by more than $5 billion per annum. This powerful force results in a continuing high level of consumer spending, irrespective of minor fluctuations in business activity.

Research and Development. Expenditures for research are currently in excess of $6 billion annually. In the past ten years, in excess of $35 billion have been spent on research. This is a colossal investment in the future. The benefits to be derived are no longer a matter of chance—they can be and are being predicted with a reasonable degree of accuracy. The optimists maintain that the nation is in the midst of a technological revolution of tremendous economic significance. They visualize another ten years of vigorous growth in our economy, with inflation the principal deterrent to economic stability. The period will be characterized by:

(1) *Inflation*—Demands for capital will exceed savings. Wages will rise faster than increases in productivity.

(2) *Intense Competition*—Scientific advances will bring severe competition between the new products and the old. Vigorous competition from abroad for our foreign and domestic business is anticipated.

(3) *Growth in Capital Investment*—New products will stimulate investment in new plant and equipment at an accelerated rate over the years.

Technological advances will stimulate competition, accelerate capital investment in plant and equipment, and increase the tempo of modernization of old plants. It will also increase the rate of obsolescence throughout industry.

(4) *Increasing Rate of Productivity* — Technological progress brings a continuing rise in productivity, an increase in the standard of living, and a high level of employment.

(5) *Economic Instability* — Recessions of greater intensity are inescapable if liquidity continues to decline and indebtedness of the private sector of the economy continues to advance at a faster rate than productivity increases over the years.

Impact of International Developments. International developments exert a tremendous influence over the stability of the economy. At the present time, the scientific and technological achievements of the Soviets have precipitated a crisis in the Federal Government's *laissez-faire* policy towards the economic development of the nation. No one can foretell just how much of a change will take place, but it is evident that the Federal Government will become a more dominant influence over the economy. In the fields of education and in basic, scientific and technological research, the government is already recommending changes. In the future, more and more of our industrial growth will be directed towards national defense.

The immediate effect of the crisis will be to increase spending for education, economic assistance abroad, research, armaments (especially for missiles), submarines, and additional air bases. The total increase in expenditures for the calendar year 1958 is estimated at $3 billion over the budget estimate of $72 billion for the fiscal year ending June 30, 1958. This will initiate a return to a policy of deficit financing by the Federal Government of $2 to $3 billion per annum. The optimists point out that the cash accruals of the public trust funds total this amount so that no budgetary inflation is inherent in the deficit financing.

Federal Reserve Policy of Credit Restraint. The optimists contend that the policy of credit restraint is the primary reason industrial production has remained steady this past year. They point out that the policy should be reversed immediately to avoid a rapid downturn in industrial production.

The officials of the Federal Reserve System have repeatedly stated that inflation is more to be feared than a downturn in business, but that they do not wish either to happen. The officials also state that the extent of the easing of credit in 1954 was a mistake and wish to avoid a recurrence. To date, some easing in the policy of credit restraint has taken place but it has been largely psychological in its effect. No material change in the money supply outstanding has occurred. Apparently the Federal Reserve System is adjusting its policy to changing trends in business. A further decline in business would probably result in actions to increase the money supply but at a much lesser rate than took place in 1954.

The optimists contend that the Federal Reserve System should anticipate a business recession and moderate the extent of the decline by increasing the money supply prior to an actual downturn in business. They call attention to the fact that it may already be too late to avoid a mild adjustment in the first half of 1958.

Summary of Optimists' Views

In summary, the optimists are of the firm belief that the future growth of the economy is assured and that inflation will be the principal deterrent to economic stability in future years.

They are of the opinion that the policy of credit restraint will act as a deterrent to economic growth in the first half of 1958 and that a reversal of the policy will bring about a sharp upturn in production throughout the second half of 1958.

My Views of the Economy

First, let me point out that for the purpose of this forecast, I have assumed that there will be no war.

In addition, I would like to add that I do not know what the state of our national preparedness is. How much additional money will be needed to bolster our national defenses for the coming year is not known. I have arbitrarily made the following assumptions:

(1) That defense expenditures will total $40 billion for the coming calendar year — $2 billion above the budget estimate for fiscal 1958.

(2) That the Federal expenditures for the calendar year 1958 will approximate $75 billion—up $2 billion over the current fiscal year.

I think you will agree that the assumptions are conservative—1958 being an election year.

Long Term Trend. I agree with the optimists that the long term trend of the economy will be up at about the same rate as in the past decade.

Scientific and technological advances and an increase in government expenditures will produce a high level of industrial growth in the years ahead.

The principal deterrent to the rate of growth will be inflation. Inadequate rate of savings, and wage increases in excess of productivity, will bring inflation to the fore.

The credit policy of the Federal Reserve System will be less effective in curbing the rate of growth as Congress will by-pass this restrictive credit policy.

Deficit spending by the Federal Government, plus a more gradual rise in corporate and consumer debt, will finance the rapid rate of growth of the economy.

Type of Economy. The economy will be intensely competitive. New products and increased competition from abroad will bring this about.

Recessions of increased intensity are to be anticipated if liquidity declines and indebtedness increases in the years ahead. It will be prudent for businessmen to anticipate the recurrence of cyclical setbacks in the future.

There will be a gradual transition to semi-war type of economy and away from the *laissez-faire* type of today. Complete revision of tax laws is to be expected in order to encourage savings, to reduce the growth of the bread and butter segments of the economy, and to expand the growth of armaments.

The Trend of the Economy in 1958. As to the trend of the economy in 1958, I am less optimistic than the optimist, and more optimistic than the pessimist. I anticipate a decline in business of not more than 5%; a duration not to exceed nine to ten months; and a somewhat slower recovery than the optimists anticipate.

The reasoning behind this forecast is as follows:

(1) After two years of continuous inflation, the imbalances are certainly greater than the optimists are willing to concede but not as severe as the pessimists point out. Inventories are probably higher than stated, and the decline in liquidity is a more serious factor than is generally appreciated. The Federal debt limit has delayed progress payments to industry on government contracts. This has magnified the liquidity problem at a time when the confidence of businessmen is already shaken.

(2) The Federal Reserve policy of credit restraint has been especially disturbing to those businessmen in whose industries business is down substantially from a year ago.

(3) Increase in government spending will be too late to alter the decline in business during the first half of 1958. The transition from conventional weapons to missiles will take time to accomplish and may well be a drag on the economy throughout the first half, and of only slight help to business during the balance of the year.

(4) Labor unrest and strikes are to be anticipated in 1958. A protracted strike in the automobile industry is regarded as a likely possibility. Such a strike would materially alter the trend of business in 1958.

(5) A cut in personal income taxes to bolster business is a possibility. Congress will be alarmed over the decline in business and the rise in unemployment.

(6) Road building and public works programs will be accelerated to stimulate the economy.

Summary

Industrial production over the years is expected to continue to grow at about the same rate as in the past decade and it will be characterized as a period of greatly intensified competition. The principal deterrent to the rate of growth will be inflation.

The decline in industrial production currently under way should not exceed 5% and should not last for more than nine to ten months. The rate of recovery is expected to be somewhat slower than that experienced in the recessions of 1949 and 1954. The decline in industrial production in 1958 will be accompanied by an increase in the money supply resulting from further easing of credit and an increase in government spending.

Statistical Forecast of Business

Chart II lists the principal economic spending groups that make up the gross national product and Chart III furnishes other measurements of business activity with forecasts for 1958.

The quarterly expenditure figures in Chart II are adjusted to an annual basis. It should be noted that all figures are expressed in dollars that fluctuate in purchasing power. It is estimated that 50 to 66% of the rise in gross national product in 1957 was accounted for by a decline in the purchasing value of the dollar. For the year 1958, consumer prices are expected to remain at about current levels so that little, if any, change is anticipated in the cost of living. This will be reflected in a lower rate of growth in the gross national product figures for 1958.

Comments on the Gross National Product

The increase in gross national product amounts to 2½%. Practically all of this increase represents the rise in prices that took place throughout 1957. The full impact of the over-all rise in 1957 prices will be reflected in 1958.

Federal, State and local expenditures are expected to rise by $4 billion with defense spending up $1 billion from current level of expenditures and State and local expenditures up $3 billion.

Plant and equipment expenditures are expected to be $4 billion less. This is somewhat in excess of the published statistics reflecting industry intentions for the coming year. With plant operations estimated at around 82% and still declining, a somewhat sharper decline in plant expenditures for manufacturing companies appears justified.

Inventory decline will be at the rate of $2 billion in keeping with the lower level of industrial activity and sales.

The rise in residential construction costs has far exceeded increases in personal income. Easier credit will be helpful in stimulating residential building but it will not have the same stimulating effect that easier credit terms have had in the past. A 5% rise in residential building is about as much as can be hoped for in 1958.

Increases in the price of most consumer durables is not in step with declining personal incomes. About all that can be expected is that easier credit terms will maintain unit sales near current levels. The increase in prices in addition to a moderate rise in home construction should increase total expenditures for durables by about $1 billion in 1958.

Non-durables and services show a consistent rise over the years. The rate of increase in 1958 should adhere more closely to the trend of personal incomes and the purchasing power of the dollar. This is an increase of $11 billion for 1958 as against $13 billion in 1957.

. . . In Conclusion

In the past you have often heard it said that economists speak in generalities about the future but seldom make helpful suggestions as to what a businessman should do under present circumstances. I would like to make the following suggestions:

(1) In the future devote most of your time and energy to strengthening your sales organization. To meet the future intense competition, an aggressive and efficient sales organization is essential. It will pay big dividends over the years.

(2) Strengthen the depth of management. In a highly competitive economy, business conditions will change quickly within an industry. Policy changes will come fast and more frequently. This will require better controls if losses are to be kept to a minimum.

(3) Expenditures for research should be maintained to assure a strong competitive position in the technological economy of today.

(4) Prepare a study of your future cash needs immediately so that you may take advantage of any easing in credit to reset your indebtedness or capital structure in the period ahead. Anticipate the possibility that any relaxing of the credit restraint policy in future months may be temporary.

Vickers Pub. Rels. At Vance, Sanders

BOSTON, Mass.—Michael Vickers has been appointed public relations director of Vance, Sanders & Company, 111 Devonshire St., it has been announced by Henry T. Vance, senior partner of the Boston investment firm.

Vickers formerly served as assistant public relations director and account executive at Chambers & Wiswell, Inc., Boston, and as an account executive at Carl Byoir & Associates, Inc., New York. He previously was associated with the Boston Herald.

Walston & Co. Inc. Opens Tucson Branch

TUCSON, Ariz.—Walston & Co., Inc. has opened a branch at 23 East Alameda under the management of Robert Patterson. Mr. Patterson was President of Robert Patterson & Co., Inc., which has been dissolved.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

The year-end figures now being released by the New York City banks on their 1957 results merit some comment.

First, the operating earnings results continue to be impressive. Right along, these banks have been chalking up better earnings data each year than the preceding 12-months. The 1957 results are recorded below.

Quite a to-do has been made about their heavy losses in security holdings. Well, there may be no gainsaying that paper losses ran to considerable amounts; and, in several cases sizeable paper losses became realized losses. But, first, some of the big paper losses were much trimmed down by the excellent recovery that the market for high grade bonds has scored. Then, where losses were realized, they were utilized for important tax savings as offsets to operating earnings.

This operation has been touched on in this space before. A bank that has sustained a paper loss in securities may sell to establish the the loss. Such loss, as indicated, may offset operating income to some extent. The bank may immediately reinvest the funds in different issues than those sold, and so be in a favorable position to realize substantial profits when prices of high grades improve. There can be no doubt that this process has been in operation during the sharply improving price action of the market for high grades.

Who will dispute the contention that Chase Manhattan, registering a net loss on securities sold, found themselves in a position to save importantly on taxes as a result, and announced an all-time high earnings figure of $4.24 a share (versus a dividend of $2.40, or 57% of operating earnings)? Or, we can turn to Bankers Trust, which reported in its capital funds summary a security profit of $4,453,510. Here, also, a new high operating figure was shown, $5.64. First National City's security loss was only 11 cents per share; Irving's 7 cents; New York Trust's 28 cents. However, a larger amount was shown by Chemical Corn Exchange, $1.12 per share.

There was a considerably mixed situation at the year-end in the trend in loans and that in United States Government bonds, some banks reporting lower loan volume and modestly higher government holdings; others showed the reverse. In no case was loan volume changed to an important degree. But Bankers Trust's governments were up about 22% from a year earlier, and Empire Trust's up 37%. In view of the downturn in the general economy, it is a natural expectation to see loan totals shrink somewhat and governments and state and municipals increase in the months ahead. New York Trust and J. P. Morgan & Co. are the only large New York City banks that have thus far issued their annual reports. As expected, they announced new high rates of return on loans, and on investments:

AVERAGE RATE OF RETURN

	—Loans—		Investments	
	1956	1957	1956	1957
	%	%	%	%
New York Trust	3.85	4.23	2.10	2.30
J. P. Morgan & Co.	3.77	4.12	2.54	3.23

If this is the general pattern to be shown in the next few weeks as the formal reports are released, it will of course explain the exceptionally good earnings from operations.

The deposit trend was also mixed, with some banks reporting them down; some higher. But here, too, the changes in either direction were not of much consequence. In like manner, payout data was mixed, but this was because of a number of increased dividend payments and the uneven (percentagewise) changes in earnings.

As was to be expected, most of these banks showed lower price earnings ratios and higher rates of earnings from operations than in 1956 or earlier years. Doesn't this argue better values in these bank stocks for the investor?

OPERATING EARNINGS

	1956	1957
Bankers Trust	$5.02	$5.64
Bank of New York	26.10	28.72
Chase Manhattan	3.78	4.24
†Chemical Corn Exchange	3.87	3.86
Empire Trust	16.17	18.04
*‡First National City	5.20	5.02
¶Guaranty Trust	4.70	5.21
Hanover Bank	3.78	4.16
Irving Trust	2.56	2.83
Manufacturers Trust	3.59	4.06
§J. P. Morgan & Co.	21.21	23.26
New York Trust	5.49	5.94
United States Trust	5.46	5.74

*Includes City Bank Farmers Trust. †Two figures not comparable: 1956 on 5,313,825 shares; 1957 on 6,376,590 shares. ‡Two figures not comparable: 1956 on 10,000,000 shares; 1957 on 12,000,000 shares. ¶Adjusted for 20% stock dividend in January 1957. §Adjusted for 16⅔% stock dividend in July 1957.

J. M. Hutton, III, Is W. E. Hutton Partner

James M. Hutton, III, has been admitted as a general partner of W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, effective Jan. 1, 1958.

James M. Hutton, III

Mr. Hutton, son of James M. Hutton, Jr., also of W. E. Hutton & Co., is the fourth generation of his family to enter the firm which was founded by his great-grandfather.

He joined the firm in September, 1952, after two years with New England Mutual Life Insurance Company. He will be in W. E. Hutton's Cincinnati office, First National Bank Building.

Can We Control Humanity By Consumer Credit Controls?

By OTTO C. LORENZ*
Associate Editor, "American Banker"

Author would replace what he terms is our Gold Dollar with a Work Dollar "based on our capacity to work"; refutes arguments advanced for re-imposition of consumer credit control, and criticizes bankers who believe instalment credit depletes cash savings; and contends 1955 automobile overproduction would have bankrupt dealers were it not for timely consumer credit relaxation. Mr. Lorenz denies consumer credit controls can successfully cope with the problem of overproduction, and cites recent Federal Reserve consumer credit study to show general controls are effective in curbing credit, particularly consumer credit.

The key to the forces bearing on consumer credit today and tomorrow—adding to the problems facing our Administration and our legislators—is humanity.

Otto C. Lorenz

(1) There are those, in high positions, who want to re-impose consumer credit controls. What are they doing to humanity?

(2) There are others, also in high positions, who think consumer credit is bad because it helps us get things they think are too good for us. What are they doing to our hopes and ambitions—to humanity's desires for higher standards of living?

(3) There are those who think there may be something wrong with a credit and monetary system that handcuffs humanity's willingness to work. Are they right?

Let's take the first of these great areas of human relations—the desire to control humanity by controlling consumer credit.

"Barron's" financial weekly carried this statement on page 1 of its Sept. 9, 1957, issue in column 3: "After prolonged study the Federal Reserve Board in May decided against asking for the restoration of Regulation W as a permanent weapon in its arsenal. Questionable at the time, that decision seems more dubious than ever today. For the Washington seers underestimated the public's subsequent rush to borrow. With every passing month, the need for selective controls over consumer debt has become clearer. Lacking them, the U. S. is trying to fight inflation with a chink in its armor."

The man who wrote this statement just hasn't learned his lesson. He simply doesn't know what he's talking about. The Governors on the Board of the Federal Reserve System do know. Outstandings in consumer credit have grown with the needs of the nation. There has been no "rush to borrow." Statistics for 1956 and 1957 show no abnormal bulge.

Before "Barron's" writer advocates any measure, he should make sure that it is practical and will work. In the Federal Reserve Board study we find overwhelming evidence that it won't work and that in the train of Regulation W come events which should make the hairs of all financial writers stand on end.

Regulation W Won't Work

On page 31, PART II, Vol. 2, of the Board's study we find Lester V. Chandler, Princeton University, asking: ". . . on what criteria would the Federal Reserve decide which type of output was 'the more vital to the economy?' "

This is the question which advocates of selective consumer credit controls constantly dodge—for they have no answer. Data are weeks and months behind the market place. If advocates of selective consumer credit controls will sit down, right now, and draw us a map of the advertising programs for durable goods, building supplies and soft goods on the drawing boards and copy desks of advertising agencies this minute, if they will chart for us the production schedules — tell us just what programs will be a "hit or a miss"—just where consumer demand is likely to produce under- or over-production and if, on the basis of such an elementary business tour, they will tell the Federal Reserve Board and us just when, where, and in what degree consumer credit controls will be needed—then we will nominate them for Overlords of Creation on Wheels. We are afraid, however, that we'll find ourselves saying, like a little friend of ours, "It works all right, but the wheels come off." As Dr. Chandler asks with reference to durable goods to be controlled: "How do you know which?"

But the hair-raising element of Regulation W, which its advocates do not and will not recognize, is the tendency of such regulation to debase the morality and honesty of the American people. Regulation W, each time it was in effect, induced some Americans to evade the law. And once you undermine honesty, you undermine credit in all its forms.

Experienced finance company men and bankers know that if selective consumer credit controls are re-imposed, credit in all its forms may go the way of the prohibition era, bootlegging and black markets.

In the Federal Reserve Board's study, PART II, Vol. 2, page 71, Arthur Smithies, Harvard University, says that under Regulation W "evasion techniques would be perfected to such an extent that the control would be largely meaningless." Dr. Chandler, in a 5,000-word paper in the same study, states his conviction that selective consumer credit controls "would be accompanied by avoidance and evasions so widespread and numerous as to discredit the regulation, to subject the regulatory authority to ridicule and even to charges of corruption, and to tend to shift business from the more reputable to those with more elastic consciences." Milton Friedman, University of Chicago, on pages 86 and 87, PART II, Vol. 2, emphasizes that "A major effect of such measures is always to stimulate the development of techniques of evading them." Edward C. Simmons, Duke University, on page 126 of the same volume, states his belief that "the necessary conditions would exist for a black market."

Robert P. Shay, University of Maine, a steadfast admirer of selective consumer credit controls, goaded by the emphasis on evasions to which his colleagues call attention, says "Chandler's comments dealt largely with fears unrealized by past experience." Where has Dr. Shay been? Has he spent any time on the firing line where credit decisions must be made hour after hour? Was he present at the hearings which preceded Congress' decision to kill Regulation W in 1952?

I am tired of hearing inexperienced men, old enough to know better, plead for measures they know nothing about. I would as soon go to a plumber for my dental work as to follow the counsel of those who wish to re-impose Regulation W. Fortunately, the great majority of educators, businessmen, bankers, labor leaders and others, who expressed their views in the Federal Reserve Board's study, are vigorously opposed to selective consumer credit controls.

Yet there are legislators and others, uninformed and unacquainted with consumer credit, who listen to the siren call of inexperienced theorists who speak with the prestige of seeming academic authority.

Senator Joseph C. O'Mahoney, Democrat in Congress from the State of Wyoming, proposes that instalment credit controls be revived as an antidote to our high-cost-of-living ills. Senator Russell B. Long, Democrat, Louisiana, joins him. They cannot have studied their position thoroughly or competently.

If controls are to be exercised to control inflation, then the Board's study amply demonstrates that general controls are an effective weapon in curbing the growth of credit, particularly consumer credit. I refer you to the papers by Shapiro, Meiselman and Jacobs in PART II, Vol. 1, to the magnificently detailed paper by Eliot J. Swan and other officers of the regional Federal Reserve Banks in PART I, Vol. 2, and to Supplement III PART I, Vol. 2, prepared by economists of 11 Federal Reserve Banks under the chairmanship of George W. Mitchell, Vice-President, Federal Reserve Bank of Chicago, for intelligent, honest, practical views regarding the effectiveness of general credit controls and the very questionable character of selective consumer credit controls.

But let us show Senators O'Mahoney and Long what may happen if they persist in their poorly-advised views. I continue at the risk of being accused of heresy by the automobile-production-minded center of Detroit: What's happening to automobile dealers?

1955's Great Auto Race

Think back to January, 1955. Remember? We heard rumors of a race between leading automobile manufacturers. It sounded exciting.

So we followed production records week after week. The race was on. First Motors ahead. Then Ford. Then Motors again. Ford—Motors — Ford — Motors — until dealers were screaming under the pressure. We began to hear of brutal tactics: "Want to keep your franchise?—Better sign this order" —an order well above normal, seasonal dealer requirements.

By June, dealers had exhausted their normal markets and, under unrelenting factory pressure, were forced to reach toward lower and lower income brackets and arrange longer and longer terms to pay. Substandard, so-called, deals began to appear on the books of finance companies and banks. Bootlegging of cars and other alarming abuses became prevalent and the uninformed blamed it all on consumer credit!

Inexperienced economists and analysts, seeing the symptoms but not the disease, yelled for consumer credit controls as a cure-all. They missed the root of the trouble completely — overproduction. Not until Congress stepped in and investigated pressure tactics on dealers late in 1955, did some of their eyes begin to open. In the Mitchell paper to which I have referred, we find that "some foundation" is found for the hypothesis that "high level automobile production sparked relaxation in credit terms." Throughout the Board's study we find recognition on the part of seasoned economists that the mad race produced overproduction and forced a relaxation of consumer credit terms to rescue dealers with overloaded car inventories.

I will go a step further: If some finance companies and bankers had not approved no-down-payment, 36-month deals to some extent, I am positive that automobile dealers would have begun to collapse like a house of cards.

In 1955 National Automobile Dealers Association members reported combined operating profits of 3.1% of sales for the first six months. By September the profit ratio had dropped to 2.6%. For the year 1955 it dropped to 1.7% of sales—the lowest reported in any full year by NADA since 1949 with one exception—1954. Dealers are still suffering from 1955 overproduction and oversaturation of the market. For 1956 the profit ratio dropped to 0.8%. It rose to 1.4% for the first quarter this year and to 1.7% for the first six months. But with large inventories of 1957 models still unsold and 1958 models on dealers' floors right now, the ratio for year 1957 may hit an all-time low.

Would Regulations Have Helped in 1955?

Government control of consumer credit would not have prevented the start of the automobile production race in 1955. Nor would such controls have struck at the root of the trouble—overproduction. And by mid-Summer, the momentum and the heat of the battle between the giants would have defied any Government controls. It took a Congressional investigation to stop the very human desire to "lick the other guy at his own game." The desire for market supremacy is human, if not humane.

It would be constructive if Senators O'Mahoney and Long would keep these factors in mind. Far from reducing living costs, selective consumer credit controls would tend to raise them and create unemployment in vital industries at critical times. And I urge every Democrat within reach to write to these two gentlemen, and every Republican to write to Secretary Dulles and Senator Capehart, lest they tag their parties with the label of red rule and economic enslavement of the American people. Let no legislator fall for the siren notes of the inexperienced, lest he, himself, fall at the polls under the weight of honestly earned American economic privileges.

Habit Haunts Us

We, who are close to consumer credit, to our consumers, and to our atomic age economy, are still haunted by the ghosts of a past age—by old men who do not know our nation as we do—men inclined to tell us what's too good for us.

A banker recently told a national conference: "We are not content to buy a washing machine. Nor are we content to buy it on credit . . . we must also have a machine that plays the 'Blue Danube' in high fidelity and says 'Good night, dearie,' to the housewife. We are not merely content to buy it on credit, but the terms must stretch over the hill into the wild blue yonder. We are not content merely to fill our need for effective and comfortable transportation. We must have a dreamboat. Then, too, we must have super-duper highways to accommodate the dreamboats as well as more wreckers and ambulances . . . our houses and apartments must have a built-in bar, even though the house, the automobile, the kiddie-coop and the last vacation are not paid for . . . The Joneses nourish themselves on spirits after a wary day. So we must do the same; and the Joneses wouldn't be caught dead mixing a drink in the kitchen sink."

This banker has the grace to say that his remarks may be somewhat facetious. He says that a modern society without credit is "hardly conceivable" and "consumer credit is surely one of the greatest gadgets ever invented." But his ignorance of American behavior is revealed when he urges Americans to ask themselves, "Can I afford it? Do I need it? . . . Have I earned the right of this luxury, or must I impatiently possess it by borrowing the savings of others?" The key to his behavior lies in the last sentence of his address: ". . . bankers could perform a real service to the American people if they . . . more generally and forcefully reassured the American people that thrift is at least not shameful."

Instalment Buyers Save

Of course saving isn't shameful and you'd walk a weary mile to find an American who thinks it is. What this banker doesn't realize is that Americans practice thrift when they buy or borrow on the instalment plan. He doesn't seem to know that the vast majority of American families are more careful in their money management than he may be himself. Perhaps his fears for the American family are fears of himself, fears that he might not live up to his instalment contract and so have to face the shame of repossession.

There may be something else at work on him subconsciously. After all, he's a banker—he likes to see our savings pile up in his bank. Then he can sit as a mighty lord over our little savings whose accumulated millions he can lend to the captains of industry. Perhaps he's afraid that his pile of our savings will diminish if we buy on the instalment plan and so lessen his opportunities to hobnob with the nabobs.

It's our own fault if that's what's the matter with him. We should have sat him down in one of our loan offices and made him learn the business. We should have brought him face to face with the millions of Americans who use our services — Americans with whom he is obviously unacquainted. We should have shown him how the instalment plan—far from reducing cash savings—increases them, teaches budgeting and thrift to Americans who never saved a dime before they bought on the instalment plan. For the information of our banker friend, the Securities and Exchange Commission reports that personal savings are up $2 billion over the first half of 1956. Individuals in the United States saved $3.2 billion in the second quarter of 1957, bringing to $9.2 billion the savings in the first six months of this year.

But there is a moral issue at stake here: Our banker has no right to judge the needs and wants of his fellow men by his own standards. What may seem a luxury to him may be a necessity to his neighbor and there is very little "keeping up with the Joneses" going on in this nation of ours today.

Lacking the services of servants and chauffeurs our banker may enjoy, our American housewives are entitled to the use of washing machines and the enjoyment of a Hi-Fi set after the housework is done. Two or three weeks in the Berkshires may be this man's dream of a vacation, but our boys and girls make sensible use of dreamboats and super-duper highways that get them to the coast of Maine in a few hours—where they learn to swim, sail and fish with the best of them.

This banker is coming to be an exception among bankers, but we are to blame for not uprooting this one-sided, pontifical point of view which still crops up in uninformed circles elsewhere also.

Judging Others by Ourselves?

Some years ago, at Connecticut State University, Dr. M. R. Neifeld, economist and Vice-President of

*An address by Mr. Lorenz before the Michigan Consumer Finance Association, Detroit, Michigan.

Beneficial Management Corp., conducted a consumer credit clinic at the University's Secondary School Teachers Summer Workshop. He drew problem cases out of his New Britain office, divided them up among the teachers, five or six to a group, and asked them to decide whether they would approve or reject the loan application on the basis of the information which the branch manager laid before them.

I remember the case of a youngster, employed, who wanted to buy a used car to go back and forth to work. His father, a shop superintendent, already owned a car fully paid for. The son earned enough to meet the monthly payments and the father said he'd sign the note, too.

After much debate, the teachers decided they would reject the application. "One car in a family in such circumstances is enough," they said. "What did you do?" they asked the branch manager.

"I made the loan," he said.

"What happened?"

"The loan went sour."

"Ah, then we were right," the teachers congratulated each other.

"Yes," said the manager, "the loan went sour, but not for the reason you gave. Did any of you guess the superintendent would move his family to Texas and start a farm?"

A shop superintendent might indeed have difficulty being a successful farmer. But we have no right, as Dr. Neifeld told the teachers, to set ourselves up as judges of the standards of living to which our American people may aspire. That's their affair and privilege. Our duty is to help them size up their ability to pay, help them budget their incomes wisely and well. Beyond that we may not and should not go.

Work Is Wealth; Gold Is Illusory

Now let's do a little brainstorming on our credit and monetary system:

As a mental exercise and with a grain or two of conviction, may I offer this proposition to students and doctors of philosophy and monetary experts: Let's base our credit and monetary systems directly on our capacity and willingness to work rather than indirectly on savings and bullion.

There is a definite trend toward this concept. In consumer credit over the past score of years, emphasis has been shifting toward Character and Capacity to pay and away from the third "C" of banking—Collateral. The shift is eminently practical as evidenced by excellent collection experience —better in many instances than the collection experience on loans where credit approval rests primarily on collateral values.

Then, too, the Keynesian proposal and practice of deficit financing is evidence of something inadequate or wrong with our old ideas of credit and monetary systems. Devaluations of currencies in Europe and here during our lifetime, indicate that we may be madly trying to squeeze a right foot into a left shoe. And the fact that we lifted ourselves—financially—by our bootstraps to make possible the work of winning World War II, that we created an unprecedented national debt without financial bankruptcy is a hint that keeping busy is at least as important as our hoard of gold at Fort Knox. It is time that we examine our credit and monetary systems on the chance we can come up with something better.

It was, in essence, a Work Dollar which financed our share of World War II. And it is a Work Dollar which may be screaming its head off for a hearing in our present-day world which insists on more schools, roads, housing and plant capacity to produce consumer goods. Isn't it possible that we have outgrown the credit and monetary system which we inherited from the Medieval and earlier ages? Isn't it possible that the peasants' revolt of 1381 in England and the "Bauernkrieg" of 1525 in Germany were trying to tell us way back yonder that there was something badly wrong with the system? That bondsmen were entitled to receive full value for the sweat of their brows?

There is a distinct possibility that the Work Dollar may be more readily adaptable to current needs than the Gold Dollar. As our Baby Boom of the postwar period develops, men and women whose wants will grow in geometrical progression over the coming years, the Boom will also have provided us with the manpower to serve those wants. Must we wait until these babies save enough to build the schools? They'll be long past kindergarten age if we do that. As our credit system stands today, we must tax ourselves, our children, and our children's children to build a structure which can be completed in a year or less of our own working time. Ridiculous, isn't it? To hit our babies' babies with a financial load for something we can build in a year's time? Would Work Dollars do better?

Would a Work Dollar bring about explosive inflation? It might —depending on how it is introduced into our system. But it may be equally deflationary in that the Work Dollar might help us produce more at lower costs. Let us say that an industrial plant increases production per man by more efficient operation. It thereby lowers the cost of each unit it produces. And that's not inflation, is it? By increasing capacity per man, that man's earning power might also be increased in terms of Work Dollar Wealth. And that's not inflation, either — because our worker can use fewer Work Dollars to buy goods, thus increasing his savings and adding to the wealth of the nation.

If there's inflation anywhere, it's rampant in our present system where the price of school buildings built by a few members of a community in less than a year must be amortized by substantial fractions of the Gold Dollar income of all the members of the community over one or more generations.

As for this business of taxation and valuation we now have. Could anything be more unrealistic? Take a community dependent on boat building for the livelihood for its citizenry. The appraiser appraises the property of the residents and comes up with a Grand List and a grander tax rate. As long as the boat building industry provides work, the sticks and stones with which the town is built have value. But let the boat builidng industry die or move away—then the tax collector can whistle for his tax dollars based on Gold Dollars. How much more realistic if the appraisers had appraised values on the foreseeable work capacity of the plant and the community!

It may be said in defense of our present credit and monetary system that it puts a brake on foolish ventures. It does nothing of the kind. Judgment of a very different kind is needed to decide whether we're going to lend a man money to drill an oil well, start a store or buy a car—judgment which has nothing to do with whether money is tight or easy to get. True, easy money may blind our judgment, but, if we clear-headly use our rules of Character and Capacity to pay, then our decision won't be swayed by easy money.

Let's try for a better system. In a sense our dollars in our savings banks and checking accounts are already Work Dollars. They represent, in great measure, the rewards of work already done. They reflect the wages we have earned and, in part, the value of work expended on articles we have sold. Not entirely, of course, since values also depend on the law of supply and demand. However, if we shift to a unit based on our capacity to work, then the Work Dollar may be a more competent instrument of exchange than the Gold Dollar.

By shifting to a Work Dollar, we might find ourselves much closer to the satisfaction of our needs—a step nearer to the social progress sought by Comte, Spencer, Dewey and Bergson. We may find the Work Dollar concept a "thing-in-itself," and "Ich-heit," which will expand the metaphysics of Kant, Fichte, Hegel and their followers. We may indeed find ourselves closer to the divine force guiding us on this old earth of ours. "I will make a man more precious than fine gold."

Tear our credit and monetary systems apart, students and doctors of philosophy and monetary experts, shake violently before using—and come up with something better! The key is humanity.

W. J. Roome Partner in Dominick & Dominick

William J. Roome, II has been admitted to general partnership in Dominick & Dominick, 14 Wall Street, New York City, members of the New York Stock Exchange. At the same time it was announced that he became a member of the New York Stock Exchange. Mr. Roome has been with Dominick & Dominick since his graduation from Yale University in 1952.

William J. Roome, II

Robt. J. Myers V.-P. Raffensperger, Hughes

INDIANAPOLIS, Ind. — Announcement of the election of Robert J. Myers to Vice-President of Raffensperger, Hughes & Co., Incorporated, 20 North Meridian Street, members of the Midwest Stock Exchange, was made by G. Wm. Raffensperger, President of the investment banking firm. Mr. Myers has been associated with the company since 1950 in the capacity of registered representative. Prior to coming to Indianapolis Mr. Myers, a graduate of Dartmouth College, had been Assistant to the Personnel Director of Owens-Corning Fiberglass Corp., Toledo, Ohio.

Robert J. Myers

Chicago Analysts Hold Annual Midwest Forum

CHICAGO, Ill.—The Investment Analysts Society of Chicago will hold its eighth annual Midwest Forum. Subject of the forum will be the investment significance of current metallurgical developments Forum on Jan. 16, at the Midland Hotel. Speakers will be Robert M. Parke, General Electric; Dr. Frank H. Driggs, Fansteel Metallurgical Corporation; Dr. Gunther Mohling, Allegheny Ludlum Steel Corporation; and Dr. Bruce Old, Arthur D. Little Inc.

Tariff is six dollars per person until January 13, seven dollars per person thereafter.

Railroad Securities

Chesapeake & Ohio Railway

Chesapeake & Ohio Railway was the first major railroad in the nation to report earnings for the full year 1957. It likely will have one of the best reports as compared with 1956, having reached new record highs both from the standpoint of gross revenues and net income.

In its advance report to stockholders for 1957, C. & O. reported net income of $67,600,000, equal after taxes and charges to $8.36 a common share based on 8,088,551 common shares outstanding. This compares with a net income of $66,700,000, or $8.28 a common share, based on 8,019,473 shares in 1956 and $57,983,000, or $7.25 a common share on 7,944,717 shares in 1955.

Gross revenues in 1957 reached $432,300,000, as compared with gross of $418,700,000 in 1956 and $380,281,000 in 1951. Chesapeake & Ohio is the nation's largest soft coal carrying railroad. Revenues from coal and coke traffic aggregate $233,000,000 last year against $219,000,000 in 1956.

C. & O. has sought to diversify its traffic in recent years to lessen its dependence of the movement of bituminous coal. It has been successful in attracting new industries and plants to the territory served. The Pere Marquette division also has shared in this expansion. While shipments of merchandise traffic showed a decline from 1956 levels, the drop was relatively minor in comparison with the experience of most of the railroads in this respect. Merchandise revenues last year amounted to $168,000,000 as compared with $170,000,000 a year earlier.

While the road is seeking other types of traffic, it has not forgotten soft coal which has been its "bread and butter" for many years. The export movement of coal last year is believed to have been at record levels; as far as the C. & O. was concerned. To expedite shipments the railway has expended large sums in the construction of new coal piers in the Newport News, Va., district. Recently it was announced that a new $8,500,000 bulk materials unloading pier has been completed in this district. This pier had been in partial operation since August of last year. In addition, as new mines or fields are developed, C. & O. quickly has constructed new spur lines to provide service.

To provide better service C. & O. has been experimenting with a new type road-rail freight haulers in place of the conventional pick-a-back movement. It has demonstrated the new convertible road-rail freight Railvan for the Post Office Department which indicated interest in using the units on a regular basis. Each unit is equipped with two sets of wheels, one for rail and the other for highway use. Each unit will cost between $5,000 and $8,000 as compared with a cost of about $3,500 for a normal trailer with the same carrying capacity. The road states the units could be moved as solid trains at considerable savings over piggyback service.

Officials of the road stated that the C. & O. never was in so sound a physical and financial condition. With the slowing up in freight carloadings in the final months of last year, C. & O. kept costs under strict control and in view of previous liberal maintenance programs for both roadway and equipment, the cutbacks in operating expenses did not mean any deterioration in the condition of the property.

Current, the road is paying $1 quarterly. It is interesting to note that it was stated there was nothing in 1958 that would disturb the $1 quarterly dividend rate. Traffic generally is expected to be off this year from last and that the company faced a possible decline in general business activity. However, it was stated the C. & O. still looks for a good coal year.

Net current assets on Sept. 30, 1957, amounted to $41,939,198, with $66,000,000 in cash and equivalents as compared with $42,683,596, with cash of $69,000,000 a year earlier.

H. T. Birr Jr. V.-P. Of Walston & Co. Inc.

SAN FRANCISCO, Calif.—H. T. Birr, Jr. has joined Walston & Co., Inc., 265 Montgomery Street, as Vice-President, it has been announced. Formerly President of First California Company, Birr has been prominent in the banking and securities business for 33 years. He was an officer of the Bank of America (formerly Bank of Italy) from 1924 to 1930, and served as Vice-President of Bankamerica Company from 1937 until 1945 when he joined First California Company. He was elected President of the latter company in 1947. He is a director of several Western corporations, including Langendorf United Bakeries, Inc., Portland Transit Company, Calor Gas Service, Inc. and Pacific Ventures.

H. T. Birr, Jr.

Vance, Sanders Expands Dealer Service

BOSTON, Mass.—A stepped-up national expansion program to better service its investment dealers has been announced by Vance, Sanders & Co., 111 Devonshire Street, one of the nation's leading underwriters of mutual funds.

New districts have been set up in the Central and Rocky Mountain state areas, and the Eastern district, which extends from New York to Florida, has been bolstered by the addition of two new men.

Richard Platt, a general partner of the firm, will work with dealers in Missouri, Iowa, Kansas, Oklahoma and northern Illinois. He also will continue to direct the company's unique and highly productive seminar program.

John B. Leonard, who has been connected with the Chicago office, will cover a territory that includes Colorado, Wyoming, Nebraska, Utah, Arizona, New Mexico and northern Texas.

David T. Sanders, who has been working out of the New York office, has been transferred to Chicago, where he will handle assignments in Illinois, Indiana, Michigan, Wisconsin and Minnesota.

The new men assigned to the Eastern district are Norman E. Burden and David D. Bush. Mr. Burden formerly was associated with Hayden, Miller & Co., Cleveland, while Mr. Bush was connected with Jones, Kreeger & Hewitt, Washington.

Continued from first page

As We See It

for granted that the once unprecedentedly popular President faces the toughest time of his political life.

Congress on Trial, Too

But in a somewhat different but real sense, Congress, too, faces a most difficult session. Individual members, we should most certainly hope, and political parties, we are confident, can make definite contributions to the welfare of the nation and also enhance their political standings, or they can invite political disaster and the ignominy of trifling with vital issues — all depending upon what they do in the next six months. Temptation will doubtless be very great to "play politics." It would be easy to condemn and to offer nothing of constructive value—and thus "play safe." Temptation will also be great to put together grandiose programs, call them "bold," and appeal to the rank and file for support on that basis—without ever giving very serious thought to the consequences.

We should hope that such a course on the part of any individual, group or political party would be tantamount to political suicide—as some of the more astute leaders are said to feel. It would certainly not be a service to the nation. Temptation will arise, though, in many if not all of the major issues that Congress and the nation must face this winter. Take the number one issue of this session—defense—for example. There have been many in Congress who devoutly wished to argue with the Administration about many phases of the armament programs, but hesitated to challenge the judgment of a general who is credited with the major role in winning World War II. But how many of them had or have really defensible alternatives to offer?

There are and always have been air power fanatics in Congress. There have been others who were similarly enamored of sea power. The army also has its champions. By now doubtless there are lawmakers in Washington ready to go overboard on missiles and the like. Members of the armed services have long made it a practice to make friends and try to influence people on Capitol Hill. What is known as inter-service rivalry could very well be so reflected in Congress this year as to be a severe handicap to all efforts to strengthen ourselves against possible attack. Symptoms of such an ailment are already making their appearance. There are, of course, some very real and very difficult problems involved in this matter of the most effective organization of our defense organization. Congress would, of course, be well within its rights and in fact be doing nothing more than its bounden duty to do all that it can to help reach and give effect to the most desirable type of operational organization. Such a result will, however, not be attained by any form of political bickering or any pulling of wires for this favorite or that. Other problems independent of organizational matters are both pressing and difficult. How statesmanlike will Congress prove it can be in dealing with all these questions?

Foreign Aid?

A closely allied phase of our national effort is the matter of foreign aid, particularly non-military aid. There are those who in the past at least have thought that all critical areas and doubtful peoples could be won over by astronomical amounts of largesse. Some are still of that view, from all appearances. The fact is though that foreign aid as a national policy has been losing popularity in some very influential quarters for a good while past. It is now at a low point in standing with influential politicians in Washington. The President is said still to be convinced that we must continue to pour out billions in this way. He may be fighting a losing battle—just at the time when the Kremlin is playing the sedulous ape. The *Chronicle* has never been enthusiastic about this light hearted generosity—and is not now—as a general practice. Our national policy in this matter is, however, not one that should be formulated on the basis of political sentiment or partisan advantage. It is a real responsibility that Congress assumes when it undertakes to make changes in the Administration's foreign aid program — and the matter should be so regarded.

And so it will be with the other major issues which will bedevil Congress as well as the President during the next half-year. Federal aid to education, involving as it does the matter of trying to encourage more study of science, agriculture and its claims for subsidies and the like, proposed labor legislation, civil rights, and a number of other questions upon which Congress will be called upon to act, will one and all require attention and decisions not based upon mere political partisanship or hope of political gain. It would be heartening indeed if there were good reason to hope for really constructive steps on such issues as these, at either end of Pennsylvania Avenue. This, however, does not seem to be in prospect, but sensible action within the limits of current notions about such matters might enhance the prestige of Congress, while merely playing politics with them would do harm to the party playing them and to the country.

One of the sins Congress is all too likely to fall into is that of making enormous appropriations for favorite causes in the apparent thought that merely pouring out money solves problems. This danger will rise if and as the threat of a substantial recession increases. Congress as well as the President is now on trial.

Continued from page 5

Canada's Natural Gas Picture

of Canada for another 40 years at the 1980 rate!

More than Enough: Export Essential

Against that supply picture, Canada is fortunate to have a potential market for her gas in the U. S. It is a stable market, for once captured it will ensure a steady return for that part of Canada's petroleum investment and activity. Everyone will agree that Canadian needs must first be met before export can be considered. But Canada's requirements are already assured, and therefore we can supply large quantities for export. The time to begin export programs is **right now!**

Let us recognize realistically the implications of anything less than a proper export program; let us recognize clearly the dangers of postponement. In my judgment, without export markets, Canada's natural gas industry will never mature. We need export markets for natural resources, such as pulp and iron ore, and for manufactured products, too—in fact, for **everything** that is surplus to Canada's domestic needs. Natural gas is no different from anything else. And bear this in mind: much of this energy discovered in the future will remain dormant until it no longer serves a useful purpose.

In addition to the fact of energy lying idle, is the effect that the lack of export will have on exploration programs now under way in Western Canada. Unless adequate export markets are forthcoming without delay, it will be necessary for many companies to cut back their operations severely until a more economic atmosphere exists.

Canadian operators have gone through many years of developing gas reserves without markets. They must soon begin to sell this reserve in order to keep alive. Just as the farmer must sell his grain, so must the oil producer sell his production, **both** oil and gas—it's as simple as that!

Some people mistakenly believe that since gas is found while looking for oil, that gas is a bonus to the operator. In fact, gas reserves actually become a liability unless markets are available for gas. To illustrate this, let us assume that Producer A and Producer B both have identical holdings. On these holdings they have spent exactly the same amount of money—for geology, seismic work, and exploratory drilling. Producer A has found ten oil discoveries on his land; Producer B, five oil and five gas discoveries. Let us assume that all the oil discoveries were identical: Producer A then receives twice the revenue as Producer B, if the latter is not able to sell his gas. But each producer has spent the same amount of money on exploration; and in the future, surface and lease rentals will be the same regardless of the type of discovery.

I, therefore, repeat that the sale of **both** natural gas and oil is essential to the producer!

Pipelines

Now, let us turn briefly to Canada's pipeline program. The first attempt in North America to pipe gas for domestic use was in 1825 with hollow wooden logs. History tells us that this early attempt at gas transmission was frustrating because the gas leaked out of the logs, often exploding and setting fire to the pipe. In addition, the gas would not flow down hill since it was lighter than air and, of course, no pressure could be put on wooden logs. Iron pipe was introduced in 1872, and since that time the transmission of gas has been feasible.

Although the Canadian gas industry in recent years has not been concerned with such problems of physical transmission, other frustrations have presented themselves. Long negotiations for export permits and financing arrangements precede the movements of gas from the provinces of British Columbia and Alberta to the U. S. and other parts of Canada.

Despite the difficulty, Westcoast Gas Transmission Pipeline has completed a line from northeastern B. C. to Vancouver and the U. S. border; Trans-Canada is moving gas into Winnipeg at the present time and is expected to reach Fort William by the end of this year. When the line is completed to Montreal by the end of 1958, the Trans-Canada line will be the longest pipeline in the world, capable of transporting more than 700 million cubic feet per day.

The total of natural gas pipeline construction during 1957 has been reported to be over 4,300 miles, making it a record year. This figure includes field gathering, provincial gathering such as Alberta Trunk and the major transmission systems.

Plans have been recently announced for the construction of another pipeline, which would transport Canadian gas to California. The already established market for 400-to-500 million cubic feet of gas per day is a sample of the markets that Canadian gas could capture—if quick action is taken.

Plants

In order to make salable gas available from wet gas fields and solution gas, multi-million dollar plants are being constructed or are planned. Tremendous volumes of sulphur, propane, butane, natural gasoline and condensate will be produced at these gasoline plants.

Here is some indication of the products which would accompany the sale of gas for export as well as Canadian needs:

	1960	1970
Propane ______(bbls. daily)	11,800	33,400
Butane ______	10,100	28 500
Natl. Gasoline & Condensate	23,100	70,200
Sulphur ______(tons daily)	2,100	6,740

I am sure many are aware of the many products derived from natural gas.

High octane gasoline, raw material for synthetic rubber, explosives, synthetic yarn, fertilizer, plastics and so on and on—all can be manufactured in petrochemical plants. This is a particularly interesting phase and one in which Canada is just beginning. The industry creates products needed and consumed by Canadians and would aid in increasing the Gross National Product, in addition to the many jobs that a new industry creates.

Investment

Thinking in terms of the capital for bringing the **total** nation's gas project to completion—that is, set up and ready to serve an estimated $1\frac{1}{4}$ million customers — a conservative estimate between now and the end of 1961 would be at least $\$1\frac{1}{2}$ billion. The Royal Commission on Canada's Economic Prospects reported that as much as $25 billion may be invested in the country's gas industry in 25 years before 1980, contingent, of course, on how large our markets become.

Future Impact

What has been the impact so far of natural gas on the economy of Canada? What will be its effect in the future? Well, past experience can only give an approximation of future impact — and past experience, expressed in any terms, must be multiplied by several times, to get even a conservative equivalent of the potential.

Many thousand people are now employed directly in natural gas, but employment in its search, production, processing transmission and distribution will assuredly go up, as well as for those industries that use it.

Science and technology already have turned up some 25,000 industrial applications for natural gas. In the U. S., as an example of the trend, about 75% of the new petrochemical plants built since the war have been designed to use it as the raw material.

We have already established in Edmonton the nucleus of a petrochemical industry from natural gas. New industries have been announced—or are being studied—for Red Deer, Regina, Brandon, Portage la Prairie, Winnipeg, Kenora and Port Arthur as a result of its coming availability. Obviously, the larger the market for natural gas, the greater our benefits will be from the petrochemical industry. And natural gas is widely used by technical processing industries, such as food, metal, chemical and glass-making.

Internationally, natural gas will favorably affect Canada's trade balance, for in many areas it will be able to replace imported coal. In 1956, for instance, the monthly average of imported coal was over $12.3 million. And to any import reduction, of course, we can add the positive assistance to the trade balance which would be effected by export: the value of planned Westcoast Transmission and Trans-Canada export to the U. S. would be about $3.6 million a month by 1969.

The policy of government at both the provincial and Federal levels has been to serve Canadian consumers first—and rightly so—with an absolutely safe margin of reserves and proper laws and regulations for governing pipe lines and export of natural gas—and then permit export. The export aspect of natural gas with its economic benefits to Canada is immensely promising and should be pursued with diligence. Indeed, it is of extreme importance to the explorer, who intends to continue operations in Canada on a scale such as that which has been a practice in the past, and therefore, it is vital to the future place of natural gas in Canada's economy.

Conclusion

In conclusion, I think a fair summary of this newcomer in Canada's energy picture would be this: natural gas reserves are being developed effectively and will require huge sums for the next decade and beyond, they will open new avenues to industrial development and will lend economic strength and unification to the nation. I am convinced that natural gas will be an important future energy reservoir, speeding industrialization, and will confirm the independence of a vast country with a relatively small population, which values its national identity, even though it lives beside an economic giant. It can be of even greater significance to Canada's economy if we face the situation as it exists, and begin to build export markets now for the surplus of natural gas, which exists now and which will continue to increase in the future.

Arthur E. Farrell With James J. McNulty Co.

CHICAGO, Ill.—Arthur E. Farrell has become associated with James J. McNulty & Company, 135 So. La Salle Street, members of the Midwest Stock Exchange, as Secretary. Mr. Farrell will be in charge of the trading department. He was formerly associated with H. M. Byllesby and Company Incorporated for 38 years. He was President of the National Security Traders Association from 1936 to 1938.

Arthur E. Farrell

Thomas A. Scott With George A. Bailey Co.

PHILADELPHIA, Pa.—Thomas A. Scott has become associated with George A. Bailey & Co., Land Title Building, as Manager of Dealer Relations in the distribution of Sovereign Investors, Inc. Mr. Scott has been actively engaged in the distribution and sales promotion of mutual funds during the past twenty years and formerly managed the Mutual Funds Dept. of Bache & Co. in Philadelphia.

Thomas A. Scott

Hayden Stone Opens Branch

GLENS FALLS, N. Y.—Hayden, Stone & Co. has opend a branch office at 292 Glen Street, under the management of John L. Nolan, with J. Miles Nolan as assistant manager. Mr. Nolan was formerly President of John L. Nolan & Co., Inc.

Two Hentz Branches

H. Hentz & Co. has opened a branch office at 114 West Wall Street, Midland, Texas, under the management of Hollis A. Smith, and at 215 West Fourth Street, Odessa, Texas, under the direction of John C. Favor. Mr. Favor was local manager for Arthur M. Krensky & Co., Inc.

Form D. H. Peters Co.

D. H. Peters & Co., members of the New York Stock Exchange, will be formed as of Feb. 1 with offices at 120 Broadway, New York City. Donald H. Peters will be general partner and Harriet G. Peters limited partner. Mr. Peters is a partner in Peters Jakobson & Co. which will dissolve as of Jan. 31.

The Soviet Threat to The Diamond Market

By WILMA SOSS*

President, Federation of Women Shareholders in American Business, Inc.

Woman economist noting Soviet's announcement of diamond deposit discoveries in Siberia and of her intentions to use them industrially as well as for foreign currency additions, reports present producers hope for Russia's abstinence from underselling. Alleges possibility of new supplies to come from moon and other space areas. Discusses effects of General Electric's development of the synthetic diamond, with stock market effects on existing companies. Warns against acquiring diamonds for "Investment."

Last week I said the real Russian threat is an economic one, and that I would bring you a sensational pocketbook tip, affecting engaged girls and married women all over the world.

Wilma Soss

Here it is!

The multi-billion dollar question being asked in international diamond circles is: **"How long will diamonds remain a girl's best friend?"**

Here's Why:

In 1955 Soviet Russia announced that diamond deposits had been discovered in the Yakutsk Autonomous Republic in Northern Siberia. A year later in the Annual Report on the Diamond Industry by Dr. George Switzer of the Smithsonian Institution, he quoted the Soviet Minister of Geology and for "Protection of Underground Resources" as saying:

"The Soviet dicovery is comparable with the famous South African deposits which until now have maintained a world monopoly. Soviet diamonds will be used industrially as well as to provide the Soviet Union with foreign currency."

This has led diamond producers to hope the Reds will not attempt to undersell them, but will trade for the best prices they can get. About 98% of the world's production of diamonds still comes from Africa and about 2% from South America. Mining diamonds may demand costly but not extraordinary machinery.

Digging and separating diamonds from gravel and rock is a relatively simple mining operation. Labor, both in South Africa and Siberia is cheap. So, if the DE BEERS' empire no longer can control the major part of world supply will it be able to regulate or keep up the price of diamonds?

The price level of diamonds is set by the Diamond Trading Company in London and South Africa. For five years, starting with the Depression, the DE BEERS groups stockpiled diamonds, "to keep the mines going," they say. They also kept the diamonds off the market until conditions were favorable to sell them.

The Platinum Precedent

But what happened recently to the price of platinum when Soviet Russia put platinum on the market? The price dropped! Jewelers are now wondering: Could that happen to diamonds, too?

It may sound like good news, if diamonds and platinum were to become cheaper so more people could buy them. But 30 million carats of gem diamonds are believed to be owned by the public in the United States alone. That would be between six and seven billion dollars in assets. These are trustingly held by millions of Americans who believe the value of their diamonds will be maintained.

While diamonds have become a symbol of sentiment, many people look upon them as a form of savings. So you can see that any basic change in the diamond market could affect the pocketbooks of most of you who are listening to this program.

What are the prospects?

A spokesman for De Beers says that there has been no substantiation of the Russian claim. So I asked William Randolph Hearst, Jr. who has just returned from Russia. He said: "I didn't hear a murmur of it!" We know world diamond production last year amounted to a record breaking 23 million carats. And the largest single mine in South Africa — the Premier mine — can produce only about 4% of that amount. Furthermore, world demand for diamonds today is said to be greater than world supply. So, I am told, a few diamond mines in Siberia — or reworking the old mines in India (where diamonds first came from) won't necessarily make much of a pocketbook dent.

But, diamonds are formed in the throats of old volcanoes. And diamond deposits have been found in meteors so they do come from outerspace too. Nobody knows how many diamond mines may be found on the moon or other planets that Soviet Russia may also claim, if the Reds get there first! Diamond people say that doesn't worry them but in a space age economy their thinking may have to change drastically.

Stock Market Reaction

For world reaction to the Russian claim of a major diamond strike in Siberia, let's look at the stock market in London and Johannesburg. International stock brokers say, with the first announcement of the Soviet diamond discovery about two and a half years ago, the price of the stock of the De Beers Consolidated Mines began to decline. The stock, they say, continued to drop when the first report came out that General Electric had found a way to make synthetic diamonds. And that the third market reaction came when General Electric announced recently that it is turning out synthetic diamonds in commercial quantities. The De Beers stock dropped more than the industrial averages on the London Stock Exchange.

Remembering how Oriental pearls dropped in value, when cultured pearls were developed—women are asking: "Will synthetic diamonds have a similar affect on the value of our real diamonds?"

For that answer I went straight to Dr. C. Guy Suits, Vice-President and Director, of the General Electric laboratory in Schnectady. He told me only very small diamonds, suitable for industrial use can be made at the present time. And you know—(in case of war it is vital to have a source of supply of industrial diamonds that can't be cut off by the enemy). But there seems to be little expectation of manufacturing diamonds of gem size and quality. "In fact," Dr. Suits said, "I have just bought a REAL diamond for my wife."

But don't delude yourself that buying a diamond is an investment, unless it is an exceptional stone. Here's Why:

If you need to sell a diamond, you can't recover the sales tax. You can't recover the high mark up you may have paid if you bought it on time. Few retailers will buy it. And wholesalers usually pay only about 40 to 45% of the retail price. Even in countries with unstable governments or economies, families who have saved jewels for generations have had to part with them for food or very little money from unscrupulous buyers.

Actually it may be better to hock your diamonds than to sell them! Some families need collateral for small loans, and diamonds make a good pledge. Then in good times the jewelry can be recovered. Even if you can get a personal loan from a bank without collateral, it may be more convenient to get a pledge loan.

Here's Why:

You may have to pay interest only once a year and you do not have to discount the loan by having the interest taken out in advance if you know where to go. (The best place to get a pledge loan is from a pawnbroking institutional in your state that is semi-charitable.)

Nobody knows whether the diamond market will change or not in a changing world. If diamonds are not being worn, your money is tied up in something that may not appreciate in value and doesn't yield interest. Unless you can get dividends in pleasure from your diamonds, it would be a good New Year's Resolution to exchange them for some more productive form of investment.

Since 1945 the retail price of diamonds has been relatively stable — but most of the diamonds sold as "top quality" aren't so "top" any more! "Top Quality" may mean different qualities in different stores. So here is a pocketbook tip: You are likely to get a better quality stone and a smaller mark up in a jewelry store that depends on repeat business from serving generations of families.

Be wary of anyone who tries to sell you a "blue white stone." They are really rare. The Better Business Bureau and the American Gem Society forbid members to use the expression "blue white" in describing diamonds. Ask for a "good white stone."

More engagement rings are owned than any other form of diamond—70 to 80% all American women are said to have one. To sell diamonds, is to sell sentiment. And I have a hunch that is the intrinsic value within your diamond that can never be taken away. Incidently, the newest in diamond cuts is the "heart shaped" diamond!

*Transcript of a talk by Mrs. Soss broadcast over NBC radio's "Nightline," WRCA New York and NBC Network, Dec. 16, 1957.

Four With H. Hentz

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph B. Annenberg, Jack H. Musliner, Harold E. Sodekoff and Robert G. Weiss have become connected with H. Hentz & Co., 141 West Jackson Boulevard. All were previously with Arthur M. Krensky & Co., Inc.

With First Southern

ATLANTA, Ga. — Ralph M. Bewell, Leila S. Fortune, Edward G. Holloway, Dennis L. Meekin and A. Joseph Tulkoff have become affiliated with First Southern Corporation, 652 Peachtree Street, Northeast.

New Partner of G. L. Ohrstrom & Co.

T. Decker Orr has become a partner of G. L. Ohrstrom & Co., 40 Wall Street, New York City with whom he has been associated since 1956, it has been announced. Prior to joining the firm he was with Shell Oil Co. for 10 years. He is a graduate of Harvard College. His duties with G. L. Ohrstrom & Co. relate principally to the finding of manufacturing companies for sale and the negotiating for their purchase. Since 1946 the firm has purchased 18 manufacturing companies for investment, not for resale.

D. L. Goff Opens

RAPID CITY, S. Dak.—Dale L. Goff is conducting a securities business from offices at 2711 Elm Avenue.

Continued from first page

Appraising New Situation In the Credit Market

that a reduction in the discount rate, as in 1953-54, would be signalled by a decline in open market interest rates. The fact that the discount rate was the first to move not only magnified the impact of the credit policy shift on market conditions but also raised numerous questions regarding the implications of this step as a portent for the future.

Obviously, it would be presumptuous as well as futile to attempt to interpret the motives that prompted the Federal Reserve authorities to act as they did, or to weight the factors involved in their decision. It is entirely appropriate, however, to consider the economic and financial background of recent credit developments and to draw whatever conclusions appear reasonable regarding the outlook.

Changing Complexion of the Economy

The decisive factor in the changed credit situation is the downdrift in business activity in recent months. Some slackening in the boom had become apparent earlier in 1957; indeed, aggregate industrial activity had reached a peak in December, 1956, and had remained substantially on a plateau for most of the year. Business confidence remained high and actually gathered strength through the middle of the year; many businessmen and industrial economists looked to a renewal of the economic uptrend in the autumn. Even today, the direction of the economy is not universally downward; except for textiles, most producers of soft goods have been doing well, housing starts seem to have firmed a bit, and defense orders are expected to turn up again in the near future.

Nevertheless, there has been some deterioration in general business in very recent weeks. Such economic bellwethers as steel output, freight carloadings and retail sales have been weak; automobile sales have failed to show the vigor for which the industry had hoped; industrial production gave ground in October and may show another small decline in November. Finally, it has become evident that business outlays on plant and equipment, which for the past two years had been a solid mainstay of the boom, were not only peaking off but were headed downward.

The price picture, too, has changed. The upsurge of prices, under way since mid-1955, began to weaken after the middle of this year; some commodity prices, especially of raw materials, underwent substantial corrections, and the comprehensive price indices levelled out or even declined slightly. Gradually, the inflationary psychology which seemed to dominate business thinking through the summer months, gave way to an awareness of keener price competition, growing industrial capacity and increasing pressure on profit margins.

The slackening of business and prices was accompanied by a lessening in demands for bank credit. For some months, business loans had been rising less vigorously than in the corresponding periods of 1955 and 1956; the contrast became especially conspicuous in the latter part of October, when business loans had for several weeks declined, although seasonal forces in that period normally lead to a rise. Even here, however, the situation was not clear-cut; the tapering off in total borrowings from the commercial banks reflected in part such special factors as greater resort by business to acceptance financing and to borrowings in the long-term credit markets.

Because of the trend in loans, the increase in the money supply in recent months has been below the usual seasonal proportions. The liquidation of Governments by commercial banks, which was undertaken on a substantial scale in 1955 and 1956, continued at a slower pace in 1957.

These various developments in business, prices and credit presumably have all contributed to the recent shift in credit policy. Sometime in recent weeks, the weight of evidence seems to have tipped the scales against the prospect of another outburst of inflation, a resumption of the investment boom, and a continuation of rapid credit expansion, at least for the time being. Instead, the evidence now suggests that inflationary pressures, by and large, have weakened, that the danger of excessive credit expansion has subsided, and that a further sag in economic activity may be ahead. And as the accumulation of evidence shifted from one side to the other, credit policy, it appears, has shifted to a relaxation of the restraint that prevailed when the economy stood at the crossroads.

Reducing the Discount Rate

In view of the substantial change in the outlook, therefore, the real surprise to the financial community was not that credit restraint was relaxed but that the first step was the lowering of the discount rate. This action, as noted, contrasted sharply with the procedure employed in the business correction of 1953-54, hitherto regarded as setting a pattern for policy decisions when the next business decline materialized.

When credit policy shifted gears in 1953, the first step, in May, was a stepping up in Federal Reserve open market purchases; this enabled the commercial banks to pay off their borrowings at the Federal Reserve banks, eased the strain on reserve positions, and improved the liquidity of the commercial banks. The next step, effective in July, 1953, was a reduction in reserve requirements. It was not until February, 1954, some nine months after the change in policy, that the discount rate was reduced from 2 to 1¾%; by then, member bank borrowings had dropped from the $1.6 billion reached at the start of 1953 to a fairly negligible $200-300 million, and excess reserves were higher than borrowings by a goodly margin. Moreover, by the time the discount rate was reduced, bond yields as well as money market rates, especially on Government obligations, had already declined materially.

Based on this precedent, the financial community had generally assumed that a reduction of the discount rate would be foreshadowed by open market operations and would follow rather than lead the trend of interest rates generally. As it happened, however, the discount rate was lowered before open market operations were undertaken on any aggressive scale; the money market in late October and early November was not quite as tight as it had been previously, but member bank borrowings still averaged around $700-800 million and were above the level of excess reserves for the banking system as a whole. Furthermore, interest rates were close to their 1957 peaks and the Treasury bill rate, in particular was persistently above the discount rate.

Coming as it did, therefore, the decrease in the discount rate had a dramatic flavor and gave rise to widespread speculation regarding the reasons for this conspicuous departure from earlier precedent. One reason, possibly, was that a dramatic step was considered appropriate in the light of existing conditions. Presumably the credit authorities wished to demonstrate unmistakably their constant watch over business developments, and to assuage apprehensions existing in some quarters that the Federal Reserve would continue to press for tight credit without regard for the softening in the general economic situation. Open market purchases, even if pursued aggressively and on a large scale, would have been less effective than a discount rate change in gaining attention at home and abroad. Also, the authorities apparently did not want to flood the market with reserves at that time, and this consideration operated against a reduction in reserve requirements in mid-November. In other words, the Federal Reserve selected a reduction in the discount rate as a device that would have the maximum psychological impact upon the money market and yet permit great flexibility to shape credit policy in the light of economic developments.

At the very time the Federal Reserve was deciding upon a shift in credit policy, the Treasury was engaged in setting the terms of a financing operation. This coincidence of timing has led to the surmise that the Federal Reserve decided upon the shift in credit policy in order to provide a more favorable environment for the Treasury's borrowings. Obviously, opinions must be conjectural but it seems most improbable that the Federal Reserve took its action for the specific purpose of facilitating Treasury borrowings at easier terms. Rather, the decision to relax credit policy was almost certainly made on the basis of an appraisal of economic developments and would, in all likelihood, have been made even in the absence of any large Treasury financing operation. At the same time, it is fair to conjecture that the imminence of the Treasury's new financing may have been a contributing factor to the decision to use the discount rate, rather than open market operations, as the instrument for signalling a shift in credit policy.

Implications for the Credit Markets

The market reaction to the lowering of the discount rate was both prompt and vigorous. Practically every class of market rate declined and in some instances these adjustments were among the sharpest experienced in the credit markets for many years. Yields on Treasury obligations of all maturities dropped rapidly and prices were marked up correspondingly on a small volume of trading. Corporate and municipal bond markets also firmed considerably, and several underwritings of corporates and tax-exempts that had been moving slowly before the announcement of the discount rate change were cleared out in short order thereafter. Yields on new corporate bonds issued soon after the reduction in the discount rate were as much as 25 to 30 basis points lower than had been the case a few days earlier, and this easing has continued through early December. At the same time, the temporary spurt in the stock market following the announcement indicated that sentiment had received a brief fillip from this indication that the Federal Reserve was actively concerned with the economic outlook.

The intensity of the recent market reaction reflects largely anticipations of the future rather than a basic change in the demand and supply of funds. The Federal Reserve's action has been widely regarded as being based on the prospect of a further sag in business activity, some reduction in credit demands, additional steps toward easier credit and lower interest rates in the months ahead, especially since a statement made by a Federal Reserve official before a Congressional committee was interpreted as presaging additional steps to ease the money market. In this environment, investors naturally rushed to put their funds to work and dealers marked up their quotations.

Obviously, the key to the future course of the demands for credit, credit policy and interest rates is to be found in business and economic trends in the months ahead. The rapid upsurge in financing requirements by business, which was so prominent a factor in the tightening of credit and the rise in interest rates since 1955, appears to have ended. The price rise has abated; spending on plant and equipment is backing away from its peak; inventories are no longer being built up and could well be cut back significantly in the months ahead. Thus, business demands for bank loans are likely to continue easier. Business demands for long-term funds are also expected to decline in the aggregate despite the fact that some borrowers, especially the public utilities, will continue to absorb large amounts of funds in 1958, and others may seek to fund their short-term liabilities in the bond market.

Demands of other long-term borrowers, however, will almost certainly increase in 1958. This is true of state and local governments, the more so as an improvement in bond markets will call forth a number of new issues that had been postponed as long as conditions remained unfavorable to borrowers. Also, most forecasts envisage private construction in 1958 at about as high a level as in the current year, and this will entail large financing demands. Multi-family residential building has been firming in recent months, and many competent observers believe that the construction of single-family dwellings, too, will show some increase once lending terms are relaxed, with an accompanying rise in requirements for mortgage money. Thus, any decline in coroprate new issues is likely to be offset in substantial part by a higher volume of borrowing by states and municipalities and by real estate.

Finally, Treasury operations may become more important in the bond market, since the Treasury will need to take advantage of any relaxation in credit conditions to step up its offerings of intermediate- and long-term securities if the progressive shortening of the debt is to be checked. A further sag in business and in credit demands will undoubtedly encourage the Treasury, as in 1954, to increase its offerings of securities of intermediate maturity (5-10 years) and, under these conditions, issues of this type will probably find a receptive market with the commercial banks. In addition, experience in the course of the business boom has convincingly demonstrated the desirability of regular and periodic Treasury bond offerings as part of an effective debt management program. A modest start was made with the offering of a small amount of 4% 12-year bonds last September, the first long-term bond to be issued since mid-1955; this was followed by the issuance of 3⅞% 17-year bonds in December. Now that this practice has been resumed, it is reasonable to expect the Treasury to repeat such offerings, at least on a moderate scale.

These considerations raise the very real possibility that long-term requirements for funds in 1958, including those of the Treasury, may not be much, if at all, smaller than in 1957. Since the flow of new funds to the major savings institutions is expected to increase only slightly, the prospective demand-supply situation in the long-term credit markets would not, in itself, seem to justify the expectation of a drastic decline in interest rates.

Obviously, these demand and supply factors are not the sole determinants of interest rates and yields. In 1954, for instance, long-term financing demands by major categories of borrowers were larger than in 1953, but interest rates nonetheless eased off very sharply. In part, this was because the fear of an eventual shortage of investment outlets prompted institutional lenders to liberalize their lending terms especially on real estate mortgages, and to bid aggressively for new issues. Credit policy also contributed to the decline of interest rates in 1953-54. The Federal Reserve provided reserves on a liberal basis and this enabled the commercial banks to make large additions in 1954 to their holdings of Treasury and municipal obligations and real estate mortgages, thus adding bank credit to the supply of long-term funds flowing into the capital markets.

It is questionable whether the change in investor psychology or credit policy may be as significant in the next few months as it was in the earlier period. In the case of most institutional investors, liquidity has declined materially since 1953-54, while forward commitments appear to be somewhat larger today than when business slackened in the former period. Undoubtedly, the prospect of a lessening in business demands for long-term funds will have an effect upon the thinking of institutional investment officers. However, many investment officers have vividly in mind their experiences in 1956 and 1957 when they had to forego attractive investment opportunities because of the overhang of low-yield commitments undertaken in 1954, when interest rates were very low. Thus their reaction may not be as vigorous as it was some four years ago. As regards credit policy, here too there are good grounds for assuming that the Federal Reserve will not ease credit as aggressively as in the earlier period, unless the business decline assumes greater proportions than is envisaged at the present time.

Considerations of Credit Policy

The reduction in the discount rate has been followed by open market operations which have eased the pressure on member bank reserves. This is indicated by the fact that member bank borrowings in the second half of November averaged around $750 million and the net deficiency in reserves averaged around $250 million, in both instances considerably lower than the levels that prevailed for many weeks prior to the discount rate change, or for that matter for much of the past two years. Nevertheless, the easing through open market operations has been slower and more modest than when credit policy began to shift in 1953.

It is reasonable to expect that credit will continue to ease as long as the economy continues to slacken. Either through open market purchases or by way of a reduction in member bank reserve requirements, the Federal Reserve will provide reserves to the market more liberally than during the boom. However, it has now become widely recognized that the Federal Reserve authorities overdid the easing of credit in 1954, thereby adding to the stimulus for the investment boom which, beginning in 1955, has contributed to inflationary pressures and has created some troublesome implications for the present. With aggregate business activity still not too far below the all-time peak, the Federal Reserve is unlikely at this time to undertake an aggressive easy credit policy. Such a policy would help rekindle the inflationary fires dampened only recently.

We face an increase in defense spending of an amount which is not yet determined, but which could expand considerably in the period ahead. In this economic environment, the prudent course of credit policy is to avoid undue ease in the credit markets.

Some Thoughts on Bank Lending Rates

Bank lending rates are usually less volatile than money market rates. Lending rates lagged well behind the sharp advance in market rates from August 1956 to August 1957. On the downside, also, the adjustment in lending rates likewise lags behind the market for example, the reduction in the prime commercial lending rate in March 1954 came about a month after the discount rate was reduced and 10 months after the shift to an easier Federal Reserve policy. Consequently, the conclusion that bank lending rates will follow the discount rate or even open market rates without much delay is subject to some qualifications.

An important consideration is that when the prime rate was reduced in March 1954, interest rates had been falling rather steadily for almost eight months, and many important market interest rates were at levels lower than had prevailed for the preceding two years or more. The situation at present is not comparable; despite the speed of their recent adjustment, many interest rates have no more than retraced the increase they incurred in the course of 1957. Since bank lending rates lagged significantly in the 1956-57 rise, their present relationship to market rates cannot be considered abnormal or unusual.

Another factor bearing upon the outlook for lending rates is that commercial bank holdings of Government securities declined almost steadily for about three years and are now lower than at any time since 1943, whereas loans, total assets and deposits are all substantially larger. The steady decrease in Government portfolios, coupled with the sustained rise in loans, has thus had a major effect upon loan and deposit ratios. The reduced liquidity of the banking system is evident in the decline since March 1954 from 35.2 to 27.0% in the ratio of Governments to deposits of reporting member banks. The ratio of loans to deposits, conversely, has increased from 44.8 to 58.9%. It seems too early, therefore, for the commercial banks aggressively to seek additional loans, especially since reserve positions, in contrast to 1954, are still relatively tight.

In addition, commercial banks in general are feeling the growing pressure of rapidly rising operating expenses. For commercial banks in New York City, operating expenses have increased in each of the past 12 years except in 1949; the annual increase since 1950 has averaged 10%, and another rise in expenses is in prospect for 1958. Consequently, despite the booming economy, rising loan demands and advancing interest rates of the past several years, the rate of return on invested capital averaged a modest 6¾% for New York City banks in 1955 and 1956, and no more than 8.2% in the first half of 1957. These relatively meager rates of return under favorable conditions may be expected to be a consideration in the thinking of bank managements regarding lending rates.

Obviously, lending rates are not isolated from the general business and credit environment. Should economic activity continue downward, loans drop off and interest rates experience a further material easing, commercial bankers may well push their lending operations vigorously and competitively in order to hold their volume or to minimize the reductions in their loan portfolios. In such an event, lending rates would doubtless decline, especially if the Federal Reserve should enhance the liquidity of the banking system by reducing member bank reserve requirements, thereby releasing funds for productive use.

For the present, however, it seems more reasonable to assume that the commercial banks, having experienced a tremendous and sustained expansion in their loan accounts in the past three years, will take advantage of a slackening in credit demands to pay off their indebtedness to the Federal Reserve banks, replenish their liquidity, and reduce their loan ratios to more manageable proportions, thus improving their ability to meet further credit needs when the economy resumes its upward course. Until substantial progress has been achieved along these lines, lending rates may not decline much, if at all, from present levels.

Conclusions

Economic developments over the past few weeks and months support the expectation of somewhat lower interest rates in the period to come. Should aggregate business activity continue to sag in the months ahead, as now seems possible, the Federal Reserve would presumably permit the forces of the market place to ease bond yields and money rates.

However, the market has already responded sharply to the fairly moderate shift in credit policy; apparently the market has already discounted some further easing in business, credit demands and Federal Reserve policy. Total demands for long-term funds are expected to remain large in 1958 and there seems little reason to anticipate a shortage of investment outlets or to become over-eager in placing new funds.

The recent easing in market rates has served to restore more closely their relationship to bank lending rates that prevailed in 1955 and part in 1956. A decline in business could well lead to some reduction in bank loans, currently near their all-time record, but it would be surprising if commercial banks should immediately reduce their lending rates in an energetic bid for new loan volume. Rather, the first reaction seems likely to be a rebuilding of liquidity; undoubtedly, many banks would welcome some relaxation in loan demands in order to get out of debt to the Federal Reserve and replenish their holdings of short- and intermediate-term Government securities.

The shift in credit policy so far has been more effective in changing market sentiment than in altering underlying conditions. Undoubtedly the Federal Reserve will follow its recent reduction of the discount rate with more liberal open market operations; a reduction in member bank reserve requirements does not appear imminent, although it should not be ruled out as a possibility. However, the Federal Reserve authorities are presumably mindful of the fact that underlying inflationary pressures, especially in business costs, are still strong and active. Thus, a period of aggressive credit ease does not seem likely unless economic conditions should deteriorate substantially more than current evidence suggests for the near term.

Form Clinton Secs.

JERSEY CITY, N. J.—Clinton Securities Co., Inc., has been formed with offices at 15 Exchange Place to engage in a securities business. Officers are Anthony Gravino, President and Treasurer; Victor Milana, Vice-President, and Zelda Gravino, Secretary.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The Government market continues to display strength in spite of the sharp rise it has had in a rather limited period of time. The turn of the year has brought with it some profit taking in selected issues, but this selling has been very readily absorbed. The opinions of most money market specialists still appears to run towards the bullish side because they hold to the belief that interest rates and credit will become easier.

The trend of purchases in the Government market continues to show an extension of maturities, and it is reported that some of the out-of-town commercial banks have recently joined this move into the higher yielding obligations. As an offset to this, it is being noted that the demand for the shortest and most liquid Government securities continues to be very sizable. The whole Government market appears to be in good shape for any future Treasury financing.

Eyes on Monetary Authorities

The financial community is watching the money market with more than a passing amount of interest, because the action or inaction of the Federal Reserve Banks (in the money market) will have an important bearing on the future trend of interest rates and the supply of credit. With the holiday season out of the way, and the demand for money and credit on the decline, the procedure which will be followed by the monetary authorities will determine in no small way the future trend of the market for income bearing obligations.

It is evident that the powers that be, have several courses of action available to them, and any one, or any combination of these, will have a telling effect on the money market. The most effective and fastest way in which the money market could be influenced would be through a downward revision in the reserve requirements of the member banks of the system. This would make money and credit available in quantity, at once.

Open market operations is another way in which the monetary authorities can have an influence on the money market. Through the purchase or sale of Government obligations, carried out exclusively in recent years in Treasury bills, the credit facilities of the deposit banks can be increased or decreased. Because of the uncertain state of the nation's economy, it is not expected that open market operations at this time will be of the credit limiting variety. Accordingly a positive type of open market operation is being looked for if this is the kind of action to be taken by the powers that be.

Negative Policy Bullish

On the other hand, the monetary authorities might decide to take no action at all at this time as far as the open market operations are concerned, and this could still be a favorable development for the money market. The return flow of currency from circulation and the repayment of loans at this period of the year is very sizable, and if the Federal Reserve Banks take little or no action to offset these forces which will increase the supply of credit, it will be favorable to the money market. The member banks of the system would have more money to work with, and the decrease in demand, for loans, means that some of these funds would seek an outlet in the Government market, most likely in short-term Treasury obligations.

"Museum Pieces"

In spite of the sharp rise in quotations of Government securities there has been so far only a modest amount of profit-taking because the feeling is still general that interest rates will go lower during the coming year. There appears to be a better demand for the intermediate term obligations, with the 1960 to 1963 maturities being well bought. The discount issues in this maturity range have an attractive after tax yield, according to some money market specialists. Although the optional callable 4s of 1961 and 1962 have advanced to levels that leaves very little more in the way of price appreciation, there does not seem to be very many of these securities coming in for sale. They are regarded as museum pieces, and will not be used again by the Treasury unless the money market returns to the unhealthy condition that prevailed at the time they were offered.

Lower Interest Rates Anticipated

Maturities are being lengthened by many investors, according to advices, because they believe this is the way in which they can share in the lower interest rates that appear to be in the offing. The market for the longer-term issues continues to be thin, so that it does not take too much buying to have a noticeable effect on these obligations.

NYSE Quarter Century Club to Hold Dinner

The annual dinner of the New York Stock Exchange's Quarter Century Club will be held today, Jan. 9, in the Grand Ballroom of the Biltmore Hotel.

The Club has a membership of 437 employes who have had 25 or more years of service with the Exchange. Some 380 are still active, while only 57 are retired. Approximately one-third of the Exchange's 1,277 employes are members of the Quarter Century Club.

Average age of Club members is about 49 years, and average period of service slightly above 31 years.

It is expected that about 300 active and retired members will attend the dinner, including 12 women. Of the 300, 80 have completed 35 years of service, 32 completed 40 years of service, and 8 have been with the Exchange 45 years or more.

Guests of honor will be Keith Funston, President of the Exchange, and Edward C. Werle, Vice-Chairman of the Board.

Conn. Light & Power Bonds Marketed

An underwriting group headed jointly by Putnam & Co., Chas. W. Scranton & Co. and Estabrook & Co. is offering $30,000,000 The Connecticut Light and Power Company first and refunding mortgage 3⅞% bonds, series O, due Jan. 1, 1988. The bonds are priced at 99¾% and accrued interest to yield 3.89%. The coupon is the lowest in about 1½ years, according to the underwriters.

Proceeds to be received from the sale of these bonds will be added to other funds and applied first to the repayment in full of short term bank loans presently outstanding and the balance will be applied toward the financing of the company's construction program, which provides for greatly increased demands upon the company for electric and gas service. Construction expenditures for the year 1958 are estimated at $42,117,000.

The new bonds will be redeemable at the option of the company at prices receding from 104% to par, plus accrued interest in each case.

The Connecticut Light and Power Company is the largest electric and gas utility in Connecticut and is engaged principally in the production, purchase, transmission, distribution and sale of electricity and the production, purchase, reforming, distribution and sale of gas, for residential, commercial, industrial and municipal purposes within the State. Territory served with electricity or gas, or both, covers approximately 3,287 square miles, having an estimated population of 930,700.

The company is engaged in the investigation and development of methods for the production of electric power from atomic fission. It, together with 11 other sponsoring New England public utilities, is a founder and part owner (15% participation) of Yankee Atomic Electric Company, which has undertaken construction of a nuclear power plant of the pressurized water type at Rowe, Mass. The company also is a member of Atomic Power Development Associates, Inc., which is carrying out a research program in connection with the development of a fast neutron breeder type power reactor.

American Stock Exch. Receives Nominations

James R. Dyer, an American Stock Exchange member for the past 29 years, was renominated to his third consecutive one year term as Chairman of that market's Board of Governors by the Exchange's Nominating Committee, according to an announcement today by Edward T. McCormick, ASE President. The post will be filled at the annual election on Feb. 10, 1958. The Nominating Committee, headed by Bernard E. Teichgraeber, also named five regular members to three year board terms, four non - regular members to three year terms, one non-regular member to a one year term and two trustees of the gratuity fund for three year terms.


James R. Dyer

Mr. Dyer, a stock specialist on the market's trading floor, entered Wall Street in 1927 as an order clerk for Shearson, Hammill & Co., after receiving his BA from Manhattan College. A salaried market employee for Dates & Dyer (his father's firm) in 1928, he became a partner in that firm in 1929 when he assumed a membership on the old New York Curb Exchange.

First elected to the exchange's board of governors in 1946, Mr. Dyer was reelected to three year board terms in 1947, 1951 and 1954. He became vice-chairman of the board in 1952 and was elected to his first term as chairman in 1956. He is a member of the New York Athletic Club, The Friendly Sons of Saint Patrick, The Cardinal's Committee of the Laity for Catholic Charities in the Diocese of New York and the American Stock Exchange Five & Twenty Club.

Nominated as regular member governors for three year terms were Vanderpoel Adriance, Jr., Adriance & Finn; Harry P. Henriques, Jr., Walston & Co., Inc.; James A. Herman, Joseph F. Reilly; and Edwin P. Wheeler. Messrs. Adriance, Herman and Wheeler were nominated for the first time. Mr. Henriques and Mr. Reilly have served as board members in the past.

Nominated as non-regular members for three year terms were John Brick, Paine, Webber, Jackson & Curtis; Albert deJong, Hirsch & Co.; Louis J. Puglies, Filor, Bullard & Smyth; and David Van Alstyne, Jr., Van Alstyne, Noel & Co. Mr. Puglies and Mr. Van Alstyne are first time nominees. Mr. Brick and Mr. deJong have served in the past.

Also renamed to the board as nonregular member governors were Henry Parish, II, Carl M. Loeb, Rhoades & Co., and Adolph Woolner, Bache & Co., for two and one year terms respectively.

Charles M. Finn, Adriance & Finn, and E. E. Spencer were nominated to three year terms as trustees of the gratuity fund.

Kenneth W. Martin, of Merrill Lynch, Pierce, Fenner and Smith, a non-regular member, served as Mr. Teichgraeber's assistant on the Nominating Committee. Harold J. Brown, Brown, Kiernan & Co.; James Gilligan, Gilligan, Will & Co.; and Louis W. Herman served as regular members of the Nominating Committee. M. Donald Grant, Fahnestock & Co., and Lloyd W. Mason, Paine, Webber, Jackson & Curtis, served as non-regular members of the Committee.

Continued from page 4

The State of Trade and Industry

than 22-year high as the so-called Independents' share dropped to the lowest point since before 1935.

"Ward's" counted United States production in 1957 at 6,115,467 cars and 1,079,000 trucks compared with 5,801,864 and 1,104,325, respectively, for entire 1956.

It noted that General Motors Corp. took 46%, Ford Motor Co. 30.9% and Chrysler Corp. 20% of industry passenger car assembly in 1957. Manufacturers outside the Big Three thus aggregated 3.1% compared with 3.5% in 1956, marking a steady decline since 13.3% was recorded in 1952.

Sales of imported cars, "Ward's" observed, outwardly are restricting the level of operations of certain long established United States car producers, with the potential United States vs. foreign trend in car sales of headline proportions.

It declared that 1957 sales of import cars in the low-price field alone are estimated to equal those in the same price class of American Motors Corp., Studebaker-Packard Corp. and the Dodge Six combined.

"Ward's" counted production last week at 90,204 cars and trucks compared with 92,290 in the preceding week—both weeks were holiday periods—and 102,217 in the same week last year.

Idled all of last week was Studebaker and Packard assembly and Buick output at Flint (Mich.) on Monday and Tuesday. Meanwhile, Mercury returned to work the past week after a shutdown all of the preceding week and Plymouth resumed operations at Detroit and Evansville, Ind. on Thursday as did Chrysler at Detroit. Dodge and De Soto resumed operations this Monday.

Consumers stepped up their instalment debt by $92,000,000 in November, 1957, an increase from the previous month's rate but far short of the rise a year earlier, the Federal Reserve Board reported.

On a seasonally adjusted basis, outstanding instalment credit increased by $163,000,000 in November, 1957, somewhat below the monthly average of the first three quarters of the year.

Seasonally adjusted extensions of credit amounted to more than $3,500,000,000, while repayments amounted to almost $3,400,000,000, the board said.

The unadjusted instalment debt gain in October, 1957, was $85,000,000, and in November, 1956, it was $255,000,000. Two years earlier, the increase was $298,000,000.

The latest increase brought total instalment credit to about $33,600,000,000 at the end of November, 1957, some $2,400,000,000 ahead of a year earlier, the board noted.

In November, 1957, auto credit showed a drop of $37,000,000, but other consumer goods paper went up $64,000,000 and personal loans rose $57,000,000. Repair and modernization loans went up $8,000,000.

Non-instalment credit—single payment loans, charge accounts and service credit—went up $164,000,000 in November, 1957, bringing the total of this type of debt up to $9,900,000,000.

Total consumer credit reached $43,500,000,000 in November, 1957, an increase of $256,000,000 from the previous month and almost $2,700,000,000 higher than a year earlier.

Gasoline stocks throughout the nation increased 4,679,000 barrels in the week ended Dec. 27, according to the American Petroleum Institute, trade organization for the oil industry.

Motor fuel in storage as the week ended amounted to 194,165,000 barrels. The year-earlier total was 185,796,000 barrels.

Changes in heating oil supplies were mixed. The heavy grades, such as are used by industry, rose 1,232,000 barrels in the week to 58,906,000 barrels compared with 42,649,000 barrels in the like week of 1956.

The Interior Department predicted domestic crude oil production in 1958 would drop 1.8% below 1957, the first year-to-year decline since 1954.

Officials attributed the decline to sharply curtailed exports to Europe and an expected listless state for business generally throughout most of the year. Domestic demand, on the other hand, should increase this year because of normal population growth and the Government-prescribed import curbs, they stated.

The Steel Mills This Week Look for Output to Rise to 60.5% of Ingot Capacity

Metalworking's gross sales volume this year will be comparable to 1957's record $140,000,000,000, "Steel" magazine stated the past week.

That's the thinking of a majority of plant managers who participated in the metalworking magazine's annual survey of business expectations.

The industry's optimism, the magazine pointed out, is more guarded than it was a year ago. Seven of 10 managers say their 1958 dollar volume will equal or exceed last year's pace. In last year's survey, 95% of the respondents expected 1957 dollar volume to equal or exceed that of 1956.

The metalworking managers also predict that profits in 1958 will be lower and costs higher. Selling prices will rise, while expansion will slow down. Defense spending will be high and employment steady and improvement in business will occur in the second half.

"Steel" further declared that metalworking will continue to bear the brunt of the mild economic dip that started in 1957's third quarter, but the gross national product will climb slightly to about $445,000,000,000 in the next 12 months compared with the expected $435,000,000,000 1957 total.

Slight inflation and high volume in soft goods and services will account for the gain, it added.

The major soft spot for metalworking in the year ahead is the decline in capital equipment spending.

Steel-consuming industries should fare about this way: in automobiles one should look for production of 6,000,000 cars and 1,050,000 trucks in 1958, compared with 6,150,000 cars and 1,080,000 trucks in 1957. Appliance production will be about 10% better than it was in 1957 with best sellers comprising clothes dryers, washers, dishwashers, radios and electric refrigerators. Machinery shipments may be as much as 25% lower than in 1957, the weakest segment in metalworking. Construction dollar volume should reach $49,000,000,000 in 1958 compared with $47,400,000,000 in 1957 and $46,100,000,000 in 1956. In transportation equipment about 75,000 freight cars will be produced compared with 101,500 in 1957. Railroad capital spending will hit $1,400,000,000, equaling that of 1957. Naval and commercial shipbuilding is on the rise. Civilian aircraft production will approximate about 100 transports and 6,000 to 7,000 smaller planes and electrical machinery expected sales total is $8,000,000,000 compared with $7,200,000,000 in 1957 and $5,900,000,000 in 1956.

The publication said reduced demand will hold output of steel for ingots and castings to around 110,500,000 net tons this year as against 113,000,000 net tons in 1957. Steel users can expect plentiful supplies, improved quality and service and steady to slightly higher prices.

During the week ended Jan. 5, the nation's steelworks operated at 55% of capacity, equal to production of 1,354,000 net tons of steel for ingots and castings.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steel-making capacity for the entire industry, will be an average of 60.5% of capacity for the week beginning Jan. 6, 1958, equivalent to 1,548,000 tons of ingot and steel for castings, as compared with an actual rate of 58.6% of capacity, and 1,501,000 tons a week ago.

The industry's ingot production rate for the weeks in 1957 is based on annual capacity of 133,459,150 tons as of Jan. 1, 1957.

For the like week a month ago the rate was 69.2% and production 1,770,000 tons. A year ago the actual weekly production was placed at 2,519,000 tons or 98.4%.

Index of production is based on average weekly production for 1947-1949.

Electric Output Showed Improvement in Week Ended Jan. 4, 1958

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 4, 1958, was estimated at 11,692,000,000 kwh., according to the Edison Electric Institute. Output the past week was higher than in the preceding period.

For the week ended Jan. 4, 1958 output rose 474,000,000 kwh. above that of the previous week and advanced 21,000,000 kwh. or 0.2% above that of the comparable 1957 week and by 635,000,000 kwh. above that of the week ended Jan. 7, 1956.

Car Loadings in Christmas Week Dropped 30.5% Under Preceding Week

Loadings of revenue freight for the week ended Dec. 28, 1957, which included the Christmas holiday, were 180,321 cars or 30.5% below the preceding week due to the holiday, the Association of American Railroads reports.

Loadings for the week ended Dec. 28, 1957, totaled 410,022 cars, a decrease of 77,524 cars, or 15.9% below the corresponding 1956 week and a decrease of 160,390 cars, or 28.1% below the corresponding week in 1955.

Automotive Output Eased in Latest Week as a Result of Plant Shutdowns

Passenger car production for the latest week ended Jan. 3, 1958, according to "Ward's Automotive Reports," dipped under the level of the preceding period as a result of extended shutdowns by auto assembly plants.

Last week's car output totaled 77,182 units and compared with 79,945 (revised) in the previous week. The past week's production total of cars and trucks amounted to 90,204 units, or a decrease of 2,086 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 2,763 cars, while truck output increased by 677 vehicles during the week. In the corresponding week last year 91,130 cars and 11,087 trucks were assembled.

Last week the agency reported there were 13,022 trucks made in the United States. This compared with 12,345 in the previous week and 11,087 a year ago.

Canadian output last week was placed at 3,348 cars and 568 trucks. In the previous week Dominion plants built 3,378 cars and 535 trucks and for the comparable 1956 week 5,607 cars and 957 trucks.

Lumber Shipments Advanced 13.8% Above Output in Christmas Week Ended Dec. 28

Lumber shipments of 479 reporting mills in the week ended Dec. 28, 1957, were 13.8% above production in the holiday week, according to the National Lumber Trade Barometer. In the same period, new orders were 15.9% above production. Unfilled orders amounted to 27% of stocks. Production was 51.7% below; shipments 34.0% below and new orders were 24.0% below the previous week and 11.8% below the like week of 1956.

Business Failures Increased Moderately Last Week

Commercial and industrial failures rose to 203 in the holiday week ended Jan. 2 from 166 in the preceding week, Dun & Bradstreet, Inc., reports. However, this increase did not lift casualties to the 222 recorded in the comparable week of 1957, although they remained slightly above the 198 in 1956. Thirty-two per cent fewer businesses failed than in the similar week of prewar 1939 when 312 occurred.

Casualties involving liabilities of $5,000 or more climbed to 173 from 142 a week ago but did not reach last year's level of 196. On the other hand, small failures under $5,000, edged to 30 from 24 in the previous week and 26 in the corresponding week of 1957. Liabilities in excess of $100,000 were incurred by 22 of the failing concerns as against 21 in the preceding week.

Retailing failures rose noticeably to 108 from 77, construction to 33 from 20, while the total among manufacturers edged to 38 from 36. Casualities in commercial service continued at 12 and those in wholesaling dipped to 17 from 21. Although more manufacturers and wholesalers failed than a year ago, declines from 1957 prevailed in other lines.

In seven of the nine geographic regions, casualties ran higher during the second holiday week. Most of the increases were slight, including the advance in the Pacific States to 38 from 32, but the total in the South Atlantic States jumped to 22 from 12 and in the East North Central to 34 from 20. The week's only decline occurred in the Middle Atlantic States, down to 69 from 74, while the West North Central States held steady. Year-to-year trends continued to vary with dips from 1957 in five regions and mild rises in four regions.

Wholesale Food Price Index Edged Slightly Higher in Past Week

The wholesale food price index, compiled by Dun & Bradstreet, Inc., turned slightly upward in the final week of the year to stand at $6.32 on Dec. 31, as against $6.31 the week before. It compared with $6.13 at this time a year ago, or a rise of 3.1%. The 1957 high of $6.45 occurred on Dec. 10, while the low of $6.08 was reached on May 14.

Higher in wholesale price last week were beef, lard, sugar, eggs, steers and lambs. Declines included wheat, rye, oats, butter, cocoa and hogs.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Reversed Its Trend And Moved Slightly Downward the Past Week

The general commodity price level trended mildly downward last week largely reflecting lower prices for most grains, cotton, lard and cocoa. The index finished at 277.62 on Dec. 30, comparing with 278.44 a week earlier and with 300.23 on the corresponding date a year ago.

Following minor declines in the early part of the week, there were several days of heavy liquidation which sent most futures grain contracts to new lows for the season. Selling began with soybeans and quickly spread to other grains. Large stocks of beans in Chicago warehouses and talk of a lowering of supports for non-basic crops in 1958 were factors in the soybean drop. Export buying of wheat by India and the expectation of substantial sales after the first of the year held wheat prices fairly steady. India was reported to have purchased around 360,000 bushels of United States wheat on the West Coast. The United Kingdom bought 200,000 bushels of corn for January-February shipment.

Price concessions on hard wheat bakery flours stimulated some buying early last week but most buyers were hesitant in making new commitments owing to uncertainty over price support legislation. Domestic bookings of all flours were extremely small for the week. The spot raw sugar market developed considerable activity at the week-end, with more than 60,000 tons reported sold at 6.15 cents delivered, a rise of 5 points. The refined sugar market remained quiet and unchanged.

Trading in the coffee market last week dropped to a minimum and buyers and sellers held aloof pending the turn of the year. The coffee carryover at the end of the 1957-58 marketing year, according to a United States Department of Agriculture report, is expected to be about 20,000,000 bags, or the biggest since the 1946-47 marketing year. Holiday dullness featured trading in cocoa and volume dropped to the lowest in many weeks.

Lard prices trended lower and weakness developed in the peanut, corn and soybean oil markets, with the easiness attributed to the drop in price of soybeans last week. In the Chicago livestock markets, steers were mostly steady to slightly firmer, while prices for butcher hogs advanced 25 to 50 cents over a week ago.

Sales of print cloths were very limited in the holiday week, although a stronger price tone prevailed in the cotton gray goods market generally as a result of substantially reduced mill inventories over the past few months. Carded cotton yarn prices remained steady in very quiet trading.

Spot cotton prices trended mildly lower the past week as did futures. The decline was largely due to selling influenced by a continued increase in the stock of certified cotton. The CCC reported that 148,844 bales of 1957 crop cotton had been placed under loan in the week ended Dec. 20, the second largest for any week thus far this season. Withdrawals were placed at only 8,785 bales, leaving a net stock under loan as of that date of 1,367,755 bales as against 3,441,208 on the same date last season. Exports of cotton for the season through Dec. 23 were reported at 2,088,000 bales as compared with 2,836,000 in the same period last year.

Trade Volume in Latest Week Rose to 6% Above Year Ago

Although the usual post-Christmas decline in consumer buying occurred in the period ended on Wednesday of last week, extensive reduced-price clearance sales promotions helped boost retail volume moderately over that of a year ago. Shoppers were primarily interested in apparel, housewares, draperies, food products and television sets. There was a slight increase in sales of new passenger cars, spot checks revealed.

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 1957 levels by the following percentages: Middle Atlantic States +6 to +10%; Pacific Coast +3 to +7; East North Central and Mountain +1 to +5; New England, West North Central and South Atlantic 0 to +4; East South Central —2 to +2 and West South Central States —3 to +1%.

Women's apparel stores reported the most noticeable year-to-year gains in sales of cloth coats, fur pieces, better dresses and suits, with the call for fashion accessories close to that of a year ago. Increases over last year prevailed in the buying of men's suits, overcoats and sportswear, while interest in children's apparel equalled that of the similar 1957 week.

Best-sellers in home furnishings were china, glassware, housewares and lamps. There were slight year-to-year increases in sales of television sets and hi-fi sets, while interest in major appliances remained at the similar 1957 level. Furniture volume expanded substantially, with principal gains in bedroom sets, upholstered chairs and case goods.

Traditional sales promotions encouraged consumer buying of linens and draperies, with noticeable gains over last year.

Food sales continued close to those of a week earlier.

In anticipation of extensive January sales promotions, retailers appreciably stepped up their buying of men's and women's winter apparel last week.

The usual post-Christmas week lag in textile trading occurred during the week. Bookings in woolens and worsteds lagged and volume in carpet wool in Boston and Philadelphia was unchanged from a week earlier. Although there were some scattered orders for print cloths and broadcloths, over-all trading in cotton gray goods slackened. Volume in industrial fabrics and man-made fibers slipped somewhat.

There was a slight rise in orders for summer outdoor furniture the past week, while interest in bedroom suites, upholstered chairs and case goods dipped moderately. Volume in linens, floor coverings and draperies improved and slight year-to-year gains occurred. A moderate gain from the preceding week in wholesale orders for lamps and lighting fixtures occurred, while the call for television sets and major appliances lagged.

Wholesale food buying was close to that of a week earlier.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Dec. 28,* 1957, increased 31% above the like period last year. In the preceding week, Dec. 21, 1957 an increase of 3% (revised) was reported. For the four weeks ended Dec. 28, 1957 an increase of 5% was reported. For the period Jan. 1, 1957 to Dec. 28, 1957 an increase of 1% was registered above that of 1956.

Retail trade sales volume in New York City last week advanced about 2 to 3% above the like period a year ago, trade observers estimate.

January white sales are presently in progress but are reported not doing so well, while other departments are making a reasonable showing.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Dec. 28*, 1957 increased 34% above that of the like period last year. In the preceding week, Dec. 21, 1957 an increase of 12% was reported. For the four weeks ended Dec. 28, 1957 an increase of 7% was registered. For the period of Jan. 1, 1957 to Dec. 28, 1957 the index registered an increase of 2% above that of the corresponding period of 1956.

*The large increases shown for this week reflect in part the fact that this year Christmas was on Wednesday and the week therefore included two days of heavy pre-Christmas shopping; in the corresponding week last year Christmas was on Tuesday.

Continued from page 12

Will Business and the Market Turn Up in 1958?

amount they spent on goods and services. In the postwar years, however, consumers have spent from $15 to $20 billion, and, in the last few years, about $25 billion more than would have been expected on the basis of the prewar relationship between disposable personal income and consumer expenditures.

Of course, the two periods are not strictly comparable and each had its special influence. But may I suggest that perhaps we are nearing the end of the special postwar influences which contributed so much to this excess expenditure? I refer, of course, to the large holdings of liquid assets and low consumer debt, the great unfulfilled desire for the better things of life after 15 years of depression and war, the early effects of the burgeoning birthrate, etc. I think we cannot ignore the significance of the fact that retail sales turned downward much sooner than would normally be expected in a cyclical move like the present one.

Liquidity Problem

Indeed, and this is my **fourth** point, the question of liquidity is a most strategic one. Up to 1955, most businessmen and consumers had enough cash or readily liquidatable assets to buy what they wanted, or, if they did not have enough money, they could easily find some one to lend it to them.

But where do we stand today?

Corporations have borrowed over $50 billion long term since 1945 and their current liabilities have swelled by $70 billion. During the same period, holdings of cash and U. S. Government securities have gone up a mere $5 billion. In 1945, total corporate liabilities were only double holdings of cash and U. S. Government securities. Today, liabilities are five times cash and securities!

The position of consumers shows similar trends. Holdings of currency, checking and saving accounts, savings bonds, and life insurance cash values today are no higher than they were at the end of 1945. Yet the total of mortgage debt, instalment debt, and charge account credit have nearly quadrupled in the same period. The relationship between debt and liquid assets is not even as favorable as it was in the postwar years 1939-41.

I am not so much concerned with the quality of these debts. I am willing to make the optimistic and not altogether reliable assumption that their repayment will not be a serious burden. But I do think it is clear that the pace of economic growth received a tremendous assist from the excess liquidity of the earlier postwar year, while that particular plus factor is very definitely missing from our present equations.

Government Spending Stimulus

Fifth and last, how much of a help will Government spending really be? It will be some help, of course — there is absolutely no doubt about that.

But if the curtailment in plant and equipment expenditures and the reduction of business inventories together cut our total output by around $8 billion in 1958, as seems likely, and if consumer spending follows suit, the Government will have to provide a very much greater assist than anything I have heard about, if it is to be a significant stimulant to business activity.

We hear a great deal about how much stability the larger Government budgets have lent to the economy. It is true that Government purchases of goods and services now take 20% of our total output, compared with 9% in 1929 and 14% in 1948.

On the other hand, total expenditures for durable goods — consumer durables and automobiles, producers' durable equipment, and total construction — account for just as large a proportion of our total output as they did in 1929 — just short of 25%, to be precise. Since this is the area where the excessive accumulation in recent years has been the greatest and where—just because these things are durable — the purchase of new items can be most easily postponed, it is questionable whether we can afford to ignore the wide areas of instability which still do exist in the economy.

Just a few very brief comments about the stock market. Corporate earnings are moving downward. I expect them to be lower in 1958. Because of excess capacity and pressure on the price level, I see little chance as yet for an upturn in earnings in 1959. Therefore, I do not expect dividends to rise, either. I hope they won't be cut too much.

Stock-Bond Yield Spread Unattractive

While the rise in bond prices and the drop in stock prices has brought the income return on stocks to a much more favorable position than the very unfavorable one which existed only six months ago, the spread between bond and stock yields is still not very attractive to stocks.

Indeed, this spread is still characteristic of a bull market top and is far, far narrower than it has ever been at a bear market bottom, when stocks usually yield two or three times as much as bonds.

No, I do not see why anyone should bid stock prices up — particularly the blue chips. As things stand now, I would advocate coming back into the market in a small way anyway in 1958—but at prices more attractive than those prevailing today.

I would like to sum up and to finish on a rather philosophical note. I have painted a picture of an economy with a great deal of slack, its various members a little too well-fed, quite satiated, and a little tired. It's been a wonderful party, but we'd like to take a little time off and clear our heads. Perhaps our tastes are changing toward sobriety!

A condition such as I describe could be very dangerous, as good business does depend on optimism and, as I said before, the desire to buy things you don't need with the money you don't have.

I would be very much more bearish and gloomy if the Russians had not done us the good turn of dramatically making us aware of our responsibilities just at a time when—economically, at least — we are most willing to assume them. It may be that thrift will become fasionable again, and with it we may have a higher level of moral values.

Indeed, much of the postwar inflation, and in particular the rise in interest rates, was a result of our desire to live high. These developments essentially reflected our unwillingness to release scarce labor and resources for the schools, roads, slum clearance, water systems, power developments, foreign aid, and armaments which we need so desperately.

Perhaps now that we are a little surfeited with high living and more ready for the pause that refreshes, we will be willing to release labor and resources — while there is still time—to tend to the very vital business at hand —the battle for survival.

N. Y. Bond Club to Hear S. E. Smith

Sumner B. Emerson, President of The Bond Club of New York announces that Sidney E. Smith, Secretary of State for External Affairs of Canada, will be the guest-speaker at the club's annual dinner today, Jan. 9, in the Starlight Roof, of the Waldorf-Astoria Hotel.

Join C. M. Hathaway

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Herluf A. Christensen has become affiliated with C. M. Hathaway Company, 1575 Sherman. He was previously with First International Corporation.

Donald MacKay

Donald MacKay passed away on Jan. 5 at the age of 74. Prior to his retirement he was in the brokerage business in New York City.

Continued from page 13

Another Look at Government In Collective Bargaining

Fortunately, with men like William H. Davis, George W. Taylor and Edwin E. Witte, firm believers in collective bargaining, at the helm, the Board placed its emphasis on mediation rather than decision-making. The meetings of tri-partite board itself resembled collective bargaining sessions. Nonetheless, the Board's wage regulations and its rulings on common issues in dispute cases had to be uniform for the most part. The inevitable result was a considerable degree of standardization of collective bargaining agreements.

The Board's wage regulations were based on two major considerations: first, that across-the-board wage increases should be limited to those necessary to "catch up" to cost-of-living increases, the "Little Steel Formula"; second, that further increases should be limited to those necessary to correct "gross inequities." The first of these policies made labor unhappy, because it amounted to a "freeze" on real wages. The second made management unhappy, because of its elasticity. With respect to the internal wage structure in a plant, the Board endorsed the principle of job evaluation to correct "intra-plant inequities." With respect to "fring issues," such as holidays, vacations and the like, the Board attempted to follow industry and area practices.

The same wage policies were applied, in the main, to voluntary agreements and to disputes. Dispute cases, of course, also involved numerous "non-economic" issues, such as seniority and the like. Many of the disputes concerned issues in the nature of grievances, involving the meaning or application of the terms of the collective bargaining agreement. After an initial attempt to decide these grievances on the merits, the Board became aware that the sheer volume of such cases alone would overwhelm it. Eventually, the Board formulated the policy of directing the parties to establish a "grievance procedure" to handle such matters, terminating in final and binding decision by a private arbitrator of the parties' choice. This was, perhaps, the Board's greatest single contribution to industrial peace and stability, then and for the future.

III

The Taft-Hartley Act

The end of World War II opened the flood gates to pent-up emotions on both sides. Both labor and management welcomed the opportunity to restore the balance which each thought the war period had tipped in favor of the other. Demonstrating the same opportunism as had labor in 1935, management asked Congress for restrictions on the power and conduct of unions. The result was the Taft-Hartley Act of 1947, emphasizing the right of workers to reject collective bargaining, imposing various restrictions on union activities, regulating the collective bargaining process, including certain limitations on the right to strike, and making collective bargaining agreements enforceable in the Federal courts.

The net effect of the Taft-Hartley Act was to restrict the collective bargaining process. The chief example, is, of course, the limitation on the right of employers and unions to negotiate union security agreements. The closed shop was eliminated, and the union shop limited in effect to a requirement of tender of dues and initiation fees and maintenance of dues. In addition, the states were authorized to outlaw all forms of compulsory unionism. As a result, so-called "right to work" laws were subsequently enacted in 18 states.

IV

The Korean Crisis

The role of the government in the collective bargaining process during the Korean crisis was a curious one, reflecting the uncertainty of the nation as a whole as to the degree of the danger involved both on the military and the economic fronts. Labor and management shared this uncertainty. They were prepared, as in any military crisis, to make necessary sacrifices, but were not so sure what sacrifices were necessary. Wage and price controls administered by the Wage Stabilization Board were accepted reluctantly. As to labor disputes, management, in particular, was strongly opposed to any form of government control. Government intervention was, in fact, limited to recommendations by the Board in particular cases referred by the President. Even this limited control was abolished after the seizure episode in the Steel Case.

The Wage Stabilization Board followed the wage stabilization policies of the War Labor Board in the main, with one significant exception. In addition to "cost-of-living" increases and increases necessary to correct "gross inequities," the Board recognized increased productivity as a justifiable basis for across-the-board increases. A variety of factors led to such recognition. Among these were first, the feeling that a complete "freeze" of real wages would not be equitable and was not required in the existing state of the national emergency and, second, that a considerable number of workers, notably in the automobile industry, were covered by agreements running until 1955, which provided for annual productivity increases in addition to cost-of-living increases. The alternatives were to risk the unstabilizing effects of upsetting those agreements, or to provide the opportunity for other employers and unions to agree on increases in roughly the same amount, though not necessarily in the same form. The Board chose the latter alternative.

V

What We've Learned

What has the experience of these four major events — the Wagner Act, World War II, the Taft-Hartley Act and the Korean crisis—taught us about the proper role of the government in collective bargaining? What light does that experience throw on current problems and various proposals for their solution? What are the attitudes of labor, management and the public towards those problems? And what about those attitudes?

(1) *The role of government in the collective bargaining process has not been static.* From time to time it has been adjusted to meet national crises, to reflect changes in the political climate, and to correct defects or abuses in the bargaining process. At the extreme, in times of national crisis, for example, the government has not hesitated to impose wage and price controls and in effect to prohibit strikes and in lieu thereof to "write the contract" for the parties where they were in dispute.

(2) *The government has not maintained a complete "hands off" policy even in time of peace.* It has intervened in the collective bargaining process in numerous ways and has limited the right to strike.

Indeed, there is a greater degree of legislative intervention today than at any time since 1932, and there is every likelihood of increased intervention. We now have statutes or judicial interpretations thereof which compel collective bargaining, which regulate its procedure, which limit bargaining on certain subjects, and which make labor agreements enforceable by a Federal lawsuit, treating them like ordinary commercial contracts. We have a law which imposes compulsory arbitration of grievance disputes on the railroads and airlines, and prohibits strikes over such disputes. We have laws limiting strikes in "national emergencies," laws prohibiting strikes for certain objectives deemed contrary to public policy, and laws permitting injunctions in certain labor disputes on application by the government and by private parties. The major difference in time of peace between the present administration and previous ones is the elimination of fact finding boards with powers of recommendation to settle disputes in major industries, thus permitting strikes to run their full course. In at least one case, however, the *Westinghouse* dispute, the administration has invoked an informal fact-finding procedure. Given the same crises as World War II and Korea, there is little doubt that a program of wage and price controls would again be placed in effect. And even in peacetime, the President has proposed that the parties adopt a wage stabilization formula strikingly similar to that developed by the War Labor Board and the Wage Stabilization Board.

Despite the gradual extension of government intervention in collective bargaining, labor and management still retain considerable autonomy in the collective bargaining process, including the right to strike and to resist. Wage adjustments, for example, are still a matter of free bargaining. The question is how long it will remain so, in view of the present concern with the dangers of inflation. Will this country, for the first time in its history, have peacetime wage controls in one form or another? Will government attempt to limit economic strikes beyond the "national emergency" and other provisions of the present law?

These questions are clearly involved in pending proposals for legislation which include: (1) curbing labor's "monopoly powers" through application of the anti-trust laws or otherwise, including restrictions on industry-wide or other forms of "pattern bargaining"; (2) elimination, through a national "right to work" law, of "union security" or "compulsory unionism" as a subject of collective bargaining; (3) limiting the expenditure of union funds for political activities.

Wage-Inflation Argument

A prominent economist, speaking for part of the auto industry, has recently endorsed two of these proposals in general terms. Regarding the subject of wage inflation, he states:

"In our industry, and in many others, the prime moving force for inflation is the demand for higher wages backed up by the power of the unions."

Continuing, he states:

"Some say it is the responsibility of business to contain the demands of labor. This will not be possible until the excessive power of labor if reduced. The most desirable solution to the labor monopoly problem and wage inflation will, I believe, be found in the development of anti-monopoly laws comparable to those that govern business. These anti-monopoly laws should not be based on some abstract concept requiring the maximum competition of workers for jobs, but rather on some workable concept that will prevent a single union from dominating and dictating the wage terms in an industry.

"One other line of action will be necessary—limitation on political activities of labor unions and of organizations interlocking with them.

"Wage inflation is a public problem of first magnitude. It is not a simple problem; nor are the precise solutions to it easy to specify.

"This is a field in which disinterested, competent scholars can make important contributions. They can ascertain and publish facts regarding wage demands—and the power of the unions to enforce them. They can appraise the importance of wage demands in price inflation. They can offer suggestions for solving the problem of wages out-stripping productivity and thus pushing up prices. They can appraise the political activities of unions designed to buttress their monopoly power and their legal immunities."

Questions Scholars

Once again, it appears that the eggheads have scored. In light of the fact that awards or recommendations by government or private wage boards, usually dominated by scholars, have frequently been attacked as inflationary, this tribute is somewhat surprising. In any case, the tribute may be premature. One difficulty is the assumption that all disinterested, competent scholars would conclude after study that wage demands are in fact the primary source of inflation; that the unions are in fact all-powerful; that the political activities of unions are in fact detrimental to the public welfare. I myself take no position on these issues, but knowing my fellow professors well, I am sure that there are some mavericks among "disinterested, competent scholars" who would take issue with one or more of these conclusions.

I am afraid that the scholars are not going to make too much of a dent on the problem of inflation. Certainly they will be unable to do anything concrete about union "monopoly power" or union political activities. At bottom, the solution to these problems, if action is required, lies with Congress or with labor and management themselves. Should Congress act, and if so, how? If Congress should not act, what can the parties do?

An appeal to Congress to cut down the power of unions is really an appeal for government intervention in the bargaining process, for some form of wage control and a corresponding limitation on the right to strike. If the power of unions to bargain for and to strike over wage increases is to be reduced by Congress, various questions immediately present themselves. What form should the legislation take? Is it intended that Congress, in order to "prevent a single union from dominating and dictating the wage terms in an industry," should limit any particular union in an industry to bargaining with a single company, so that if union A should bargain only with company X, some other union, if any, let us say B, must bargain with company Y, and so on? This would mean, to begin with, that employees would lose their freedom to select unions of their choice to represent them. Again, unless union B were to be compelled to adopt the wage package negotiated by union A and company X, union B would be free, according to the usual competition between unions, to seek a better deal. If union B succeeded, the result would be different wage levels within the same industry, a departure, in the main, from the practice followed in the mass production industries even before the advent of unions.

Other questions may properly be asked. How much power is too much power? Where is the line to be drawn and who is to draw it in a particular case? Unless management is to be given unilateral control over wages, which no one has suggested, what is to happen after the unions have been "cut down to size"? Who is then to determine, and by what standard, what amount of wage increase is too much or just enough? Suppose that an atomized union still has sufficient striking power to demand and obtain an "inflationary" wage increase? What then? In those instances where the power of management to resist is greater than the union's power to strike, is management, too, to be "cut down to size"? In a period of deflation, is management to be told that its proposed increase is too little? Is the growth of associational bargaining among employers to be reversed?

Poses the Issue

The issue is not whether it is "the responsibility of business to contain the demands of labor." The issue is who is to assume the responsibility, and by what method, to appraise the justness of a wage proposal in the interest of all concerned, labor, management and the public. In my opinion, the responsibility in peacetime is and should remain that of labor and management and the method is and should remain that of collective bargaining. If management be convinced in any given case that a particular wage demand would push up prices and is therefore inflationary, it ought to say so, and take a strike. If it be argued that strikes also are harmful to the economy, then the answer is for Congress to prohibit strikes. That means, of course, compulsory arbitration of contract making disputes and wage and price controls, practices which are abhorrent in a free enterprise economy operating in a democracy. But we cannot eat our cake and have it too.

VI

Where Is the Proof?

Does this analysis lead to frustration? Is the choice really between free collective bargaining resulting in inflation on the one hand and compulsory arbitration, wage-price controls and outlawing of economic strikes on the other? I do not think so. Collective bargaining is the most effective means in a free enterprise economy for determining a "just" wage under all the circumstances, including the problem of inflation. I believe that labor leaders and the rank and file, even those protected by cost-of-living or "escalator" clauses, have just as vital an interest in a stable economy as anyone else. I believe they are intelligent enough to realize that if, in fact, wages are the prime factor in inflation and that a particular wage increase would push up prices to the point where sales would drop off, job security would suffer. If that be so, then as reasonable men, it should be possible to persuade them that a particular wage demand is inflationary and should be reduced.

Who is to do the convincing? Not the scholars, not government, but the men across the bargaining table. The common attitude in some management quarters that "it's no use talking to them" is regrettable. Such resignation is difficult to understand on the part of leaders of industry who strongly support free collective bargaining as essential to a free enterprise economy.

To repeat, I cannot believe that labor would continue to insist on a wage demand which can be demonstrated to be inflationary in fact. I recognize management's difficulty of proof, but if it be a fact, it should be susceptible of proof, no matter how difficult. If it be a matter of judgment only, then the whole argument loses significance.

VII

What We Need

I suggest, then, that what is needed is less reliance on government in collective bargaining, and more self-reliance by the parties. In particular, I suggest greater self-confidence on the part of management, if convinced it is right on a particular wage issue, in presenting its facts and arguments at the bargaining table; more emphasis on the price and quality problems of the particular company or industry rather than generalizations on the economy as a whole; and, above all, greater confidence in the reasonableness of people on the other side of the bargaining table after the facts have been established.

While the price of labor is important, I suggest that what management gets for that price is equally important. Here lies a fertile field for constructive bargaining. Management is concerned with the elimination of restrictive practices, where they exist, which bear on cost and quality. Management is likewise properly concerned with the modification of contract provisions which, whether or not sound when originally negotiated, have proved to be uneconomical in the light of changed conditions and unnecessary for the protection of the workers. Labor has been unjustifiably reluctant, in many cases, to face these problems at the bargaining table. The doctrine of "existing benefits" has been carried to an extreme. It is the obligation of responsible labor leaders to appraise management's demand in this area dispassionately and sympathetically, if collective bargaining is to retain its essential character as a process of give as well as take. Unions are not likely to take kindly to such demands, however, if at the same time the parties making the demands are asking Congress to "cut unions down to size."

Conclusion

A sound labor management relationship, it has been said, requires "that both management and the employees work together to the end that the quality and cost of the product will prove increasingly satisfactory and attractive so that the business will be continuously successful." Though differences will inevitably arise, "there is no reason why these differences cannot be peacefully and satisfactorily adjusted by sincere and patient effort on both sides." Such a philosophy, with which most scholars would agree, can best be effectuated through full use and through improvement of the processes of collective bargaining, rather than through increased governmental intervention.

Continued from page 16

Understanding Industry's Role

of decision, and results flow from it. The fact is that in a republic the citizens control anything they really want to control.

If large numbers of citizens are convinced that business is evil and dangerous, it automatically follows that large numbers of legislators, senators, congressmen, members of state legislatures, and city councilmen will try to derive political advantage from that emotion. Conversely, if the general public knows something about business and industry, and thinks well of them, then you can be sure that large numbers of politicians will feel the same way.

It follows that the press is rendering one of its greatest services to the nation if it makes available to its readers accurate and reasonably complete news about business and industry. This news must, of course, be gathered and written by reporters who are intelligent, informed, and unbiased, and edited and headlined by men with those same qualities.

Paint It As Is

Industry does not ask for a halo. It wants only to be painted as it is. It does not want to be portrayed as something it is not.

Industry, which consists of people, has its strengths and weaknesses, like any public group. In fact, industry embraces a sufficiently large share of the population so that it has just about the same characteristics as the general public, in just about the same proportions. It has good, sensitive, honest, hard-working people and crooked, weak, selfish, or venal people in about the same proportions as the public. The fact is that people in business, large or small, are just like people who are not in business, so far as their abilities, ethics, and human characteristics go.

The danger is that business and industry may be judged by the public on the basis of the unpleasant exceptions. And here, if the press is to perform its maximum service to the people, it has more than the duty to report. It has also the duty to interpret, so that the public will truly have the information on which to base intelligent judgment.

It occurred to me that it might be helpful if I discussed rather briefly a few of these general and specific questions, so that you would not have to guess at what I have in mind.

First, let's take a look at what may well prove to be the most important question of our time, so far as business and industry are concerned. It is the much debated, much misunderstood question of bigness in business.

Bigness in Business

The truth is that we must have large companies if we are to survive. This is the first point of three I want to make to you about big business. Even if large companies were as selfish and as evil as their critics say they are, we should still have to have them, for we cannot survive as a nation without them. While it is seldom stated in these terms, I believe this is a point on which there has come to be substantial public agreement.

But I'm not sure whether people in general understand why this is so. I'm not sure they realize that the size of a company is dictated basically by the magnitude of the job to be done. If it is a small and rather simple job, like running an automobile service station, not much capital, not many people and tools, no very exceptional skills, are required. But if it is a company that makes the gasoline that is sold, or the automobiles that are serviced, it takes great teams of men, brains, money, and tools to do the job.

When one thinks about it, it is clear that in this case, as in almost all cases, the small complements the large, and the large the small. Each does the job it is fitted by its size and talents to do.

The pattern is not unique to industry. A comparatively small bridge can cross a comparatively small stream. But a huge structure is needed to bridge the Hudson River, or the Golden Gate, or Lake Pontchartrain. A PT boat is a handy thing for ambushing enemy transports. But it can't carry planes to attack enemy installations. You must have both the aircraft carrier and the PT boat—the large and the small.

Except for the very smallest, the one-man business, our whole economic fabric is woven out of teams of various sizes, the size varying according to what is needed to do the job. It has been said that "teamwork by agreement" — and that is what I am talking about—is mankind's greatest discovery. It may be so.

In any event, this much is clear: we have got to have the teams of various sizes trained and ready for any job that comes along. In this troubled era, there isn't time to create them after the emergency has arisen.

In a way, Sputnik has done the United States a favor, for it has once again focused national attention on an undeniable fact: when the chips are down, you must have the organizations that can produce the required results. You would have to have them, as I have said, even if they were as pernicious as their worst critics say they are.

No Perniciousness

And that brings me to my second point, which is: they are not pernicious at all. From the moral or ethical point of view, I do not think there is any significant difference between large and small companies. A large company differs from a small one, not in that its employees are eight feet tall instead of five feet 10; not in that they are more honest, or less honest; or that in their daily dealings they are more, or less, concerned about doing unto the people with whom they deal, as they would like to have done unto them.

They differ mainly in that a large company has more people and more diversified talents than a small one. They are the same kind of people, motivated in the same way, with the same strengths, weaknesses, hopes, fears, likes, dislikes.

It is important that the people who are continually being called upon to make decisions that will affect business and industry realize that the differences between large and small companies are mostly quantitative, and not qualitative.

My third point about bigness is that big companies as a group expect to be around for a while. And they have convinced themselves that the way to accomplish this objective is to treat people fairly and decently, whether they be customers, suppliers, employees, stockholders, or neighbors. It is this, quite as much as the possession of larger resources, that has made big companies outstanding in the amount of study and work that goes into improving employee benefit plans; in trying to give the customer just what he wants, at the lowest possible price; in trying to see that stockholders share fairly, opposite employees and customers; in trying to be good citizens in the communities in which they operate.

This matter of bigness is one of those broad, general questions, and I could continue to discuss it for a long time. But I'd like now to turn for a few moments to a couple of specific problems. I have already referred to the idea of a progressive income tax on corporations, so let's get back to that.

Progressive Corporate Income Tax

Backers of legislation to establish such a tax admit that it would, among other things, tend to force the "voluntary dissolution" of big companies. It would accomplish this by putting them under a heavier tax burden, proportionately, than smaller ones, so that it would pay them to break themselves up into smaller economic units, thus getting the benefit of lower tax rates.

But the approach to the public by advocates of the graduated corporation tax is not always as candid as that. Mostly it is based upon this analogy: if individuals are to be taxed on a graduated basis, then why isn't it fair and right to do the same to corporations, which are, constructively, citizens?

This analogy might be valid if the people in large companies were bigger, or stronger, or brighter, or more persuasive than people in small companies. But they aren't, as I have said. It is just that there are more of them. Let me give you a comparison that will, I hope, make my point.

If two people have invested $5,000 each in their own small company, and the company earns a profit of 10%, the equity of each would be $500. This is, incidentally, quite a lot more than the average percentage of profit for business, big or small. Suppose now that 2,000 people have invested $5,000 each in a large company, and that company earns a profit of 10%. The equity of each of the 2,000 investors would be $500, assuming the tax on each corporation was the same.

But on a graduated corporation tax scale, the corporation with the total investment of $10 million would be in a much higher bracket than the one with the investment of $10,000. And so its stockholders would receive less in dividends, although the profits per share before taxes were identical. In the light of these figures, I hope you will agree that the analogy doesn't look as honest, or as convincing, or as constructive as it did.

The graduated corporate income tax is a formula for destruction. It will work while we sleep, quietly pull our whole system to pieces, and make a present of the free world to the communists. Let me make this clear: I do not question the loyalty, the honestly, the sincerity, or the good intentions of those who back such measures. Unfortunately, it won't matter whether they are sincere or mean well, if they bring calamity upon us.

Role of Capital

Let me turn now to another one of these more specific problems. This one, so far as I know, has yet to be epitomized in a word or a phrase, but it has many people confused. It is the question of the role of capital in our industrial progress. This ties in with profits, wages, and prices, and is one of the favorite hunting grounds of the labor union official.

Let me put it to you this way: when cellophane was first put on the market in the 20's, it had to sell for about $2.65 a pound, and it was good only for decoration. It served no useful purpose. Today's cellophane, which is moistureproof and serves many very useful purposes, sells for about 62 cents a pound. It has made possible the self-service selling of food.

The same thing is true of many products made by many companies. But where the debate comes is here: who is responsible for this progress? Is it labor? Do the people in the plants work harder or longer than they did in the early days of manufacture? Not at all. As a matter of fact, it is almost universally true that they do not have to work as hard or as long.

And why? The answer is that instead of human power, we use more mechanical power; our tools are the immensely complicated and costly plants developed by modern industry through technological research. The money to buy the tools—these plants—is mostly furnished by investors who have saved it instead of spending it.

In the face of this sort of thing, it is ironic to find that some people regard the investor as a sort of parasite who sucks up the blood created by the working man. The plain fact is that if it were not for investors, and the tools and technologies they have provided, we should quite possibly be today a rather small, and not especially prosperous or important agrarian province of, I suspect, the German Reich.

Misunderstanding Stops Progress

I have mentioned briefly today three areas in which public understanding badly needs to be improved. There are others, of course. These are areas in which lack of understanding can and must be equated with misunderstanding. Misunderstanding, in turn, if not corrected, is certain to lead to public attitudes toward business and industry severe enough to put a brake on our economic, scientific, social, and military progress.

And of all periods in our history, this is no time to put on brakes of that sort. We are up against a situation in which we can be certain that nothing less than our best can bring us through as a nation. The penalties that failure will bring do not need to be spelled out to anyone who can remember the aftermath of Hungary's attempt to be free of communist domination.

It seems to me that the duty of the press in this situation is very clear and pressing. It must make extraordinary efforts to stimulate popular interest in and understanding of the key questions of our time. How it does this is a matter of techniques to which I have no answer, since such things lie in your field and not in mine. I only know that all known ways are needed and that no one else can do it as well as the American press.

Events are confronting us as a nation with the necessity for looking the realities of life in the face. One of the most effective ways of stimulating that development is to treat the American people like adults. There simply is not time to flatter them with juvenile tributes to American genius and American might and American greatness. The world will judge our genius and our might and our greatness by what we do and not by what we say about ourselves. For that matter, we shall survive or die by the same criterion, and it is vital that nobody deceive American men and women about this.

I have nothing against comic strips, sports pages, and Broadway gossip columnists. But now more than ever before, entertainment cannot be the dominant objective of newspapers. The overriding purpose of the press must be to inform, to instruct, to teach, to persuade. I know it isn't easy to hoe such a row, especially in an era of rising costs.

My answer is: easy or not, it must be done. Not to the exclusion of all else, but in proportion. And if you can teach but one thing, then I would have it this: that the pages of history are littered with the bones of free nations that, through complacency, indifference, and ignorance, allowed their strength to be drained. Each time it has happened so gradually that it was imperceptible to their citizens. And then, when the crisis came, there wasn't any strength left, or not enough.

If powerful journalistic voices can convince the American people that they have no divine immunity from this sort of thing, if they can convince them that it can happen here — that it may actually be in sight—then I am sure it will not. For no one can beat us but ourselves.

Joins David Noyes

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Merle C. Drips has joined the staff of David A. Noyes & Co., 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with the First National Bank of Ottawa.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

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., Equitable Securities Corp. and Drexel & Co. (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 Avenue, 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 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) 14,700 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.

★ **Atlas Sewing Centers, Inc., Miami, Fla.**
Jan. 6 filed $1,500,000 6½% convertible subordinated debentures, due 1973. **Price**—Par. **Proceeds**—To increase inventories, expansion, and reduce bank debt. **Underwriter**—Van Alstyne, Noel & Co., New York. In addition, company has agreed to sell to underwriter, for $2,500, stock purchase warrants entitling holders thereof to purchase up to 50,000 shares of common stock on or before Jan. 1, 1963, at a price to be supplied by amendment.

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.

★ **Bell Telephone Co. of Pennsylvania (1/28)**
Jan. 2 filed $50,000,000 of debentures due Feb. 1, 1989. **Proceeds**—To retire equal amount of 5% first and refunding mortgage bonds which have been called for redemption on April 1, 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.; White, Weld & Co. and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—To be received until 11 a.m. (EST) on Jan. 28, at Room 2315, 195 Broadway, New York City.

Blacksmith Shop Pastries Inc., Rockport, Mass.
Sept. 17 (letter of notification) $100,000 of 6½% debentures dated Sept. 16, 1957 and due Sept. 15, 1972 and 40,000 shares of capital stock (par $1) to be offered in units of one $50 debenture and 20 shares of capital stock. **Price**—$90 per unit. **Proceeds**—To retire mortgage notes and for working capital. **Underwriter**—Mann & Gould, Salem, Mass.

Brantly Helicopter Corp., Philadelphia, Pa.
Nov. 25 (letter of notification) 21,818 shares of common stock (par 50 cents). **Price**—$13.75 per share. **Proceeds**—For equipment, supplies and working capital. **Offices**—24 Maplewood Ave., Philadelphia 44, Pa., and Frederick, Okla. **Underwriter**—None.

Brunswick-Balke-Collender Co.
Dec. 20 filed 163,500 shares of common stock (no par) to be offered in exchange for outstanding common stock of MacGregor Sport Products, Inc. at rate of one share of BBC stock for each share of MacGregor stock. The offer is subject to acceptance by holders of at least 90% (147,150 shares) of outstanding MacGregor common (which condition may be waived by BBC if offer is accepted by at least 80% of outstanding MacGregor stock). **Underwriter**—None.

Cador Production Corp., Far Hills, N. J.
Dec. 16 filed 1,680,000 shares of common stock (par five cents), of which 1,600,000 shares are to be offered in exchange for oil properties located in Oklahoma, Texas, New Mexico, Louisiana, Kansas and elsewhere; the remaining 80,000 shares are to be issued as commissions. **Underwriter**—Cador, Inc., Far Hills, N. J.

Cambridge Electric Light Co. (1/20)
Dec. 9 filed $4,500,000 of 30-year notes, series B, due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; and Coffin & Burr, Inc. and F. S. Moseley & Co. (jointly). **Bids**—Expected to be received up to 11:30 a.m. (EST) on Jan. 20.

Canada Mortgage Bonds, Ltd., Englewood, N. J.
Sept. 3 filed $1,000,000 of 8% mortgage bond trust certificates. **Price** — At par (in units of $250, $500 and $1,000). **Proceeds** — For purchase of mortgage bonds. **Underwriter**—None.

Canadian Prospect Ltd., Calgary, Canada
Sept. 27 filed 4,851,810 shares of common stock (par 16⅔ cents) to be offered in exchange for capital stock of Canadian Export Gas Ltd. on the basis of 2½ Canadian Prospect shares for each Canadian Export share, subject to acceptance by holders of at least 80% of Canadian Export shares outstanding. **Underwriter**—None. Statement effective Nov. 4.

Caribe Stores, Inc., Aguirre, Puerto Rico
Dec. 2 (letter of notification) 247,560 shares of common stock (par 50 cents) to be offered for subscription by common stockholders. **Price**—52 cents per share. **Proceeds**—For general corporate purposes. **Name Change**—Formerly Tybor Stores, Inc. **Underwriter** — Lerner & Co., Boston, Mass.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite.

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.

Commerce Oil Refining Corp.
Dec. 16 filed $25,000,000 of first mortgage bonds due Sept. 1, 1968, $20,000,00 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.

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.

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.

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.

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, orig-

inally 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.

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 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.
Nov. 29 (letter of notification) $250,000 of 6% subordinated debentures due Jan. 1, 1968 and 12,500 shares of class A common stock (par $1) to be offered in units of a $100 debenture and five shares of stock. **Price**—$100 per unit. **Proceeds**—To repay $90,000 of notes and for general corporate purposes. **Business**—Financing of homes. **Office** — McDonough, N. Y. **Underwriter** — Philipson & Co., Utica, N. Y.

Forest Laboratories, Inc.
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Alfred L. Powell Co., New York; and H. Carroll & Co., Denver, Colo. **Offering**—Expected in near future.

General Aniline & Film Corp., New York
Jan. 14 filed 426,988 shares of common A stock (no par) and 1,537,500 shares of common B stock (par $1). **Proceeds**—To the Attorney General of the United States. **Underwriter**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc., and The First Boston Corp. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Glore, Forgan & Co. (jointly). **Bids** — Had been scheduled to be received up to 3:45 p.m. (EDT) on May 13 at Room 654, 101 Indiana Ave., N. W., Washington 25, D. C., but bidding has been postponed.

General Automatics Corp., Atlanta, Ga.
May 23 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To establish production facilities for manufacture and assembly of controls; and for other corporate purposes. **Address**—c/o Positronic Corp., 2572 Ridgemore Road, N. W., Atlanta, Ga. **Underwriters**—Armstrong & Co., Atlanta, Ga.

General Credit, Inc., Washington, D. C.
Aug. 17, 1956 filed $2,000,000 of 6% subordinated sinking fund debentures, due Sept. 1, 1971, with detachable warrants to purchase 160,000 shares of participating preference stock, to be offered in units of $500 of debentures and 40 warrants. **Price**—$500 per unit. **Proceeds**—For expansion and working capital. **Underwriter**—None named. Offering to be made through selected dealers. Application is still pending with SEC.

General Parking, Inc.
June 18 (letter of notification) 240,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—To retire outstanding debt; for expansion of subsidiary corporation and for working capital. **Office**—c/o Edwin F. Clements, 5312 Glenwood Ave., Youngstown, Ohio. **Underwriter**—L. L. LaFortune & Co., Las Vegas, Nev.

Genie Craft Corp.
Aug. 8 (letter of notification) $100,000 of 10-year 6% convertible debentures and 120,000 shares of common stock (par 10 cents) to be offered in units of one $50 debenture and 20 shares of common stock. **Price**—$100 per unit. **Proceeds**—To discharge short term obligations; purchase merchandise inventory; and for working capital. **Office** — 1022 18st St., N. W., Washington, D. C. **Underwriter**—Whitney & Co., Inc., Washington, D. C.

Gold Seal Dairy Products Corp.
Oct. 25 filed 175,000 shares of class A stock (par 10 cents) of which 15,000 shares are to be reserved for prior offer to employees. **Price** — To be supplied by amendment. **Proceeds**—To acquire outstanding stock of Kulka Electric Manufacturing Co., Inc. **Office**—Elizabeth, N. J. **Underwriter**—Amos Treat & Co., Inc., New York. **Offering**—Indefinitely postponed.

Great Divide Oil Corp.
Oct. 11 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—To pay balance on oil and gas properties, and unsecured notes and for drilling and working capital. **Office**—207 Newhouse Bldg., Salt Lake City, Utah. **Underwriter**—Birkenmayer & Co., Denver, Colo.

Great Northern Life Insurance Co.
Oct. 7 (letter of notification) 44,400 shares of common stock (par $1). **Price**—$6.75 per share. **Proceeds**—For capital stock and unassigned surplus. **Office** — 119 W. Rudisill Blvd., Fort Wayne, Ind. **Underwriter**—Northwestern Investment Inc., Fort Wayne, Ind.

Guardian Insurance Corp., Baltimore, Md.
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

Hartford Electric Light Co.
Oct. 8 filed $2,400,000 of 3% secured debentures, series A, due Aug. 1, 1967, being offered in exchange for 3% first and general mortgage bonds, series D, due May 1, 1982, of Connecticut Power Co. on a par-for-par basis. The exchange offer expires on Dec. 27. **Underwriter**—None.

Hofmann Industries, Inc., Sinking Spring, Pa.
Dec. 20 filed 227,500 shares of common stock (par 25 cents) to be offered in exchange for outstanding common shares of Van Dorn Iron Works Co. **Underwriter**—None.

Home Owners Life Insurance Co.
Nov. 1 filed 50,000 shares of class A common stock to be offered to the public at $5 per share and 116,366 shares of class B common stock to be offered to stockholders at $6 per share at the rate of two new shares for each five shares held. **Proceeds**—For working capital. **Office**—Fort Lauderdale, Fla. **Underwriter**—None.

Horace Mann Fund, Inc., Springfield, Ill.
June 27 filed 100,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment. **Distributor and Investment Manager**—Horace Mann Investors, Inc., Des Moines, Ia., of which Charles F. Martin is also President. **Office**—216 E. Monroe St., Springfield, Ill.

Continued on page 40

NEW ISSUE CALENDAR

January 9 (Thursday)
Chicago, Rock Island & Pacific RR. ____ **Equip. Trust Ctfs.**
(Bids noon CST) $4,620,000
Northern Pacific Ry. ____ **Equipment Trust Ctfs.**
(Bids to be invited) $3,700,000

January 14 (Tuesday)
Baltimore & Ohio RR. ____ **Equip. Trust Ctfs.**
(Bids to be invited) $3,435,000
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
National Finance Co. ____ **Preferred**
(Baker, Simonds & Co.) $750,000
National Finance Co. ____ **Common**
(Baker, Simonds & Co.) $200,000

January 15 (Wednesday)
J-V-M Microwave Co. ____ **Common**
(Aetna Securities Corp.) $285,000
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) $10,000,000
Pacific Power & Light Co. ____ **Preferred**
(Bids 8:30 a.m. PST) $15,000,000
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
Southern Pacific Ry. ____ **Equipment Trust Ctfs.**
(Bids noon EST) $8,400,000

January 17 (Friday)
Kimberly-Clark Corp. ____ **Debentures**
(Blyth & Co., Inc.) $30,000,000

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 10:30 a.m. CST) $8,500,000

January 21 (Tuesday)
Chicago, Burlington & Quincy RR. ____ **Equip. Tr. Ctfs.**
(Bids to be invited) $4,500,000
Pacific Gas & Electric Co. ____ **Bonds**
(Bids 8:30 a.m. PST) $75,000,000

January 22 (Wednesday)
Iowa Power & Light Co. ____ **Bonds**
(Bids to be invited) $10,000,000
Norfolk & Western Ry. ____ **Equip. Trust Ctfs.**
(Bids noon EST) $4,140,000
Portland Gas & Coke Co. ____ **Preferred**
(Lehman Brothers) $5,000,000

January 23 (Thursday)
Great Northern Ry. ____ **Equip. Trust Ctfs.**
(Bids to be invited) $5,700,000
Minneapolis Gas Co. ____ **Common**
(Offering to stockholders—underwritten by Kalman & Co., Inc.) 166,070 shares
Portland Gas & Coke Co. ____ **Preferred**
(Lehman Bros.) 50,000 shares

January 28 (Tuesday)
Bell Telephone Co. of Pennsylvania ____ **Debentures**
(Bids 11 a.m. EST) $50,000,000

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
Reichold Chemicals, Inc. ____ **Common**
(Blyth & Co., Inc.) 200,000 shares

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

February 27 (Thursday)
Virginia & Southern Ry. ____ **Bonds**
(Bids to be invited) $5,000,000

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 6 (Thursday)
Columbia Gas System ____ **Debentures**
(Bids expected March 6) $25,000,000

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

June 10 (Tuesday)
Virginia Electric & Power Co. ____ **Bonds or Debs.**
(Bids to be invited) $25,000,000

Continued from page 39

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**—To be received up to noon (EST) on Feb. 13 at 30 Church St., New York 8, N. Y.

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.; Eastman Dillon, Union Securities & Co.; Equitable Securities Corp. **Bids** — To be received up to 11 a.m. (EST) 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. (1/15)**
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. (1/17)**
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.

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.

★ **Mineral Basin Mining Corp.**
Dec. 30 (letter of notification) 200,000 shares of common stock. **Price** — At par ($1 par value). **Proceeds** — For mining expenses. **Office** — 1710 Hoge Bldg., Seattle 4, Wash. **Underwriter**—None.

★ **Minneapolis Gas Co. (1/23)**
Jan. 2 filed 166,070 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 10 shares held as of Jan. 23, 1958; rights to expire on Feb. 5, 1958. **Price** — To be supplied by amendment. **Proceeds** — For property additions. **Underwriter**—Kalman & Co., Inc., Minneapolis, Minn.

Monticello Associates, Inc.
Feb. 18 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds** — For capital expenditures, including construction of motel, roadside restaurant and gas station. **Business**—Has been processing and selling of gravel. **Office**—203 Broadway, Monticello, N. Y. **Underwriter**—Walnut Securities Corp., Philadelphia, Pa.

Mortgage Clubs of America, Inc.
Aug. 19 filed $1,000,000 of participation units in second mortgages of real estate to be offered for public sale in units of $100, plus a sales commission of $10 per unit to the company. **Proceeds**—To be invested in small loans secured by second mortgage on home properties. **Office**—Springfield, Mass. **Underwriter**—None. Charles Hershman is President.

Motel Co. of Roanoke, Inc., Roanoke, Va.
Nov. 18 (letter of notification) 60,000 shares of common stock (par 40 cents). **Price**—$5 per share. **Proceeds**—For purchase of land, construction and working capital. **Underwriter**—Southeastern Securities Corp., New York.

Motel Corp. of Italy
Dec. 11 filed 20,000 shares of class A common stock and $1,000,000 of 8% income debenture bonds due July 2, 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.

★ **Mutual Income Foundation**
Jan. 2 the Heritage Securities, Inc., Columbus, Ohio, filed $5,000,000 of monthly purchase plan certificates with insurance.

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. (1/14)**
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 Contracting Corp.**
Dec. 27 (letter of notification) 169,500 shares of common stock (par 10 cents). **Price**—$1.75 per share. **Proceeds**—For working capital and expansion. **Office**—1526 Connecticut Ave., N. W. Washington 6, D. C. **Underwriters**—The Matthew Corp., Washington, D. C. and Ross Securities, Inc., New York, N. Y.

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 condition. **Underwriters**—McDonald & Co., Cleveland, Ohio; and Blair F. Claybaugh & Co., Harrisburg, Pa.

Ohio Water Service Co., Struthers, Ohio (1/15)
Dec. 20 filed $1,248,000 of convertible subordinated debentures due 1977. **Price**—At 100% of principal amount. **Proceeds**—To repay bank loans and for new construc-

★ **Oil Empire Co.**
Dec. 26 (letter of notification) 300,000 shares of capital stock. **Price**—At par ($1 par value). **Proceeds**—Development of oil property. **Office**—130 South 4th St., Las Vegas, Nev.; P. O. Box 3982, No. Las Vegas, Nev. **Underwriter**—None.

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.

★ **Old American Life Co., Seattle, Wash.**
Dec. 9 filed voting trust certificates for not to exceed 8,000 shares of common stock (par $10). J. Alvin Hibbard, President of the company, is one of the 10 voting trustees.

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.

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.

★ **Peoples State Loan Co. of Delaware**
Dec. 26 (letter of notification) $100,000 of 6% subordinated debentures due July 1, 1963 and $200,000 of 6% subordinated debentures due July 1, 1964. **Price**—Both at par. **Proceeds**—To retire outstanding notes and for working capital. **Office**—13534 Woodward Ave., Highland Park, Mich. **Underwriter**—None.

Pittsburgh Brewing Co., Pittsburgh, Pa.
Nov. 15 filed $5,646,750 of 5% sinking fund income subordinated debentures due Oct. 31, 1992; 112,935 shares of common stock (par $1); and 451,740 warrants to purchase 451,740 additional shares of common stock 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.

★ **Portland Gas & Coke Co. (1/22-23)**
Jan. 2 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—Lehman Brothers, New York.

Professional Life & Casualty Co., Champaign, Ill.
Dec. 16 filed 120,000 shares of common stock. **Price**—$15 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Public Savings Life Insurance Co.
Nov. 29 filed 113,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To Public Savings Insurance Co., the selling stockholder. **Office**—Charleston, S. C. **Underwriter**—None.

Pyramid Mining & Metal Corp.
Oct. 24 (letter of notification) 236,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For mining expenses. **Office** — 508 Great Plains Life Bldg., Lubbock, Tex. **Underwriter**—Sterling Securities Co., Inc., Odessa, Tex.

Ramapo Uranium Corp. (New York)
Aug. 13 filed 125,000 shares of common stock (par one cent). **Price**—$5 per share. **Proceeds**—For exploration and development of properties and completion of a uranium concentrating pilot mill. **Office**—295 Madison Ave., New York 17, N. Y. **Underwriter**—None.

● **Reichhold Chemicals, Inc.**
Oct. 10 filed 200,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For expansion program and working capital. **Underwriter**—Blyth & Co., Inc., New York. **Offering** — Expected Feb. 24.

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.

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.

★ **Scientific Industries, Inc.**
Dec. 27 (letter of notification) $120,000 6% convertible sinking fund debentures, due Feb. 1, 1968, convertible, except as provided in case of redemption, into common stock (5 cent par value) at a price of $1 per share. **Proceeds**—For further development and marketing of company products (including electronics division). **Office**—15 Park St., Springfield, Mass. **Underwriter**—Willis E. Burnside & Co., Inc., New York City.

★ **Science & Nuclear Fund, Inc., Philadelphia, Pa.**
Dec. 30 filed (by amendment) 20,000 shares of common stock. **Price**—At market. **Proceeds**—For investment.

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.

"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.

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.

★ **Sterling Investment Fund, Inc.**
Dec. 30 filed (by amendment) 100,000 additional shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

Stuart-Hall Co., Inc., Kansas City, Mo.
Nov. 27 filed $650,000 of 20-year 6% convertible debentures due Dec. 15, 1977. **Price**—At par (in denominations of $1,000 each). **Proceeds**—For working capital and to reduce bank loans. **Underwriter**—White & Co., St. Louis, Mo.

Surinam Corp., Houston, Tex.
Oct. 21 filed 10,000,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For exploration and exploitation of oil, gas and sulphur properties **Underwriter**—T. J. Campbell Investment Co., Inc., Houston, Tex.

Syntex Corp. (Republic of Panama)
July 24 filed 1,165,750 shares of common stock (par $2) to be offered for subscription by common stockholders of Ogden Corp. on the basis of one new share for each four shares held and to holders of options on the basis of one share for each option to purchase four shares of Ogden common stock; unsubscribed shares to be offered to certain employees and officers. **Price**—$2 per share **Proceeds**—To pay outstanding obligations to Ogden Corp **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

Taylor Instrument Companies
Oct. 1 filed 99,195 shares of common stock (par $10) to be offered for subscription by common stockholders on the basis of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds** — To retire short term bank loans and for working capital and general corporate purposes. **Office** — Rochester, N. Y. **Underwriter**—The First Boston Corp., New York. **Offering**—Indefinitely postponed.

Tekoil Corp., Dallas, Texas
Dec. 9 filed 677,408 shares of common stock, of which 377,408 shares are to be issued for the account of selling stockholders and the remaining 300,000 shares issued from time to time in exchange for oil and gas properties. Of the 377,408 shares, 132,558 shares, 61,392 shares and 47,606 shares, respectively, are to be issued as dividends to stockholders of Texolina Oil Co., Mountain Valley Oil Corp. and Trigg Drilling Co.; while 57,239 are to be offered immediately to the public, while the balance of 78,613 shares are to be similarly offered in the near future. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—None.

★ **Telephone Utilities, Inc., Ilwaco, Wash.**
Dec. 23 (letter of notification) 11,000 shares of 6% cumulative participating preferred stock and 25,000 shares of common stock. **Price**—At par in each instance (preferred, $25 par value); common ($1 par value). **Proceeds**—For the retirement of a short-term bank note and working capital. **Underwriter**—None.

Texam Oil Corp., San Antonio, Texas
May 29 filed 300,000 shares of common stock (par $1), to be offered for subscription by common stockholders on a basis of two new shares for each share held. **Price**—To be supplied by amendment. **Proceeds**—To repay indebtedness, for acquisition and exploration of oil and gas leases, for drilling and completion of wells, and for other corporate purposes. **Underwriter**—None.

★ **Thrift Investment Corp.**
Dec. 27 (letter of notification) 38,642 shares of common stock (par $1) to be offered for subscription by common stockholders of record Jan. 8, 1958, on the basis of one new share for each seven shares then held; warrants to expire on Feb. 7, 1958. **Price**—$6.15 per share. **Proceeds**—For working capital and surplus. **Office**—2 Gateway Center, Pittsburgh 22, Pa. **Underwriter**—McKelvy & Co., Pittsburgh, Pa.

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 Funds, Inc., Kansas City, Mo.**
Jan. 3 filed (by amendment) additional securities as follows: 1,500,000 shares United Income Fund (par $1); 1,000,000 shares United Service Fund (par $1); 750,000 shares United Continental Fund (par $1). **Price** — At market. **Proceeds**—For investment.

● **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. Issue withdrawn from registration.

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.

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.

Continued on page 42

Continued from page 41

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.

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., Eastman Dillon, Union Securities & Co., White, Weld & Co., and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane. **Bids**—Expected to be received up to 10:30 a.m. (CST) 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.**
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. 24, 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.
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

★ **American Electronics, Inc.**
Company plans to sell approximately $3,500,000 convertible debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Van Alstyne, Noel & Co. and Crowell, Weedon & Co. (jointly). **Offering**—Expected in March.

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. (1/14)**
Bids will be received by the company at 2 Wall St., New York 5, N. Y., up to noon (EST) on Jan. 14 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. (1/21)
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.

★ **Chicago Rock Island & Pacific RR.**
Dec. 18 it was announced company plans to issue and sell in late Spring of 1958 between $16,000,000 to $20,000,000 first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Eastman Dillon, Union Securities & Co. and Blyth & Co. (jointly); First Boston Corp.; Kuhn, Loeb & Co.

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.

★ **Columbia Gas System**
Dec. 23 it was reported company plans to issue and sell $25,000,000 of 25-year debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly). **Bids**—Tentatively expected to be received on March 6.

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.

★ **Consolidated Natural Gas Co.**
Company reportedly plans to issue and sell approximately $45,000,000 debentures. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; White, Weld & Co. and Paine, Webber, Jackson & Curtis (jointly); Morgan Stanley & Co. and First Boston Corp. (jointly).

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.

• **Freeman Electric Construction Co., Inc.**
Nov. 27 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To reduce accounts payable, etc., and for working capital and general corporate purposes. **Office** — New York. **Underwriter**—Harris Securities Corp., New York City. **Offering**—Late in January.

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.**
Dec. 20 ICC granted company 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. Offer expires Feb. 14, 1958, but may be extended. **Underwriter**—None.

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.

★ **Holyoke Water Power Co.**
Dec. 30 company reported to issue $34,000,000 of first mortgage bonds due 1990. **Proceeds**—For construction and to redeem debentures due Dec., 1958. **Underwriter**—None. Bonds will be sold privately from time to time prior to June 30, 1960, to 15 insurance companies.

★ **Illinois Bell Telephone Co.**
Company plans construction expenditures of approximately $150,000,000 in 1958.

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.

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.

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.

★ **Northern Pacific Ry. (1/9)**
Bids are expected to be received by the company on Jan. 9 for the purchase from it of approximately $3,700,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ **Pioneer Natural Gas Co.**
Company, located in Amarillo, Texas, plans to issue 187,818 shares of common stock in connection with scheduled acquisition of properties and assets of Empire Southern Gas Co., Fort Worth, Texas. Shares to be issued to stockholders of Empire.

● **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.

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.

★ **Southern Pacific Ry. (1/16)**
Bids will be received by the company at 165 Broadway, New York, N. Y., up to noon (EST) on Jan. 16 for the purchase from it of $8,400,000 equipment trust certificates to mature in 15 equal annual installments. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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.

★ **Virginia Electric & Power Co.**
Dec. 26 it was reported company plans to issue and sell $25,000,000 bonds or debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler; White, Weld & Co.; Eastman Dillon, Union Securities & Co.; Stone & Webster Securities Corp.; Kuhn, Loeb & Co. and American Securities Corp. (jointly). **Bids**—Tentatively expected to be received on June 10.

★ **Virginia & Southwestern Ry. (2/27)**
Company plans to sell $5,000,000 bonds. **Proceeds**—To redeem similar amount due April 1, 1958. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Salomon Bros. & Hutzler. **Bids**—Expected on Feb. 27.

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.

Mutual Funds

By ROBERT R. RICH

Canada in Sound Shape to Meet Uncertainties

Canada is facing the uncertainties of the coming year in sound financial condition, Hugh Bullock, President of Canadian Fund, Inc., told shareholders in the mutual fund's fifth annual report.

Over the coming year, the report stated, the Canadian economy undoubtedly will face a period of uncertainty and readjustment following the rapid expansion of the postwar years.

However, Mr. Bullock pointed out, constructive elements in the Canadian economy should not be overlooked. Among these is the Canadian dollar, which for well over a year has been at a substantial premium relative to the United States dollar. This has generally worked a hardship on Canadian industries, such as newsprint producers, and has encouraged imports to the detriment of exports.

Recently, he said, this trend has been in the process of reversing itself and will correspondingly benefit Canadian industry. Another factor, Mr. Bullock reported, is the fiscal soundness of the Canadian Government. Over most of the postwar era, the budget has not only been balanced but substantial payments have been made on the public debt.

"The rapid expansion of Canada's industrial capacities in the past decade, the development of her vast natural resources, the stability of her political affairs and the growth of her population all contribute towards a future of extraordinary opportunity for the well advised investor," Mr. Bullock told shareholders.

Formed in April, 1952, Canadian Fund, Inc., was the first U. S. mutual fund to offer investors the opportunity to participate in Canada's growth potential. The fund now has 2,386,551 shares outstanding, owned by over 17,000 shareholders. Total net assets, with securities at market quotations, were $39,034,322 on Nov. 30, 1957, equal to $16.36 per share outstanding. Largest group investments by the fund at the fiscal year-end were: 19.82% of assets in petroleum; 14% in paper and paper products; and 13.76% in non-ferrous metals.

An important event in the fund's 1957 fiscal year, the report recalled, was the election to the board of directors in November of the Right Honorable C. D. Howe, P.C., former Canadian Minister of Trade, Commerce and Defense Production and outstanding leader in Canadian affairs.

National's Sales At New Peak

Sales of the National Securities Series of mutual funds established an all-time high of $79,062,224 in 1957, it was announced by E. Waln Hare, Vice-President of National Securities & Research Corp., sponsors and managers of the funds.

The 1957 total ran 45% ahead of the $54,566,293 recorded in 1956, previously National's best year for sales. At the same time, the investment company reports liquidations for 1957 declined to $15,324,130 from 1956's figure of $23,154,734. This is better than a 5 to 1 ratio of sales to liquidations for National Securities Series in 1957.

American International Corporation announced that the net asset value of its common stock at Dec. 31, 1957 is estimated at $13.88 per share, after the payment of capital gains dividends during the year 1957 totalling $0.75 per share. At Dec. 31, 1956, net asset value amounted to $18.23 per share.

Utilities Are Keystone S-2's Biggest Holding

Utilities issues constituted the largest holdings in the year-end portfolio of Keystone Income Common Stock Fund S-2, according to the annual report of President S. L. Sholley for the fiscal year ended Nov. 30.

Keystone's position in the drug field was further strengthened in the last six months, with the acquisition of 4,700 Bristol Myers and increased holdings in Abbott Laboratories and Pfizer, the report also points out.

Also increased were proportionate holdings in electric products, food and retail trade. Major decreases were made in non-ferrous metal, chemical, rail and oil stocks. The paper and packaging representation was eliminated.

At fiscal year-end, Keystone S-2 owned the common stocks of 52 companies representing 19 industries in the following percentages: utilities, 12.6; steel, 11.2; oil, 8.7; automotive, 7.1; railroads, 6.9; banking and finance, 6.5; drugs, 5.8; retail trade, 5.2; food, 5.1; railroad equipment, 4.1; electric products, 3.9; building, 3.6; office and business equipment, 3.4; textile, 2.9; machinery, 2.8; and other industrials, 7.7. Cash and receivables amounted to the remaining 2.5%.

Largest individual holdings were Republic Steel, Bethlehem Steel, Sinclair Oil and Standard Brands.

Designed primarily for producing dividend income on investment grade common stocks, Keystone S-2 in the last fiscal year paid 50 cents per share on net investment income and 70 cents per share from net capital gains from the sale of portfolio securities. Including this special distribution, net asset value per share was $10.03, compared to $11.33 at the end of 1956, reflecting the general decline in the security market in recent months.

Number of shareholders reached a record high of 22,583 and shares outstanding also rose to 6,187,255.

	Nov. 30,'57	Nov. 30,'56
Total net assets	$57,716,932	$62,386,278
Shares outstanding	6,187,255	5,505,781
No. shareholders	22,583	21,125
Asset value per sh.	*$10.03	$11.33
Income per share (6 mos.)	$0.25	$0.25

*Adjusted to include capital gains distribution of 70 cents per share paid Nov. 15, 1957.

Variable Fund Assets Reach $13 Million

Total net assets of Investors Variable Fund, Inc. reached $13,005,542 in only five months of actual operation since its shares were initially offered on June 24, 1957, Joseph M. Fitzsimmons, Chairman of the Board and President, announced in his report for the first fiscal year ended Nov. 30, 1957. Investors Variable Payment Fund, Inc. is the most recent of five mutual funds sponsored and managed by Investors Diversified Services, Inc.

Assets taken at market value were equivalent to $4.01 per share at the close of the fiscal period. Shares outstanding at that time numbered 3,242,719 and were held by 14,630 shareholders.

Net earnings for the five months under review amounted to $60,337. This figure does not fully reflect the present income position, the report points out, since new money received as shares were sold was not available as a whole for the entire period, and dividends on many of the securities purchases were not received until after the close of the fiscal year.

Investors Variable Payment Fund is a wholly accumulative common stock investment medium, providing for instalment redemption by a choice of plans suited to various shareholder requirements. Reinvestment of dividends and capital gains is obligatory.

In keeping with the objectives of the fund, management has given primary consideration to prospects over the long term for increases of earnings and capital appreciation, Mr. Fitzsimmons said in his letter to shareholders.

At the end of the fiscal period, major investments of the fund were in the following industrial groups: insurance 21.18%, petroleum 12.44%, chemicals 11.93%, electrical equipment 8.70%.

Scudder Fund Of Canada Issues Report

Net assets of Scudder Fund of Canada Ltd. on Nov. 30, 1957, totaled $45,037,747 in Canadian dollars, equal in American funds to $38.94 a share on 1,193,000 outstanding shares of common stock, according to the investment company's semi-annual report issued Jan. 8. The net assets compared with $59,422,835, or $51.41 a share on 1,210,000 shares, on May 31, 1957 and $49,740,387, or $42.76 a share on 1,210,000 shares, on Nov. 30, 1956.

Hardwick Stires, President, stated in the report that during the half year under review "the decline in Canadian security prices was somewhat more severe than in the United States. Although this was partly due to inherent differences between the two economies, an important contributing factor was the effect on the characteristically thin Canadian securities markets of an abrupt interruption of the flow of European capital into Canada."

Common stock investments held by Scudder on Nov. 30 had a value of $42,134,470, representing 93.6% of assets. The balance of the company's holdings was in corporate bonds and notes, and cash.

During the six months ended Nov. 30, 1957, among the new additions to the investment portfolio were: 26,000 shares Hudson's Bay Oil & Gas Co. Ltd., 11,000 shares Westcoast Transmission Co. Ltd., 2,000 shares British Columbia Telephone Co. Ltd., 5,000 shares French Petroleum Co. of Canada Ltd. 5% participating preferred, 10,000 shares Premium Iron Ores Ltd.

During the same period among the eliminations were: 3,750 shares Canadian International Power 6% preferred, 20,000 shares Hudson Bay Mining and Smelting Co. Ltd., 35,000 shares Peace River Natural Gas, 50,000 shares Massey-Harris-Ferguson, 20,000 shares Quebec Telephone, 10,000 shares Howard Smith Paper Mills.

Additions to the portfolio during the six months ending Nov. 30, 1957 were: 2,000 shares Bank of Montreal, 3,000 shares Traders Finance Corp., 2,000 shares Canada Cement Co., 5,000 shares Foundation Co. of Canada, 3,000 shares Hollinger Cons. Gold Mines, 14,000 shares Labrador Mining & Exploration Co. Ltd., 1,000 shares Cons. Paper Corp. Ltd., 3,000 shares British American Oil Co., 2,000 shares Calgary & Edmonton Corp., 5,000 shares Great Plains Dev. Co. of Canada Ltd., 13,000 shares Home Oil Co. Ltd., 3,000 shares Imperial Oil Ltd., 18,400 shares Western Leaseholds, 2,100 shares Calgary Power Ltd., 5,000 shares Canadian International Power Co. Ltd., 950 shares Lower St. Lawrence Power Co., 29,000 shares Shawinigan Water & Power Co., 2,500 shares Union Gas Co. of Canada, 1,135 shares Goodyear Tire & Rubber, 1,300 shares Page-Hersey Tubes, Ltd., 3,000 shares Steel Co. of Canada Ltd.

Sales for the same period were: 400 Royal Bank of Canada leaving 14,000 shares in the portfolio, 1,450 Canada Packers Ltd. leaving 6,550 shares, 535 Unilever N.V. (1000 Guilders Par) leaving 665 shares, 9,600 Zellers Ltd. leaving 2,450 shares, 2,000 Falconbridge Nickel Mines Ltd. leaving 40,000 shares, 7,100 Kerr-Addison Gold Mines Ltd. leaving 35,900 shares, 450 MacLaren Power & Paper Co. Ltd. leaving 7,550 shares, 49,100 Scurry-Rainbow Oil Ltd. leaving 30,900 shares.

Mr. Stires said near term overall Canadian activity "is likely to continue with some further slowing in the heavy industries counterbalanced by firmness in other segments of the economy." Longer term factors, he said, "all attest to the vigor of the Canadian economy relative to that of the United States. Once present readjustments have been accomplished, we look forward to the resumption of the strong growth trend in Canada."

Bullock Fund Assets Now $31.7 Million

Total net assets of Bullock Fund, Ltd., with securities at market quotations, were $31,784,253 on Nov. 30, 1957, the fund's fiscal year-end, and there were 2,877,863 shares outstanding, according to the 25th annual report just released. Corresponding figures on Nov. 30, 1956 were $31,158,363 and 2,497,357 shares.

Per share net asset value of Bullock Fund, Ltd. was $11.04 on Nov. 30, 1957 after payment of a distribution of 65 cents per share from net profits. This compared with net asset value of $12.48 a year earlier—a decline of 6% for the year, after crediting the net profits distribution.

In accordance with its stated investment aims, the report said, the fund has continued to diversify its investments in certain securities which offer attractive growth potential over the long term. Hence, approximately 50% of the assets of the company were in "growth" or cyclical industries: petroleum, 11.54%; chemical, 10.52%; drug and medical, 9.20%; steel, 9.03%; aircraft and defense, 8.77%.

At Nov. 30, 1957, the company's investments were diversified among 93 different common stocks, plus government bonds and cash. Portfolio changes during the last six months of the fiscal year added the stocks of nine companies and eliminated those of 12 companies.

Canada General Fund Reports

Canada General Fund Limited on Dec. 30 reported net assets of $73,556,279 at the end of the first quarter of the present fiscal year to Nov. 30. This compared with $71,514,284 a year earlier.

The number of shares outstanding rose to 6,597,475 from 5,885,492 on Nov. 30, 1956. On a per share basis, net assets declined to $11.15 from $12.15.

During the quarter, the number of shareholders rose to 36,547 from 34,301. Net investment income for the quarter, which is reinvested, was approximately six cents per share.

Henry T. Vance, President of the large American-sponsored fund, said in his letter to shareholders that the fund's management is not disturbed with the recent drop in equity security prices in Canada.

"After a number of years of steadily increasing securities prices, such an intermediate reaction is not one that causes us concern in view of the fact that our fund is devoted to the holding of Canadian equity securities over the long pull," Mr. Vance said.

The transitory aspect of some of Canada's current readjustments should not, he noted, obscure the basic faith in the sound future development of Canada's tremendous potential over the years.

The quarterly report revealed the addition to the fund's portfolio of three holdings—Bailey Selburn Oil & Gas, Hudson's Bay Oil & Gas Co., Ltd. and Pacific Petroleums Ltd.—and substantial increases in 13 other issues.

Continued from page 7

Consumer Credit Policies For Bankers in 1958

automobiles, will quickly reflect itself in the pressure of manufacturers to have dealers build their inventory to larger proportion. There can develop a constant pressure on the dealers to sell these cars to the public on such terms of repayment as can be wangled out of the banks, finance companies, small loan companies, credit unions, or dealer-owned financing subsidiaries.

Today's maximum terms, that have become fairly universal in financing the purchase of new automobiles, represent a requirement of one-third cash or car value down payment, related absolutely to the legitimate mark-up of dealer cost and the financing of an unpaid balance that will not usually exceed 90% of the dealer's cost, and certainly does not exceed the dealer's total cost, with a maximum period of 36 months in which, by equal monthly payments, the unpaid balance, including required insurance and finance costs, will be liquidated.

The dealers' pressures can become, as buyer resistance may develop, intense, persistent and demanding to lower the required one-third cash down payment (including an honest valuation of the used car representing part or all of the required cash payment). The second dealer demand will be a lengthening of the 36-month period of repayment. The third, and insidious, pressure will be to balloon a final payment for, say, a 12-month deal and a promise of refinancing over another 36-month period; or a balloon payment at the end of 24 or 30, or even 36 months.

There is no intent here, or occasion, to be critical of any automobile dealer in seeking to move cars off his floor and out of his showrooms or storage warehouses. His pressures are likewise intense from the manufacturer's level. He must wangle every sale he can on terms a buyer will meet, to whatever degree these terms may be relaxed to bring the purchase within the purview of the would-be owner's presumed convenience and supposed capacity.

It's the banker's financial ability and his knowledge of automobile values and his understanding of human desires that may in their whipped-up enthusiasm permit him to contract unwisely to meet forward commitments over a period beyond the buyer's ability to assume conditions under which he may be operating at some time during this era.

Bankers are under constraint to cooperate with the car dealers in helping them to move automobiles that represent employment, wages in circulation, and in turn buying by those very wage earners. They are under constraint to help the would-be buyer of a new or used car where the buyer and the banker can fairly presume—even though not absolutely—that the buyer will be able to meet the next 36 months' payments; with a tacit understanding that if untoward events upset his scheme of things, he can yet be accommodated, within reason, to re-adjust his payments and not lose the large investment he has made and sacrificed so much to do.

But likewise the banker is under constraint to be adequately assured that the would-be buyer of a new or used car has created an equity, or has an even break to do so in his down payment; and that there is a good—not just a supposed or speculative—chance that in his present job he will be able to liquidate his total unpaid obligation on a steady month-to-month basis and not unwisely, in an era of uncertainty, incur a longtime obligation that obviously he cannot be sure he will fulfill.

It must be obvious to dealer, purchaser and banker that on a 36-month term contract it will only be toward the very end of the period that either the purchaser or the banker has any equity in the car—and that both parties will be lucky, if repossession becomes painfully necessary, that the then used car will bring anything like the unpaid balance.

Advises No Weakening

It seems clearly—even ridiculously—obvious that any weakening of these liberal terms can only serve to harm the future market for new and used cars, and hence militate against the interest of manufacturer and dealer alike; that to weaken terms can only serve to risk for the buyer a loss of all his investment in cash and all his "sweated-out" monthly payments; that weaker terms can materially add to the banker's credit risk and set up possible losses, to his embarrassment and his stockholders' detriment, if, in his lack of wisdom and knowledge or his supineness in responding to pressures, he is misguided in his feeling that he is helping to stimulate the economy and has consented to less than sound common-sense conditions.

If, on the other hand, the overcautious banker pulls into a dug-out and covers the opening with a total refusal to cooperate with manufacturer, dealer and purchaser in the appropriate and sound purchase and financing of new and used cars, he will in turn be rendering a great disservice to all the members of our economy involved in the on-going of our industrial production, proper distribution and justifiable consumption of those products.

There may be losses, but they will not be excessive and can be readily cushioned by setting up proper reserves to meet them. There may be tedious detail of administration and follow-through, but that is a properly acceptable burden on the banker in stimulating the economy.

The banker's role in the extension of consumer credit in 1958 is imperatively a positive one. He has a compelling responsibility to provide all the funds that are needed to finance the maximum consumption of goods that require instalment payment terms to make these purchases possible. The reason is that only thus can we slow the downward economic trend we face in early 1958. But likewise it is imperative that to the extent of his ability, the banker's role of providing for these purchases—whether they be for the new or used cars; or for home improvement, for home equipment, for debt liquidation; or for other purchases of other goods or services—must come within the framework of sound credit terms that are bearable and supportable and feasible for the buyer, and that are reasonable and appropriate as an investment of the bank's funds that basically represent the depositors' money entrusted on a temporary and readily returnable deposit concept.

If we play our proper role, we shall all, collectively and individually, profit from the stability we help to give to our economy, the mitigation of its upturns and its downturns. For within the outer limits of mild expansions versus mild excesses, and mild recessions versus panicky withdrawal from production, distribution and consumption, we in the banking field can find a prosperous life. We can find a great reward for our developing prestige and public appreciation of that constructive and stimulating role as occasion indicates.

Favors Quantitative Controls Only

One final comment as to consumer credit outlook in 1958 and I am done:

For some years I advocated to the Federal Reserve Bank of Richmond, and directly to the staff and to individual members of the Board of Governors of the Federal Reserve, that quantitative controls over consumer credit extension were as basically indicated as was the accepted and established quantitative control of commercial credit; that there was no more justification of the dictation of terms in consumer credit extension than would be proper in setting terms and conditions for banks under which they can make commercial loans; that the local banker should measure and meet his local borrowers' appropriate needs out of deposits allowed for that purpose and not in selective terms dictated from a distant, unresponsive, and unrelated central source.

It was with a good deal of rejoicing and happy reassurance that word was received in the May 1957 announcement by the Federal Reserve Board that quantitative and not qualitative restriction would be invoked should consumer credit control again become necessary.

Now that the economy is assured of that freedom, it is the basic responsibility of the banking fraternity to prove to the Federal Reserve Board that free private banking can so conduct itself as to warrant no interference and create no occasion that would suggest the need for corrective or compulsory measures or control.

Unhappily, there are many people who feel that they prefer to have a restoration of Regulation W to solve all their needs for restrictive terms over consumer credit and to protect conservatives from the abuses of radical purveyors of consumer credit. The same line of thought carried to even a partial fulfillment calls for progress toward the acceptance of a police state where minority groups can have their day of enforcement of their ideas at the expense of the freedom for all of our ideas.

Let us, therefore, as adults and matured bankers be very sure that in our conduct of the free extension of uncontrolled terms of consumer credit we acquit ourselves like men and not be guilty of weak-kneed and acquiescent response to those who would bring in an era of such unsound credit that a reversal of this free policy might in any degree be warranted by our action.

The cold war which we are so expensively fighting, and the prospect of a hot war we so mortally dread, is all of but little purpose to win if in the great area of the free world, which America sa happily leads, we shall so conduct ourselves that gradually the state becomes our master instead of our servant.

The conduct of the consumer banking function in properly stimulating the economy on a sound basis, yet properly protecting the consumer, the long-time interest of the dealer or distributor, and the manufacturer, as well as the depositors of our own bank, is indeed a challenge in 1959.

Continued from page 6

The State of Business in 1958

can work off some high emotional pressures in contesting for scientific achievement, and perhaps be a little less inclined to turn to war as a way out.

In a sense, it is a bit reminiscent of the olden days of chivalry, when opposing armies sat on nearby hillsides and watched a few specially chosen courageous knights do battle on the jousting field to settle the issues of the day. For 1958 at least, we believe the fighting will be confined to the Killians and the Nesmeyanovs.

Now to return to domestic affairs, and our forecasts on various important factors affecting business and investment conditions during the new year.

In general, 1958 will be a year of moderate downtrends in most economic figures—with the second half showing considerable improvement over the earlier months of the year.

Total business volume is likely to be off around 5%, with the low point coming around the middle of the year. In terms of our United Business Thermometer (which is adjusted for both seasonal variation and long-term growth—and which now stands at about +13), we expect a continuing downtrend to around +6 and then a recovery in the late fall to around +15.

Stimulus for the second half rebound will come from increased Government spending, the completion of various inventory corrections and from easier credit. To put it a little differently—it will then be time for a back swing of the business pendulum.

77% Steel Operations

Looking now at some of the major industries which go to make up that broad total called "General Business," we estimate that Steel production will be about 106-108 million ingot tons in 1958. On the basis of a 140-million ton annual capacity, this means an average of 76-78% capacity operation over the year. For the large low-cost producers, this is a fairly satisfactory rate, but for many of the smaller units it will mean considerably lower net earnings.

One thing seems sure — there will be a plentiful supply of all finished steel items during 1958. But, even so, prices are expected to average firm to higher, as the year progresses.

The Automobile Industry is likely to follow much the same pattern as steel—off moderately from 1957 but still a reasonably good year. We estimate total U. S. production at about 5.8 million passenger cars and one million trucks.

For the first time in history, the sales of foreign built small cars will really take a substantial "bite" out of our domestic automobile market. At the same time, export sales of U. S. built cars will decline. Taken together, this is not a good combination for our auto makers.

However, the most critical thing in the automobile industry, is the labor situation and we expect the unions to win fairly substantial wage and benefit increases—probably after a strike against one or more of the big 3, with G.M. the most likely target.

1958 is not likely to be a very happy year for the boys in Detroit, even though nationwide sales of autos will hold up pretty well.

Brightness in Building

Building is one of the few industries where we expect 1958 figures to exceed those of 1957. The gain will not be much—probably only 2%-3% overall—but it will be "up" rather than "down." We forecast a definite turn for the better in residential building as a result of somewhat easier mortgage money, and a continuing uptrend in utility and public works construction.

All sorts of Building Materials will be in plentiful supply, but total building costs will still continue to edge upward because of unyielding wage rates all along the line.

For Industrial Production as a whole, we expect a drop of about 3% Durable goods output is likely to be off about 6%, but non-durables will hold up to within 1 or 2% of the 1957 figures. The F.R.B. Production Index (which is now about 141) will probably drop to about 135 in the spring or early summer, and then work back to around 145 by the end of the year.

The labor situation will be more turbulent in 1958 as employer resistance to new wage and other demands will increase. Intra-union strife will step up considerably—witness the Teamsters and various Building Trades Unions. And whenever these internal conflicts break out, it is always the employers and the public who must absorb most of the economic loss.

The biggest labor contract negotiation in '58 will be with the auto workers, and it is really too early to forecast just what may happen come next June. As of now, however, my best guess would be a major strike — with pretty much of a victory for Mr. Reuther and his United Auto Workers.

Over-all, labor will receive increased wage rates and other benefits in 1958 with the average over the country running about 2% to 4%.

Retail trade continues as a relatively bright spot in the total business picture. We expect a new all-time high of about $202 billion for the full year 1958.

Sales of non-durables should be up about 3%, and durable goods sales will be off only slightly. However, competition at the retail level will become even more severe.

We believe the retail inventory situation will be in reasonably good shape by the end of this month, and will continue so through the coming year—probably a moderate decline during the first half, and then some build-up in the fall.

Variation in Commodity Prices

Commodity Prices are likely to follow a rather unusual pattern. They will show considerable variation as between individual items, but the over-all wholesale price index is expected to change very little. The appearance will thus be one of stability, but this may be far from true in the particular commodities with which you deal.

On balance, living costs will continue to edge up a bit, though less rapidly than in 1957.

In Agriculture, we expect Farm Cash Receipts (including benefit payments) to total about $32 billion as compared with $31.5 billion in 1957. That isn't much of an increase, but it is a little—and with it should go a 1%-2% gain in the "net income" of farmers. This will lift rural sales moderately and also strengthen farm land values.

On the whole, the farmers are likely to fare (relatively) a little better than their city cousins—assuming, of course, that we have a normal crop year in '58.

In Foreign Affairs, as I mentioned earlier, we expect a continuation of the so-called "cold war" with "hot spots" developing in various areas over the world. The recent scientific successes of the Russians—together with our well publicized failures in that area—will make the Russians more cocky and our own position more difficult.

Economic expansion in most European countries will slacken, and their currencies — especially the franc and the pound—will be under further pressure. Even the economy of Canada—an outstanding strong spot for the past several years—will be less buoyant, and the premium on its dollar will decline.

United States Exports are likely to drop from an estimated $21 bil-

Continued on page 47

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. 11	§60.5	*58.6	69.2	98.4
Equivalent to—					
Steel ingots and castings (net tons)	Jan. 11	§1,548,000	*1,501,000	1,770,000	2,519,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 27	6,939,500	6,914,800	6,829,350	7,392,350
Crude runs to stills—daily average (bbls.)	Dec. 27	7,876,000	7,712,000	7,807,000	8,395,000
Gasoline output (bbls.)	Dec. 27	27,926,000	27,264,000	27,205,000	28,176,000
Kerosene output (bbls.)	Dec. 27	2,509,000	2,436,000	2,792,000	2,746,000
Distillate fuel oil output (bbls.)	Dec. 27	13,200,000	13,106,000	12,554,000	14,565,000
Residual fuel oil output (bbls.)	Dec. 27	8,019,000	7,581,000	7,322,000	9,004,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 27	194,165,000	189,486,000	185,203,000	185,796,000
Kerosene (bbls.) at	Dec. 27	28,754,000	27,719,000	32,661,000	31,799,000
Distillate fuel oil (bbls.) at	Dec. 27	151,769,000	152,383,000	167,594,000	134,809,000
Residual fuel oil (bbls.) at	Dec. 27	58,906,000	57,674,000	58,807,000	42,649,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 28	410,022	590,343	553,722	487,546
Revenue freight received from connections (no. of cars)	Dec. 28	458,797	552,316	548,125	522,558
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Jan. 2	$259,276,000	$273,767,000	$200,970,000	$323,736,000
Private construction	Jan. 2	120,818,000	122,226,000	75,807,000	144,768,000
Public construction	Jan. 2	138,458,000	151,541,000	125,163,000	178,968,000
State and municipal	Jan. 2	123,326,000	135,124,000	118,735,000	138,390,000
Federal	Jan. 2	14,732,000	16,417,000	6,428,000	40,578,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 28	5,720,000	9,380,000	8,090,000	5,171,000
Pennsylvania anthracite (tons)	Dec. 28	273,000	469,000	374,000	355,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Dec. 28	147	*274	159	112
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Jan. 4	11,692,000	11,218,000	12,315,000	11,671,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Jan. 2	203	166	287	222
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 31	5.967c	5.967c	5.967c	5.622c
Pig iron (per gross ton)	Dec. 31	$66.42	$66.42	$66.42	$63.04
Scrap steel (per gross ton)	Dec. 31	$32.83	$32.83	$32.33	$63.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 31	26.575c	26.600c	26.525c	35.675c
Export refinery at	Dec. 31	22.100c	21.950c	22.375c	33.325c
Lead (New York) at	Dec. 31	13.000c	13.000c	13.500c	16.000c
Lead (St. Louis) at	Dec. 31	12.800c	12.800c	13.300c	15.800c
‡Zinc (delivered) at	Dec. 31	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Dec. 31	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig, 99%) at	Dec. 31	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Dec. 31	91.750c	92.625c	91.250c	99.875c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Jan. 7	93.80	93.42	93.00	87.56
Average corporate	Jan. 7	93.38	92.93	89.78	95.16
Aaa	Jan. 7	101.47	101.14	93.08	98.88
Aa	Jan. 7	98.09	97.31	93.08	97.62
A	Jan. 7	92.35	92.06	89.37	95.62
Baa	Jan. 7	83.03	82.65	81.05	89.23
Railroad Group	Jan. 7	91.05	90.77	86.91	93.82
Public Utilities Group	Jan. 7	92.64	92.06	90.06	96.54
Industrials Group	Jan. 7	96.38	96.07	92.79	95.16
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Jan. 7	3.03	3.06	3.09	3.54
Average corporate	Jan. 7	4.18	4.21	4.43	4.05
Aaa	Jan. 7	3.66	3.68	3.94	3.82
Aa	Jan. 7	3.87	3.92	4.20	3.90
A	Jan. 7	4.25	4.27	4.46	4.03
Baa	Jan. 7	4.94	4.97	5.10	4.47
Railroad Group	Jan. 7	4.34	4.36	4.64	4.15
Public Utilities Group	Jan. 7	4.23	4.27	4.40	3.97
Industrials Group	Jan. 7	3.98	4.00	4.22	4.06
MOODY'S COMMODITY INDEX	Jan. 7	391.3	391.2	389.9	439.5
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	Jan. 3	108.51	108.26	108.68	110.61
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 14	1,439,940	1,497,380	1,534,060	1,724,210
Short sales	Dec. 14	268,600	304,800	537,830	328,230
Other sales	Dec. 14	1,116,820	1,147,680	1,042,710	1,261,210
Total sales	Dec. 14	1,385,420	1,452,480	1,580,540	1,589,440
Other transactions initiated on the floor—					
Total purchases	Dec. 14	343,600	397,110	347,750	381,420
Short sales	Dec. 14	25,900	44,900	126,400	28,740
Other sales	Dec. 14	352,490	403,520	361,920	313,860
Total sales	Dec. 14	378,390	448,420	488,320	342,600
Other transactions initiated off the floor—					
Total purchases	Dec. 14	456,097	505,535	561,681	573,745
Short sales	Dec. 14	104,000	130,300	163,120	88,030
Other sales	Dec. 14	419,320	527,102	472,680	474,140
Total sales	Dec. 14	523,320	657,402	635,800	562,170
Total round-lot transactions for account of members—					
Total purchases	Dec. 14	2,239,637	2,400,025	2,443,490	2,679,375
Short sales	Dec. 14	398,500	480,000	827,350	445,000
Other sales	Dec. 14	1,888,630	2,078,302	1,877,310	2,049,210
Total sales	Dec. 14	2,287,130	2,558,302	2,704,660	2,494,210
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. 14	1,248,520	1,225,767	1,244,973	1,250,967
Dollar value	Dec. 14	$48,138,353	$50,692,078	$51,551,986	$64,101,832
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Dec. 14	1,154,535	1,084,277	960,910	1,060,894
Customers' short sales	Dec. 14	12,082	11,791	23,100	5,434
Customers' other sales	Dec. 14	1,142,453	1,072,486	937,810	1,055,460
Dollar value	Dec. 14	$43,203,921	$43,552,805	$39,971,650	$51,258,402
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 14	334,150	320,570	246,160	270,350
Short sales	Dec. 14	------	------	------	------
Other sales	Dec. 14	334,150	320,570	246,160	270,350
Round-lot purchases by dealers—					
Number of shares	Dec. 14	441,510	452,460	522,180	474,340
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. 14	603,700	663,830	1,228,980	544,540
Other sales	Dec. 14	11,695,090	11,668,470	11,260,460	12,042,060
Total sales	Dec. 14	12,298,790	12,332,300	12,489,440	12,586,600
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Dec. 31	118.4	118.4	117.9	116.3
Farm products	Dec. 31	93.1	93.9	91.6	88.5
Processed foods	Dec. 31	108.0	107.5	106.3	103.7
Meats	Dec. 31	98.2	96.8	92.3	80.7
All commodities other than farm and foods	Dec. 31	125.8	125.8	125.7	124.6

*Revised figure. ¶Includes 995,000 barrels of foreign crude runs. §Based on new annual capacity of 133,495,150 tons as of Jan. 1, 1957, as against Jan. 1, 1956 basis of 128,363,090 tons. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
ALUMINUM (BUREAU OF MINES):			
Production of primary aluminum in the U. S. (in short tons)—Month of September	129,278	143,449	132,316
Stocks of aluminum (short tons) end of Sept.	175,085	192,976	47,179
AMERICAN GAS ASSOCIATION—For month of October:			
Total gas sales (M therms)	5,372,300	4,837,700	5,129,000
Natural gas sales (M therms)	5,238,300	4,738,500	4,985,800
Manufactured gas sales (M therms)	10,500	9,300	14,500
Mixed gas sales (M therms)	123,500	89,900	128,700
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of November	8,393,000	*9,197,717	10,555,500
Shipments of steel products (net tons)—Month of October	6,550,690	6,171,674	7,930,957
AMERICAN PETROLEUM INSTITUTE—Month of September:			
Total domestic production (barrels of 42 gallons each)	230,421,000	234,739,000	235,381,000
Domestic crude oil output (barrels)	206,605,000	210,379,000	211,616,000
Natural gasoline output (barrels)	23,795,000	24,347,000	23,737,000
Benzol output (barrels)	21,000	13,000	28,000
Crude oil imports (barrels)	31,274,000	38,954,000	31,281,000
Refined product imports (barrels)	12,073,000	13,584,000	12,276,000
Indicated consumption domestic and export (barrels)	250,717,000	270,580,000	259,213,000
Increase all stocks (barrels)	23,051,000	16,697,000	19,725,000
AMERICAN RAILWAY CAR INSTITUTE—Month of November:			
Orders for new freight cars	1,070	2,206	4,172
New freight cars delivered	7,142	8,295	6,698
Backlog of cars on order and undelivered (end of month)	59,194	65,718	119,626
AMERICAN TRUCKING ASSOCIATIONS, INC.—Month of October:			
Intercity general freight transported by 366 carriers (in tons)	5,369,490	5,086,540	5,357,869
AMERICAN ZINC INSTITUTE, INC.—Month of November:			
Slab zinc smelter output all grades (tons of 2,000 pounds)	79,754	81,492	91,808
Shipments (tons of 2,000 pounds)	83,148	79,333	110,433
Stocks at end of period (tons)	152,531	155,925	70,183
Unfilled orders at end of period (tons)	21,867	31,466	45,866
ASSOCIATION OF AMERICAN RAILROADS—Month of November:			
Locomotive units installed in service	160	56	122
New locomotive units on order (end of month)	488	295	743
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of December (000's omitted):			
Total U. S. construction	$966,900	$1,231,900	$1,590,232
Private construction	409,765	564,899	1,038,408
Public construction	557,135	667,001	551,824
State and municipal	504,785	560,310	430,995
Federal	52,350	106,691	120,829
CONSUMER PRICE INDEX — 1947-49=100—Month of November:			
All items	121.6	121.1	117.8
Food	116.0	116.4	112.9
Food at home	114.1	114.7	111.3
Cereals and bakery products	131.6	131.4	127.0
Meats, poultry and fish	104.6	106.3	98.8
Dairy products	114.5	114.2	111.1
Fruits and vegetables	114.6	114.5	115.8
Other foods at home	115.6	116.2	115.2
Housing	126.8	126.6	123.0
Rent	136.3	136.0	133.8
Gas and electricity	114.3	113.6	111.3
Solid fuels and fuel oil	138.0	137.6	134.3
Housefurnishings	104.5	104.8	103.8
Household operation	129.4	128.7	124.5
Apparel	107.9	107.7	102.0
Men's and boys'	109.4	109.4	108.4
Women's and girls'	100.8	100.6	100.4
Footwear	129.0	128.3	126.2
Other apparel	92.6	92.5	92.1
Transportation	140.0	135.8	133.2
Public	182.8	181.6	173.4
Private	129.7	125.4	123.4
Medical care	140.3	139.7	134.5
Personal care	126.7	126.2	121.4
Reading and recreation	114.4	113.4	109.0
Other goods and services	126.8	126.6	123.2
DEPARTMENT STORE SALES SECOND FEDERAL RESERVE DISTRICT, FEDERAL RESERVE BANK OF NEW YORK—1947-49 Average=100—Month of November:			
Sales (average monthly), unadjusted	154	*133	157
Sales (average daily), unadjusted	158	*126	160
Sales (average daily), seasonally adjusted	123	*119	125
Stocks, unadjusted	159	*155	*157
Stocks, seasonally adjusted	138	*138	*137
EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of November:			
All manufacturing (production workers)	12,688,000	*12,902,000	13,392,000
Durable goods	7,290,000	*7,395,000	7,839,000
Nondurable goods	5,398,000	*5,507,000	5,553,000
Employment indexes (1947-49 Avge.=100)—			
All manufacturing	102.6	104.3	108.3
Payroll indexes (1947-49 Average=100)—			
All manufacturing	159.5	162.7	168.2
Estimated number of employees in manufacturing industries—			
All manufacturing	16,555,000	*16,787,000	17,180,000
Durable goods	9,569,000	*9,691,000	10,067,000
Nondurable goods	6,986,000	*7,096,000	7,113,000
FABRICATED STRUCTURAL STEEL (AMERICAN INSTITUTE OF STEEL CONSTRUCTION)—Month of November:			
Contracts closed (tonnage)—estimated	187,653	177,178	338,892
Shipments (tonnage)—estimated	293,369	330,950	276,045
SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of September:			
Net railway operating income	$84,248,246	$96,438,896	$97,623,320
Other income	19,875,912	22,899,096	19,323,351
Total income	104,124,158	119,337,992	116,946,671
Miscellaneous deductions from income	4,935,312	4,539,064	4,126,146
Income available for fixed charges	99,188,846	114,798,928	112,820,525
Income after fixed charges	68,111,937	83,816,036	82,476,573
Other deductions	4,446,957	4,355,867	4,544,177
Net income	63,664,980	79,460,169	77,932,396
Depreciation (way & structure & equipment)	49,046,108	49,199,298	46,927,503
Federal income taxes	28,454,137	44,710,314	39,117,480
Dividend appropriations:			
On common stock	22,364,652	27,871,412	21,314,262
On preferred stock	906,297	4,652,167	1,488,130
Ratio of income to fixed charges	3.19	3.71	3.72

Continued from page 45

The State of Business in 1958

lion in 1957, to around $18.5 billion next year—and imports from around $13 billion this year to less than $12.5 billion in '58.

Money and Credit

Now, let us turn to the financial and investment items and start with Money and Credit which played such an important role in our economic life during this past year.

These items will continue in the spotlight in 1958, but they will be cast in different roles. They will appear on the economic stage as "heroes" rather than "villains."

We expect the Federal Reserve Board to continue its recent policy of gradual credit relaxation. Specifically, we expect a lowering of present bank reserve requirements, and some further reduction in the discount rate. This means that credit will be easier and interest rates somewhat lower in 1958—good news for businessmen all over the country.

New corporate bond financing is expected to increase about 10% as compared with this year, and municipal financing will reach a new high of around $7 billion dollars.

The Bond Market—which has about reached the boiling point these past few weeks—will calm down some, but will be firm to moderately up throughout the new year. Now is a pretty good time to buy bonds, and to lengthen maturities.

Corporate Earnings will be off in 1958, but not as much as many are now expecting. We estimate the decline—over-all—to be only about 5%, which isn't too bad considering the relatively high levels of last year.

As usual, of course, the earnings of certain companies will be off much more than average, but others will be up—some quite substantially.

The earnings outlook seems particularly good for such lines as Banking, Cements, Drugs, Electric Utilities, Finance Companies, Shipbuilding, Tires and Rubber and Tobaccos—to mention a few.

The most notable "sour spot" in the earnings picture is Railroads.

The outlook for Dividend payments in 1958 is pretty good. Probably not quite up to the record high of '57, but it won't miss by more than 2%-3%, even with lower earnings. The answer will be a somewhat larger percentage payout of current earnings.

In the Stock Market, we expect a good deal of "jumpiness" from day to day and week to week—resulting from temporary swings of public sentiment which, in turn, will often be based on relatively superficial happenings so far as our total economy is concerned.

Specifically, we expect the Dow-Jones Industrial Average to range between 400 and 480 during the coming year, with a number of sizable intermediate moves both up and down. I hasten to add, however, that this forecast is little more than an "educated guess" even though we have tried to use the best statistical tools we have at hand to arrive at those figures.

My general recommendation to the owners of good quality common stocks is to "sit tight" and not become too concerned when your morning newspaper reports either a "sinking spell" or a "brisk rally" in the Stock Market for the preceding day. Both types of days will be coming along and they will pretty well offset each other over a reasonable period of time.

Summary

Now to sum up quickly:

(1) 1958 will be an "off" year, not an "up" year—but the changes will be moderate, and the second half will be considerably better than the first.

(2) Spending will continue at high levels by both Consumers and Government at all levels—Federal, State and local.

(3) Business capital investment will be reduced, but this will be largely offset by increased defense expenditures and Housing, which will be higher in 1958.

(4) The long-term growth forces of increasing population, and technological improvement are working all the time, even though their effects may be overshadowed temporarily by other factors.

NO—Don't sell the U. S. A. short in 1958, even though you may feel like it at times.

Shearson, Hammill Co. Appoints R. F. Moon

CHICAGO, Ill. — Russell F. Moon of the Chicago office of Shearson, Hammill & Co., 208 South La Salle Street, has been named manager of Midwestern municipal trading and retail sales.

Vanderhoef & Robinson Admit Wm. H. Dudley

Vanderhoef & Robinson, 52 Broadway, New York City, members of the American Stock Exchange, on Jan. 1 admitted William H. Dudley to partnership. Schuyler Pardee retired from the firm on Dec. 31.

Form American Inv. Co.

SEAFORD, N. Y. — American Investors Company has been formed with offices at 2111 Stirrup Path, to engage in a securities business. James B. McCreery is a principal. A branch will be maintained at 18 Mt. Vernon Avenue, Mt. Vernon, N. Y.

Two With Walter Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Ronald L. Barkdoll and Lois L. Hughes are now affiliated with Walter & Company, First National Bank Building.

Our Reporter's Report

Investment bankers, returning to their appointed tasks after the year-end holidays, found investors in a highly receptive frame of mind this week. They not only appeared eager to soak up current offerings but were displaying keen interest in issues which are ahead.

Institutional buyers appear to be motivated by the more or less general belief that the money market is destined to become easier, particularly if, as now indicated, the government is determined to expand the defense budget measurably.

The natural expectation for bonds, in such circumstances, would be for higher prices and lower yields. Accordingly large-scale investors would like to get as much of their money as possible to work at current levels of return.

The element of January reinvestment demand appears to be making itself felt this year in a greater degree than had been the case for some time. General conditions surrounding the market are more conducive to placement of funds in fixed-term securities just now.

Current investor interest is perhaps best illustrated by the fact that potential buyers are looking past new issues coming on the market. They are evincing interest in prospective offerings which are on the calendar for several days or even as much as a week ahead, according to people on the distributing side of the business.

From all indications, we are once again in a market where the borrower is the boss. And, come to think of it, he hasn't been out of that enviable spot for very long periods in the last 25 years.

First for 1958

Underwriters seemed a bit anxious to get things moving in the capital market, if the brisk bidding which attended the opening of bids for Columbus & Southern Ohio Electric Co.'s $14 million of 30-year bonds was a good barometer.

This offering drew a total of no less than six competing bids with the successful group naming a 4⅛% interest rate and a price of 100.2099. Reofferings was slated at 101 for a yield of 4.07%.

Despite the fact that four of the bids were for a 4¼% interest rate, the bonds moved out quickly, with the "pot" reported cleaned within 15 minutes.

Other Issues Go

The market's temper was clearly illustrated by the manner in which other offerings were absorbed. Commercial Credit Co.'s $50 million of 20-year notes, for example, went out quickly.

Here, of course, the maturity was a potent factor, since it fitted into a great many portfolios quite comfortably. And again, the notes, priced at 99 and carrying a 4¼% coupon, gave the buyer a yield of 4.20%.

And that yield was protected at least for the first five years by the inclusion of a non-callable provision in the indentures.

Connecticut Light & Power Co.'s $30 million of 30-year 3⅞s, brought to market via the negotiated route, also met good demand at a price of 99¾ for a yield of 3.889%. Here again the issue is non-refundable for the first five years.

Plenty On Tap

The new issue calendar is building steadily for the weeks ahead and investors are assured of a reasonably heavy bill of fare for next week when a total of some $150 million of assorted offerings will be on tap.

Principal among these, and making up virtually the entire total, are Commonwealth Edison Co.'s $50 million of bonds and debentures due up for bids on Tuesday, and West Virginia Pulp & Paper Co.'s $40 million of debentures which bankers are slated to offer on Wednesday.

On the same day Pacific Power & Light will open bids for $15 million of bonds and $10 million of preferred stock and, on Thursday, Alabama Power Co. will market $23 million of bonds by competitive bidding.

Wash. Water Power Bonds and Debentures Offered to Investors

Kidder, Peabody & Co., Blyth & Co. Inc., White, Weld & Co. and Laurence M. Marks & Co. are joint managers of an investment banking group which, on Jan. 9, offered $20,000,000 of The Washington Water Power Co. first mortgage bonds, 4⅛% series due 1988, and $10,000,000 of the company's 4½% sinking fund debentures, due 1983. The bonds are priced at 100.43% to yield 4.10% to maturity, and the debentures are priced at 100.75% to yield 4.45%.

Net proceeds from the sale of the bonds and debentures will be applied by the company to the repayment of outstanding notes which were incurred to repay bank borrowings and to finance construction, extension or improvement of the company's facilities.

Neither the bonds nor the debentures are refundable prior to Jan. 1, 1963 with moneys obtained at a lower interest cost.

The new bonds are redeemable at the option of the company at regular redemption prices ranging from 104.56% for those redeemed prior to Jan. 1, 1959, to 100% for those redeemed on or after Jan. 1, 1987; special redemption prices range from 100.43% to 100%. The new debentures are redeemable at the option of the company at regular redemption prices ranging from 105.25% for those redeemed prior to Jan. 1, 1959 to 100% for those redeemed on or after Jan. 1, 1982; special redemption prices range from 100.75% to 100%.

Forms Carleton Co.

BOSTON, Mass. — Carleton D. Adler is engaging in a securities business from offices at 262 Washington Street, under the firm name of Carleton & Company.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — Five United States Senators, all Republicans, have now begun serving their final months in Congress. Each is voluntarily vacating his seat for various reasons.

Thus, as the new session begins in a national election year, odds appear strong that the Democrats will strengthen their power and control of the United States Senate in the 1958 elections. Even before the quintet of Senators announced they were giving up their seats, the Republicans had an uphill battle to regain control for the simple reason the current numerical standing by parties is: Democrats 50, Republicans 46.

Those who are retiring from what is sometimes called the "most exclusive club in the world," are:

William F. Knowland, 49, of California, who is a candidate for governor of his state; William E. Jenner, 49, of Indiana; Frederick G. Payne, 57, of Maine; H. Alexander Smith, 77, of New Jersey, and Edward Martin, 78, of Pennsylvania.

There are also eight and possibly 10 members of the House, some Republicans and some Democrats, who are planning to retire. Unless there is an upset in the elections this year, the House is also expected to stay in control of the Democrats.

Traditionally, the Republicans are the more conservative of the two parties. However, more and more the label in Congress has less meaning from the standpoint of political philosophy. As an example, Senator Margaret Chase Smith, Republican, who hails from Maine, has voting record in Congress that perhaps rivals the liberal vote of Senator Hubert Humphrey, Democrat of Minnesota.

GOP Outlook Dark

In the Congressional elections this year there will be 20 Republican seats at stake, and only 12 seats held by Democrats are up for election. Of the dozen seats of the Democrats up, five of these are in the South which are certain to return Democrats. In six other states the Democrats have a powerful hold.

In addition to the contests in California, New Jersey, Maine, Indiana, and Pennsylvania, which the incumbents are vacating, the Democrats are hopeful of making political hay in New York, Michigan, West Virginia, Maryland and Arizona.

The overall picture for the Republicans is dark, and it probably will get darker before the party standing improves.

In Spotlight

The Arkansas Congressional delegation will be one of the most powerful and important delegations in the second session of the 85th Congress. Senator J. William Fulbright, 52, the second ranking Democrat on the Senate Foreign Affairs Committee, is expected to become the dominant figure on the committee. The Chairman is spry 90-year-old Theodore Francis Green of Rhode Island.

Senator John L. McClellan is Chairman of the Senate Select Committee on Labor and Management misdeeds, that is expected to be in the limelight during the year. Representative Wilbur D. Mills is the new Chairman of the important tax-writing House Ways and Means committee. Representative Oren Harris is Chairman of the House Interstate and Foreign Commerce, that will handle the pending natural gas bill designed to remove government controls, and other important measures.

Other members of the Arkansas delegation hold important committee assignments, including the rules committee. Both Mills and Harris ascended to the chairmanships of their respective committees through vacancies created by the deaths of Tennessee Congressmen Jere Cooper and Percy Priest.

Postal Rate Rise

It appears reasonably certain that it is going to cost more to mail a letter—from 3 cents to 4 cents — later this year. The Chairman of the powerful Senate appropriations committee, Senator Carl Hayden of Arizona, is supporting the House-passed bill that would increase postal revenues. Other influential Senators are coming out for the postal rate increase.

Meantime, organized labor has launched an all-out drive for a pay increase for postal and classified government workers. Congress passed a pay-raise bill at the 1957 session, but President Eisenhower vetoed it because it did not carry increased postal rates. Congress has appropriated about $5 billion to cover postal deficits in the past 10 or 12 years.

Oil Import Question

Congress is being strongly urged in some quarters to place a high tariff on oil imports, but it seems unlikely at this time that the law-makers will take such action. Imports have resulted in a marked reduction in domestic production. In Texas, for example, the reduction has sorely pinched the economy of the whole state and has been a blow to the state treasury. Other oil producing states likewise have had setbacks in their state revenues because of the imports. Regulatory bodies in the various states have ordered production cutbacks at the wells for months in order to prevent a market glut.

Meantime, the United States has a number of new oil horizons. In 1956, latest data year, 52% of the Louisiana submerged lands drilling operations, mostly in wildcat territory, were successful. This is one of the world's great undeveloped reserves. The New Orleans "Times-Picayune" says that a survey indicates that 530 Louisiana offshore wells will be drilled in 1958.

Tax Cut Unlikely

All hopes for a tax cut in 1958 continue to fade, but a few members hold out some hope. Representaive Mills, the Chairman of the powerful House Ways and Means Committee where all tax legislation must orginate, is unalterably opposed to any tax reductions under present conditions.

However, Representative Mills has advised some colleagues that the committee would consider a reduction in taxes as a stimulant to business. The missile programs [illegible] re[illegible] of the current fiscal year, plus the increase in funds for the Defense Department for fiscal 1959 apparently has ended the possibility of a treasury surplus.

Meantime, Representative Mills declares there are only two justifications for tax reductions. One is an adequate surplus of revenues over expenditures, and the other is a serious threat of a depression, thus requiring a tax reduction in an effort to halt the downward slide.

Although Representative Mills is not known nationally, it is now evident that he will soon become a national figure. Many students of government regard the House Ways and Means Committee the most important committee in the American Congress.

Weeks Cautious on Business

The year-end economic review by Secretary of Commerce Sinclair Weeks was regarded by impartial observers in Washington as cautious, hopeful and factual. As an example he declared, "Fully alert to recent and continuing slowdown, I expect the level of business to be high in 1958 with output larger than in most years. Also I anticipate stiff competition . . . 1957 was spurt, then sag; 1958 looks like mild dip then climb. From where I sit the 12-month outlook is far better than nail-biting pessimists think. The shower isn't over yet, but the sun shows signs of breaking through the clouds."

Reports were that the White House was pleased with the statement. Copies of the Cabinet officer's report were sent to the White House in advance of its release.

Missiles and Economy

Despite the great outpouring of statements in and out of government circles about the need for a great amount of more money for the missile programs, there is obviously a need for another economy effort in this session of Congress. Some politicians are blaming the economy efforts at the 1957 session as responsible for the lag in the development of satellites.

The cold, hard facts are that the lack of funds is not responsible for any lag. The missile programs of the various branches of the services have been receiving all the funds that they have asked for ever since missiles became the "hottest" thing in the American defense program. The question of economy getting the blame for the tardiness never arose until Russia dramatically launched its sputniks.

[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.]

Manning, Shanley Partner

NEWARK, N. J. — On Jan. 16 Christopher J. Doyle will become a partner in Manning, Shanley & Co., 11 Commerce Street, members of the New York Stock Exchange.

BUSINESS BUZZ

"Of course it may possibly need a second or two of tightening up."

Business Man's Bookshelf

Annual Report of the Superintendent of Banks of the State of New York—New York State Banking Department, 270 Broadway, New York 7, N. Y. (paper).

Boom and Inflation Ahead and What You Can Do About It—W. M. Kiplinger and Staff—Simon and Schuster, 630 Fifth Avenue, New York 20, N. Y. (paper), $1.95.

Corporate Public Relations: Arm of Modern Management—John W. Hill—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $3.50.

Credit Manual of Commercial Laws, 1958—National Association of Credit Men, 229 Fourth Avenue, New York 3, N. Y. (cloth), $12.

Directory of American Credit Unions — T. K. Sanderson Organization, 200 East 25th Street, Baltimore 18, Md. (cloth), $25.

Economic Forces in the U. S. A. In Facts and Figures—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, Rm. 1025, New York 1, N. Y., 60c.

Freeman—January 1958, containing articles on Sharing Profits; Gods of the Copybook Headings; Who's Forgotten Now?; Robinson Crusoe and Free Trade; A Farm Leader Speaks; Progress Through Competition; Double Charge on Toll Roads, etc. — Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y., 50c.

International Finance—Charles N. Henning—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (professional edition, $10; text edition, $7.50).

Modern Banking Forms — Edited by Thor W. Kolle, Jr.—Banking Law Journal, Boston, Mass. Price $25.

1958 Directory of College Graduates Available for Business Personnel — Alpha Kappa Psi, 111 East 38th Street, Indianapolis 5, Ind.

Over the Counter Securities Markets — Irwin Friend—McGraw-Hill & Co., 327 West 41st St., New York 36, N. Y., $12.50.

Sparks Off My Anvil From Thirty Years in Advertising—James R. Adams—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y. (cloth), $3.

Tax Savings for Homeowners—J. K. Lasser Tax Institute—America Visuals Corporation, 460 Fourth Avenue, New York 16, N. Y. (paper), 25c (quantity prices on request).