ESTABLISHED 1839

# The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 187 Number 5718 New York 7, N. Y., Thursday, February 20, 1958 Price 50 Cents a Copy

EDITORIAL

## As We See It

One of the measures being urged by many as a means of combatting the current recession is a sharp reduction in Federal taxes. There is, of course, no unanimity about what taxes should be cut and by how much, but it appears to be taken for granted that almost any relief from the present burdens of taxation—provided it was substantial enough—would do a great deal to revive business and increase employment. Even so eminent an authority as Professor Arthur Burns, former Chairman of the President's Council of Economic Advisors, feels "no doubt that a temporary tax cut of $4 or $5 billion for consumers and businesses would revivify the economy," although he carefully refrains from saying that such a reduction should be made at this time. The President sometime ago expressed much the same view, but did not believe the time had come as yet when it ought to be done.

Tax reduction always has a large popular appeal. Business men find the taxes they are obliged to pay in this day and time very burdensome, and consumers, whether or not they know it, must shoulder a very heavy load of taxes paid in the first place by others. Income taxes, too, on all but the lowest incomes are a dead weight for the individual to carry, and their excessive progressiveness bears heavily upon business initiative and willingness to undertake ventures. No one in his right senses would for a moment oppose tax reduction if and when circumstances were such as to warrant or permit it. Our whole tax system, incidentally, is conceived and constructed upon false premises, and should be overhauled in any event. Some rates are too high quite re-

Continued on page 22

## Unwarranted Doubts

By ROBERT C. TYSON*

Chairman, Finance Committee
United States Steel Corporation

**Absence of a great speculative, low-margin stock market and presence of sound home mortgaging financing are two factors singled out by Mr. Tyson as capable of guaranteeing we are not headed into another nationwide economic paralysis similar to the 1930's. The finance executive recommends, however, remedial tax and labor measures which are said to hinder further economic development as they now stand. Concludes we can be masters of our destiny and can make it a better destiny by adjusting our national attitudes and policies to suit the characteristic broad swings of postwar business developments.**

There is a mounting conviction abroad in the land that we in this country may be standing at one of the historic turning points in the broad sweep of American business affairs—such a turning point as has occurred on the termination of booms from time to time in the history of our Republic. It is about this possibility I would like to discuss briefly, because I suspect there are unwarranted doubts about the situation; and such doubts as are unwarranted should certainly be dispelled, lest their presence itself aggravate the situation.

R. C. Tyson

### What War Does to Our Economy

I refer to the broad sequence of business events that has repeatedly and regularly followed each of the great wars in which the United States has engaged. The story of that sequence seems to be something like this: War, as we all very well know, fearfully wrenches the economy. In war-time a single objective supersedes all other goals. It is to win the war. This

Continued on page 32

*An address by Mr. Tyson before the Executive's Club of Chicago, Chicago, Ill., Feb. 7, 1958.

## Equity Investment Policy for Today

By ARMAND G. ERPF*

Partner, Carl M. Loeb, Rhoades & Co., New York
President, New York Capital Fund of Canada, Ltd., Toronto

**Wall Street partner offers specific insight into current position of broad categories of industry ranging from those at or close to their highs to those down two-thirds and more. Mr. Erpf concludes watchful waiting is the wisest equity investment policy for the present, and advises that forecasting without an understandable frame of reference is "replete with charlatanry if not asininity." The author holds that it is on the specialties, not the great corporate institutions, that the "keen mind and courageous soul can pin his faith for a breakthrough, for high stakes and rewards"; and enumerates samples of equities of interest to professional adviser.**

### Preamble

I must say that I find discussions concerning the stock market on the tedious side, although the subject itself is fascinating. It fascinates the public and the press, who are in turn attracted and repelled. It interests the politicians, who in their own trade have a good sense of insight and psychology, and any omen of the thinking and feelings of men and the mass seems significant to them. And it fascinates the industrialist, who sees in this monstrous instrument the possibility of a clue for his own projections and of course he has to go there now and then for money.

Armand Erpf

The industrialist finds the stock market baffling since in his engineering and planning things must be exact, coherent, consistent, purposeful, and fit into a well organized blueprint. By the time the industrialist has gotten his affairs into a tidy pattern and most of his problems, in

Continued on page 22

*An address by Mr. Erpf at the New York University Graduate School of Business Administration Alumni Association on Dean's Day Homecoming, New York City, Feb. 15, 1958.

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.)**

## H. RONALD BROWN

Research Dept., Stillman, Maynard & Co., New York City

### American Photocopy Equipment Co.

American Photocopy Equipment (Apeco) is an especially attractive situation for capital growth at this time. It is one of the leading producers in the fast growing photocopy field and, unlike its principal competitors, this business accounts for the bulk of the company's sales and earnings. Its growth over the last six years has been phenomenal, its profit margins are high, and it is in the enviable position of obtaining the major part of its sales from repeat business. The stock, down considerably from its 1957 high of 39⅞, seems reasonably priced at 27⅜, or 12 times earnings for the year ended Nov. 30, 1957.

H. Ronald Brown

Apeco has been marketing a photocopy machine since 1939, but its period of rapid growth did not begin until 1952, when it adapted the transfer diffusion process of producing photocopies. This is a photographic process which transfers the negative image onto a positive sheet by passage through a chemical solution, and it copies anything.

Photocopy machines are usually employed where only 1 to 10 copies are desired and they are fast being adopted by business and other establishments for cost cutting, time speeding applications. According to Apeco's market researchers, the photocopy industry has increased its volume from $40 million in 1952 to $133 million in 1956, an average annual increase of 35%. Volume last year was expected to increase to $150 million, or 12.8% over 1956. This growth is expected to continue because the number of potential customers for photocopiers is still large.

The company's sales in 1956 were as follows:

| | Millions | % of Total |
|---|---|---|
| Photocopy machines & accessories | $3.4 | 28 |
| Photocopy paper | 7.8 | 64 |
| Chemical concentrates & specialties | 1.0 | 8 |
| | $12.2 | 100 |

Almost three-quarters of the company's business comes from paper and chemicals used in the photocopy machines, and this important supply business should enable the company to maintain a good level of sales volume during depressed periods such as we are experiencing now.

Research expenditures run about $250,000 per year, or 2% of sales, and the company's research program is showing definite results. It has developed a revolutionary photocopy machine, to be marketed soon, which is automatic, requiring only one paper insertion, and takes only 18 seconds to produce a copy. Last October Apeco unveiled its new desk-top laminating machine which completely encases either or both sides of an original copy with thin pliable sheets of transparent cellulose triacetate plastic film. The company also has expanded its product line by the purchase last year of punching and binding machines for plastic binders. These two machines are expected to add about $1 million to sales this year and to eventually account for $3-4 million per year, and the new laminating machine is expected to achieve like sales results. These new products, like the photocopiers, will also result in a large repeat supply business.

While competition within the industry is intense, three companies—Apeco, Three M, and Eastman Kodak—have about 90% of the market, with Apeco estimating its share at approximately 25%. The success of the photocopy machines has encouraged many companies to enter the field, and more might join the competition in the future, but Apeco, with its strong position in the industry, should continue to be one of the dominant factors.

The company's growth has been phenomenal in the last 6 years. Sales have increased at an average annual rate of 42.5% and the total gain between 1952 and 1957 was 489%. Net income during this period increased 829% due to higher margins in the later years.

In the fiscal year ended last November 30 sales gained 22.4% to $14.9 million, net income increased 21.5%, and earnings, at $2.31, were up 10.5% on a greater number of shares. An increase in sales this year of over 25% is expected. Dividends are now at a $1.00 annual rate, providing a yield of 3.7%, and it is expected that the company will pay out about 40% of earnings in the future.

Apeco's capitalization consists of $1,250,000 of long term debt and 825,000 shares of common stock. The company was privately held until March of last year when 200,000 shares were offered to the public, and the "float" now probably consists of only these 200,000 shares.

## J. WALTER LEASON

Manager, Investment Research Dept., Gregory & Sons, New York City
Members, New York Stock Exchange

### Charles Pfizer & Co.

#### The Most Precious Commodity

Pfizer deals in the world's most precious commodity—health. This is important to keep in mind when assessing the relative defensiveness or stability of industries in the current period when evidences of recession are constantly in the news. The drug industry is favored by the growing awareness of health and the concept of preventive medicine broadening markets constantly. Pfizer has been one of the outstanding companies in effectively bringing new hopes of health to people throughout the world. In the process it has converted a 109-year old firm, (founded 1849) and formerly specializing in fine chemicals, into a vigorous diversified growth company.

J. Walter Leason

As a result, Pfizer's common stock (listed on the New York Stock Exchange) has not been greatly affected by the general market decline. It is now about 59, which is much closer to the 1957-58 high of 65½ than to the low of 42¾. The favorable showing is explained by the excellent 1957 earnings of $4.22 compared with $3.36 a share in 1956 on fewer shares. Dividend payments totaled $2.10 in 1957 compared with $1.75 in 1956. The year-end quarterly dividend was increased from $0.35 to $0.40, and the $0.65 extra dividend indicates that $2.25 may be regarded as a minimum for 1958. The stock is selling at 14 times last year's earnings and yields 3.8% on a $2.25 dividend basis. These ratios are more reasonable than those of good quality chemical issues which are far more cyclical and have less clearly defined growth ahead.

#### A Metamorphosis

The dictionary defines metamorphosis as "a change of form, structure, or substance as transformation by magic or witchcraft." "Metamorphosis" well describes what has happened to Pfizer's business in the last 10 years. From sales of $39.2 million in 1947, it has developed sales of $207 million in 1957. Starting with a fine chemical business—main product citric acid—it has become one of the world leaders in controlled fermentation chemistry and biochemical engineering. Its production facilities and sales have extended throughout the entire world; and only ten years ago Pfizer was but little known outside of its native Brooklyn.

Pfizer ended its first hundred years with all its research production and distribution facilities in six states. From 1950-1956, it added facilities in four states in the U. S. and in 11 foreign countries—Argentina, Belgium, Brazil, Canada, England, France, Hong Kong, Italy, Japan, Panama and the Philippines. In 1957 Pfizer was again engaged in an expansion program that rivalled all its previous expansions with projects scheduled to be added in 5 states in the U. S. and in 10 countries abroad. One of the most phenomenal parts of its business is foreign sales which have grown from $10 million in 1950 to an estimated $75 million in 1957—and no end in sight. Pfizer is easily the world leader in foreign ethical drug sales.

#### Diversification Replaces Concentration

Terramycin was the first of Pfizer's major discoveries in the broad spectrum antibiotic field. For a time, this highly successful product contributed a large part of the company's profits. Many even regarded the company as being too dependent on earnings from this source. However, this soon ceased to be a cause for concern as profits were used to develop the company's well rounded efforts in research, production and sales.

Today, Pfizer is a well balanced company. Only about 31% of sales is derived from Pfizer Laboratories which produces the broadest line of antibiotics in the industry; it comprises almost every commercial item from the "narrow spectrum" penicillin and streptomycin to the newest tetracycline, broad spectrum drug (under the brand name tetracyn) and even newer combination antibiotics like Signemycin which work more effectively together than the components alone. It is a leader in motion sickness drugs like Bonamine and in nasal decongestants, with important business in steroids, tranquilizers, and good possibilities in vaccines.

Pfizer is now testing an oral

*Continued on page 6*

# Time for a New Look at International Relations

By CYRUS EATON*

Chairman of the Board, Steep Rock Iron Mines, Ltd., and Chesapeake and Ohio Railway

**Prominent Canadian and American industrialist, and sponsor of Pugwash conferences of scientists and intellectuals, expresses grave fears for a world "hell-bent toward . . . bankruptcy and suicide." Mr. Eaton contends "we can and must reach a workable accommodation with the Russians" and condemns our statesmen for stalling. The Cleveland industrialist depicts Secretary of State Dulles as a "self-appointed Soviet-hate-monger" and calls for reversal of his policy or removal from office. Claims Russian intellectuals carry greatest weight with their government and possess the likelihood to enlighten and ameliorate the Soviet system's harshness.**

With the mounting impact of world events, especially in the missiles field, I feel impelled to address myself to what I consider to be the crucial question of the hour: How, in this new era of nuclear weapons and ballistic missiles, can we keep mankind and all his magnificent material accomplishments from going up in smoke and flames?

Cyrus S. Eaton

Sixteen years ago Japan's smashing surprise attack on Pearl Harbor roused the United States from the complacent delusion that she could remain at peace while the rest of the world's major powers were locked in warfare. The United States went to war not only on the battlefronts, but in the laboratories. The Germans were known to be working feverishly to solve the mysteries of the atom. At the University of Chicago, of which I am a trustee, we assembled the leading nuclear scientists of the world, with the collaboration of the late Albert Einstein. A plaque that we later placed at the scene of the remarkable Chicago experiments proclaims, "On December 2, 1942, man achieved here the first self-sustaining chain reaction, and thereby initiated the controlled release of nuclear energy." This harnessing of fission marked the beginning of the Atomic Age.

On August 16, 1945, the United States dropped the first A-bomb on Hiroshima. Immediate fatalities totalled 78,000 of the Japanese city's 340,000 people. Others are still dying from the aftermath, and future generations will also be affected. On the day of Hiroshima's decimation, one of our top Chicago University experts commented, "This is a sad day for us scientists. Let us hope we have not placed dynamite in the hands of children."

### Atomic Competition

World War II came to a swift conclusion after the United States fired a second A-bomb on Nagasaki. Lapsing back into complacency, which is an unfortunate American trait, we concluded that we held a permanent monopoly on A-bomb secrets, and that none of the rest of the world would be able to solve their riddle. We reached this foolish conclusion despite the fact that the scientists who had made the greatest contributions in our wartime American laboratories were Italians, Danes, Germans, and Hungarians. Other nations were, of course, not long in catching up with the United States on the A-bomb.

Then came fusion, which can be superficially described as a reversal of the process of fission, by which infinitely greater quantities of atomic energy are released. Because hydrogen nuclei are most easily employed for fusion, the weapon utilizing fusion is the hydrogen bomb. While the United States led the world in H-bomb tests in 1954, Russia countered with her first test in 1955, and Great Britain followed in 1957. As of today, it would appear that Britain has gone the furthest in advances in the field of fusion, with Russia probably second, and the United States third.

On October 4, 1957, the world's first satellite was successfully launched by the Soviet Union. The sending of the 184-pound Sputnik by rocket into space not only signaled the beginning of the age of cosmic exploration, but also brought forcefully home to us the formidable fact that Russia is far ahead in the field of missiles. A month later, Russia reaffirmed her supremacy by catapulting a second satellite weighing almost half a ton a thousand miles into the skies. Granted that the United States has recently succeeded in sending its own little 31-pound Explorer aloft, our experts frankly concede that we are still five years behind the Soviet Union.

### World's Status Today

What is the position of the world? The US and the USSR are engaged in a monumental armaments race. American bombers are in the air around the clock with lethal loads of hydrogen bombs, each with a power five million times as great as the mightiest bomb dropped on Germany in World War II. More American bombers are on the

Continued on page 28

*An address by Mr. Eaton before the Canadian Club of Montreal, Montreal, Canada, Feb. 10, 1958.

# 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, February 20, 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**

## TOP-HOLE INVESTING TECHNIQUE

The advantage of long-term digging-in with a minimum of portfolio activity is interestingly highlighted by the current annual report of the Boston Personal Property Trust, a closed-end investment company. Founded in 1893, it is the oldest investment trust in the United States.

A. Wilfred May

Year-to-year changes in its porfolio, which consists almost entirely of common stocks and of the highest grade, have been extremely minor. During 1957, typically, the aggregate dollar amounts of transactions totaled only $231,000 of purchases and $490,000 of sales, made up of six transactions. At the same time, the absence of an absolute fetish of rigidity is seen in major changes in the overall composition of the portfolio over the long-term. Whereas in 1913, 12% of the portfolio consisted of bonds, and 24% of preferred stocks, now practically the entire holdings consist of common stocks. And whereas 16% was then in railroad securities, now only 2% is left there; then 20% was in real estate securities, now merely 0.5% is in this category. Of the common stocks, industrials accounted for 8.3% of the entire portfolio in 1913; now two-thirds is so placed.

The fund is managed by five trustees, Messrs. Edward L. Bigelow, Harvey H. Bundy, Francis C. Gray, Henry R. Guild, and Moses Williams, bankers and lawyers who in accordance with New England practice, also serve as trustees of other funds; in fact, some of them have been brought up in the trust business. Mr. Bundy is a member of a prominent law firm. Mr. Bigelow is Chairman of the Board and Mr. Williams is a director of the Second Bank-State Street Trust Company.

### Low Expense Incidence

This trust company takes care of the books and all records and transactions of the fund, which operates without an office or staff of its own. Thus, with the total fees paid to the trust company at $11,662 and the remuneration remitted to all of the trustees aggregating only $16,629, the entire expenses to the shareholders last year added up to only $35,257. This is equivalent to 7% of the income and 0.27% on the assets, appreciably lower than the fund industry average.

This low expense ratio combined with the shares' present market discount from asset value, raises the current yield from the gross 3.8% income earned directly on the portfolio before expenses, to a net-after-expense return of 4.3% to the shareholders.

### Good Asset Record, Too

And a highly satisfactory performance record has also accompanied these management techniques. During 1957, after adding back the capital gains distribution, the net asset value per share declined 7%, compared with declines of 15% in the Dow Jones Composite Stock Average and 12% in the Industrial Average. Adding back both capital gains and income distributions, Boston's asset value during the year fell 4%, compared with an average decline of 11% by 10 diversified closed-end funds, and a shrinkage of 12% for the average of 60 open-end common stock funds.*

The comparative record, of course, cannot be so favorable in all periods. But on the long-term tests of both principal and income, it is evident that this form of common stock trust fund management at a discount renders the investor service which is unique and highly advantageous.

* * *

## EXPLORING THE OVER-THE-COUNTER MARKET

The investing community is now offered an unprecedentedly comprehensive picture of the over-the-counter securities markets. For the structure and operation of this vitally important investment area is depicted in massive detail in a newly published volume, *THE OVER-THE-COUNTER SECURITIES MARKETS, By IRWIN FRIEND, Professor of Finance, Wharton School of Finance and Commerce; WILLIS J. WINN, Vice-Dean of the Wharton School; and G. WRIGHT HOFFMAN, former Director of the institution's Securities Research Unit (McGraw-Hill. 490 pp., 6 x 9; $12.50).* The fact-packed and minutely documented volume goes far in filling the widespread need for information on unlisted markets equivalent to that available on the exchanges. Furthermore, it will give to the nonprofessional warranted appreciation of that broad nationwide arena where by far the greatest dollar volume of transactions in securities occurs.

*These industry data compiled by Arthur Weisenberger & Co.

The book thoroughly covers such aspects as the character and great extent of these markets, volume of activity, pricing and price differentials, characteristics of transactions, positioning practices, the problems confronting these markets and the relationship between the over-the-counter and the exchange markets.

### Vital Industry Statistics

The volume is particularly valuable in filling some important gaps in the industry's "vital statistics," as on the scope of the market off the exchanges. Thus it is shown that there are an estimated 80,000 to 90,000 corporations and governmental bodies in the United States, each of which has outstanding a sufficient amount of publicly held securities to warrant on occasion an over-the-counter market. Based on a count of quotations that appear in investment services and in private releases of investment banking firms, the authors estimate as outstanding a total of 40,000 to 50,000 governmental and corporate issues over-the-counter. Of these, 3,000 issues are thought to be traded daily, of which 70% are common shares, 10% preferreds, 10% corporate bonds, and another 10% government and municipal bonds.

### Relative Use By Institutions

The study gives important attention to the relative impact on exchange and unlisted markets of transactions by institutions. In recent years thinness in exchange markets has been accompanied by great growth in institutional operations with stepped-up demand for large-scale purchases and sales. As a result, the broad opportunities offered by the over-the-counter markets for seeking offers for large buyers and bids for sellers, has importantly stimulated the shift from the exchanges by institutional investors—coupled with an increasing number of block transactions.

### A Collective Product

The collection of this material was made possible by the active cooperation of hundreds of organizations in the unlisted securities industry; including extensive details obtained from thousands of separate over-the-counter transactions. Now available in one volume, this information gives everyone interested in this important area of the investment world a thorough understanding of how these markets function, the forces influencing their development, their distinctive characteristics, and their broad problems.

# The State of Trade and Industry

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

The current performance of trade and industry shows little improvement over that of previous weeks, but then, not too much was expected at this time, since the month of March was signalled out to be the turning point in our lagging economy when business would show some evidence of better days ahead. President Eisenhower himself on Wednesday of last week stated that improvement in business should start in March and spoke of new plans to spur the economy, if such aid should be necessary.

One note of encouragement, however, was to be found the past week in the news relating to the latest report of the United States Department of Labor on home building covering the month of January. It placed housing starts for that period at an annual rate of 1,030,000. This figure exceeded the December level and was the highest annual rate, since August, 1957, when such starts totaled 1,056,000.

The January gain extended the general pickup in private housing starts which began in the latter half of 1957 into the new year. Administration economists expect the rise to continue. Forecasting a business upturn about the middle of the year, officials have consistently listed housing as one of the favorable factors indicating the early return of economic recovery. The general prediction for the full year 1958 is around 1,100,000 against 1957 private starts of about 990,000.

In the steel industry, "The Iron Age" reports this week that some steel users are bringing pressure on the mills to cut prices, but they are not getting anywhere, since the pressure on prices is an old story to steel veterans. They recall the fiasco of the 1930's when depressed business conditions brought about a wave of price-cutting that demoralized the industry, this trade paper further states.

Some mills are warning their sales forces to expect increasing pressure for price concessions and are pointing out that established prices and terms of sales still hold for all customers.

"The Iron Age" adds that the mills learned their lesson in the 30's and they know from that experience that price cuts failed to bring in any new business, that they were selling the same amount of steel at lower prices.

The mill's position on prices is understandable, being faced with "built-in" inflationary factors, including wages, fringes, expansion, selling and shipping. They have just given their workers a 5-cents-an-hour wage boost and face another wage increase July 1 under their three-year contract. Scrap prices have been on the rise.

The price situation is pretty much the same for the nation's steel warehouses, continues "The Iron Age." However, there are some isolated instances of price fluctuations in certain areas. For instance, Los Angeles warehouse prices dropped early in December by as much as $35 per ton, but part of this drop, about $15 of it, was restored in recent weeks. The December price cut did not stimulate any new business.

"The Iron Age" states that the storm that struck the eastern part of the country last week-end will strengthen steel scrap prices throughout the East. Scrap collections in the East are virtually at a standstill. The storm hit at a time when prices were already on the rise.

Meanwhile, there is a growing feeling among steel men that their market has bottomed out. Incoming orders are still slightly lower than the current steel production rate, but the downtrend of the last several months appears to have leveled off. The mills are still looking for a pickup in March.

This trade magazine points out that signs are increasing that steel users' inventories have hit hand-to-mouth levels. A midwestern appliance maker reportedly is down to about a one-week inventory. Another steel user gave a 30-ton order to a warehouse because his regular mill supplier couldn't give him the prompt delivery he needed.

Prompt delivery is a major selling point for the mills. Sales forces are pressuring for a buildup of finished steel products at the mill level for competitive reasons. Even plate and structural, which were on a three-to-six months delivery basis last summer, are being offered for two-to-three-week delivery today, concludes "The Iron Age."

In the automotive industry United States passenger car and truck production declined 4% the past week, "Ward's Automotive Reports" stated on Friday last.

Scheduled were 104,419 cars and 18,814 trucks compared to the preceding week's totals of 109,028 cars and 19,481 trucks. In

Continued on page 36

# There's More to the Economy Than Monetary-Fiscal Activities

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

**Though Treasurer Anderson points out that "the day of *laissez-faire* is over," he stresses the importance of the creative individual in warning that our economy does not respond in a predictable ratio to use of a few tools intended to modify the people's collective judgment and actions. Thus, Secretary Anderson skeptically views ability of influential monetary-fiscal weapons to alter our economic system in a short period of time and recommends we "avoid wrong or hastily considered steps which may delay or actually work against progress."**

I believe it is always a temptation for each generation to think of its own problems as more crucial—as casting a longer shadow over the future—than those of other periods. And just as our own difficulties seem larger, so our means for resolving them sometimes seem more elusive than we like to think was the case in the past.

Robert B. Anderson

The birthday of Abraham Lincoln, should make us wary of falling into this habit of thought. Faced with events which many thought would result in shattering the Union, Abraham Lincoln had the supreme faith to look far into the future and to speak of the American ideal as "the germ which has vegetated and still is to grow and expand into the universal liberty of mankind."

Abraham Lincoln's vision was great enough to see America not as an achievement, but as part of a process—a process whereby the creative energies of free individuals are constantly working to give new form to the ideals set down by the Founding Fathers. At the beginning of our history, George Washington had said that liberty and self-government are "finally staked on the experiment entrusted to the hands of the American people." Not only Abraham Lincoln, but every American before or since has felt intuitively that this is so.

What has this conviction meant in the history of our Nation? There are many ways of characterizing the American system; no one of them, certainly, can tell the whole story. But I believe that most of us would agree on one outstanding characteristic of both our form of government and the way of life which we have come to designate as American. That is the placing of ultimate responsibility for both policy and action squarely on the individual citizen.

From the days of the first town meetings right down to the present, Americans have eagerly grasped the opportunities for managing their own affairs and working out their own problems presented by a free society. More than 100 years ago a visitor to the United States, Alexis de Tocqueville, painted this picture of the American scene: "No sooner do you set foot on the American ground," he said, "than you are stunned by a kind of tumult. A confused clamor is heard on every side, and a thousand simultaneous voices demand the satisfaction of their social wants. Everything is in motion. Here the people of one quarter meet to decide on the building of a chuch. There a representative is being elected. A little farther, the delegates of a county are hastening to consult upon some local improvements. Elsewhere the laborers of a village quit their plows to deliberate upon a projected road or public school." All of this, observed de Tocqueville, has to be seen to be understood; and he added the shrewd comment that "This ceaseless agitation . . . may be the greatest advantage of democracy."

### What Our System Produced

Individual responsibility—facing problems and getting things started at the grass roots—has kept Americans working, risking, adventuring, striving, and above all, changing and adding to the store of ideas and accomplishments inherited from the past. The man with a new slant or a new idea—whether developed on the work bench, in the laboratory, or in a skyscraper office—could be sure of a hearing.

This was new. This was different. It was, for all the world to see, *American*. And, finally, it has met the supreme test — the American system works.

There are many ways of illustrating the changes made in American life by mass production and the widening benefits which have gone with it. A wide variety of figures can be cited—the fact that family incomes in this country now average over $5,000 a year; the fact that more than 60% of our homes are owner-occupied; the startling figures on the ownership of such things as automobiles, telephones and electric household devices.

This, of course, is only part of the material side of the picture. Our schools, our recreational facilities, our community activities, our churches, the rapid spread in recent years of local centers of music, art and adult education are all the result of the continuous striving of individual Americans to better the conditions in which they live.

Because of their firm rooting in the past, the forces making for growth and creative expression in every sector of American life are present today as strong as ever before. We need to recognize, however, that the very vitality of our system and its ever-changing character will make for a different momentum in our economy at different times. The important thing is to be wise enough and perceptive enough to view our present situation in the proper perspective. It is only when we understand the true sources of our productive power that we can take the right kind of actions for promoting growth in our particular type of economy, and avoid wrong or hastily considered steps which may delay or actually work against progress.

### Sources of Our Productive Power

What, then, are the sources of the productive power on the American economy? As I have already indicated—and as visitors to our country began to glimpse over a century ago — the major characteristic of the American economy which makes it stand out from all others is the diffusion of economic decision and economic action. In our free society, sparked by the profit motive, risk and enterprise are encouraged; the urge for greater earnings motivates the worker to acquire new skills and better education; the universal drive to expansion in search of rewards permeates every business, large and small.

This universal drive has been the great generating force for cumulative growth in the United States since the beginning of our history. Because of decentralization of economic initiative, our whole society derives benefit from *all* the skills and knowledge and *all* the ambitions and inventions inherent in the whole people. The drive for expansion in the American economy and in American society springs from tens of millions of sources — not from some power group on top, as in authoritarian systems.

Before examining the implications of our current situation, it is helpful to look a little more closely at the specific factors making for long-term growth in our economy—now, as in the past.

It may be noted first of all that while our economic growth has not proceeded at a uniform rate, data covering long periods of time show no tendency on the part of the growth rate in this country to diminish. The achievement of continually higher output and continually wider sharing of that output over a period of time is not an imagined utopia.

In the United States, it is and has been a practical goal for practical men.

Now as to the long-term growth factors which are strongly present today.

### Recites Growth Factors

First among these may be mentioned certain human resources. Managerial ability, sparking millions of separate businesses, large and small, shows no evidence of deterioration; in fact, enterprises are now planned ahead with more care than ever before.

The American business community is more development-conscious than it has ever been; it is more alert to new markets and to the use of new materials, processes, and techniques.

Our labor force remains highly mobile and posseses growing skills and adaptabilities to the new techniques and processes of industry.

Our stock of capital goods per worker keeps mounting and is continually pushing output per worker upward. The rate of output per man hour has increased by more than 3% per year in recent years in the nonfarm sector of the economy, and in agriculture it has increased even more.

Our transportation and communication facilities are increasing in both extent and efficiency, and our wholesale and retail distributive industries are greatly widening the network of services—as is evidenced by the spread of supermarkets and suburban shopping centers in almost every community.

Moreover, a number of these factors responsible for our previous growth have stronger potentials now than in the past. Research has become big business, with more money than ever before being devoted to enlarging our fund of scientific and technical knowledge. Private expenditures for research which amounted to $200 million in 1939 have increased to more than $3 billion a year at present—quite aside from the research expenditures of the Federal Government.

Finally, we have a rapidly growing population and a drive for increasing betterment on the part of every American family. Our nation is growing at the rate of three million persons a year, equivalent to adding a city the size of Los Angeles to our consumer population every 12 months. Together, the forces of change working for individual business promotion and expansion and individual family betterment make up the most powerful drive toward continued growth that the world has ever known. This has been so in the past and with the growing diffusion of technical skills and of education, it is so in increasing degree in the present.

### Studies Implications

These are some of the powerful long-term factors which have kept our economy on a continuous upgrade, despite occasional setbacks and pauses. What are their implications for our present situation?

**First of all, I think we should remember that we are dealing with an economic mechanism highly diffused over a wide geographical area, involving millions of people and producing an annual gross national product of about $435 billion. While all of the monetary and fiscal instruments available to the Government are important and are highly influential, they do not within themselves constitute the entire means by which the whole course of our very**

*Continued on page 27*

*An address by Mr. Anderson before the Union League Club, Philadelphia, Pa., Feb. 12, 1958.

# Time for a New Look at International Relations

By CYRUS EATON*

Chairman of the Board, Steep Rock Iron Mines, Ltd., and Chesapeake and Ohio Railway

**Prominent Canadian and American industrialist, and sponsor of Pugwash conferences of scientists and intellectuals, expresses grave fears for a world "hell-bent toward . . . bankruptcy and suicide." Mr. Eaton contends "we can and must reach a workable accommodation with the Russians" and condemns our statesmen for stalling. The Cleveland industrialist depicts Secretary of State Dulles as a "self-appointed Soviet-hate-monger" and calls for reversal of his policy or removal from office. Claims Russian intellectuals carry greatest weight with their government and possess the likelihood to enlighten and ameliorate the Soviet system's harshness.**

Cyrus S. Eaton

With the mounting impact of world events, especially in the missiles field, I feel impelled to address myself to what I consider to be the crucial question of the hour: How, in this new era of nuclear weapons and ballistic missiles, can we keep mankind and all his magnificent material accomplishments from going up in smoke and flames?

Sixteen years ago Japan's smashing surprise attack on Pearl Harbor roused the United States from the complacent delusion that she could remain at peace while the rest of the world's major powers were locked in warfare. The United States went to war not only on the battlefronts, but in the laboratories. The Germans were known to be working feverishly to solve the mysteries of the atom. At the University of Chicago, of which I am a trustee, we assembled the leading nuclear scientists of the world, with the collaboration of the late Albert Einstein. A plaque that we later placed at the scene of the remarkable Chicago experiments proclaims, "On December 2, 1942, man achieved here the first self-sustaining chain reaction, and thereby initiated the controlled release of nuclear energy." This harnessing of fission marked the beginning of the Atomic Age.

On August 16, 1945, the United States dropped the first A-bomb on Hiroshima. Immediate fatalities totalled 78,000 of the Japanese city's 340,000 people. Others are still dying from the aftermath, and future generations will also be affected. On the day of Hiroshima's decimation, one of our top Chicago University experts commented, "This is a sad day for us scientists. Let us hope we have not placed dynamite in the hands of children."

### Atomic Competition

World War II came to a swift conclusion after the United States fired a second A-bomb on Nagasaki. Lapsing back into complacency, which is an unfortunate American trait, we concluded that we held a permanent monopoly on A-bomb secrets, and that none of the rest of the world would be able to solve their riddle. We reached this foolish conclusion despite the fact that the scientists who had made the greatest contributions in our wartime American laboratories were Italians, Danes, Germans, and Hungarians. Other nations were, of course, not long in catching up with the United States on the A-bomb.

Then came fusion, which can be superficially described as a reversal of the process of fission, by which infinitely greater quantities of atomic energy are released. Because hydrogen nuclei are most easily employed for fusion, the weapon utilizing fusion is the hydrogen bomb. While the United States led the world in H-bomb tests in 1954, Russia countered with her first test in 1955, and Great Britain followed in 1957. As of today, it would appear that Britain has gone the furthest in advances in the field of fusion, with Russia probably second, and the United States third.

On October 4, 1957, the world's first satellite was successfully launched by the Soviet Union. The sending of the 184-pound Sputnik by rocket into space not only signaled the beginning of the age of cosmic exploration, but also brought forcefully home to us the formidable fact that Russia is far ahead in the field of missiles. A month later, Russia reaffirmed her supremacy by catapulting a second satellite weighing almost half a ton a thousand miles into the skies. Granted that the United States has recently succeeded in sending its own little 31-pound Explorer aloft, our experts frankly concede that we are still five years behind the Soviet Union.

### World's Status Today

What is the position of the world? The US and the USSR are engaged in a monumental armaments race. American bombers are in the air around the clock with lethal loads of hydrogen bombs, each with a power five million times as great as the mightiest bomb dropped on Germany in World War II. More American bombers are on the

Continued on page 28

*An address by Mr. Eaton before the Canadian Club of Montreal, Montreal, Canada, Feb. 10, 1958.

# 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, February 20, 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**

## TOP-HOLE INVESTING TECHNIQUE

The advantage of long-term digging-in with a minimum of portfolio activity is interestingly highlighted by the current annual report of the Boston Personal Property Trust, a closed-end investment company. Founded in 1893, it is the oldest investment trust in the United States.

A. Wilfred May

Year-to-year changes in its porfolio, which consists almost entirely of common stocks and of the highest grade, have been extremely minor. During 1957, typically, the aggregate dollar amounts of transactions totaled only $231,000 of purchases and $490,000 of sales, made up of six transactions. At the same time, the absence of an absolute fetish of rigidity is seen in major changes in the overall composition of the portfolio over the long-term. Whereas in 1913, 12% of the portfolio consisted of bonds, and 24% of preferred stocks, now practically the entire holdings consist of common stocks. And whereas 16% was then in railroad securities, now only 2% is left there; then 20% was in real estate securities, now merely 0.5% is in this category. Of the common stocks, industrials accounted for 8.3% of the entire portfolio in 1913; now two-thirds is so placed.

The fund is managed by five trustees, Messrs. Edward L. Bigelow, Harvey H. Bundy, Francis C. Gray, Henry R. Guild, and Moses Williams, bankers and lawyers who in accordance with New England practice, also serve as trustees of other funds; in fact, some of them have been brought up in the trust business. Mr. Bundy is a member of a prominent law firm. Mr. Bigelow is Chairman of the Board and Mr. Williams is a director of the Second Bank-State Street Trust Company.

### Low Expense Incidence

This trust company takes care of the books and all records and transactions of the fund, which operates without an office or staff of its own. Thus, with the total fees paid to the trust company at $11,662 and the remuneration remitted to all of the trustees aggregating only $16,629, the entire expenses to the shareholders last year added up to only $35,257. This is equivalent to 7% of the income and 0.27% on the assets, appreciably lower than the fund industry average.

This low expense ratio combined with the shares' present market discount from asset value, raises the current yield from the gross 3.8% income earned directly on the portfolio before expenses, to a net-after-expense return of 4.3% to the shareholders.

### Good Asset Record, Too

And a highly satisfactory performance record has also accompanied these management techniques. During 1957, after adding back the capital gains distribution, the net asset value per share declined 7%, compared with declines of 15% in the Dow Jones Composite Stock Average and 12% in the Industrial Average. Adding back both capital gains and income distributions, Boston's asset value during the year fell 4%, compared with an average decline of 11% by 10 diversified closed-end funds, and a shrinkage of 12% for the average of 60 open-end common stock funds.★

The comparative record, of course, cannot be so favorable in all periods. But on the long-term tests of both principal and income, it is evident that this form of common stock trust fund management at a discount renders the investor service which is unique and highly advantageous.

* * *

## EXPLORING THE OVER-THE-COUNTER MARKET

The investing community is now offered an unprecedentedly comprehensive picture of the over-the-counter securities markets. For the structure and operation of this vitally important investment area is depicted in massive detail in a newly published volume, *THE OVER-THE-COUNTER SECURITIES MARKETS, By IRWIN FRIEND, Professor of Finance, Wharton School of Finance and Commerce; WILLIS J. WINN, Vice-Dean of the Wharton School; and G. WRIGHT HOFFMAN, former Director of the institution's Securities Research Unit (McGraw-Hill. 490 pp., 6 x 9; $12.50).* The fact-packed and minutely documented volume goes far in filling the widespread need for information on unlisted markets equivalent to that available on the exchanges. Furthermore, it will give to the nonprofessional warranted appreciation of that broad nationwide arena where by far the greatest dollar volume of transactions in securities occurs.

The book thoroughly covers such aspects as the character and great extent of these markets, volume of activity, pricing and price differentials, characteristics of transactions, positioning practices, the problems confronting these markets and the relationship between the over-the-counter and the exchange markets.

### Vital Industry Statistics

The volume is particularly valuable in filling some important gaps in the industry's "vital statistics," as on the scope of the market off the exchanges. Thus it is shown that there are an estimated 80,000 to 90,000 corporations and governmental bodies in the United States, each of which has outstanding a sufficient amount of publicly held securities to warrant on occasion an over-the-counter market. Based on a count of quotations that appear in investment services and in private releases of investment banking firms, the authors estimate as outstanding a total of 40,000 to 50,000 governmental and corporate issues over-the-counter. Of these, 3,000 issues are thought to be traded daily, of which 70% are common shares, 10% preferreds, 10% corporate bonds, and another 10% government and municipal bonds.

### Relative Use By Institutions

The study gives important attention to the relative impact on exchange and unlisted markets of transactions by institutions. In recent years thinness in exchange markets has been accompanied by great growth in institutional operations with stepped-up demand for large-scale purchases and sales. As a result, the broad opportunities offered by the over-the-counter markets for seeking offers for large buyers and bids for sellers, has importantly stimulated the shift from the exchanges by institutional investors—coupled with an increasing number of block transactions.

### A Collective Product

The collection of this material was made possible by the active cooperation of hundreds of organizations in the unlisted securities industry; including extensive details obtained from thousands of separate over-the-counter transactions. Now available in one volume, this information gives everyone interested in this important area of the investment world a thorough understanding of how these markets function, the forces influencing their development, their distinctive characteristics, and their broad problems.

*These industry data compiled by Arthur Weisenberger & Co.

# The State of Trade and Industry

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

The current performance of trade and industry shows little improvement over that of previous weeks, but then, not too much was expected at this time, since the month of March was signalled out to be the turning point in our lagging economy when business would show some evidence of better days ahead. President Eisenhower himself on Wednesday of last week stated that improvement in business should start in March and spoke of new plans to spur the economy, if such aid should be necessary.

One note of encouragement, however, was to be found the past week in the news relating to the latest report of the United States Department of Labor on home building covering the month of January. It placed housing starts for that period at an annual rate of 1,030,000. This figure exceeded the December level and was the highest annual rate, since August, 1957, when such starts totaled 1,056,000.

The January gain extended the general pickup in private housing starts which began in the latter half of 1957 into the new year. Administration economists expect the rise to continue. Forecasting a business upturn about the middle of the year, officials have consistently listed housing as one of the favorable factors indicating the early return of economic recovery. The general prediction for the full year 1958 is around 1,100,000 against 1957 private starts of about 990,000.

---

In the steel industry, "The Iron Age" reports this week that some steel users are bringing pressure on the mills to cut prices, but they are not getting anywhere, since the pressure on prices is an old story to steel veterans. They recall the fiasco of the 1930's when depressed business conditions brought about a wave of price-cutting that demoralized the industry, this trade paper further states.

Some mills are warning their sales forces to expect increasing pressure for price concessions and are pointing out that established prices and terms of sales still hold for all customers.

"The Iron Age" adds that the mills learned their lesson in the 30's and they know from that experience that price cuts failed to bring in any new business, that they were selling the same amount of steel at lower prices.

The mill's position on prices is understandable, being faced with "built-in" inflationary factors, including wages, fringes, expansion, selling and shipping. They have just given their workers a 5-cents-an-hour wage boost and face another wage increase July 1 under their three-year contract. Scrap prices have been on the rise.

The price situation is pretty much the same for the nation's steel warehouses, continues "The Iron Age." However, there are some isolated instances of price fluctuations in certain areas. For instance, Los Angeles warehouse prices dropped early in December by as much as $35 per ton, but part of this drop, about $15 of it, was restored in recent weeks. The December price cut did not stimulate any new business.

"The Iron Age" states that the storm that struck the eastern part of the country last week-end will strengthen steel scrap prices throughout the East. Scrap collections in the East are virtually at a standstill. The storm hit at a time when prices were already on the rise.

Meanwhile, there is a growing feeling among steel men that their market has bottomed out. Incoming orders are still slightly lower than the current steel production rate, but the downtrend of the last several months appears to have leveled off. The mills are still looking for a pickup in March.

This trade magazine points out that signs are increasing that steel users' inventories have hit hand-to-mouth levels. A midwestern appliance maker reportedly is down to about a one-week inventory. Another steel user gave a 30-ton order to a warehouse because his regular mill supplier couldn't give him the prompt delivery he needed.

Prompt delivery is a major selling point for the mills. Sales forces are pressuring for a buildup of finished steel products at the mill level for competitive reasons. Even plate and structural, which were on a three-to-six months delivery basis last summer, are being offered for two-to-three-week delivery today, concludes "The Iron Age."

---

In the automotive industry United States passenger car and truck production declined 4% the past week, "Ward's Automotive Reports" stated on Friday last.

Scheduled were 104,419 cars and 18,814 trucks compared to the preceding week's totals of 109,028 cars and 19,481 trucks. In

*Continued on page 36*

# There's More to the Economy Than Monetary-Fiscal Activities

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

**Though Treasurer Anderson points out that "the day of *laissez-faire* is over," he stresses the importance of the creative individual in warning that our economy does not respond in a predictable ratio to use of a few tools intended to modify the people's collective judgment and actions. Thus, Secretary Anderson skeptically views ability of influential monetary-fiscal weapons to alter our economic system in a short period of time and recommends we "avoid wrong or hastily considered steps which may delay or actually work against progress."**

I believe it is always a temptation for each generation to think of its own problems as more crucial—as casting a longer shadow over the future—than those of other periods. And just as our own difficulties seem larger, so our means for resolving them sometimes seem more elusive than we like to think was the case in the past.

Robert B. Anderson

The birthday of Abraham Lincoln, should make us wary of falling into this habit of thought. Faced with events which many thought would result in shattering the Union, Abraham Lincoln had the supreme faith to look far into the future and to speak of the American ideal as "the germ which has vegetated and still is to grow and expand into the universal liberty of mankind."

Abraham Lincoln's vision was great enough to see America not as an achievement, but as part of a process—a process whereby the creative energies of free individuals are constantly working to give new form to the ideals set down by the Founding Fathers. At the beginning of our history, George Washington had said that liberty and self-government are "finally staked on the experiment entrusted to the hands of the American people." Not only Abraham Lincoln, but every American before or since has felt intuitively that this is so.

What has this conviction meant in the history of our Nation? There are many ways of characterizing the American system; no one of them, certainly, can tell the whole story. But I believe that most of us would agree on one outstanding characteristic of both our form of government and the way of life which we have come to designate as American. That is the placing of ultimate responsibility for both policy and action squarely on the individual citizen.

From the days of the first town meetings right down to the present, Americans have eagerly grasped the opportunities for managing their own affairs and working out their own problems presented by a free society. More than 100 years ago a visitor to the United States, Alexis de Tocqueville, painted this picture of the American scene: "No sooner do you set foot on the American ground," he said, "than you are stunned by a kind of tumult. A confused clamor is heard on every side, and a thousand simultaneous voices demand the satisfaction of their social wants. Everything is in motion. Here the people of one quarter meet to decide on the building of a chuch. There a representative is being elected. A little farther, the delegates of a county are hastening to consult upon some local improvements. Elsewhere the laborers of a village quit their plows to deliberate upon a projected road or public school." All of this, observed de Tocqueville, has to be seen to be understood; and he added the shrewd comment that "This ceaseless agitation . . . may be the greatest advantage of democracy."

### What Our System Produced

Individual responsibility—facing problems and getting things started at the grass roots—has kept Americans working, risking, adventuring, striving, and above all, changing and adding to the store of ideas and accomplishments inherited from the past. The man with a new slant or a new idea —whether developed on the work bench, in the laboratory, or in a skyscraper office—could be sure of a hearing.

This was new. This was different. It was, for all the world to see, *American*. And, finally, it has met the supreme test — the American system works.

There are many ways of illustrating the changes made in American life by mass production and the widening benefits which have gone with it. A wide variety of figures can be cited—the fact that family incomes in this country now average over $5,000 a year; the fact that more than 60% of our homes are owner-occupied; the startling figures on the ownership of such things as automobiles, telephones and electric household devices.

This, of course, is only part of the material side of the picture. Our schools, our recreational facilities, our community activities, our churches, the rapid spread in recent years of local centers of music, art and adult education are all the result of the continuous striving of individual Americans to better the conditions in which they live.

Because of their firm rooting in the past, the forces making for growth and creative expression in every sector of American life are present today as strong as ever before. We need to recognize, however, that the very vitality of our system and its ever-changing character will make for a different momentum in our economy at different times. The important thing is to be wise enough and perceptive enough to view our present situation in the proper perspective. It is only when we understand the true sources of our productive power that we can take the right kind of actions for promoting growth in our particular type of economy, and avoid wrong or hastily considered steps which may delay or actually work against progress.

### Sources of Our Productive Power

What, then, are the sources of the productive power on the American economy? As I have already indicated—and as visitors to our country began to glimpse over a century ago — the major characteristic of the American economy which makes it stand out from all others is the diffusion of economic decision and economic action. In our free society, sparked by the profit motive, risk and enterprise are encouraged; the urge for greater earnings motivates the worker to acquire new skills and better education; the universal drive to expansion in search of rewards permeates every business, large and small.

This universal drive has been the great generating force for cumulative growth in the United States since the beginning of our history. Because of decentralization of economic initiative, our whole society derives benefit from *all* the skills and knowledge and *all* the ambitions and inventions inherent in the whole people. The drive for expansion in the American economy and in American society springs from tens of millions of sources — not from some power group on top, as in authoritarian systems.

Before examining the implications of our current situation, it is helpful to look a little more closely at the specific factors making for long-term growth in our economy—now, as in the past.

It may be noted first of all that while our economic growth has not proceeded at a uniform rate, data covering long periods of time show no tendency on the part of the growth rate in this country to diminish. The achievement of continually higher output and continually wider sharing of that output over a period of time is not an imagined utopia.

In the United States, it is and has been a practical goal for practical men.

Now as to the long-term growth factors which are strongly present today.

### Recites Growth Factors

First among these may be mentioned certain human resources. Managerial ability, sparking millions of separate businesses, large and small, shows no evidence of deterioration; in fact, enterprises are now planned ahead with more care than ever before.

The American business community is more development-conscious than it has ever been; it is more alert to new markets and to the use of new materials, processes, and techniques.

Our labor force remains highly mobile and posseses growing skills and adaptabilities to the new techniques and processes of industry.

Our stock of capital goods per worker keeps mounting and is continually pushing output per worker upward. The rate of output per man hour has increased by more than 3% per year in recent years in the nonfarm sector of the economy, and in agriculture it has increased even more.

Our transportation and communication facilities are increasing in both extent and efficiency, and our wholesale and retail distributive industries are greatly widening the network of services —as is evidenced by the spread of supermarkets and suburban shopping centers in almost every community.

Moreover, a number of these factors responsible for our previous growth have stronger potentials now than in the past. Research has become big business, with more money than ever before being devoted to enlarging our fund of scientific and technical knowledge. Private expenditures for research which amounted to $200 million in 1939 have increased to more than $3 billion a year at present—quite aside from the research expenditures of the Federal Government.

Finally, we have a rapidly growing population and a drive for increasing betterment on the part of every American family. Our nation is growing at the rate of three million persons a year, equivalent to adding a city the size of Los Angeles to our consumer population every 12 months. Together, the forces of change working for individual business promotion and expansion and individual family betterment make up the most powerful drive toward continued growth that the world has ever known. This has been so in the past and with the growing diffusion of technical skills and of education, it is so in increasing degree in the present.

### Studies Implications

These are some of the powerful long-term factors which have kept our economy on a continuous upgrade, despite occasional setbacks and pauses. What are their implications for our present situation?

**First of all, I think we should remember that we are dealing with an economic mechanism highly diffused over a wide geographical area, involving millions of people and producing an annual gross national product of about $435 billion. While all of the monetary and fiscal instruments available to the Government are important and are highly influential, they do not within themselves constitute the entire means by which the whole course of our very**

*Continued on page 27*

*An address by Mr. Anderson before the Union League Club, Philadelphia, Pa., Feb. 12, 1958.

# Conclusions About the Economy And the Textile-Apparel Industry

By DR. MARCUS NADLER*

Professor of Banking and Finance, New York University
Consulting Economist to The Hanover Bank

**Dr. Nadler's analysis of weak, strong and stabilizing forces at work indicate to him that the soft goods industries—contrary to the economy as a whole—will do better in 1958 than last year, and that the economy's decline should halt by Summer. At that time he expects business to level out and then resume its upward course. The noted professor and banking consultant takes cognizance of the reasons which in the long run augur well for the textile and apparel industry, and concludes present downward readjustment in no way alters the attractive long range economic outlook.**

In 1920 when I came to this country with four dollars I soon realized that anybody willing to work, anybody willing to do a little bit more than is demanded of him, will make his quota in good time. The opportunities were great then. They were great during the depression. And the opportunities today are perhaps greater than ever before for anybody willing to put his shoulder to the wheel and do his task to the best of his ability.

Marcus Nadler

And, therefore, while I realize that 1958 will be a rugged year, any one willing to do a little more work than last year, use a little more ingenuity than last year, will find 1958, indeed, a good year.

### Recalls Last Year's Forecast

Last year, after I finished an outlook talk, I raised, as I usually do, the question: What conclusions can be drawn? I had this to say:

"Now, what conclusion can be drawn from all this?

"(1) 1957 will be a good year, whether better than 1956 is not as yet clear. Looking at it from the overall picture there is a possibility that the first half of the year will be better than the second half of the year. Any decline in business activity that may take place in 1957 will be of minor importance."

1957 was a good year, and in some respects better than 1956. The gross national product which, of course, reflects the increase in prices and wages was higher in 1957 than in 1956. Disposable income was also higher. And the total volume of retail trade during last year probably will exceed for the first time in history $200 billion. But the peak of the boom was reached in December of 1956.

From January to about the middle of the summer of 1957 the economy of the country moved sidewise. The pickup in the fall did not materialize. And in September it became evident that business activity was decreasing. The index of industrial activity as prepared by the Board of Governors of the Federal Reserve System, 1947-1949 = 100, was 145 in August. It was 144 in September. It was 141 in October, 139 in November. The figures for December are not in yet and in all probability the figure will stand at 137 or 138, and may even be a little lower than 137.

Since the summer months employment began to go down and the total number of unemployed rose. In November of last year the total number of unemployed amounted to 3.188 million as compared with 2.463 million in November of 1956.

Overtime payment disappeared and it became much more difficult to obtain what is called "twilight employment." Disposable income began to go down, and from September on every month witnessed a moderate decline.

The boom which started in April, 1955 had come to an end. Confidence has given way to pessimism and many people are worrying and wondering what the future holds in store for us.

This is the record of last year.

What about the future?

Year in and year out I point out that "nobody can tell what the future holds in store for us, and it is just as well that we don't know what tomorrow will bring."

The only thing one can do is to analyze all the forces, as far as we can see them, weigh and measure them and reach certain conclusions.

I will make only two hedges, to which I shall come back to shortly.

### Conclusions about 1958

As regards 1958 I have reached these conclusions:

(1) Looking at the economy as a whole, business activity in 1958 will be on a lower level than during 1957.

(2) The soft goods industries in all probability will do well, and the chances are that the soft good industries in 1958 will do better than in 1957.

(3) Competition is already keen and competition will increase even more with a squeeze on profits quite pronounced.

(4) The inflationary forces will recede. In all probability the index of wholesale prices will remain more or less stable.

On the other hand, one can expect that the consumer price index will continue to increase primarily because of the constant increase in the cost of services; the increase in the consumer index, however, in 1958 will be smaller than in '56 or in '57.

(5) The availability of bank credit will increase. It will be easier to obtain credit at lower rates of interest. Bond prices will go up and it will be easier to sell bonds in the open market.

(6) The greatest decline in business activity in all probability will occur in the first half of the year and will be concentrated primarily in the capital goods, producers' goods, machinery and equipment and durable consumers' goods.

(7) By the end of the year the readjustment should be over, and stimulated by the measures that will be taken by the Government, strengthened further by the strong forces operating in the economy, by the summer the decline should have come to an end and after a period of levelling out, business activity will resume its upward course.

(8) No matter how pessimistic one may be, a decline of the magnitude as occurred during the '30's is out of the question.

(9) Retail sales in all probability will be as large as in 1957. It is, however, quite possible that hard goods and notably automobiles will not sell as well in 1958 as they did in 1957.

(10) And finally, those who are alert will realize that the economic security of the people is large, that the liquid savings in the hands of the people are vast, that even if we have 5 million unemployed, we will have more than 60 million people gainfully employed at wages higher than ever before. And if we concentrate our thoughts on how to sell to those employed and stop worrying about what the unemployed will do, we will do well.

This is my forecast for 1958.

I could stop right here. But then you would have to take my conclusions on faith. Therefore, I will elaborate the reasoning for these conclusions.

I stated before I will hedge on two points and they are: (1) Assuming no worsening of the international political situation has occurred, let's say, at the outbreak of the Korean War. I do not expect it, but should anything of this sort happen then naturally the course of business activity will be entirely different.

The second hedge is: Assuming that we do not revert to large scale deficit spending. I do not expect it, but if under political pressures the public debt should be increased, let's say, to $300 billion; if the deficit of the Federal Government should run $15 or $20 billion: then the course of business will be different because the moment people realize the importance of such a deficit, the reaction will be as follows: "Here we are back at the same old stand," and the inflationary forces will

Continued on page 20

*From a talk by Dr. Nadler before the Arthur M. Reis Forum sponsored by Robert Reis & Co., New York City, Jan. 7, 1958.



# From Washington Ahead of the News

By CARLISLE BARGERON

The Republican orators are pretty much back in Washington from their spree of singing the praises of Lincoln. Every year this time Congress takes a recess, in effect, if not actually, in order that the Republicans can do this, and in the next few weeks the Democrats will be given the same opportunity to go around talking about Jackson and Jefferson.

Carlisle Bargeron

To offset the recent money raising dinners of the Republicans, for example, the Democrats are coming up with a series of the same, to be headed off by one in Washington where "give 'em hell" Truman is to be the main speaker.

In view of these patently money raising affairs to which the lobbyists buy blocks of tickets and give them away—I had four $100 tickets given to me for the recent Republican dinner—you wonder why the sensation about the Houston, Texas, dinner, at which House Republican Leader Joe Martin was the speaker.

It is generally agreed in Washington political circles that a letter written by the arranger of the Houston dinner, Republican National Committeeman Porter, has killed off the gas bill again. Mr. Porter in his letter told about how much the Texas oil men owed to Martin and the Republicans. In view of what happened it was a very impolitic letter for Mr. Porter to write. The President has ordered the National Committee not to take any of the money raised, which is all very high minded inasmuch as he is not running again. The chairmen of the Republican Congressional and Senatorial campaign committees, Congressman Dick Simpson and Senator Schoeppel, have, on the other hand, said, in effect, nuts, they want all the campaign money they can get. This strikes me as a more practical and less hypocritical attitude to take.

I have been solicited recently, in fact, in behalf of a $100 dinner for Senator Langer of North Dakota. The Senator is up for re-election this year but he is old and in such bad health that it is doubtful he will run again. Yet there is this ingenious device to raise campaign funds for him just as there was six years ago. It is truly amazing that the Senator would expect to collect any large amount in this way because he is an ultra-liberal opposed to the meat packers, the big chain grocery firms and the like. But six years ago he raised a considerable amount of money in this way, the lobbyists of the meat packers, the big chain grocery firms, etc., not wanting to argue the point.

So far as I know the North Dakota Senator is the only one to adopt the $100 dinner procedure of the two national committees. He probably figures he is a political party in himself which, in a way, he is.

But I think that what I started out to say was that the Republicans, after their speech-making spree, think they have killed off the Sputnik affair, that is, the issue of the Administration neglecting our defenses and letting the Russians get a Sputnik into the air. After all, we have something sailing around out in the orbit now ourselves. The people seemed to have relaxed on that score.

However, the Republicans have another problem, that of increasing unemployment. They may come out of that by next November in which event one hopes they will have learned their lesson.

I do not profess to be an economist, heavens no, but I believe history will show that our present trouble is due to the efforts of a few so-called thinkers in Washington trying to chart the minute affairs of more than 170 million people. We had a delightful prosperity but these thinkers, studying their graphs, decided we were too prosperous and sought to put on brakes. The Democrats made an issue of inflation from a steady price rise which I, in my ignorance, believe will always accompany prosperity as it has in the past, and the Administration fell for it.

Whether I am right or wrong, it's unemployment that the Republicans have got to face, and they had better face it soon, the virtues of Lincoln to the contrary.

Continued from page 2

# The Security I Like Best

substitute for insulin which appears promising. The Federal Government has recognized Pfizer's effective research into the prevention and cure of cancer by granting about $1,200,000 annually for delivery of antibiotic filtrates and other organic compounds.

The next largest domestic division — Chemical Sales — accounts for about 20% of sales. Citric acid continues important. Bulk vitamins are also an important segment. Production of Lysine (an essential amino acid) through chemical fermentation may open large new commercial markets when the price is further reduced. Sales or animal feed supplements, animal and plant health products account for about 7% of sales, and the Roerig specialized vitamin division for about 6% of sales. The balance of 36% of 1957 volume came from the International Division.

### Research

The word "metamorphis" was earlier used deliberately. This is a word derived from Greek origin. For the process of transforming a substance as by magic or witchcraft, the Americans use a different word. It is called "research". Pfizer has steadily developed its research to the point where it amounted to over $9 million in 1957 and is the main reason for its success. The recent purchase of the Morton-Withers Chemical Company—a small unit in petrochemicals—may see further broadening of Pfizer's research efforts.

### Healthier Horizons

The average life expectancy has increased about 20 years just within the last fifty years. We are only beginning to learn fascinating things about the nature of susceptibility and resistance to microbial disease. On the basis of past experience, great developments lie ahead. Even near-term, Pfizer stock is a beneficiary of this trend. For 1958, earnings should expand further to $4.25-$4.75 a share. Looking ahead to 1960, sales could increase to $250-$270 million and produce earnings of $5.00-$5.75 a share.

# Federal Insurance Co.

By DR. IRA U. COBLEIGH
*Enterprise Economist*

**A swift summary of the operations of this highly successful underwriter, plus a projection of its broadened earning power through its recent acquisition of Colonial Life Insurance Co.**

In 1901 Federal Insurance Co. started its corporate existence by selling capital stock at $100 a share. So favorable have been the fortunes of this company and so well have its affairs been handled under the management of Chubb & Son that each original $100 share has now grown to 800 shares worth, at current quotations, $32,000. This is quite a record.


Ira U. Cobleigh

Federal started out as a specialist in ocean marine insurance; then added fire and other property lines, advancing, with the rise of the motor industry, into automobile coverage and later aviation insurance. In 1953 it took over United States Guarantee Co., a leading company in the underwriting of fidelity and surety protection. Only last year it purchased control of Colonial Life Insurance Co. So today Federal is a quite complete multiple-line company writing almost all types of fire, property and casualty coverage plus life insurance (the fastest growing segment of the insurance industry).

Mere breadth of operations is no warranty for success in fire and casualty underwriting. In fact, the last two years have been pretty miserable ones for companies in these lines. Underwriting profits for most stock companies declined or disappeared in 1956 and 1957 due to rising replacement costs, and a lag in increasing coverage to correspond with inflated property values. In automobile insurance, the amount of court awards for bodily injury in motor accidents, and damage repair costs, had been rising so rapidly that higher automobile premiums became an absolute necessity. Accordingly, in 1957, auto liability rates were increased 20% and property damage rates 10%, in most of the states except New York. Further increases are anticipated this year.

Whereas, due to conditions above recited, many fire and casualty companies have turned in underwriting losses, or sharply reduced profits, in the past two years Federal has shown its quality by delivering an underwriting profit for 5 years (1952-56) averaging 11.3% against an industry-wide average for all stock companies of only 4.7%.

Which brings us up to the anatomy of earnings in a fire or casualty company. Ideally such an enterprise should earn money each year from two sources: (1) underwriting profits — premium income minus underwriting expenses, costs, and loss claims paid and (2) income from investments. In the case of Federal, this is how the combination works out. First, we'll take a good underwriting year—1954. In that year Federal showed (after income taxes) an adjusted underwriting profit of $3,500,000, or $1.29 per share; and investment income of $2,692,000, or $1.00 per share. Put these together, and you arrive at adjusted net income of $6,192,000 and $2.29 per share.

Now look at 1956, a poor casualty insurance year. Adjusted underwriting profit dropped to $1,334,000 (49c per share); but investment income rose to $3,309,000 ($1.23 per share). This combined to a total of $4,643,000 adjusted net income, equal to $1.72 on the 2,700,000 shares then outstanding. As for dividends, it has been the custom at Federal to pay out quite low cash dividends, averaging only about 72% of investment income in recent years. In other words, investments assure the return to shareholders; while underwriting profits are used to build up surplus (and incidently to add to the funds that create investment income).

Accordingly, Federal Insurance Co., on an indicated 90c dividend basis yielding 2.25% makes no appeal to the buyer for income. But to growth-minded investors and those whose tax brackets create almost a disdain for dividend income, Federal's record of growth, its steady build-up of surplus, and its stock dividends over the years, present a considerable allurement.

Unique, in corporation balance sheets, is the insurance company statement of its assets. They're not just plain assets—they're "admitted" assets. (We may assume there are some assets they don't admit—perhaps good will, the smile on the agent's face after you've signed the application, and the myriad calendars distributed!) Well, "admitted" assets, in the case of Federal, stood at 6/30/57 at $172,091,000. They were not idle assets, however. 54% was in cash, government and municipal bonds; 7% in general market bonds and preferred stock; 33% in common stocks (including bank stocks) and 6% in miscellaneous.

Considerable new romance is added to the Federal picture by its acquisition of Colonial Life Insurance Co. This is not a large organization, as life companies go. Its assets at 12/31/1956 stood at $72,500,000 and it had but $426,700,000 of life insurance in force. Founded in 1897, its growth rate has been less dynamic than a number of others, and presently it does business only in Puerto Rico, Connecticut, New York, New Jersey, Pennsylvania and Maryland. The capacity, however, for expansion of this life insurance business under the aegis of Federal is exciting.

First of all, it should be possible to license Colonial Life to do business in many more states. Secondly, with Federal's resources, an aggressive expansion program is possible, including substantial outlays for advertising, sales promotion, etc. Thirdly, because of the splendid sales organization of Federal, including brokers, agents and company branch offices all over the United States, thousands of life insurance sales are almost "ready made" to old and satisfied clients of the house of Federal. The toughest thing about building up a life insurance company is the development of a dynamic sales force. Here, in the Federal organization, Colonial Life has a magnificent one, immediately available.

Then, of course, the reverse is true. Old policyholders of Colonial will make a marvellous prospect list for Federal's own wares.

Another point to note about this merger is investment management. Federal's portfolio handling through the years has been most excellent; and the same talents applied to the $67 million Colonial now has invested in a portfolio of bonds, mortgages and real estate, might add substantially to overall profitability.

The outstanding features of Federal, in comparison with other traditional companies in fire and casualty, include the delivery of an underwriting profit in both 1956 and 1957, (very trying years); and the considerably lower loss ratios (than its competitors) which it has been able to document year after year in its various risk categories. Further, fidelity and surety lines (traditionally more profitable than many casualty risks) comprised a rather high percentage (15%) of Federal's earned premiums in 1956.

There's another point to keep in mind about fire and casualty business. A period of poor experience and heavy loss claims results in new and higher rates in following years. So that one bad year may set the stage for a dramatic rise in underwriting profits a few years later as old policies run out, and are replaced with higher premium ones. On this theory, certain investors favor casualty companies in general at this time. Also, since casualty companies are heavy bondholders, the rise in the bond market since last October has had a favorable effect on per share book value.

There are, of course, dozens of fire and casualty companies to pick from—some small, some large; some with good underwriting records, others with poor ones. When it comes to investing in this area, over the long run there is no substitute for quality. Federal Insurance has that, plus an impressive past and a bright future. The stock is traded in the Over-the-Counter Market and, at this writing, is priced at 40.

## Donal Jaffey Opens

ROCHESTER, N. Y.—Donald H. Jaffey is conducting a securities business from offices at 39 State Street.

## Form York Securities

York Securities Inc. has been formed with offices at 80 Wall Street, New York City to engage in a securities business.

## M. H. Bishop Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—David Stewart is now with M. H. Bishop & Co., Northwestern Bank Building, members of the Midwest Stock Exchange.

## Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—John B. Kelley is now affiliated with Paine, Webber, Jackson & Curtis, Pillsbury Building.

# Dealer-Broker Investment Recommendations & Literature

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

**Airlines**—Analysis of outlook—John H. Lewis & Co., 63 Wall Street, New York 5, N. Y.

**Aluminum Industry**—Analysis with particular reference to **Aluminum Co. of America, Reynolds Metals Co., U. S. Foil Co.** and **Kaiser Aluminum & Chemical**—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

**Atomic Energy**—Review—Harris, Upham & Co., 120 Broadway, New York 5, N. Y.

**Atomic Energy 1958**—Review—National Securities & Research Corporation, 120 Broadway, New York 5, N. Y.

**Atomic Letter (No. 35)**—Analysis of fund investment in missile field—Atomic Development Securities Co., Inc., 1033 Thirtieth Street, N. W., Washington 7, D. C.

**Automatic Controls**—Analysis with particular reference to **Johnson Service Company** and **Ranco, Inc.**—The Milwaukee Company, 207 East Michigan Street, Milwaukee 2, Wis.

**Bank Stocks**—Analysis of 1957 year end reports of a group of outstanding banks—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

**Bank Stocks**—Earnings comparison of 21 leading bank stocks outside New York—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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

**Canadian Agriculture**—Analysis in current issue of "Monthly Review"—Bank of Nova Scotia, Economics Department, Toronto, Canada.

**Canadian Natural Gas Investments**—Analysis—C. M. Oliver & Company Limited, 821 West Hastings Street, Vancouver 1, B. C., Canada.

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

**Convertibles**—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a bulletin on **R. J. Reynolds Tobacco** and on the **Outlook for Electronics.**

**Indian Stock Market**—Bulletin—Harkisondass Lukhmidass, 5 Hamam Street, Bombay, India.

**Inflation, Deflation and Investor Psychology**—Discussion—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

**Japanese Electrical Machinery Manufacturing Industry**—Analysis 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 Japanese Shipping trade, and of the new five-year economic program.

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

**Massachusetts**—Monographs on each of the 351 cities, towns and metropolitan areas of the Commonwealth—Massachusetts Department of Commerce, 334 Boylston Street, Boston 16, Mass.—on request.

**1958: A Year of Opportunities** — Review — Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is the current "Pocket Guide for Today's Investor" containing various selected lists of securities.

**Outlook for 1958**—Discussion—Sutro Bros. & Co., 625 Madison Avenue, New York 22, 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 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

**Securities Outlook for the Investor and Business Executive**—Study—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

**Uncle Sam at the Fair** — Article on U. S. participation in International Trade Fair—In February issue of "American Investor" — American Stock Exchange, 86 Trinity Place, New York 6, N. Y.—15c per copy; $1.00 per year. Also in the same issue are articles on **Stop & Shop, Inc.**, **Brown-Forman**; and **Development Corporation of America.**

* * *

**Aeroquip Corporation**—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

**American Encaustic Tiling Company**—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

**American Smelting & Refining**—Analysis—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

**Bank of America, N. T. & S. A.**—Memorandum—First California Company, 300 Montgomery St., San Francisco 20, Calif.

**Brooklyn Union Gas Co.**—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same circular are data on **Combustion Engineering.**

**Brush Beryllium Company**—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y.

**Consolidated Foods Corporation**—Report—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y. Also available is a report on **Federated Departments Stores, Inc.**

**Goldfield Consolidated Mines Company**—Bulletin—Georgeson & Co., 52 Wall Street, New York 5, N. Y. Also available is a bulletin on **Franklin Stores Corporation.**

**Interstate Power Company**—Analysis—Coffin & Burr, Incorporated, 60 State Street, Boston 9, Mass.

**Ketchum & Co.**—Memorandum—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

**Maine Public Service Co.**—Review—A. G. Becker & Co. Incorporated, 60 Broadway, New York 4, N. Y.

**Menasco Manufacturing**—Bulletin—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

**Mountain Fuel Supply Co.**—Memorandum—Boettcher & Company, 828 Seventeenth Street, Denver 2, Colo.

**Old Republic Life Insurance Company of Chicago**—Circular—Security Adjustment Corporation, 16 Court Street, Brooklyn 1, N. Y. Also available are circulars on **Franklin National Bank** and **Meadow Brook National Bank of Nassau County, N. Y.**

**Otis Elevator Co.**—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

**Pacific Lighting Corp.**—Analysis in current issue of "Gleanings" —Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. In the same issue are lists of **"Tax Free" Stocks and Makers of Propellants.** Also available is a list of companies which should benefit from public works programs.

**Parker Hannifin Corp.**—Memorandum—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

**San Jose Petroleum Inc.**—Report—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

**West Suburban Hospital Association**—Report—B. C. Zeigler and Company, Security Building, West Bend, Wis.

**Zenith Radio Corporation**—Analysis—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

# NSTA Notes

**SECURITY TRADERS ASSOCIATION OF NEW YORK**

Reservations for the Security Traders Association of New York 22nd birthday party, to be held April 25 at the Waldorf Astoria, should be made with Raymond C. Forbes, Shearson, Hammill & Co. Tariff is $15 per person.

Those desiring hotel reservations should contact Vincent M. Gowan, Goldman, Sachs & Co.

## Hal Murphy Now a Proud Grandfather

Hal Murphy, long-time member of the "Chronicle's" advertising department, has just become a grandfather. His daughter Beryl gave birth to an eight pound eight ounce girl, to be named Jocelyn Lyla Pierce, early Wednesday morning, Feb. 19. Both momma and child, we're happy to note, are in the "pink," and the proud father, William Lawton Pierce, formerly of Boston, as is to be expected, is literally "walking on air." The arrival of baby Jocelyn was most timely, the blessed event having occurred on the day the "Chronicle" went to press.

Hal Murphy

Needless to say, both Hal and his wife Lyla are just about the proudest residents of Basking Ridge, N. J. And his many friends in the securities business in this country and Canada may well be disposed to change the familiar "How ya, Hal" to "How ya, Grandpa," on his subsequent visits.

## Richard Hennig With Brush, Slocumb Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Richard A. Hennig has become affiliated with Brush, Slocumb & Co. Inc., 465 California Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Hennig was formerly with First California Company in the trading department.

## COMING EVENTS

In Investment Field

**Feb. 21, 1958 (Houston, Tex.)**
Stock & Bond Club of Houston annual Field Day at Lakeside Country Club.

**Feb. 21, 1958 (Milwaukee, Wis.)**
Milwaukee Bond Club annual meeting and election at the Pfister Hotel.

**Feb. 27, 1958 (Detroit, Mich.)**
Detroit Stock Exchange annual dinner at the Statler Hilton.

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

**March 7, 1958 (New York City)**
New York Security Dealers Association 32nd annual dinner at the Waldorf-Astoria.

**April 11, 1958 (Toronto, Canada)**
Toronto Bond Traders Association annual dinner at the King Edward Hotel.

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

**April 25, 1958 (New York, N. Y.)**
Security Traders Association of New York Annual Spring Dinner at the Waldorf-Astoria.

**May 1 & 2, 1958 (St. Louis, Mo.)**
St. Louis Municipal Dealers Group annual Spring Party.

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

# How to Meet a Recession

By DR. ROY BLOUGH*
Professor of International Business, Graduate School of Business
Columbia University, New York City

**Though the current recession may be comparable to 1949 and 1953, there is no assurance it will be, says Professor Blough who however, believes it is not necessary as yet to spark the economy with public spending. Instead, he favors putting into operation postponed programs to provide needed public benefits and a temporary tax cut, and does not favor using defense spending as an anti-slump measure and "playing fast and loose with tariffs, export subsidies, and "other international economic devices."**

First, it seems to me that the present recession should be taken more seriously than either the recession of 1949 or that of 1953. The wave of demand from the war can no longer be relied on for stimulation. The velocity of money circulation has risen, liquidity has declined, credit has been heavily expanded for both capital goods purchases and consumer goods purchases and has even been extended into other consumer areas. There has been a long period of accumulation of consumers' durables. The investment boom in which costs have soared far above other price increases has produced excess capacity in some sectors. Finally, while it may be mythology, it is not necessarily irrelevant that depressions have followed previous great wars. In short, although this recession may turn out to be comparable in mildness and duration to the recessions of 1949 and 1953, there is no particular reason why it should and no assurance that it will.


Roy Blough

A resumption of economic expansion is dependent on rising demand. While undoubtedly inventory liquidation will soon end, renewed accumulation rests on the prospect of an expanding demand for goods and services. The outlook for major expansions to be initiated in the near future in the private sector seems rather dim. In government, however, we face substantial increases in Federal expenditures for defense. Perhaps the amounts will increase far beyond those now being considered by the Congress. If so, recession may soon shift again to inflation. On the basis of past experience, however, it is difficult to feel any assurance about the direction or stability of thinking on expenditures in Washington.

### Recession Affects Our Prestige

My second point is that the foreign relations aspect of a deep or long continued recession, let alone a depression, would be a serious matter for this country. We all recall the damage that the 1949 recession did to the economies of other countries and their outlook toward the United States. In these respects a recession is considerably more serious than it was in either 1949 or 1953. There can be no doubt that the two sputniks have dealt a severe blow to our prestige in the fields of science, technology, industrial development and military capabilities which has not been overcome. In the economic field the Soviet Union has long used Marxist arguments in its propaganda position that a depression was bound to occur in the United States. The result of our present recession with its stories of breadlines is certain to be a severe blow to the prestige of our economic system and our industrial strength in the eyes of the uncommitted nations. In addition, recession here has already meant difficulties for some raw-material supplying countries and, if it continues, will almost certainly be widely felt throughout the world, weakening the economic strength of the free nations. These considerations lead me to the conclusion that preventing a long or deep recession is an important element in maintaining our defense and diplomatic posture.

The third point which I wish to emphasize is closely related to the second one. It would be a serious mistake to try to meet a recession at home by increasing tariffs and protecting domestic employment. The benefits here, if any on balance, would be minuscule in relation to the national economy while the damage to our foreign relations would be serious. The result of using protection would be to shift unemployment to other countries and would thus be a "beggar-thy-neighbor" policy. The countries affected would be forced to reduce buying our goods, thus increasing unemployment in our exporting industries. More important would be the effect on attitudes. We have lost many friends in the past by our foreign economic policies. We have talked freedom of trade and have pressed others to adopt it and then have taken steps inconsistent with our talk.

We cannot afford to take a complacent view of the impact of our policies on the economies of other countries or on their attitudes toward us. We need friends; we need a free flow of raw materials; we need foreign markets. Foreign economic policy it not something that we can safely turn from hot to cold or back again as if it were bath water. We cannot get or keep friends by playing fast and loose with tariffs, export subsidies, and other international economic devices.

### Offers Public Spending Views

A fourth point is along a different line. I do not believe that we have yet reached the stage in the downward movement when there should be a deliberate expenditure program for the purpose of sparking the economy. We do not yet know enough about the nature of the present downturn to engage in expenditure programs that are slow in coming into effect and hard to turn off, once they are started. However, now that inflation has subsided, we can look at civilian needs more objectively. Postponed programs can be put into effect. New programs can be developed, not on the basis of curing the recession but on the basis of public benefits. If we should get into a real depression, I would favor heavy public expenditures for the purpose of pulling us out, but our job now is to prevent us from going into one, and I do not think this is the occasion to use a public expenditure program. In passing, let me say that I would consider it most regrettable to have the level of defense expenditures raised for the purpose of pulling the economy out of a slump. Defense needs, not economic needs, should determine defense expenditures. It is economic waste to spend funds on defense that are not needed for defense.

My fifth point is that if further governmental action aside from monetary relaxation is found to be necessary to meet the recession, it should be in the form of a temporary reduction of individual income taxes. We should be preparing so that such a tax reduction could be effected promptly by reduced withholding in case the economy declines much further or if there has been no considerable upturn by the time Congress approaches adjournment. It is with great reluctance that I suggest a tax reduction for this purpose because of its irreversibility. Once taxes are cut it seems that all the king's horses cannot get them up again short of war or other emergency. We have no evidence whatever that taxes would be increased again to meet an inflationary situation. Yet tax changes are one of our most effective stabilization devices and we must learn to use them if we are to maintain a stable economy.

For greatest effectiveness and simplicity, any tax cut that is made should be on the individual income tax, either in the form of a simple percentage decrease across the board or with not more than two brackets. It should be limited to the remaining portion of 1958 and 1959; and should expire automatically so that any extension would require new legislation. The reduction should appear on the income tax return clearly labeled as "temporary anti-recession tax reduction," and should be subtracted after the final computation of tax. The educational possibilities of using the tax return for teaching the public the fundamentals of fiscal policy should not be overlooked.

This means of course that the increase in the debt limit which is under contemplation in Congress may prove to be insufficient. A rigid debt limit is inconsistent with the use of tax and expenditure measures as an anti-recession device. It has many other defects as well; for example, it has forced the Executive Branch to resort to expensive substitutes for borrowing. The debt limit should be made high enough to restore ample room for maneuver by the Treasury since otherwise the use of fiscal measures for attacking the recession could be nullified.

Finally, in the midst of recession when our concern about inflation is temporarily dissipated, I think we should give a great deal more attention and study to the problem of inflation. Inflationary booms certainly accentuate and probably cause depressions. Cost-push inflation appears to be as yet an unsolved problem. Our aim is economic stability with growth and that means avoiding inflations as well as recessions.

*Statement by Dr. Blough before Congressional Joint Committee, Washington, D. C., Feb. 10, 1958.

# The Case for Investing in Natural Resource Companies

By MERTON S. ALLEN
Harris, Upham & Co., New York City

**The overwhelming institutional preference for investing in natural resource companies, and the reasons therefor, are principal topics considered in Mr. Allen's study. Cites Paley, *Life*, and N. Y. *Times* studies indicating our rapidity in becoming a "have not nation"; calls attention to industrialization-pace abroad by other nations; and notes the relatively attractive prices quoted now. Adds declines are completely unrealistic for what "in all likelihood [is] . . . a transient situation"; and notes basic stability, tax advantage and inflation-hedge protection, and limited supply available.**

The individual with funds available for investment is faced with a dilemma of no small magnitude. After determining the amount of risk he is prepared to assume, he must decide which industry offers the most attractive prospects in accordance with his portfolio requirements. Then there is the final task of singling out the most appealing security within the elected field. Among the many industries vying for his selection are: Banking, Insurance, Public Utilities, Natural Gas, Aircraft, Building, Chemical, Container, Electrical Products, Electronics, Glass, Industrial Machinery, Metal and Mining, Petroleum, and dozens more.


Merton S. Allen

**Individual Attractions**

There is undoubtedly something favorable which can be said for each. The building, railroad, airline and automotive securities are probably very depressed at this time. The aircraft and electronic companies probably will benefit considerably by the speed-up in our missiles and defense programs. The road building and school programs will benefit greatly the cement and road building equipment companies. The new easing of FHA mortgage requirements will be an aid to the building industry.

Obviously there has to be a good deal of weeding out. But where does one start? And why? It might be a good idea to see what the investment trusts have done. Into which industries have institutional funds been directed, and why?

**"Favorite 50"**

Vickers Associates, Inc., New York City, prepared a study called the "Favorite 50." This is a list prepared in the fall of 1957 of the 50 most favored stocks in the portfolios of 60 closed-end investment companies and over 165 Mutual Funds.

The market value of the "Favorite 50" represented approximately 25% of the total assets of all investment companies. A breakdown of the list disclosed that oils and natural gas issues, plus steel, metal, mining and paper stocks represented 60.8% of the list; chemicals totaled 6.6% and rubber stocks, 6.3%. If the last two were included at least partially as natural resource stocks, then natural resource securities represented 73.7% of the total. Utilities came to 6.9%; building equipment, 4.5%; electrical equipment, 3.6%; automotive, 2.5%; and miscellaneous, 8.8%. The oil and natural gas category alone represented 36.3% of the total.

An accompanying table shows the percentages of various industry holdings of, according to their latest published reports, the largest and most successful investment trusts. Balanced investment trusts were excluded because their bond and preferred stock holdings distorted the percentage as compared with their common stock funds.

**Investment Trust Study**

One will note that the study shows the largest group to be oils; this group alone represents 23% of the total assets. Coal Forest Products, Metal and Mining, Natural Gas, Rubber, Iron and Steel, total 45.8% of all investments, including the cash equivalent position. To this could be added at least part of the 6.2% of chemicals; this would give Natural Resources a clear majority.

It is further worth noting that the Aviation and Electronic groups combined total 4.0% of the trusts' investments. This group includes the airline companies and other electrical companies who, of course, do not participate in the much heralded guided missile race.

Several factors have to be taken into consideration when using the table in question. It is difficult to separate various individual companies into one category. Some chemical companies have large drug divisions, i.e., American Cyanamid, Pfizer; some building companies such as Johns-Manville and U. S. Gypsum are actually extensive natural resource companies. Some natural gas companies have large gas reserves of their own, some have none, and others are only pipe line companies. Some oil companies are crude producers, others are refiners, while others are integrated.

Many such ramifications and inadequacies are practically impossible to avoid in the preparation of such a study. Therefore the figures should not be taken at face value but only as an indication of the direction of institutional preferences.

What are the reasons for the overwhelming institutional preference for natural resource securities? There are many. Some follow:

**Government Study**

In 1952 the President of the United States established a Materials Policy Commission to determine the present and future supply of our natural resources. This commission, headed by William S. Paley, Chairman of CBS, disclosed that the United States is weak in regard to natural resources. We are rapidly becoming a "have not nation." "Life" magazine confirmed this in a feature article in June, 1952. More recently the New York "Times" concurred with a four-day series on the subject, which began on Dec. 9, 1957. The title of this series was "Dangerous Decline Found in U. S. Natural Resources."

The reason for this situation is basic. The U. S. has less than 7% of the world's population and only 8% of it land area; yet we consume almost **half** of the free world's entire volume of resources. Our rate of consumption of materials is rising along with our population growth.

Taking 1950 as a base, the Paley Commission predicted that our demand for tin by mid-1970 would increase 18%; demand for zinc would be up 39%; copper, 43%; iron ore, 54%; rubber, 89%; nickel, 100%; oil, 109%; tungsten, 150%; fluorspar, 187%; aluminum, 291%; and cobalt, 344%.

Since the report no basic major change has been indicated to alter these estimates.

Eight years have already gone by; thus we are nearing the half-way mark of these projected figures.

Since that time there have been rapid industrial strides outside of the U. S., Canada, Australia, Germany, South Africa, Japan and the countries of South America are all going through industrial revolutions of modest proportions. The Near and Far East are seething with people demanding more and better material goods. Past experience has indicated that surveys, such as the one made by the Paley Commission, usually underestimate projected demand. There is a better than even chance that this will be the case for natural resources.

Large natural resource companies, such as U. S. Steel, Anaconda Copper, International Nickel and Gulf Oil, have further confirmed, by their own studies, that future demand for their products will be substantial. They have, therefore, been taking anticipatory steps for a number of years. All indications point to continued efforts to prepare for enlarged future demand.

It is difficult, if not impossible, for these companies to keep supply exactly attuned to demand. There undoubtedly will be periods in which demand will exceed supply and, of course, times when production ability will outpace needs. The present economic situation combined with expanded capacity has brought about a short term surplus in most basic resources.

**Market Prices Now Relatively Attractive**

These circumstances have created a negative attitude toward natural resource securities on the part of the **individual** investor. The present unpopularity of these securities has caused declines which seem completely unrealistic. International Resources Mutual Fund reviewed the securities performances of natural resource companies from their market highs of 1956-57 to the year end 1957 and found the following percentage declines within Standard & Poor's industrial groups:

| | % Decline |
|---|---|
| Aluminum | 53.5 |
| Coal | 39 |
| Copper | 49.0 |
| Gold | 27.1 |
| Lead and Zinc | 55.6 |
| Mining and Smelting | 41.2 |
| Domestic Integrated Oils | 33.0 |
| Integrated Oils | 25.2 |
| Paper | 31.7 |
| Steel | 31.3 |
| Steel Alloys | 36.5 |
| Sulphur | 48.5 |

It should be noted that some of these groups, prior to the above declines, had rather substantial advances during the bull market period. It would seem, however, that there is a good probability that the declines indicated have **overdiscounted** what is, in all likelihood, a transient situation.

One decided advantage natural resource companies have over manufacturers of industrial goods is that they are seldom plagued with conforming to the rapidly changing style whims of the purchasing public or unexpected technological advances of their competitors. These fads are causing more than a little anguish in the automotive field as well as in the refrigerator, washing machine, television, clothing, retailing, food, etc. industries. The automobile manufacturer is faced today with changing substantially the styling of his automobiles each year.

In 1957, the automotive giant General Motors, jeopardized its leading position in the industry because style initiative was seized by Ford and Chrysler. The toll of fashion races is a mounting financial burden and it does not secure the investing companies with any continuing advantages. Such a competitive state has been reached in many industries that companies involved almost have to enter a brand new business each year with very limited carry-over advantages from the past.

**Vicissitudes of Manufacturers**

Rapid and unexpected shifts in technological progress have long been a thorn in the side of the purchasers of aircraft, missile or electronic securities. Who is going to get or lose the government contract? Boeing, McDonnell, United Aircraft, Douglas, North American, Grumman, Lockheed, General Dynamics, Northrop, Republic, Marquardt, etc.?

Who is going to benefit most as an electronics parts supplier? General Electric, Sylvania, Philco, Bendix, Admiral, Westinghouse, Borg-Warner, Avco, Radio Corp. Motorola, Thompson Products, Stromberg, Hoffman, IBM, Sperry Rand, Hughes, Mallory, etc.? At best it is a difficult choice among many fine companies. One company does not long remain a "favorite" among such competition.

Government intervention is a factor which affects the railroad, utility, pipeline, airline, telephone and like companies negatively as investments, through the setting of rate schedules. While many of the companies within these industries enjoy local monopolies, more often than not managements are hamstrung by the red tape of

| | Dividend Shares | Eaton & Howard Stock | Fidelity Fund | Fundamental Investors | Incorp't'd Investors | Investm't Co. of America | Lehman Corp. | Mass. Invest. Trust | *Tricontinental | U. S. & Foreign | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Aviation & Airlines | 1.6% | .... | 1.4% | .6% | .... | 2.0% | .... | 2.9% | .9% | .... | .9 |
| Automotive | 2.3 | .... | 1.0 | 4.3 | .... | 4.8 | .... | 4.6 | .... | .... | 1.7 |
| Bank & Finance | 6.0 | 2.5% | 3.7 | 3.7 | .... | 6.7 | .1% | 1.1 | 1.2 | .... | 2.5 |
| Building | 1.9 | 2.2 | 3.8 | 4.1 | .... | 4.3 | 1.6 | 5.3 | 1.3 | .... | 2.5 |
| Business Machines | 2.9 | 2.3 | 2.4 | 3.0 | 3.1% | 2.9 | 2.5 | 4.1 | 2.7 | .... | 2.6 |
| Chemical | 7.6 | 6.1 | 3.5 | 4.0 | 1.7 | 4.0 | 6.2 | 5.8 | 5.5 | 18.0% | 6.2 |
| Coal | .... | .... | 1.2 | .... | 8.3 | .... | .... | .... | .... | .... | .9 |
| Drug | .8 | 2.0 | 1.9 | 1.5 | .... | 2.8 | 4.4 | 1.9 | 2.0 | ** | 1.7 |
| Electrical | 1.8 | 4.3 | 1.7 | 4.1 | .... | 5.9 | 2.8 | 3.4 | 7.3 | .... | 3.1 |
| Food and Beverage | 1.4 | .... | .... | .... | .... | .... | 1.8 | .... | 1.5 | .... | .5 |
| Forest Products & Package | 4.5 | 2.9 | 5.0 | 8.1 | 9.3 | .5 | 4.6 | 4.5 | 2.2 | .... | 4.2 |
| Insurance | .... | 8.7 | 2.8 | .... | .... | 2.6 | 1.2 | .... | .7 | .... | 1.6 |
| Machinery & Equipment | .... | 2.7 | 3.5 | 3.3 | 1.5 | 4.9 | .... | .... | .... | .... | 1.6 |
| Metal & Mining | 2.0 | 3.5 | 3.1 | 4.9 | 15.9 | 6.4 | 7.5 | 6.9 | 3.3 | 10.9 | 6.4 |
| Natural Gas | 3.5 | 4.6 | 3.7 | 1.9 | .... | 1.5 | .... | 3.2 | 2.4 | 1.4 | 2.2 |
| Oil | 15.4 | 15.4 | 22.1 | 22.9 | 23.08 | 13.5 | 30.8 | 23.0 | 20.5 | 44.0 | 23.1 |
| Railroads | 4.2 | .... | 4.8 | 4.5 | 11.1 | 2.7 | .... | 4.4 | 1.4 | .... | 3.3 |
| Retailing | 3.8 | 1.5 | 1.2 | .6 | .... | 3.2 | 4.3 | 1.6 | 2.3 | 1.1 | 2.0 |
| Rubber & Tire | 2.9 | 2.9 | 3.5 | 5.7 | 6.5 | 1.5 | 3.5 | 5.7 | 1.4 | .... | 3.4 |
| Steel & Iron | 5.4 | 4.5 | 8.8 | 10.0 | 6.8 | 8.0 | .... | 8.1 | 5.5 | .... | 5.7 |
| Utilities | 13.2 | 8.8 | 2.1 | 3.9 | .... | 7.0 | 18.6 | 8.7 | 20.1 | 2.2 | 8.5 |
| Other Industries | 1.9 | 12.5 | 5.6 | 7.3 | 5.1 | 3.2 | 6.3 | 4.8 | 17.8 | 8.2 | 7.3 |
| Cash Equivalent | 16.9 | 12.6 | 13.2 | 1.6 | 6.9 | 11.6 | 3.8 | .... | * | 14.2 | 8.1 |

**Drugs are included in the chemical figure stated. *Tri-Continental is a balanced fund, so the common stocks percentages were adjusted to make it comparable to other common stock funds. Actual cash and government securities totaled 3.26%; other bonds amounted to 16.45; and preferred stocks were 8.09% of the portfolio.

| Approximate Price Range 1956-58 High | Low | Industry and Company | Approx. Price Feb. 14, 1958 | Indicated Dividend Rate | Yield (1%) | Interim Earnings per Share Current | (Mos.) | Previous | P-E Ratio (1957 E Earnings) | 1957 E Earnings Per Share |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Building Materials— | | | | | | | | |
| 59 | 34 | Johns-Manville | 38 | 2.00 | 5.3 | 2.01 | (9) | 2.95 | 13.8 | 2.75 |
| 44 | 21 | Penn-Dixie Cement | 29 | 1.20 | 4.1 | 1.23 | (9) | 2.45 | 16.4 | 1.75 |
| 77 | 51 | U. S. Gypsum | 76 | 2.75‡ | 3.6 | 3.71 | (9) | 3.92 | 15.6 | 4.75 |
| 43 | 31 | Weyerhaeuser Timber | 38* | 1.00 | 2.6 | 1.39 | (9) | 1.57 | 21.0 | 1.80 |
| | | Chemicals— | | | | | | | | |
| 67 | 33 | American Potash & Chemical | 38 | 1.00 | 2.6 | 1.78 | (9) | 1.91 | 16.0 | 2.35 |
| 92 | 36 | Filtrol Corp. | 43 | 1.80 | 4.1 | 2.49 | (9) | 3.14 | 11.4 | 3.75 |
| 39 | 14 | Texas Gulf Sulphur | 17 | 1.00 | 5.9 | 1.37 | (9) | 2.17 | 9.4 | 1.80 |
| | | Metals and Mining— | | | | | | | | |
| 115 | 66 | International Nickel** | 75 | 3.75‡ | 5.0 | 4.52 | (9) | 4.58 | 12.6 | 6.00 |
| 70 | 22 | Kaiser Aluminum & Chemical | 24 | 0.90 | 3.6 | 1.36 | (9) | 2.17 | 13.8 | 1.75 |
| | | Oil— | | | | | | | | |
| 73 | 47 | Cities Service | 48 | 2.40¶ | 5.0 | 4.43 | (9) | 4.30 | 8.6 | 5.60 |
| 152 | 83 | Gulf Oil | 105 | 2.50¶ | 2.4 | 9.32 | (9) | 7.22 | 9.8 | 10.75 |
| 60 | 37 | Royal Dutch Petroleum | 40 | 1.31 | 3.3 | 4.65 | (9) | 3.68 | 6.7 | 5.90 |
| 66 | 44 | Socony-Mobil Oil | 46 | 2.50‡ | 5.5 | 3.87 | (9) | 4.19 | 8.7 | 5.25 |
| 60 | 43 | Standard Oil Co. of California | 45 | 2.00 | 4.2 | 3.35 | (9) | 3.01 | 10.0 | 4.50 |
| 76 | 53 | Texas Company | 58 | 2.35‡ | 4.0 | 4.43 | (9) | 3.78 | 9.7 | 6.00 |
| | | Paper— | | | | | | | | |
| 45 | 31 | Champion Paper & Fibre | 37 | 1.20 | 3.2 | 1.31 | (6) | 1.62 | 13.4 | 2.75 |
| 58 | 40 | Kimberly-Clark | 50 | 1.80 | 3.6 | 1.47 | (6) | 1.49 | 17.6 | 2.85 |
| 60 | 23½ | St. Regis Paper | 31 | 1.40 | 4.5 | 1.75 | (9) | 2.37§ | 13.0 | 2.40 |
| | | Steel Companies— | | | | | | | | |
| 64 | 35 | Jones & Laughlin (adj.) | 39 | 2.50¶ | 6.4 | 4.88 | (9) | 4.88 | 6.0 | 6.50 |
| 65 | 23 | Kaiser Steel | 31 | 0.40 | 1.3 | 5.13 | (9) | 5.24 | 6.2 | 5.00† |
| 60 | 37 | Republic Steel | 43 | 3.00 | 6.9 | 4.68 | (9) | 3.61 | 7.2 | 6.00 |
| 74 | 38 | U. S. Steel Corporation | 57 | 3.00 | 5.2 | 5.77 | (9) | 4.18 | 7.8 | 7.25 |
| | | Rubber Companies— | | | | | | | | |
| 101 | 68 | Firestone Tire | 85 | 2.60¶ | 3.0 | ... | | ... | 11.4 | 7.47§ |
| 95 | 60 | Goodyear Tire & Rubber | 72 | 2.40¶ | 3.3 | 4.98 | (9) | 4.47 | 11.0 | 6.50 |
| | | Miscellaneous— | | | | | | | | |
| 84 | 37 | Pittston Company | 45 | 1.20 | 2.6 | 5.06 | (9) | 3.75 | 6.0 | 7.50 |
| 106 | 57 | Corning Glass Works | 77 | 1.50‡ | 1.9 | 1.86 | (9) | 2.05 | 31.0 | 2.50 |
| | | Co.'s with Uranium Kicker— | | | | | | | | |
| 88 | 39 | Anaconda Company | 42 | 3.00 | 7.1 | 3.36 | (9) | 9.80 | 10.5 | 4.00 |
| 40 | 31 | Homestake Mining | 38 | 2.00 | 5.3 | 1.13 | (6) | 1.09 | 17.6 | 2.15 |
| 76 | 38 | Kerr-McGee Oil | 40 | .80 | 2.0 | 2.31 | (12) | 2.16 | 17.6 | 2.31 |

*Over-the-counter offered price. †Excludes non-recurring income. ‡Includes extra dividends. ¶Plus stock dividend. §Pro forma data. **Canadian corporation; balance sheet statistics in Canadian currency; dividends subject to 15% Canadian non-residence tax withheld at source.

constant government regulation over its servicing and pricing judgments. Relatively speaking, natural resource companies are free from these negative factors.

### Basic Stability

The above circumstances rarely affect the natural resource companies. Paper, aluminum, oil, rubber, etc. are always in style and most of these commodities are constantly finding new markets.

Further, if business is poor one year, the inventory problems are quite dissimilar. The difference in moving last year's television set versus last year's coal should be quite discernible.

The scale is further weighted in favor of the natural resource company by our tax laws. It has long been recognized that the depreciation and depletion allowances are considerably more favorable to extractors of the earth's resources than to manufacturing companies.

### Inflation Hedge

Almost any economist will agree that the consistent erosion of the purchasing power of money, or, inflation, if you will, is inevitable. History has proved that, at best, inflation has only been delayed during various periods of our economic development. During such times companies who extract from the earth the products they sell, cut back production according to demand. Prices seldom recede beyond the level from which they commenced their climb. When business again resumes a high level, prices of natural resources have a tendency to increase to new heights. Thus the value of the assets retained by oil, mining, forestry companies, etc. tha tthe United States is weak in tends to increase with the passage of time.

### Limited Supply

There is a limited surface area to this world of ours. So much of it land area and the rest sea and ice. Parts of it are readily accessible and others not. It contains a fixed amount of oil, bauxite, gold, uranium and other natural resources. Some of what the earth contains has been found and has been used. What has already been found is owned by various companies and/or countries. There is still more to be discovered. Obviously, that which has been most readily accessible was first to be developed. Those resources which have not yet been disclosed, in all probability, will prove relatively costly to develop.

The odds almost of necessity dictate that the major natural resource companies which exist today will be the ones to secure the major resource finds of tomorrow. The population of this globe of ours continues to grow—but the availability of natural resources to supply them, does not.

### Conclusion

The foregoing does not mean to imply that all one must do to be a successful investor is dash out immediately and start purchasing natural resource companies; or that such securities are to be purchased with quick profits in mind. The issues following are suggested long-term investments only. They are, for one reason or another, especially attractive at this time.

# Hauser, Murdoch, Rippey Formed In Dallas

DALLAS, Texas—Hauser, Murdoch, Rippey & Co., Adolphus Tower, has been formed to succeed to the investment business of Reed & Sloan Investment Co., Inc. Officers are Myron Hauser, President; Richard Murdoch, Vice-President; and T. Ames Rippey, Secretary.

# An American Road to Survival

By CECIL BROWN*

Commentator, American Broadcasting Co.

President, Overseas Press Club of America, New York City

**True we have not stood still but we have not done enough, nationally known TV-Radio commentator asserts in recalling our former position as "leader of the Free World." Cecil Brown explores liquidation of our previous advantage and castigates "incredible utterances of our leaders—that we will 'catch up' with Soviet Russia." In urging a "giant step" toward military strength as well as peace, Mr. Brown assays wrong and right activities and warns "we can compete only by competing."**

We Americans are usually oscillating between arrogance and apprehension — between indifference and near-hysteria.

Cecil Brown

There is, it is quite evident, much wailing at the wall and wringing of hands, because our economy has the motions of a crab and is moving sideways, because of Sputnik and Little Rock, and because the Russian bear has jumped over Turkey and is making a home in Syria.

We are not left naked by these events. But it is getting rather annoying to find ourselves, so often, with egg on our faces.

While we bite the Russian-made dust whipping over us from outer space, we are, at the moment, in between bodily chemical changes.

We are teetering between a giggle of casualness and a scream of despair. We are not quite sure whether we should jump out of bed, or go on yawning, sleepily murmuring: Oh, Uncle Ike will take care of everything.

It is only saying the obvious now to say, that we, the White House, the Congress, the nation's media of communications, the business community, and the vast majority of the American people have luxuriated in almost five years of Rip Van Winkelism.

That state of suspended animation was so profound and precious that those who tried to puncture the blissful somnolence found themselves denounced as unpatriotic and even subversive.

Now, President Eisenhower, Congressmen and editors are sounding the cry that lay silent in their throats and stilled in their pens, for so long — the cry of:

Awake, ye Americans, and arise. Come out from behind that eight ball.

We have the precious opportunity to help manufacture peace in a quivering world. And quiver it does, for we tremble on the razor-sharp ridge that separates golden promise and unimaginable desolation.

We are engaged in the exchange of goods. I suggest that that field of endeavor may contribute more to the fashioning of a spirit of bearable tolerance between peoples and nations — which is the real definition of peace—than the statesmen, the bomb throwers, the Madison Avenue and Red Square slogan makers and, I blush to concede, even the news commentators.

You know, after the events of the past few years, and the way some of our leaders reacted to the first Sputnik, I have the frightening thought that perhaps our government officials don't know any more than the commentators.

But then surely, our condition cannot be that desperate.

In many respects, the dominant characteristic of the 20th century is not idealism, but materialism. The slogans continue to be—life, liberty, the pursuit of happiness, freedom, democracy, individual rights. We deeply cherish such words. Even the communists use them. Thus, they are aspirations which do indeed have a universal appeal.

But this century is the age of: Gimmie. The most strident voice heard 'round the world is: I want mine.

Such yearnings have been known, of course, since time began. But in this second half of this century, there's an essential difference.

Now, people do not merely say: I want what I should have in a world that has become a cornucopia of possibilities. They say: I *mean* to have it.

### 20th Century Revolt

The 20th century revolution is a revolt, not against tyrannical French or English king, an obtuse Czar, a maniacal Fuehrer, or a comic Italian dictator.

It is a revolt to secure individual material blessings. It is a world-wide uprising against the notion that the good things of life, the decencies of human existence, are not permissible or obtainable for any of God's children.

That attitude is a startling and stunning change in the attitude of mankind toward his destiny.

I hasten to add that a good thing of life need not be a Cadillac. It could be a wheel barrow. It need not be a Waldorf-Astoria luncheon. It could be only an assured bowl of rice every day. It need not be a swank Park Avenue apartment. It could be a shack with a roof that does not leak.

I submit that desires such as these are not only basic but what is more pertinent to our times, they are now determinedly demanded — and to a very great degree it is immaterial to millions whether the vehicle that carries them is called capitalism, socialism, communism. It seems to me that this desire to have the rewards of industry, science and distribution is now pulsating — rather even, roaring — in the hearts and minds of the offspring of this century.

Unless we all recognize it and all help to deal with it quite effectively and intelligently, we are all fated to stumble drunkenly toward the next century—if we are not interrupted.

I doubt whether anyone can visit Africa and Asia, as well as Europe, these days, without recognizing the definition of our enemy, given by General George C. Marshall in 1947, when he was Secretary of State.

Then, he said: "Our enemy are hunger, poverty, desperation and chaos."

And it might be added, those are allies of Communism.

No sensible person can visit Russia, as I did this past summer without returning with an absolute conviction:

That the Soviets want the ultimate world-wide triumph of their cause.

But then, let us remember, so do we want the triumph of ours.

To be sure, our methods are different. We seek to win, by persuasion, precept and participation. The Soviets aim to win by conquest, infiltration, intimidations and, if you will pardon the play on words — by cut-throat tactics.

We, the richest people on earth, but an insecure, baffled and not very well informed people, are thrown into a tizzy by each purge in Moscow, and each Soviet gyration.

Is it not time by now to develop one conviction?

The present rulers of the Kremlin, in the conduct of foreign policy, are not dissimilar, one iota, from their predecessors. They are at war with us, and they mean to do us in.

### Two Courses to Follow

Now, as we, and they, trudge down the Sputnik, missile, jet bomber strewn path of this century, we, and they, have two choices, two courses to follow.

One, quite obviously, is war.

That, however, would resolve only one point: How little of the world would be here, and how few people can remain in it, after madmen have scattered hydrogen bombs like confetti.

After such an adventure, only one question could be asked: Where is everybody?

The second way to approach the next century is to be found in the treasured American word — competition — or, the Soviet's treasured words—co-existence.

We may shrink from that now red-starred word — co-existence. But surely, we cannot quail and

Continued on page 26

*An address by Mr. Brown before the Final General Session of the National Foreign Trade Convention, New York City.

# Permanent Optimistic Bias—A New Problem for Forecasters

By DR. A. G. ABRAMSON
Director of Economic Planning
S. K. F. Industries, Inc., Philadelphia, Pa.

**Copious pressures fashioning uncritically held optimistic business views are surveyed by industrial economist who compares this "mood of the moment" optimistic bias with opposite held during the days of the "mature economy" thesis. Dr. Abramson finds the pressures include: private and governmental leaders' assumption that the level of business is a matter of psychology, emphasis on long-term prospects, belief we can now mitigate the business cycle, and argument we cannot allow economic conditions to sabotage our world leadership position, internationally, or political party chances, domestically. Cautions forecasters and notes skepticism regarding value of business outlook seminars.**

It has long been said of people in general that they tend to project the current scene into the future. If conditions are good, people tend to believe they will remain good—if they are bad, to believe they will remain bad. This "mood of the moment" forecast has also been used to describe the short-range projections of professional business conditions analysts. In one of its 1955 bulletins, the Federal Reserve Bank of Philadelphia offered this advice to forecasters:

A. G. Abramson

"One of the lessons of history is to be wary of moods of the moment. Prolonged depressions started us searching for changes which would explain an apparent condition of chronic stagnation; extended booms, on the other hand, have often inspired explanations as to why depressions have become a relic of the past. Realism demands that we avoid being carried away by either extreme."

When business conditions change, there is a natural inertia which causes people to resist recognition of the shift. This reluctance or lag is due also to the "mental conditioning" which develops during a prolonged boom or decline. Philosophies such as the "mature economy" thesis develop to explain why a decline may persist indefinitely and "rolling readjustments" to explain why a boom may never be interrupted.

Everyone hopes for and works toward that happy time when we have found a way to achieve continuous growth without inflation and without destroying those economic liberties essential to a free society. Few believe that time has arrived. Yet much of the comment on the business outlook suggests we have reached the stage where readjustments will mean no more than a leveling out for measures of total activity. Is this common position a result of the "conditioning" analysts have received during the years following World War II? Or is it because this period has resulted in an optimistic bias which is more permanent or tenacious than those which grew out of previous booms?

### Unsubstantiated Optimism

Pressures to be optimistic come from many directions and sources. A new one was added in 1946 when the Employment Act of that year was passed and the maintenance of economic activity became a formally accepted governmental objective. Geoffrey Crowther, referring to the acceptance of similar responsibility by the British Government, wrote in 1956:

"Both parties seem to accept without demur their responsibility for maintaining the economic health of the community. They differ on the methods they choose to employ, but not (apparently) in their confidence they can do it. The new doctrine is so universally accepted that one would be thought very eccentric, and very reactionary, even to question it. Yet the odd thing is that this responsibility has been accepted without the slightest proof that anyone knows how in fact, it is to be discharged."

Under ordinary conditions it would be considered poor politics for an office holder or seeker to proclaim that economic conditions had become or would soon become bad during his tenure. Although hedged in the act itself, the official acceptance of this new responsibility adds more pressure in the same direction. This does not imply, of course, that those engaged in the technical or professional end of the project slant their conclusions. But there is obvious pressure to put as good a face as possible on anything held up for the public to see. If the government is responsible for the maintenance of acceptable economic conditions, one must assume they have the ability to discharge that responsibility. If conditions are not good, then there has been failure to act wisely or in time. The pressure not to admit failure and invite defeat at the polls is obvious. There is a strong vested interest in preserving the statistical facade of prosperity.

The pressure on the forecaster to be optimistic comes also from leaders in private as well as governmental organizations. Some of these leaders or top executives believe the level of business is totally or largely a matter of psychology—therefore no one should make any public statements which would weaken confidence. Others believe forecasts of business declines create antagonism or fear on the part of customers and therefore should be avoided.

### Similar Compulsions Within Firms

Similar compulsions exist within individual private firms. Salesmen are supposed to be eternal optimists—always increasing their sales and share of the market. Production people want long "runs" and low costs — which means larger volume. Personnel people like expanding or stable employment — declines create problems and dissatisfaction. All other conditions being the same, financial people find an expanding company usually more profitable and its problems more managable. Analysts of the business cycle are aware that these pressures within the individual business unit tend to result in over estimation of demand and are a factor in creating the cycle. The effect of these pressures on the analysts' own estimates has not been so widely acknowledged.

### Stress on Long Run

Another new compulsion to be optimistic has developed out of the recent emphasis on long-term prospects. This emphasis has affected the forecaster in two ways. First, such long-term planning is supposed to modify short-term movements in a favorable way because important segments of the business community are now acting on the basis of long-term growth, labor shortages, etc., rather than adjusting to short-term declines in demand. This basis for action means business activity will be more stable—for example, it is supposed to result in more even expenditures for new plant and equipment, at least for the large companies. Secondly, analysts who concentrate on the long run are presumed to deal with more fundamental forces and therefore provide more worthwhile and useful conclusions. This point is illustrated by the following comments of William C. Bober in the "Harvard Business Review":

". . . we must learn to distinguish the fundamental from the spectacular, the permanent from the ephemeral, the profound from the superficial. . . . It is the explosive events of the moment that catch and hold our attention . . . most of these short range crises are not the stuff out of which history weaves its great permanent fabrics."

Or as the London "Economist" described it:

". . . the gleam of vision beyond the preoccupation of each recurrent crisis."

Since the long-term future is almost universally regarded as a period of strong, or even phenomenal, growth, emphasis on this period results in more optimism than does an attempt to detect short-term fluctuations.

The push toward optimism has been strengthened also by the economic developments of the past decade or so which have induced some analysts to feel the business cycle has been substantially modified. This belief is based on the growth of long-term business planning, the increase in importance of the governmental and non-manufacturing sectors, the growth of organized industrial research, the development of many new and important industries, governmental actions to maintain income, a larger percentage of "spending units" in the higher income brackets, greater knowledge of the causes of business fluctuations, long-term wage contracts, etc. If these measures and developments are effective, then business fluctuations should be reduced in magnitude and severity or eliminated. The forecaster who believes in the probability of such results would obviously not predict declines, or at least none as severe as we have had previously.

### World Leadership

Another new compulsion to be optimistic about business prospects comes from the "cold war" and our position of leadership in the free world. In general the argument is that economic conditions in the United States influence the economic health of our allies and of that part of the world which is uncommitted. This is true because of its effect on world trade, or economic assistance or psychological warfare. A decline in economic activity in the United States is said therefore to be a threat not only to our leadership but to the unity of the free world and to our success in convincing those still "on the fence."

This is a powerful and persuasive argument. It is similar in emotional content to the argument that a decline in business would be political suicide for a party or single office holder. Its actual effect on the forecaster is difficult to assess, but its tendency is clear. If the analyst is uncertain as to his conclusion after a study of the facts, or if he believes business conditions are largely a matter of psychology, then visions of his pulling the rug out from under a gallant, far sighted, and unsuspecting Uncle Sam would undoubtedly have its obvious effect on his forecast.

### Natural Tendency

The tendency to be optimistic has always been strong since no one wants to be the bearer of bad news and everyone wants to be prosperous, happy, and well liked. This attitude tends to become stronger and more permanent during a prolonged business boom. In the past decade or so the public expression of optimism about the business outlook has become more enduring because of the acceptance of governmental responsibility for maintenance of employment, the growth of long-term business planning, the new international responsibilities of the United States, domestic economic developments believed to modify the cycle, and new pressures within individual companies and other economic and political units.

### Skepticism on Outlook Symposiums

Bias of any sort is, of course, bad medicine for a forecaster. Optimism has become so permanent a pose that many analysts now question the usefulness of most public and many private conferences on the business outlook. Some more outspoken observers question the validity of some published data, particularly those frequently revised, ponderous measures of overall activity which always rise.

Economics has been called "the dismal science" and its practitioners "sad, thin men wrapt in gloom and eloquent only in prescribing misery." This day has certainly passed as far as forecasters are concerned. The new attitude is reflected in the following comment by a management association official:

". . . forecasts unfortunately tend to support popular sentiment . . . published forecasts try to please the reader."

It is easy to misrepresent, misinterpret or misunderstand the state of things in the forecasters trade. Valid generalizations are as difficult to establish here as elsewhere. But the pressures toward continual optimism are so strong as to suggest the usefulness of a bit of self-examination.

# Eisenhower Expects Recession to End in March

**In a special statement, answering pessimistic utterances regarding employment trend, President believes we have had the worst of unemployment; forecasts March "should mark the beginning of the end of the downturn in our economy"; and is confident in the "recovery of our economy later this year . . ." Also, releases a fact-paper showing right, not the wrong, steps that have been and will be taken to spur recovery.**

*Following is the text of President Eisenhower's special economic forecast statement of Feb. 12 and fact paper setting forth programs and policies bearing on the current economic situation:*

Yesterday the Departments of Labor and Commerce published figures for January on employment and unemployment. They indicate that the current falling off in the economy is sharper than usual for this time of year.

Pres. Eisenhower

All of us are deeply concerned over the hardships that these figures record for the families of the additional bread-winners temporarily out of work, and those that have gone on a shortened work-week. I know that we are concerned, too, with the loss of production involved and the pressure this puts on many businesses across the land. While these developments reflect important features of our present economic situation, they must be seen in perspective as we look ahead.

### March Pick-Up

From the best advice I can get, and on my own study of the facts regularly placed before me, I believe that we have had most of our bad news on the unemployment front. I am convinced that we are not facing a prolonged downswing in activity. Every indication is that March will commence to see the start of a pick-up in job opportunities. That should mark the beginning of the end of the downturn in our economy, provided we apply ourselves with confidence to the job ahead. As Americans we have a responsibility to work toward the early resumption of sound growth in our economy.

### Confident of Upturn

I have confidence in the recovery of our economy later this year for two reasons.

First, it is my conviction that the underlying forces of growth remain strong and undiminished. As a nation, we must provide the needs of a population growing at a rate of three million a year. Billions of dollars are being spent every year on research and developments that will mean new products and new jobs. Overseas economic development will provide growing markets for our resources. The future will belong, not to the faint-hearted, but to those who believe in its and prepare for it.

Second, the firm policy of the Government is to foster this recovery in every sound way. I am making sure that we will go forward on every practical avenue of action. Some steps have already been taken; others are under administrative review; still others are before Congress in the form of requests for legislation.

### Action Taken

To dispel false impressions and to make clear the activities of this Administration in these fields, I am releasing today a fact paper setting forth programs and policies bearing on the current economic situation. They include action in recent months by the Federal Reserve System to ease credit, with dramatic results already achieved in a greater availability of credit and lower borrowing costs. Steps have been taken, going back to last August, to stimulate home building, even though we were disappointed by the failure of the Congress to authorize interest rates that would attract mortgage money into many phases of home construction. They also include sharply stepped-up expenditures on the national highway building program, an increase in activity under the urban renewal program, and a sharp increase in the first half

Continued on page 36

# Taxes and Economic Conditions

By WALTER MAYNARD*
Partner, Shearson, Hammill & Co.
Chairman, Federal Taxation Committee of Investment Bankers Association of America
Governor of the New York Stock Exchange

**Securities firm's partner testifies that stimulating effect of tax reform at this recessionary time would be especially desirable since punitive rates and steep progression of personal income tax seriously affects all sectors of small business and general economic health. Besides advocating income tax reform, Mr. Maynard suggests reforms in capital gains tax, dividend credit and pension plans for self-employed individuals.**

The members of the Investment Bankers Association operate in areas of the economy which are extremely sensitive to shanges in economic conditions. The businesses of the Association's members come under the general heading of small business, in that the median capital of our members is about $225,000 and the median number of employees is about 22.


Walter Maynard

Partnerships comprise a high proportion of our membership. Of the corporations, only an extremely small minority is publicly owned. Our business is to a great extent affected by changes in demand for capital goods, and by changes in interest rates—areas in which swings of great amplitude occur. Our views expressed here reflect the experiences gained from these circumstances.

We consider that the most serious single problem affecting all sectors of small business, and the general economic health of the United States, is that of the punitive rate and steep progression in the personal income tax. In addition to proposals for reform in the personal income tax, I will also discuss reform which our Association would like to see in the capital gains tax, dividend credit and pension plans for self-employed individuals.

### I
### Personal Income Tax Rates

It is our belief that personal income tax rates which exceed 50% are in essence punitive rather than economic, and that rates exceeding 50% produce harmful economic effects which in the long run subtract more from the tax producing capability of the economy than they directly add in revenue.

The harmful effects of tax rates exceeding 50% include the fact that such rates subsidize extravagance, penalize creative effort and cause a tremendous shift in incentives—away from constructive effort and toward tax avoidance.

In the matter of extravagance, rates in excess of 50% in effect cause the Treasury to bear the major part of the cost of every business luxury in which a taxpayer is willing to indulge, ranging from antique Chippendale desks in executive offices, through directors' meetings in exotic climates, to reckless advertising expenditures.

Human nature being what it is, it is easy to see that when at any time a taxpayer finds himself in a situation in which he can keep less than half of each additional dollar that he creates, he will be tempted to work less hard. While possibly not unpleasant for the individual, this situation is harmful in an economy which must grow in order to bear the burdens of rising population, international leadership, and the added defense responsibilities which are now being thrust upon us.

The premium on a strong shift in human endeavor away from creative effort and toward tax avoidance which comes about when an individual's tax rate exceeds 50%, must be obvious. In fact, the forces making for tax avoidance and evasion, and the tendencies toward increasing exceptions and complexities in our tax laws made necessary by our slavish adherence to rates which are both arithmetically and humanly unsound, are so strong that it seems not fanciful to predict that unless fairly soon we accept the simplest of tax reforms and abandon purely punitive rates which run up to 91%, our whole tax collection system, which in large measure depends upon voluntary cooperation by the taxpayers, will in time gradually falter and perhaps ultimately fail.

Also, although our steeply progressive tax structure is based on a "soak-the-rich" concept, actually the rich can easily avoid much of its impact by simply buying tax-free securities or seeking tax shelter in other ways. Venturesome small businessmen in industries which fluctuate widely are *really* hurt by our tax structure.

Departing from these general considerations to specific recommendations, our Association believes that a start should now be made on tax reform through firm forward scheduling of tax reductions in all brackets, from the highest to the lowest, so that within a reasonable period of time the top tax rate is brought to a level below 50%.

The members of this Association are especially interested in tax reform of this nature because incomes from their businesses tend to fluctuate extremely widely, and these fluctuations generally arise from forces entirely beyond their control. In the business history of men in our business it frequently happens that in only one or two years of a lifetime they enjoy really large incomes, which, under a more reasonable tax structure, would enable them to save some provision for retirement.

### Averaging of Income Should Be Permitted

For this reason also, our Association urges that there be included in the tax laws a provision for *averaging of incomes* over a reasonable period, say five years. An added reason for this recommendation is one of equity. The arithmetic of a steeply progressive tax structure is that a man receiving income in equal annual instalments will pay less in tax than a man receiving the same amount of income in irregular amounts.

### Tax Reform an Economic Stimulant

With respect to the foregoing proposals, it is the considered view of this Association, the members of which, after all, must make it their business to study economic trends with the closest attention, that tax reform along the lines suggested will not, in even a fairly short period of time such as two years, cause any significant reduction in tax revenues to the Treasury. On the contrary, the added incentives to creative work, the diminished incentives to tax avoidance and extravagance, and increased formation of venturesome capital which it would bring about, would, we are convinced, bring to the Treasury far higher sums than would be produced if the reforms were not enacted. The stimulating effect of tax reform would be especially desirable at this juncture when business is sagging and our national burdens are increasing.

### II
### Capital Gains Taxation

In another area of taxation the Investment Bankers Association, in common with other organizations in the financial industry, has a special interest, that is the area of capital gains taxation.

Any analysis of the fundamentals of capital gains taxation would reveal that the capital gains tax, as it stands, is not a tax on capital gains at all. A true capital gains tax would require a periodic appraisal of all property, and the payment of a tax on increases in value regardless of whether or not the property had been sold. Because we only levy a tax on capital gains at a time when property is sold at a profit, our capital gains tax is in reality a *variable rate transfer tax*. If it were proposed to your Commitee that a transfer tax on sales of property were to be imposed at a rate of 20%, you would undoubtedly—and quite properly—reject the idea on the ground that it would bring transactions in property to a halt, and for this reason would not only be destructive of economic activity, but also would not bring in any substantial amount of revenue.

Yet, this is exactly the situation which exists in a great deal of property in the United States today. As a realistic example, in 1946 Standard Oil of New Jersey stock sold at 10; it is now selling at 50. A buyer of Standard Oil of New Jersey in 1946 at 10, who now wished to make a more venturesome investment, would be required to pay a tax of 25% of his capital gain of 40 points. The 10 points of tax represents 20% of the present value of his investment. The same situation in varying degrees exists throughout our economy, not only in securities but in farms, forests, commercial properties and small businesses.

Congress has granted some relief in this respect to owners of dwellings, who are now permitted to sell their homes free of tax if they buy a new one within a year. One of the considerations leading to this provision was that the rise in the price of homes which produced the gain subject to tax was in large measure due to inflation, and therefore *illusory*—and illusory gains should not be taxed. A large part of the gains now existing in other forms of property is also illusory. For these reasons we believe that the treatment accorded the owners of homes should be extended to owners of all forms of property.

We also urge that the present maximum rate of the capital gains tax be cut in half. It is our belief that at this rate returns from the tax would be greatly increased. We also would like to see the present six months holding period shortened to three months, and the amount of loss which may be deducted from ordinary income increased to $5,000.

We also suggest that the law be amended to provide that in no event shall the amount of capital gains tax collected on a transaction exceed 4% of the value of the property sold. Such a provision would limit the capital levy effect of the tax and release for venturesome use a tremendous amount of property now effectively and permanently locked up by potential capital gains tax liabilities.

### III
### Dividend Credit

A further matter in which our Association has an interest is a further reduction in the discrimination which now exists against holders of corporate stock, in that income in the hands of corporations is taxed once when received by the corporation itself and again when received in the form of dividends by the stockholders. The present 4% dividend credit is a token recognition of this unfairness. It is our belief that the dividend credit should be increased to 20%, as it has been in Canada, as soon as possible.

### IV
### Voluntary Pension Plans for Self-Employed Individuals

Finally, I mentioned earlier that a very substantial proportion of our industry was organized in the form of partnerships. This means that the partners in firms so organized cannot accumulate provision for retirement on a tax-deferred basis, as can employees of corporations. Your Committee has before it the Jenkins-Keogh Bills, which provide a measure of relief from this situation, and they are fully endorsed by our Association.

*Statement by Mr. Maynard before the Ways and Means Committee, House of Representatives, Washington, D. C., Feb. 7, 1958.

## Bank Credit Assoc. To Hold Dinner Meeting

The Bank Credit Associates of New York will hold their regular dinner meeting on Feb. 20 at the Railroad Machinery Club. Reception will be at 5:30 p.m. with dinner at 6:30.

George Bugbee, President of the Health Information Foundation, will speak on "Hospital Financial Problems."

Reservations should be made with Justin McCarthy, Industrial Bank of Commerce. Tariff, $5.50.

## N. Y. Security Dealers To Hear at Dinner

The New York Security Dealers Association has announced Lansing P. Shield, President of the Grand Union Company will be the guest speaker at the 32nd Annual Dinner Meeting of the Association on Friday, March 7, at the Waldorf Astoria Hotel.

# 1958—A Critical Year

By MALCOLM P. McNAIR*
Lincoln Filene Professor of Retailing
Harvard Graduate School of Business Administration

**Professor McNair declares "consumers hold the key" as to whether there will be a strong business upturn in second half of 1958 after analyzing the economic outlook and singling department stores out for specific forecast. The distinguished retailing expert concedes "it is not possible at this point to say with complete confidence . . . [what kind] of business readjustment we are facing" and adds, however, that were GNP to drop "20 billion in 1958" it still would be the second best year on record. Turning to the state of world affairs, the economist condemns small and faltering defense program steps taken so far and calls for stepped-up fiscal budget.**

I

In an address of one year ago to the National Retail Dry Goods Association I took as a title to my remarks the question, "Will Business Turn Down in 1957?" I commented on the accumulation of strains in the economy which were making the situation resemble more and more closely some of the business conditions that in the past had led to significant downturns. I remarked that our economy had now moved in on a very high plateau and that the question was whether we could stay on it, and I suggested that the year 1957 might well witness the beginning of the first real test of whether the American people had learned how to overcome the business cycle.

Prof. M. P. McNair

Now in retrospect on the year 1957 I see little reason to change any of those statements. It is true that the total volume of business activity, measured in terms of dollars, was somewhat greater than I had anticipated, primarily because of price advances; but it is also true, incidentally, that department store sales during the first half and also for the year as a whole, were somewhat lower than the estimates I gave you. The main fact, however, is that business has flattened out in the months since August, 1957, and currently gives quite unmistakable evidence of a downturn.

For the calendar year, with a gross national product of $435 billion, up from $415 billion in 1956, total retail sales apparently went ahead by about 4%. Department stores, with a strong surge of late Christmas business, just barely equalled their figures for the month of December and achieved only about a 1% advance for the year as a whole. To be sure, there were more factors adverse to department store sales crowded into the second half of 1957 than in any year that I can remember: the weather was really bad; the Asian flu scare kept many people at home; Sputnik and the President's illness disturbed confidence; the Christmas season was abnormally short; and transit strikes in a number of cities came at critical times. Nevertheless the slack-off in consumer buying, especially in hard goods, which became noticeable from September on, was almost certainly due to more fundamental causes.

### Reviews Decline

During the end of 1957 and early 1958 the evidences of business deterioration have increasingly come to light. The Federal Reserve index of production for November stood at 139, as against a high of 147 in December of 1956, and no doubt the December, 1957, figure will register a further decline. Thus according to this *physical* measure of industrial output, the business readjustment has already been going on for a year. Unemployment, which as recently as October, was officially reported at only 2½ million, has increased to substantially above 3½ million and may well hit 4½ million before this month is over. At the same time hours worked per week have continued to drop, and the effects of less employment and shorter hours are appearing in the payroll figures; personal income in dollars, though still ahead of the corresponding figures for the same months a year ago, has shown a month-to-month fractional easing ever since August, and it is in wage and salary payments that the drop is most apparent, notwithstanding the fact that average hourly earnings are still on the rise.

The ratio of manufacturing and trade inventories to sales has gradually crept up during most of the year, but even more significant is the rise in the ratio of manufacturers' inventories to new orders received. The response, of course, is curtailment of output, as evidenced by steel production below 70% of capacity, carloadings currently down 16%, the recent substantial lay-offs in Detroit, and so on. Significant also is the price situation in basic commodities. Industrial raw materials have dropped more than 15% over the year, scrap steel is only about half of its price a year ago, copper has dropped some 26%.

Earnings have felt the impact. Increasingly the interim reports of companies, especially since the middle of the year, though sometimes revealing slightly higher sales volumes, show a marked deterioration of profits. This trend presumably is what the jittery stock market has been forecasting (if it actually forecasts anything, which is a debatable question). Correlated with the earnings picture is the increase in business failures that has been evident for most months of 1957 as compared with 1956.

Not all the signs point the same way, however. The number of new housing starts has picked up in recent months, and the total for the year 1957 will perhaps exceed one million. And total retail trade, as remarked earlier, ran about 4% ahead for the calendar year as a whole, keeping pace with the over-all rise in personal income to a total of $343 billion for the year.

The conclusion, nevertheless, is unmistakable: we are in a period of considerable business readjustment, and we have not yet seen the end of it; 1958 is a critical year, a year of uncertainty. The basic question relates to the character of this readjustment. Will it be another rolling readjustment with an upturn in the second six months, or will it be a longer type of readjustment which will leave business at the end of 1958 on a lower level than it stands now?

II

The short and simple answer, of course, is that at this stage nobody really knows how deep this readjustment will go and how long it will last.

A quite impressive array of arguments can be presented to show the strength of underlying inflationary factors in our economy, and indeed in the worldwide situation. One can cite such powerful forces as the rapid rate of technological progress, the increasing emphasis on research, the world-wide urge to raise the standard of living, the pressures of the cold war, now becoming sharply intensified, the trend to higher government spending, the rapid population growth in the United States, the strength of trade unions, the fact of managed currency, and the prevailing philosophy of full employment. These forces have created such a strong underlying demand for both labor and capital as to convince many observers that the basic trend of our times is in the direction of price inflation. Yet in this kind of thinking there could be the subtle bias of "New Era" psychology that has played us false on previous occasions in our industrial history. The longer a boom lasts the more people accept it as normal and find impressive reasons why it should continue. And in any event an underlying trend toward world-wide "structural inflation" by no means precludes the occurrence from time to time of substantial corrective movements in the opposite direction.

Some of those who are persuaded that a creeping structural inflation is the dominant theme of our economy profess to believe that our current incipient recession is essentially "man made," that we have been pushed into it by the mistaken credit control policies of the Federal Reserve Board and by the doleful predictions of writers such as Sylvia Porter and the financial analysts in the *Wall Street Journal*, abetted, perhaps, by a few touches of administrative bungling in Washington.

### Role of Federal Reserve

This is an opinion from which I am afraid I shall have to dissociate myself, at least in considerable degree. Last year I envisioned the significant part which the policies of the Federal Reserve Board might play in the 1957 business scene and commented on the very difficult problems of timing which were involved in a policy of combatting inflation by means of credit controls. Although I happen to be one of those who think that the Federal Reserve authorities waited too long before relaxing the brakes (and I have been saying this since last August), I cannot agree that the whole policy was wrongly conceived. Had there been no application of the credit brakes I am convinced that within a relatively short time, perhaps a year or two, we should have been faced with a much more serious business crisis than anything we are now experiencing. This is an area, however, in which we do not know nearly enough about cause and effect, and the projected study of these matters by the Committee on Economic Development is an undertaking of great importance.

As for the influence of doleful commentators I do not believe that any of us in this crystal ball business should kid ourselves that our prognostications are earth-shaking. Events rather than forecasts determine the trend; and, moreover, as I read the numerous year-end predictions that have appeared lately, I do not think that the pessimists are by any means in the majority.

### Another "Rolling Readjustment"?

The consensus, if anything, seems to be that we are involved in another of those "rolling readjustments" that have occurred at

Continued on page 33

*An address by Prof. McNair before the National Retail Dry Goods Assn., New York City.

# Connecticut Brevities

**The Hartford Fire Insurance Company** has offered to buy stock of Northwestern Fire and Marine Insurance Company, Minneapolis, Minn., at a price of $36 per share. There are 125,000 shares of stock outstanding, of which Hartford owns directly or through subsidiaries 15.8%. The offer, which expires Feb. 28 but may be extended for additional 30 day periods up to June 15, 1958, is contingent upon the availability of sufficient shares to bring the shares owned by Hartford to at least 80% of the outstanding. For over 40 years Hartford has reinsured the entire direct insurance written by Northwestern, although on occasion some of the insurance has been ceded back to Northwestern.

* * *

Stockholders of **The Union and New Haven Trust Company** and of **Ansonia National Bank** have voted to merge the two banks, effective Feb. 10. In the merger each of the 4,000 shares of Ansonia $50 par stock will receive 16 shares of $10 par value common of Union and New Haven. The merged bank will have assets of over $80 million and combined capital and surplus of $5.5 million.

* * *

**The International Silver Company** has acquired **The Eyelet Specialty Company, Waterbury,** which will be operated as a subsidiary. Eyelet is a leading manufacturer of electrical specialties, lipstick cases and of other miscellaneous items. It employs a total of about 750 persons at its plants in Waterbury, Willimantic, Port Jervis, N. Y., and Barrie, Ont. The acquisition by International is part of its long term diversification program.

* * *

**The Bridgeport Brass Company** has sold its Aerosol Products Division to **Shulton, Inc.** The sale does not include any real estate. Bridgeport will continue to produce the Aerosol line for some six months after which time operations will be moved to the Fine Chemicals Division plant of Shulton in Clifton, N. J. Bridgeport officials have indicated that the company's present plans call for concentration on its regular lines of brass, aluminum and special metals products.

* * *

**The Connecticut Turnpike** was opened to traffic on Jan. 2. Its 129-mile route crosses 28 towns and cities including such major areas as Stamford, Norwalk, Bridgeport, New Haven and Norwich. The expressway is a six-lane or more divided highway from the New York boundary to New Haven and a four-lane divided highway from New Haven to the Rhode Island border. The road has 90 interchanges and only eight toll stations so that many sections of the highway will provide free use. A total of 53 miles of the Turnpike will be lighted to encourage proper use of lanes and to reduce nighttime accidents.

* * *

The Atomic Energy Commission has extended its cost-plus-fixed-fee contract with Connecticut Aircraft Nuclear Engine Laboratory (Canel) until Sept. 30, 1960. The plant which was constructed at a cost of about $50 million at Middletown is operated by the Pratt and Whitney Division of **United Aircraft Corporation.** The contract will involve expenditure of about $15 million a year and is expected to result in a substantial increase in employment at the plant over the 1,400 persons presently employed there.

## Bryant Heads Group In Charity Appeal

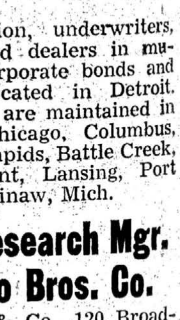
Emmons Bryant, President of Blair & Co. Inc., 20 Broad Street, New York City, has accepted the chairmanship of the Investment Bankers Committee in the Commerce and Industry Division of The Salvation Army 1958 Appeal in New York City.

Emmons Bryant

The Appeal, which has a goal of $1,275,000, is seeking support for the 60 institutions and services which the Salvation Army operates in Greater New York.

## Callaway NY Mgr. For First Michigan

David H. Callaway, Jr., Senior Vice-President of The First of Michigan Corporation, has been appointed Resident Manager of the investment firm's New York office at 2 Wall Street, in charge of the Eastern corporate and municipal bond business, it has been announced. He succeeds Paul L. Sipp, who retired as of Jan. 1.



D. H. Callaway, Jr.

Headquarters of The First of Michigan Corporation, underwriters, distributors and dealers in municipal and corporate bonds and stocks, are located in Detroit. Branch offices are maintained in New York, Chicago, Columbus, Ohio; Grand Rapids, Battle Creek, Bay City, Flint, Lansing, Port Huron and Saginaw, Mich.

## Burger Research Mgr. For Sutro Bros. Co.

Sutro Bros. & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have announced the appointment of Herbert Burger as Manager of the research department. Stephen H. Floersheimer will continue as partner in charge.

# Wages, Productivity and Prices: Post World War II

By DR. JULES BACKMAN*
Department of Economics, School of Commerce
New York University

**Consumer price index rise in recent years is primarily attributed in this study to wages increasing faster than productivity gains, with accompanying rise in labor unit costs, and to effect of demand shaped by money supply and deficit financing. With the boom's termination and its ability to translate wage inflation into price inflation, Dr. Backman sees wage-price spiral unlikely. The underlying phenomenon of labor costs exceeding productivity, however, is found to leave us with the problem of wage inflation unless, "during this breathing spell, we . . . devise . . . programs . . . to limit future wage inflation." Author defines all labor costs including wages; notes limitations of productivity-measurement; observes unfortunate attributes of long-term wage contracts with predetermined wage increases and overlapping contract periods, and criticizes proposals to halt wage-price spiral.**

There has been a substantial improvement in the economic position of the American worker during the post World War II period. Wage rates and other benefits have recorded major improvements. However, the gains have been less spectacular than suggested in money terms alone. Price rises have eroded some of the apparent gains in money wages and have reduced the real value of the other benefits obtained. One question which has been vigorously debated is the extent to which the increases in labor costs have been a causal factor in the price rise.[1]


Jules Backman

In this review, attention will be given to the following areas: (1) the postwar rise in prices, money wages, and real wages; (2) the nature of the improvement in so-called fringe benefits and their cost; (3) the relationship between increases in labor costs and gains in productivity; (4) the annual improvement factor; (5) escalator clauses; (6) the role of long term contracts; and (7) the effects of labor cost increases on prices during prosperity as compared with recession.

### Money Wages, Real Wages, and Prices

Average hourly earnings in manufacturing industries have risen spectacularly from $1.02 in 1945 to $2.08 in October 1957. This increase of more than $1 an hour or a doubling of the total in a 12-year period is one of the most sensational increases in our history.[2] Moreover, as will be noted later, it was supplemented by relatively large improvements in other benefits.

However, this period was also one of rising prices. From 1945 to October 1957, the consumer price index rose by 57.5%. The price rise may be broken down into three phases:

| | 1947-49=100 |
|---|---|
| 1945 | 76.9 |
| 1948 | 102.8 |
| 1953 | 114.4 |
| October 1957 | 121.1 |

From 1945 to 1948, the main factor influencing the price rise was the deferred inflation after World War II. There was little change in prices from 1948 to June 1950, a small decline was followed by an offsetting rise. During the Korean War, the consumer price index surged forward again. Then following a three year period of stability, the index moved forward from 114.6 in February 1956 to 121.1 in October 1957. The war induced nature of the 1945-48 and 1950-53 increases is widely recognized.

The causal forces in the 1955-57 rise has been subject to wide dispute. Blame has been placed on government spending, industrial price policy, high profits, increased velocity of credit, excessive wage increases, and the business boom. Each group has its pet explanation. After examining the anatomy of prices during the past two years, I am convinced that the primary explanations are found in the business boom and the wage inflation.[3]

Because of the rise in prices, real wages have risen much less than money wages. From 1945 to October 1957, real average hourly earnings in manufacturing industries rose by 29.6% as compared with the rise of 103.9% in money earnings during the same period.

| | Average Hourly Earns. | Consumer Price Index (1947-49 =100) | Real Avg. Hourly Earnings (In 1947-49 dollars) |
|---|---|---|---|
| 1945 | $1.02 | 76.9 | $1.326 |
| October 1957 | 2.08 | 121.1 | 1.718 |
| Per Cent Change | 103.9 | 57.5 | 29.6 |

This is a major gain in real earnings which has been supplemented by other significant benefits. However, it is much less sensational than the gains which emerge when money incomes alone are considered. The role played by the rise in labor costs in creating pressures for price rises will be considered after reviewing the magnitude of the gains in other labor benefits.

### Other Labor Benefits — Fringes

During the postwar period, some types if benefit payments have been liberalized significantly while others have been introduced on a wide scale for the first time. The following is a capsule description of some of the more important changes in these benefits. They are designed to show the broad scope of the changes rather than to pinpoint the precise magnitude of the changes which vary among different industries and different localities.

**Paid Holidays:** At the end of the war, a minority of companies gave their production workers paid holidays. In 1947, many companies agreed to grant 6 paid holidays although some companies did give a larger number. By 1957, the typical contract provided for 7 or more paid holidays.[4]

**Vacations:** In 1945, the general picture was 1 week vacation for 1 year of service and 2 for 5; a minority of companies provided 3 week vacations, usually after 15 years of service. By 1957, the service requirements for two week vacations were fewer than 5 years in a growing majority of contracts. A third week of vacation was added in most industries with a service requirement of 10 to 15 years. In some contracts, a fourth week of vacation is now being granted, usually after 25 years of service.[5]

**Shift Differentials:** In continuous process industries, they have increased from 4 cents on the second shift and 6 cents on the third shift in 1945 to 6 and 9 cents currently.[6]

**Supplementary Unemployment Benefits:** No such plans were in effect in 1945; now about 2½ million workers are covered.[7]

**Pensions:** Some companies introduced pension plans during World War II. But the big impetus came in 1949-50. They have been expanded substantially since then. Most plans are no longer integrated with social security, a larger number of workers are covered, and the benefits have been substantially liberalized. The costs to the companies have increased steadily. Vesting right provisions are beginning to be adopted.[8]

**Welfare Funds:** There has been a large growth in health and welfare plans with an increase in the number of workers covered, improvement in benefits paid, greater life insurance, and greater coverage of dependents.[9] Naturally, the cost of these plans has also risen. According to U. S. Department of Commerce estimates, employers' contributions to **pension and welfare funds** rose from $1.1 billion in 1945 to $3.6 billion in 1951 and $5.7 billion in 1956.

**Premium Pay for Holidays and Saturdays and Sundays:** There has been an increase in premium pay for holidays and the introduction of premium pay for Saturday and Sunday work in continuous process industry like steel.[10]

Only scattered data are available to show the relative importance of the cost of fringe benefits. One of the most comprehensive surveys is that made biennially by the Chamber of Commerce of the United States. The last study was for 1955 when the average fringe payment for leading companies was estimated to be 20.3% of the payroll, or 39.2 cents per payroll hour.[11]

| | % of Payroll |
|---|---|
| Legally required payments (employer's share only of social security, workmen's compensation and unemployment compensation) | 3.6 |
| Pension, welfare funds, etc. | 6.3 |
| Paid rest periods, lunch periods, etc. | 2.2 |
| Payments for time not worked (holidays, vacations, sick leave, etc.) | 6.3 |
| Profit sharing payments, bonuses, etc. | 1.9 |
| Total | 20.3 |

The benefits were slightly lower in manufacturing than in non-manufacturing industries.

In the 1955 survey, the Chamber of Commerce covered the experience of 1,000 companies. Varying numbers of companies have reported in the five surveys conducted by the Chamber since 1947. However, a group of 79 manufacturing companies provided data for each of the five surveys. It is instructive to trace the rise in fringe costs for these 79 companies. This is shown in the following tabulation:

| Year | Cent Per Payroll Hour | Per Cent of Payroll |
|---|---|---|
| 1947 | 18.4 | 12.9 |
| 1949 | 23.8 | 14.9 |
| 1951 | 30.9 | 16.9 |
| 1953 | 37.1 | 18.5 |
| 1955 | 44.8 | 20.4 |

Clearly, the cost of fringes has risen significantly for these leading companies since 1947—and the rise would be still greater if data were available for 1945 and 1957. Exclusive of legally required payments, such as social security, the cost of fringes rose from 9.9% to 17.1%. The largest increases have been for pension and welfare funds, the costs of which have been accounting for a steadily larger proportion of total fringe costs.

During the 1947-1955 period, the cost of fringes rose by 143.5% while the average hourly earnings of these 79 companies rose from $1.43 to $2.20 or by 53.8%.[12] Fringe costs have been increasing at a much more rapid rate than wages. In fact, from 1947 to 1955, added fringe costs of 26.4 cents an hour were more than one-third as large as the 77 cent increase in average hourly earnings.

The U. S. Department of Commerce estimates that total supplements to wages and salaries, a much narrower concept than used by the Chamber, have increased from $1.9 billion in 1939 to $5.0

*Continued on page 29*

*An address by Dr. Backman before the Industrial Relations Conference, University of Michigan.

1 Various European countries have been experiencing a wage-price spiral in the past few years. For a summary, see *The Wall Street Journal*, Oct. 25, 1957, pp. 1, 18.

2 From 1914 to 1920, the World War I and postwar rise was from 24 cents an hour to 56 cents, a rise of 32 cents or 133%. From 1920 to 1929, there was no further rise in money wages. From 1939 to October 1957, the rise has been from 63 cents an hour to $2.08, a rise of $1.45 or 230%.

3 See Jules Backman, *Administered Prices*, Aug. 15, 1957, pp. 16-28; and "Wage Demands Feed Inflation," *Nation's Business*, November 1957, pp. 36-37, 64-68.

4 U. S. Department of Labor, Bureau of Labor Statistics, "Holiday Provisions in Union Agreements, 1950," *Monthly Labor Review*, January 1951, p. 24; "Holiday Provisions in Union Agreements in 1952-53," *Monthly Labor Review*, February, 1954, p. 128; Bureau of National Affairs, "Basic Patterns in Union Contracts," *Collective Bargaining Negotiations and Contracts*, Nov. 29, 1957, p. 57:286.

5 U. S. Department of Labor, Bureau of Labor Statistics, "Collective Bargaining Negotiations-Vacations; Holidays and Week-End Work," *Bulletin No. 908-2*, Washington 1947, p. 2; Bureau of National Affairs, *op. cit.*, pp. 91:1-3; Bureau of National Affairs, *What's New in Collective Bargaining Negotiations and Contracts*, Nov. 16. 1956, p. 4 and Dec. 28, 1956, p. 4.

6 U. S. Department of Labor, Bureau of Labor Statistics, "Premium Pay Provision in Selected Union Agreements," *Monthly Labor Review*, October 1947, p. 423; "Collective Bargaining Negotiations and Contracts, *op. cit.*, Nov. 16, 1956, pp. 93:10a-b.

7 "What's New in Collective Bargaining Negotiations and Contracts," *op. cit.*, Feb. 22, 1957, p. 3.

8 U. S. Department of Labor, Bureau of Labor Statistics, "Employee-Benefit Plans Under Collective Bargaining, Mid-1950," *Monthly Labor Review*, February 1951, p. 156; "What's New in Collective Bargaining Negotiations and Contracts," *op. cit.*, Oct. 18, 1957, p. 4; Ewan Clague, "Problems of Pension and Welfare Funds," in Emanuel Stein (ed.), *Proceedings of Ninth Annual Conference on Labor*, New York University, Matthew Bender and Company, Albany, 1956, pp. 224-227.

9 "What's New in Collective Bargaining Negotiations and Contracts," *op. cit.*, Oct. 18, 1957, p. 4.

10 "Collective Bargaining Negotiations and Contracts," *op. cit.*, November 30, 1956, p. 57:5 and Nov. 29, 1957, pp. 57:288-289.

11 Chamber of Commerce of the United States, *Fringe Benefits-1955*, Washington, 1956, p. 10.

12 *Ibid.*, pp. 29-31. See also National Industrial Conference Board, "The Trend in Fringe Benefit Costs," *Management Record*, November 1957, pp. 388-389.

# THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market essentially marked time for the most this week, holding the line with rather good success considering the business background. It was neither inclined to find a base farther down the line nor to stage anything like a general rally.

* * *

Only a few issues were more than routinely soft on dour news. North American, where overly-optimistic estimates of earnings ran into an official statement that the March quarter was a rough one for the company, was an easy item in the aircrafts.

* * *

Tobaccos after their good performance in recent months reached a point where profit-takers moved in and they were at times clipped a bit, although not drastically. The drugs had a similar experience at times but, again, without reacting in anything approaching a spectacular fashion.

* * *

Oils showed little life, sagging moderately at times and then rebounding occasionally. There was no more life in the steels or autos, and the utilities seemed to have come to at least a resting place after they had done superior work in tune with the easier money market. A newish note was that the paper shares showed occasional stirrings on the strength side; they haven't had anything to celebrate in months until some glowing predictions from greater utilization of waste pulp were put on the record at a trade convention.

### Gold Issues Neglected

There has been little favor for gold issues for a long time, even recently despite the fact that they are leading items in the "deflation" group where shelter supposedly is found when the economy is faltering otherwise.

* * *

Rigid price control over gold has been a major deterrent, but is a bit wide of the mark these days particularly since some of them, like Homestake Mining, is importantly engaged in uranium and timber and coal through its land holdings. Homestake is a candidate for a fair earnings improvement this year and the current dividend rate indicates a return of over 5%. A measure of the market neglect is the fact that the issue hasn't ranged over an area of as much as 10 points for any year since 1955 and that year its range was less than 14 points.

### Profit-Taking in Tobaccos

Tobaccos, which were favored when all was bleak elsewhere, came to the inevitable profit-taking stage that gave some of them, particularly Lorillard, some rough moments. The story of Lorillard wasn't entirely due to the basic factors such as good earnings, but was complicated by a rather busy flurry of rumors of some type of radical development in the cigaret field. So far such talk has been without substantiation. Nevertheless, it built up a more speculative interest than was warranted with the very logical correction following on its heels.

* * *

These flareups did little to alter the facts and Reynolds Tobacco is right in the thick of the industry uptrend with its sales crossing the billion dollar mark for the first time in history and earnings for 1957 artificially depressed by a switch in inventory accounting.

* * *

With the adjustment to LIFO accounting out of the way, the company is being projected to a profit increase of better than a dollar a share for this year to where the $3.60 dividend should be covered about twice. This naturally makes it a candidate for dividend liberalization in the nature of a $4 basis since the company is leaning heavily toward going in for important diversification outside the tobacco business.

### Distillers' Stepped-Up Diversification

A diversification issue that is making rapid strides in changing its basic nature is National Distillers & Chemical. From its large reliance on liquors, in which line it is the second largest domestic entity, the company has been busily spreading out into the chemical lines, and last year upped the new line to where it provided 38% of operating profit, a rise from 34% the year before. The liquor end was down from the previous year but the increase in chemical profits helped hold earnings steady.

* * *

Moreover, the chemical expansion is a continuing one. Where National Distillers budgeted $4½ million for the beverage division and $18.4 million for the chemical activities last year, this year plans call for only $3 million on the liquor expansion and a fat $26 million to enlarge the chemical participation.

* * *

A newcomer to the limelight, including a new high for the stock for a dozen years, was Rexall Drug. The company has been enjoying good business, is participating in the hunt for new drugs and has been busily adding to the some 2,400 products it markets already. Last year's profit is estimated at having reached a historical high which puts the issue on a low times-earnings base. In addition, it has yet to reach its book value marketwise. The yield of nearly 4½% before the recent strength was an above-average return for a drug issue.

### Cement Group's Prospects

A mundane group recently that was getting a lot of attention from market students — without, as yet — showing any spirited market action was the cement shares. Unlike the durable goods manufacturers where the future is vague, the cement shares have prospects of lively demand for their principal product from increased use in highway, utility and residential construction work. And, unlike the big segments like steel and motors where labor troubles loom, the cement companies had their trouble last year and no labor disputes are on this year's calendar.

* * *

Unlike steel operations that went from capacity to below 60%, operations of the cement companies in their own private recession declined from 100% to around 85% of capacity. This could be hiked easily if, as anticipated, housing starts turn up importantly and the actual work of laying down the roads contemplated in the Federal highway program speeds up to any degree.

* * *

In this field General Portland Cement is credited with being able to show the highest profit margin of the major companies, as well as offer a yield of around 3¾%. The company is well equipped with plants to serve the rapid growth of the southwest portion of the company. Lone Star, the giant of them all, is at least temporarily finished with its immediate expansion, the program having been completed last year.

### Finance Companies Favored

Also in favor were the finance companies. These, of course, are largely dependent on auto production since such financing is so important to some of them. Pacific Finance, however, is a growing operation, including a life insurance subsidiary organized in 1956. The company is an important operator in the "growth area" of the southwest and has been reporting good earnings comparisons plus a yield of around 5½% and could participate in any spring upturn in auto sales.

*[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.]*

# Railroad Securities

## New York, New Haven & Hartford Railroad Co.

Railroad freight traffic in the final two months of 1957 declined sharply on the New York, New Haven & Hartford Railroad, hurting earnings for the full year. On the basis of results for the earlier months of the year, it had been anticipated the road would be able to show a black figure. However, the precipitous decline in the final months produced a deficit, after all taxes and charges, of $2,363,702. This compared with a net income of $261,704 reported in 1956.

If it had not been for economies placed into effect in earlier months, the final two months of last year and the first two months of this year would have shown even larger losses which would have further eaten into the road's cash position. The New Haven's long term program of improving its equipment, particularly of motive power, modernization of way and yards and greater over-all operation efficiency, so far has paid off in keeping expenses within some reasonable degree of control. In addition to the sudden drop in freight traffic, the carrier was faced with higher wages and costs of materials and supplies.

It is believed one of the important steps taken has been the building up of a new young management team during the time the present management took over control in January, 1956, and the present. Authority has been vested in a number of vice presidents, each in a separate field, with the whole being consolidated under the President and Chairman. This allocation of authority, with concentration on special phases of the operation of the road, appears to be on the way for more profitable operations. Of course, the New Haven, like most of the nation's carriers now is in a position where it must have an increase in railroad freight carloading to bolster gross revenues.

Two years ago, New Haven motive power was regarded in the industry as being in sorry shape. To remedy this defect, some $10½ million was expended in 1957 on motive power. Some 30 FL-9 diesel-electric locomotives were acquired and the road has 30 more on order for this year. This type of locomotive shuts off the diesel engine and drops a "shoe" to the third rail upon entering New York Central trackage for the balance of the run into Grand Central Terminal. It precludes the necessity of changing locomotives from the diesel-electric to the straight electric locomotive at New Haven. Other new equipment placed in service last year included three tugboats, two steel carfloats, two lightweight trains and 30 highway trailers.

New Haven still is faced with a difficult passenger problem. The loss from passenger business in 1957 amounted to around $15 million, or almost equal to the combined net railway operating income from freight and all other services. To combat these mounting passenger losses the road has embarked on a three point program. The New Haven officially holds that commuter service, as a public necessity, is essentially the responsibility of the communities that use it. Consequently, some form of subsidation is being sought as part of the solution to this problem. Tax relief also is being sought and the road was successful in obtaining some property tax reductions last year, mainly in Boston. Also, it is held, passenger fares should be placed on a more realistic basis. Almost all railroads operate passenger service at a loss and the New Haven's problem seems obvious from the fact it has the highest percentage of passenger revenue to total revenues than any other railroad, with the exception of the Long Island Railroad, which carries only a nominal amount of freight.

With regards to short-term debt, much was accomplished last year. Some portion was paid off and part was consolidated or extended. The flood loans amounting in all to $16 million obtained in 1955 and 1956 were being serviced. Working capital declined but capital account showed improvement.

The possibility of a proxy contest still looms, but may be compromised. A syndicate holding more than 131,000 shares is believed to be considering seeking the control of the Board of Directors. This group purchased the stock with the right to "put" it back to the railroad at from $70 to $75 a share by December, 1959. Obviously, the road does not have the cash to finance such a transaction. With arrears of more than 10%, the preferred has the right to elect two-thirds of the Board and the syndicate's holdings amount to about 28% of the outstanding preferred stock.

## J. Kirk Hopper With First of Michigan

J. Kirk Hopper is now associated with The First of Michigan Corp., in the investment firm's New York office, 2 Wall Street, it was announced. He is in the Sales Department in an institutional capacity.

Mr. Hopper was formerly with Alex. Brown & Sons of Baltimore, in their New York office, and prior thereto he had been affiliated with Equitable Securities Corp., and in the Buying Department of New York Life Insurance Company.

## W. E. Hutton Wire to Stewart, Eubanks

W. E. Hutton & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, have announced the installation of a direct private wire to their correspondent, Stewart, Eubanks, Meyerson & Co., members of the New York Stock Exchange and the Pacific Coast Stock Exchange, with offices at 216 Montgomery Street, San Francisco, Cal.

## R. A. Gustafson With Goodbody in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Ross A. Gustafson has become associated with Goodbody & Co., 1 North La Salle Street. He has recently been Manager of the municipal bond department for A. E. Masten & Company, Pittsburgh, and prior thereto was with the Northern Trust Company.

## Brown, Wareing, Ball Co. Formed in Houston

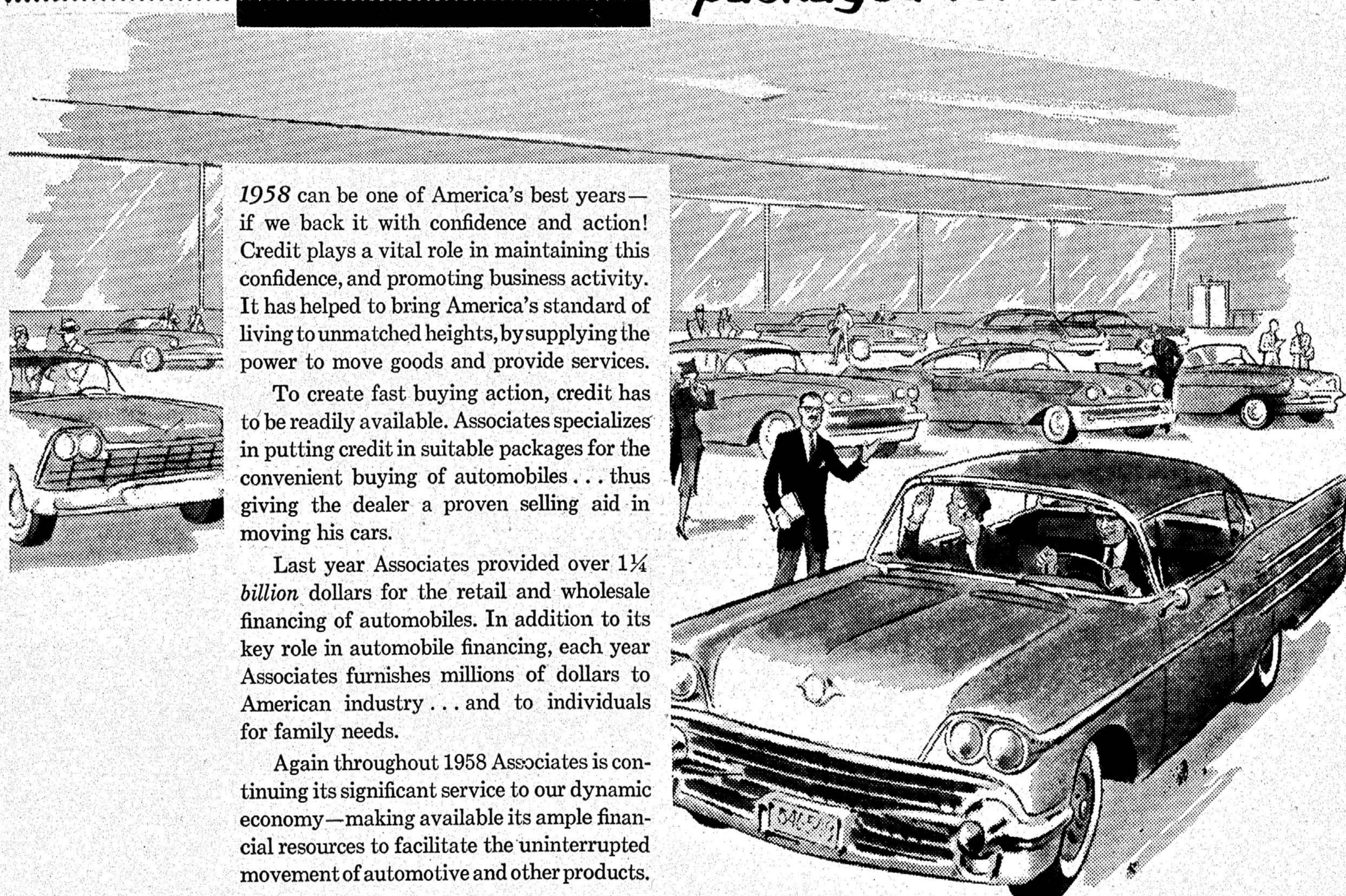
HOUSTON, Tex.—Tom Ball, Jr. & Co., Robert D. Brown & Co., and Magill, Wareing & Co. have merged to form Brown, Wareing, Ball & Co. with offices in the Bank of the Southwest Building.

## Form Dieter & Town

OLEAN, N. Y.—Ralph Dieter and Louis Town have formed a partnership, Dieter and Town, to engage in a securities business. The firm may be reached at P. O. Box 451.

# CREDIT

## *packaged for action!*



*1958* can be one of America's best years—if we back it with confidence and action! Credit plays a vital role in maintaining this confidence, and promoting business activity. It has helped to bring America's standard of living to unmatched heights, by supplying the power to move goods and provide services.

To create fast buying action, credit has to be readily available. Associates specializes in putting credit in suitable packages for the convenient buying of automobiles . . . thus giving the dealer a proven selling aid in moving his cars.

Last year Associates provided over 1¼ *billion* dollars for the retail and wholesale financing of automobiles. In addition to its key role in automobile financing, each year Associates furnishes millions of dollars to American industry . . . and to individuals for family needs.

Again throughout 1958 Associates is continuing its significant service to our dynamic economy—making available its ample financial resources to facilitate the uninterrupted movement of automotive and other products.

## ASSOCIATES 1957 FINANCIAL REPORT

### CONDENSED CONSOLIDATED BALANCE SHEETS

**ASSETS**

| | Dec. 31, 1957 | Dec. 31, 1956 |
|---|---|---|
| Cash and Marketable Securities | $ 90,379,297 | $ 90,150,167 |
| Receivables: | | |
| Retail motor vehicle installment receivables | $711,007,982 | $700,367,608 |
| Wholesale motor vehicle short-term loans | 109,199,276 | 72,102,682 |
| Direct and personal installment loans | 75,048,989 | 62,836,287 |
| Commercial and other receivables | 48,888,754 | 40,278,730 |
| | $944,145,001 | $875,585,307 |
| Less: Unearned discounts | 58,242,489 | 54,429,155 |
| Reserve for losses | 22,717,549 | 22,314,277 |
| Total receivables, net | $863,184,963 | $798,841,875 |
| Other Assets | 24,372,863 | 16,038,965 |
| | $977,937,123 | $905,031,007 |

**LIABILITIES**

| | Dec. 31, 1957 | Dec. 31, 1956 |
|---|---|---|
| Notes Payable, short-term | $410,355,800 | $436,556,800 |
| Term Notes due within one year | 38,968,000 | 28,021,000 |
| Common Stock Dividend payable January 2, 1958 | 2,086,807 | 2,031,557 |
| Accounts Payable, Accruals and Reserves | 36,046,112 | 37,481,065 |
| Unearned Insurance Premiums | 28,194,731 | 29,227,061 |
| Long-Term Notes | 243,964,000 | 182,300,000 |
| Subordinated Long-Term Notes | 80,034,000 | 65,600,000 |
| Preferred Stock | 20,250,000 | 22,500,000 |
| Common Stock | 32,104,720 | 31,254,720 |
| Surplus | 85,932,953 | 70,058,804 |
| | $977,937,123 | $905,031,007 |

### CONDENSED CONSOLIDATED INCOME STATEMENTS

| | Year Ended Dec. 31, 1957 | Year Ended Dec. 31, 1956 |
|---|---|---|
| Discount, interest, premiums and other income | $132,473,577 | $122,457,993 |
| Operating expenses | 96,397,124 | 86,919,697 |
| Net income before Federal income tax | $36,076,453 | $35,538,296 |
| Provision for Federal income tax | 15,545,000 | 16,030,000 |
| Net income | $20,531,453 | $19,508,296 |
| Consolidated net earnings per share of common stock after payment of preferred dividends | $6.11 | $5.93 |

**Associates**

Commercial and Installment Financing

ASSOCIATES INVESTMENT COMPANY
ASSOCIATES DISCOUNT CORPORATION
and Other Subsidiaries
HOME OFFICE • SOUTH BEND, INDIANA

# British Employers and Unions Threaten Conservative Rule

By PAUL EINZIG

**Commenting on the disastrous Conservative Party's recent by-election defeat, British observer Einzig recommends two things. One, that the public be told, at long last, that a Socialist Government's election means inflation and, two, that employers gain support for resisting wage increases by sacrificing a greater part of their profits in cutting prices back substantially. Dr. Einzig attributes current inflation to currency devaluation of 1949, and to ironical employers whose unwillingness to resist wage demands has "done as fully as much as trade unions" in bringing about non-stop price rise.**

*LONDON, Eng.*—The immediate result of the Rochdale by-election, at which the Government's supporter was easily defeated not only by the Socialist candidate but even by the Liberal candidate, was a setback in sterling and a further weakening of the Stock Exchange. The markets felt that this result foreshadowed a return of the Labor Government after the next general election. The effect was, however, moderate and short-lived, and a steadier tone set in within 24 hours. This was because Ministerial spokesmen made it perfectly plain that it is not the Government's intention to decide in favor of an early general election.

Paul Einzig

**Cautions Against Premature Sales**

Under the British Constitution the Prime Minister is entitled to carry on for five years even if it becomes obvious that his Government no longer enjoys the confidence of the majority of the electorate, so long as he commands a majority in the House of Commons. And the Conservative Party could afford to lose quite a few seats in the House before the Government would cease to have a working majority. The position is, therefore, that, unless some unexpected development should make an early election appear expedient, there will be no general election for another two years. For this reason, it would be, to say the least, premature to sell sterling or British stocks in 1958 in anticipation of the advent of a Socialist Government in 1960. After the first unfavorable reaction most operators realized this, and the immediate adverse effect of the disastrous by-election result ceased to operate.

Nevertheless, the increased probability of a change of Government in 1960 is likely to prevent unwarranted optimism about the British economic prospects. It is true, there is nothing to prevent sterling and British stocks from booming if immediate economic conditions should favor such a trend. Towards the close of 1959, if not before, holders of sterling and of British stocks—whether Government loans or equities — are likely to begin, however, to play for safety at all cost. And many of the more cautious holders may feel inclined to get out much earlier, while the going is good.

Possibly events may prove them to be wrong. After all, public opinion is liable to change unexpectedly, and it is by no means impossible that within the next two years the Conservative Party may restore its popularity. To that end it would be necessary, however, to bring inflation to a halt and to resume non-inflationary expansion of production.

If by 1960 the British public could be made to realize that the Government succeeded in establishing stability and to combine it with prosperity, the general election might not bring the Socialists to power. But time is becoming short. At the present moment the rise in the cost of living is still going on. It would have to be halted and reversed for at least 12 months in order to satisfy the public that the change is of a lasting character. And it would take some time before the recovery that would follow two years of economic stagnation could make itself felt.

**Paradoxical Employers**

It is a strange irony of fate that the class of people who stand to lose the most through the advent of a Socialist Government has done its best to undermine the position of the Conservative regime. Employers, through their unwillingness to resist inflationary wage demands, have done fully as much as trade unions towards bringing about the nonstop rise in prices which has discredited their government in the country. The temptation to take the line of least resistance in face of wage claims, and to outbid each other for the scarce manpower, was too strong for them to resist. They will have only themselves to blame if, as a result of their short-sighted attitude, they will be exposed to nationalization with inadequate compensation, to crippling taxation, and to various other anti-capitalist policies that the next Labour Government intends to adopt.

In order to avoid a Socialist victory at the next election the Government will have to achieve a change in the attitude of employers. It would be well worth their while for business firms to sacrifice the greater part of their profits during the next two years, by making substantial cuts in their prices. If this is done by a sufficient number of larger firms it would bring about a decline in the price level. The trade unions would then have no excuse for demanding wage increases. Should they continue to do so nevertheless, and should the resistance of employers to such demands lead to major strikes, the sympathy of the public would turn strongly against the Socialists who have always identified themselves with wage demands. Such a change of sentiment would provide the Government with an opportunity to have a general election before the five years' time limit expires.

**Suggests Governmental Action**

It is indeed amazing that, although most employers are supporters of the Conservative Party, the Government has not succeeded so far in obtaining their cooperation in this sense. The National Union of Manufacturers emphatically rejected the Government's recent appeal to cut their prices. Possibly the shock of the Rochdale by-election may induce them to reconsider their short-sighted attitude.

A grave omission on the part of the Government has been its failure to enlighten public opinion about the inherently inflationary character of Socialist policies. It would be absurd if the Conservative Government were to be rejected by the country for its inability to stop inflation, seeing that under a Socialist Government inflation would be certain to proceed at a greatly accelerated pace. Even the inflation that has taken place since the Conservatives assumed office in 1951 has been largely the outcome of the Socialist devaluation of 1949. A country cannot devalue its currency from \$4 to \$2.80 without causing a substantial increase of its price level. For the price level of a country such as Britain, with extensive international trade and financial relations, does not exist in a vacuum; it has to bear some relation to the world price level. If its price level is reduced in terms of foreign currencies as a result of a devaluation, there is bound to be a trend towards upward adjustment. Unless the prices of other countries happen to decline to a corresponding degree.

The Socialist equalitarian redistribution of income would greatly aggravate inflation, because a larger proportion of smaller incomes is spent and a smaller proportion is saved. The decline in the rate of saving would be accompanied by an increase in the rate of capital expenditure in pursuance of the ambitious Socialist investment policies. This would produce a strongly inflationary effect. The Socialists would revert to the policy of over-full employment regardless of cost. The defense of sterling would rank very low in their list of priorities, and another devaluation would accelerate the rise in prices. The Socialists' favorite idea that this flood could be stemmed by physical controls is absurd. Such controls could disguise an inflation of, say 5 or 10%. But when it comes to a powerful trend physical controls would be helpless, as indeed they were helpless during the Socialist regime of 1945-51.

**Little Public Awareness**

All this may appear self-evident. And yet the Government and the Conservative Party has done very little to make the public aware of these facts. Possibly the shock of the Rochdale by-election result may produce salutary effects also in this respect, in which case it would prove to be a blessing in disguise.

# C. L. Wallingford With Janney, Dulles Co.

PHILADELPHIA, Pa.—Charles L. Wallingford has become associated with Janney, Dulles & Battles, Inc., 1401 Walnut Street, members of the New York and Philadelphia - Baltimore Stock Exchanges, in the trading department. Mr. Wallingford was formerly with the trading department of H. M. Byllesby and Company, Incorporated.

Charles Wallingford

## Morgan Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Edward Edison has become connected with Morgan & Co., 634 South Spring Street, members of the Pacific Coast Stock Exchange. He was formerly with the Edwards Investment Co. and prior thereto with John M. Barbour & Co.

# NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Five former Assistant Treasurers have been appointed Assistant Vice-Presidents of the **Chase Manhattan Bank, New York,** according to an announcement Feb. 17 by George Champion, President.

Those promoted were Thomas Bellinger and Reginald Russell in the Bank's United States department, Harry A. Howland and Martin J. Logan, Jr. in the metropolitan department, and Edward J. Phelps in the personnel administration department.

New Assistant Treasurers also appointed were Kenneth T. Hoeck, Jr., Louis J. Kessler, John E. Stafford and Gladstone T. Whitman. Justin E. Koch was named a vault officer and Alvin J. Bosgang and Edward Kahn were designated electronics research officers.

* * *

The appointment of Abraham Eiger as Assistant Secretary of **Manufacturers Trust Company, New York,** is announced by Horace C. Flanigan, Chairman of the Board.

Mr. Eiger joined Manufacturers Trust Company in 1928 as a clerk and messenger. He was appointed a chief clerk in 1945, an Assistant Manager in 1949 and a branch Manager in 1955.

At present, Mr. Eiger is assigned to the bank's Utica Avenue office in Brooklyn at the corner of Lincoln Place.

* * *

Oliver M. Mendell has been appointed Assistant Secretary of **Chemical Corn Exchange Bank, New York,** it was announced by Harold H. Helm, Chairman. Mr. Mendell will become associated with the Bank's offices in the Borough of Queens.

* * *

**Underwriters Trust Co., New York,** elected Christopher F. Meyer Treasurer.

* * *

B. Brewster Jennings, retired Chairman of the Board of Socony Mobil Oil Co., was elected a Trustee of the **Central Savings Bank, New York.**

* * *

Eugene C. Wyatt, an Assistant Vice-President of the **Chase Manhattan Bank in New York,** died on Feb. 13 at the age of 59.

* * *

**Bankers Trust Company's** 15th Annual Quarter Century Club Dinner was held on Feb. 13, in the Grand Ballroom of the Waldorf-Astoria Hotel. More than 700 attended.

The Club, an employee organization composed of veterans with more than 25 years service with the Bank, elected Archer W. Bachman, Pension Trust Division Assistant Vice-President, as its 1958 President. Named Vice-Presidents of the Club for the year were: John L. Potterfield, of the Bank's Collection Division and Mary E. Oliverio, with the Bank Development Division. Ernest F. Bray, of Bankers Trust Company's London Office, was named a Vice-President for the year, representing the overseas branch.

* * *

John Francis Gehan, has been elected a Director of the **Bank of North America, New York.**

* * *

Henry Breure, Honorary Chairman of the Board of the **Bowery Savings Bank, New York,** age 76, died at Winter Park, Fla., on Feb. 17, 1958.

* * *

Miss Dorcas Campbell, Assistant Vice-President in charge of advertising and public relations, has been elected Vice-President of the **East River Savings Bank, New York.**

* * *

Edward A. Nash, President of **The Lafayette National Bank, Brooklyn, N. Y.,** announced the following appointments: Alan H. Knowles, from Assistant Vice-President to Vice-President, Credit— William T. Vance, from Assistant Cashier to Assistant Vice-President insurance premium financing department; Herman C. Kipp, from branch Manager to Assistant Vice-President-operational duties at the main office; and Edward J. Slattery, from Assistant branch Manager to Manager of the 69 Lafayette Avenue office.

* * *

**The First National Bank and Trust Company of Walton, Walton, New York,** with common stock of \$150,000; and **The National Bank of Andes, Andes, New York,** with common stock of \$40,000 merged effective as of the close of business January 31. The consolidation was effected under the charter of The First National Bank and Trust Company of Walton and under the title **"The National Bank of Delaware County Walton," New York.**

At the effective date of consolidation the consolidated Bank will have capital stock of \$190,000 divided into 19,000 shares of common stock of the par value of \$10 each; surplus of \$260,000; and undivided profits of not less than \$250,000.

* * *

**Madison County Trust Co., Oneida, New York,** and **Lincoln National Bank and Trust Company, Syracuse, New York,** merged under charter and title of the latter bank. A branch was established in the former location of Madison County Trust Co.

* * *

Gordon G. Hoit, Executive Vice-President of Stromberg-Carlson, a division of General Dynamics Corporation, has been elected a Director of the **Genesee Valley Union Trust Company, Rochester, N. Y.**

The Genesee Valley Union Trust Company is a Marine Midland bank. Founded in 1853, it is one of the oldest and largest banks in the country.

* * *

John M. Galvin, August C. Haselbauer, Karl Hinke and Martin J. Travers were elected Senior Vice Presidents of the **Marine Trust Co., of Western New York, Buffalo.**

* * *

A merger certificate was issued Jan. 20 by the Office of the Comptroller of the Currency, approving and making effective as of the close of business Jan. 31, the merger of **National Bank of Commerce of Portland, Portland, Maine,** with common stock of \$550,000, into **First Portland National Bank, Portland, Maine,** with common stock of \$1,250,000. The merger was effected under the charter and title of "First Portland National Bank.

* * *

H. Frederick Hagemann, Jr. President of the **Rockland-Atlas National Bank of Boston, Mass.** announced on Feb. 18 the promotion of John J. Marshall from Assistant Branch Manager of the Copley Square Office, to Assistant Cashier, and Manager of that office.

* * *

**The National State Bank of Newark,** on Feb. 16 announced the appointment of James L. Kirkpatrick, Jr. as Assistant Cashier.

* * *

**The First National Bank and Trust Company of Kearny, Kearny, New Jersey,** increased its common capital stock from $500,000 to $600,000 by a stock dividend effective Feb. 4. (Number of shares outstanding—24,000, par value $25.)

* * *

**The First Pennsylvania Banking & Trust Co., Philadelphia, Pa.,** elected Harry A. Batten, chairman of N. W. Ayer & Son, Inc.; William P. Drake, President of Pennsalt Chemicals Corp., and James M. Skinner, Jr., President of Philco Corp. Directors. John W. Thorn, James F. Bodine, William M. Bradford, Norman F. S. Russell, Jr., and William J. Boland were elected Vice Presidents. Anthony G. Felix Jr., was elected Vice President and Secretary and William A. Hoover, Vice President and Treasurer.

* * *

**Western Pennsylvania National Bank, McKeesport, Pa.,** has appointed Edward Soroka trust investment officer for its 16-branch-office operation.

The announcement was made by WPNB President M. A. Cancelliere.

Mr. Soroka was formerly trust investment officer of **Peoples First National Bank and Trust Company.**

* * *

George W. Bartrem was elected Vice President in charge of new accounts in **Potter Bank & Trust Co., Pittsburgh, Pa.,** in the commercial department. Richard A. Brown, Jr., was elected Assistant Secretary and Assistant Treasurer.

* * *

By a stock dividend, the common capital stock of the **Security Bank, Washington, D. C.,** was increased from $1,000,000 to $1,100,000 effective Feb. 6, (Number of shares outstanding—44,000 shares, par value $25).

* * *

**The Peoples Savings Bank Company, Mount Gilead, Ohio,** has changed its title to **The Peoples Bank.**

* * *

**The Bank of Edenton, Edenton, North Carolina,** and **Peoples Bank & Trust Company, Rocky Mount, North Carolina,** merged under charter and title of the latter bank. A branch was established in the former location of The Bank of Edenton.

* * *

**The National Bank of Commerce, Houston, Texas,** elected Marvin K. Collie President, and Robert P. Doherty, formerly President was elected Chairman and chief executive officer. A. D. Simpson, former Vice Chairman, was elected to the new post of honorary Chairman with active status.

* * *

The common capital stock of **The Texas City National Bank Texas City, Texas,** was increased from $250,000 to $350,000 by a stock dividend and from $350,000 to $400,000 by sale of new stock effective Feb. 5, (Number of shares outstanding—2,000 shares, par value $20).

* * *

**"The Caldwell National Bank," Caldwell, Texas,** changed its title to **"Caldwell National Bank"** effective Feb. 3.

* * *

Controlling interest in the **North Side State Bank, Houston, Texas,** has been purchased by oilman Michel T. Halbouty. At a meeting of the Bank's board of directors, Mr. Halbouty was elected President and Frank S. Meyer was elected Executive Vice-President.

Two new directors, in addition to Mr. Halbouty, were elected to the board. They are James Noel, and Mr. Meyer. Both Mr. Wells have resigned from the board and from association with the Bank.

* * *

The Board of Directors of the **El Paso National Bank, El Paso, Texas,** reports an increase in the capital from $3,000,000 to $4,000,000 effective Jan. 23, 1958 by 16⅔% stock dividend and sale of 25,000 new shares of $20 par value stock at $50 a share.

## N. Y. Cancer Committee Fiduciary Group

Chairmen of the Fiduciary Group for the New York City Cancer Committee's 1958 April Cancer Crusade have been appointed, it was announced by John Reed Kilpatrick, President and Chairman of the Board of the Committee.

John S. Taber, Vice-President of Bankers Trust Company, Banks and Trust Companies Division; T. F. Breen, Vice-President of Household Finance Corporation, Finance and Loan Companies Division; Willard F. Place, President of Excelsior Savings Bank, Savings Bank Division; Louis T. Boecher, President of Knickerbocker Federal Savings and Loan Association, Savings and Loan Association Division; and Timothy R. Stearns, President of Textile Banking Company, Inc., Factors Division, will serve with the 1958 April Cancer Crusade.

The New York City Cancer Committee is the local division of the American Cancer Society. The Committee is seeking $1,616,000 as its share of the Society's nationwide goal of $30,000,000 for cancer Research, Education and Service.

## Form E. W. Heathcote Co.

EL PASO, Tex.—E. W. Heathcote & Co. has been formed with offices at 618 East Yandell Boulevard to engage in a securities business. Partners are Earl W. Heathcote and Mary E. G. C. Heathcote. Mr. Heathcote was formerly a partner in Heathcote, Ziegler & Co.

# Outlook For Textile Stocks

By EMIL N. HADDAD*

Registered Representative, Harris, Upham & Co.

**Mr. Haddad's survey of textile industry is on the encouraging side. Believes a base has been reached in these stocks and that this year's consumer purchases will significantly shift from durables to soft goods.**

I would like to state my position concerning the textile industry: I feel that textiles are as basic to our economy as are the steels and the oils. Until recently textile stocks have been in disrepute with the average investor, but I am happy to report that there has been a gradual change in attitude and that textile issues are now being recommended for conservative portfolios on a year to two year basis. It is now conceded that a base has been reached in these stocks and that we can look toward an upturn in the earnings of these companies.

Emil N. Haddad

Naturally, if our economy as a whole does not recover from its mild period of "rolling readjustment" then textile shares will suffer accordingly. There are two sensitive indicators of our economic expansion pattern that can give us a clue to our economic upturn: machine tool orders and steel production. A reversal in business was officially recognized when the Federal Reserve Board recently lowered the discount rate.

In the synthetic fiber rayon staple has shown a solid upward trend. In 1957 some 350,000,000 lbs. of rayon staple was produced as against 210,000,000 lbs. in 1952. Rayon staple appears to offer the greatest variety of uses in such items as a blend with cotton, paper, water-proof fabric, surgical dressings and in binder twine.

Cotton, on the other hand will not be neglected politically since high supports are dictated by political considerations. There is talk in Washington of subsidy payments to cotton growers to reduce the gap between U. S. and world prices. This would then mean tight acreage restrictions.

I personally interviewed some of the top men in the textile industry and am pleased to report a genuine feeling of enthusiasm among them for the outlook on textiles for the next year and beyond. Mr. Love, of Burlington Industries, at the annual stockholders meeting today said: "Current textile prices are so near rock bottom that if changes occur it seems reasonable to assume the changes will be only in one direction—up."

In conclusion let me say that we at Harris, Upham & Co. feel that consumers during the greater part of this year may be expected to apply the major portion of their buying power to soft goods instead of to durables with which they are well equipped. To us this means a gradual recovery in demand for both cotton and synthetic textiles—and for blends.

*From a talk by Mr. Haddad before New Bedford Textile Club of New York, Feb. 6, 1958.

*Continued from page 6*

# Conclusions About the Economy And the Textile-Apparel Industry

reassert themselves. People will endeavor to hedge against inflation. They will buy more freely and naturally the course of business will be changed. But I do not expect it to happen.

Should it happen, then the predictions I have made obviously are not correct.

### Bases for Conclusions

On what did I base my conclusion? My conclusion is based on an analysis of these forces:

(1) That we have forces that will pull us down.

(2) The strong forces and the measures that will be taken by Government that will prevent the decline from going too far and ultimately will reverse the course.

(3) The strong stabilizing forces that are in existence in our economy.

### Weak Economic Forces

Let us look first at the weak forces that will pull the economy down. Why does one expect that business activity will decrease? The answer is as follows:

(1) Capital expenditures by corporations will decrease. It has been estimated that capital expenditures will decrease by five or seven per cent. It is possible that the decline may be greater for these reasons:

(a) The productive capacity is much greater than the present effective demand.

(b) Competition is very keen and becoming keener.

(c) There is a strong squeeze on the margin of profit.

(d) The economic climate has undergone a change.

These conditions do not augur well for capital expenditures by corporations and, therefore, one may expect that these expenditures will go down and have an impact on the economy of the country.

(2) The sale of durable goods will decrease. This applies primarily to automobiles for these reasons:

(a) Automobile prices are too high.

(b) Many people are heavily indebted and they will endeavor during 1958 to pay off for the cars they bought in 1955.

(c) Overtime payment has disappeared. Twilight work has disappeared. This does not augur well for the sale of automobiles and similar durable goods. This industry, therefore, will decrease.

(3) An effort will be made to reduce inventories. Already we are witnessing the beginning of a decline in inventories and in all probability this tendency will continue, and I need not tell you that a liquidation of inventories has an adverse effect on business activity.

(4) Exports in all probability will decrease partly because the boom in Europe too has come to an end, partly because the productive capacity of the Free World has increased materially, and partly because there is developing a shortage of dollars in some free countries of the world.

During 1955, '56 and '57 exports played a very important role in the boom.

And finally, unemployment will increase. As I stated before, it would not be surprising if during the winter months the total number of unemployed reaches between four and five million. Unemployment, or the growth of unemployment has an adverse psychological effect even on those people who remain employed.

All these forces combined right are at work now and are pushing the economy down.

If this were the situation alone, the outlook would be bad indeed, but that is only one part of the picture, one side of the coin.

### Strong Economic Forces

There is another side to the coin, namely, the strong forces, and they are:

(1) Government expenditures will increase. We are already told that the estimated surplus for the fiscal year '57-'58 will be converted into a deficit. It is quite certain that irrespective of the budget figures, the deficit for the fiscal year 1958-59 will be larger.

(2) Public works will increase materially. There is still a great pent-up demand for roads, highways, for schools, for hospitals, and in all probability public works expenditures will increase in the coming months.

(3) Money rates already have decreased and in all probability will become easier as the months go by. Interest rates will decline. Bond prices will go up. And this in turn will have a favorable effect on public works and later on, on housing, both of which will have a favorable impact on the economy of the country.

(4) Disposable income in the hands of the people will be large, and that is the most important factor in which you are interested. Disposable income will be large in spite of unemployment because wages in '58 will be higher than in '57. We do know that a number of industries made contracts in previous years which grant labor increases in 1958. New contracts will be made in 1958 and in all probability they will also witness an increase.

(5) It is quite certain that Social Security benefits by the Government will increase.

And finally, the liquid savings in the hands of the people are very large. People will have a large supply of money at their disposal and in all probability they will spend it. They will spend it primarily on nondurable goods. The fact that in 1958 for the first time a great many Americans will have paid for their automobiles purchased during 1955 will give them added purchasing power to spend on nondurables, on soft goods and on services.

Now, increased expenditure by the Federal Government, and lowering of money rates, are very strong and powerful forces. However, it takes time before an appropriation is translated into an order creating a demand for labor and for material. It may take six to nine months before increased appropriations will be felt in the economy. It takes time before low money rates begin to affect the economy, and have a favorable effect on industry and trade, and, therefore, realizing that there is a time lag, I reached the conclusion that the decline in all probability will continue until about the summer and then the stronger forces will come to the fore stabilizing business and then pushing the economy higher.

### Stabilizing Forces

There are other forces at work, the so-called stabilizing forces. First, transfer payments by the Government will increase. Unemployment insurance, old age pension, relief, this will maintain the purchasing power of a great many people.

Second, as I stated before, wages will increase in 1958 even during the period of unemployment. We ought to have 60 million people gainfully employed at wages higher than ever before. How many years ago was it when Mr. Wallace wrote that our goal should be 60 million people, and here one can see in a year of readjustment only 60 million people working instead of 65 million, and many people believe that the world has come to an end.

### Degree of the Decline

The degree of the decline and the duration of the decline will depend on the following factors: The measures taken by the Government and how fast they put them into operation; how fast the reserve authorities change their credit policy to make reserves available to the commercial banks, thereby creating a general increase in the availability of bank credit and a reduction in interest rates.

In part it will depend on psychological forces such as the movement of the equity market, political developments, and in part it will depend on the attitude of manufacturers and distributors. If manufacturers and distributors put on their dark glasses and they can't see anything but gloom and perdition, then obviously business activity will be adversely affected.

On the other hand, if they realize that the disposable income of the people will not decrease to the same extent as industrial activity, that people have vast savings at their disposal, that the population is increasing, that this is not a depression but merely a readjustment, and they put their shoulders to the wheel and they work harder, they will not only meet the quotas, but also they will influence the spending of other people.

And finally, it will depend on public opinion. Public opinion is made by very few people. A great many people listen to the radio, read the newspapers, and when their favorite commentator is pessimistic they are pessimistic, too. When their favorite commentator is optimistic, well, they say to themselves, "There is nothing to worry about." A great deal, therefore, will depend on whether those who make public opinion will look at the picture realistically and not be swayed by the weakness of one or the other sector of the economy.

Now a word or two about the textile industry. What is wrong with the textile industry? Everybody asks this question.

Let's divide the textile industry into two parts, the mill end of the textile industry and the apparel groups and its distribution.

### Apparel and Mill Ends of Textile Industry

What is wrong with the mill end of the textile industry? Very simple. The mills as a general rule and for reasons, which you know and I know, which I do not have to analyze, like to work six days a week, three shifts and, therefore, pile up inventories faster than warehouses can be built.

It is one of the most disorganized industries in which a ruthless type of competition prevails that in most other industries is considered as completely outdated.

The industry has suffered from the inroads of plastics and glass as well as paper. The industry has suffered from competition from abroad. These are the prime weaknesses of the industry.

As far as the sale of apparel is concerned, it was affected by the decentralization movement from the cities to the suburbs which of necessity made a family more durable goods conscious. A greater portion of the family income is spent on durables than ever before. The result is that the percentage of disposable income that is used to buy apparel has not increased as is the case in most other industries. In part it is the result of high cost of food and services and in part, particularly the men's wear industry, due to the fact that little has been done to make the American male style-conscious or dress-conscious.

### Encouraging Textile Outlook

Great as the problems are that confront this industry, I don't see how anybody can be pessimistic about it for these reasons:

(1) The population is increasing at an annual rate of about three million per annum. And while an increase in population does not assure us a higher standard of living—if this were the case, India and China would enjoy the highest standards of living in the world — yet, we do know that when we have a population of 172 million, as we have now, 175 million a year from today, three million people consisting primarily of babies will all be good customers of yours.

(2) The standard of living of the people is rising. We are becoming a nation of middle class people. One of the characteristics of the middle class people is the principle you have to live up to the Joneses, and this is a paradise for a smart retailer. The middle class is the greatest spending machine ever invented by the Lord.

All these in the long run augur well for the textile industry and for the apparel industry.

### Summary

Now, what conclusions can one reach?

(1) A free economy is bound to have its ups and downs. To be sure we have learned how to eliminate major swings in the business cycle. Depressions such as we had during the '30's are a thing of the past, but we have as yet not abolished the swing of the cycle itself. Business activity reflects the mood of the people, the millions of decisions made in millions of homes and by thousands of boards of directors. A free economy is bound to have its ups and downs.

(2) Every downward readjustment is painful, but I do sincerely believe that in the long run the present readjustment will be more helpful than harmful. It has at least for the time being retarded, if not stopped, the forces of inflation.

Productivity of labor will increase. Some of the maladjustments which have crept in during the period of the boom will be eliminated, and when the readjustment is over the foundation will be laid for a much better future than would be the case if the boom had continued, the inflation had been accelerated, because then the decline later on would have really been of major magnitude.

The year 1958 on the whole will be a year of readjustment which will be felt in the capital producers' and durable consumers' goods. The non-durable goods industry on the whole will do well.

(2) The decline will be more pronounced in the first half than in the second half. By the summer months the measures taken by the Government as well as the strong forces I have analyzed for you will begin to be felt. The decline will come to an end, and after a period of relative stability business activity will resume its upward course.

The present downward adjustment in no way alters the long-range economic outlook for the United States which is as good as it ever was. The American economy is highly dynamic based on a rapidly rising population, an increase in productivity and an increase in the standard of living, and research which creates new values and destroys old values.

And finally, 1958 though it will be a rather rugged year, for those willing to work just a little harder, use a little more of their imagination and ingenuity, do a little more promotion than before, while it may not be the best year, will be one of the good years in history.

# Check Mounting Unemployment With Professional Salesmen

By ROGER W. BABSON

**Rising unemployment can be checked, Mr. Babson advises, by increasing consumers' demands for goods and services. The author calls attention to the rising professionalism of the salesman, hailed as an indispensable requirement and as the opposite of the type exemplified in the play, "The Death of a Salesman."**

Roger W. Babson

Everyone is aware of the fact that employment has recently been falling off. Despite attempts at rationalization of increasing unemployment as "seasonal" or as occurring only in "certain industries," we should face the fact that it is already more general than is healthy for our economy. It is important that this negative movement be checked as soon as possible. Among many suggestions coming to me, I especially recommend the following by one of the Babson Institute professors, Louis Foley.

### Salesmanship Is the Problem

There is only one way this mounting unemployment can be checked. That is by increasing consumers' demands for the goods and services that industry can produce. Factory wheels cannot keep on turning, and jobs for workers cannot continue to exist, unless their product is being continually sold. Successful salesmanship is vital to the prosperity of all, including those in occupations not directly connected with selling. So the threat of growing unemployment becomes primarily a problem for salesmen of goods and of advertising.

In the buyers' market in which we now find ourselves, salesmen will need to exert themselves more strenuously than they have been accustomed to doing. This is not, however, a call for "high-pressure" selling in the unfavorable sense. It is neither honest nor effective salesmanship to mesmerize people temporarily into buying what they do not really need or desire, or what they cannot truly afford to pay for; in other words, what they *ought not* to buy. The best salesmen are not necessarily "fast talkers." They use their intelligence in analyzing the situations of possible customers and in deciding where genuine sales possibilities exist. They have the imagination and the ingenuity to demonstrate to the prospect how their product is fitted to his requirements and can furnish him real benefits. These he will appreciate when they are shown him—and will want. Salesmanship is fast becoming a profession, actuated by professional standards.

### Good Salesmen Are Required

More than ever before, it is necessary for the salesman to have thorough knowledge of what he has to sell. In many lines nowadays it is indispensable to have an extensive technical acquaintance with the products offered, in order to explain accurately just what kind of service they can be depended upon to render. We have evolved an economy in which success in salesmanship requires an amount of preparation and continuing study that our ancestors would not have dreamed of as requisite for being a "mere salesman."

We have come a long way since the time when "persons of quality" found it obviously natural to look down upon those who were engaged "in trade." Salesmanship has become a completely respectable occupation because countless intelligent salesmen are taking their vocation seriously and dedicating themselves to it. They are realizing that they are performing a great service to the nation as a whole.

### It Is Not So Simple Now

One of the saddest plays ever produced in the theatre was "The Death of a Salesman"—sad, that is, as the story of an individual who went down to utter defeat. Perhaps quite unintentionally, however, it symbolizes something that need not be considered sad at all—the "death" of a certain conception of salesmanship. It makes us realize the day of the "drummer" who depended for success on backslapping, telling funny stories, and being "well liked" is truly past. Not, of course, that personality is unimportant; it has always counted and always will—in salesmanship as in everything else. That, however, must be a factor added to actively intelligent devotion to one's business and all that it requires to be up to date.

We cannot be saved by "security," which can be only relative and temporary at best. We can be saved only by *faith*. In the final analysis, it is faith that makes a great salesman—a humble faith in his own ability, faith in the value of what he labors to sell, faith in our economy—and, most important of all, faith in God. Salesmen may well be proud of their occupation, for the maintenance of our way of life is dependent upon them. We need more praying salesmen.

## Phillip J. Clark Opens Own Investment Office

DENVER, Colo. — Phillip J. Clark has opened offices in the Guaranty Bank and Trust Building to act as a dealer in investment securities. Mr. Clark was formerly executive vice president of Amos C. Sudler & Co.

Phillip J. Clark

## 2 With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert C. Boaz and Carl Morton have become associated with Shearson, Hammill & Co., 520 South Grand Avenue. Mr. Boaz was previously with King Merritt & Co., Inc., and H. L. Jamieson & Co. Mr. Morton was with Dean Witter & Co.

## With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Edward W. Paine is now with Paine, Webber, Jackson & Curtis, State Mutual Building. Mr. Paine was formerly local manager for Savard & Hart.

## Morgan Stanley Group Offers Gen. Motors Acceptance Debs.

A nationwide underwriting group headed by Morgan Stanley & Co. and comprising 233 investment firms yesterday (Feb. 19) placed on the market a new issue of $150,000,000 General Motors Acceptance Corp. 21-year 4% debentures. The debentures, which mature on March 1, 1979, were priced at 98½% and accrued interest, to yield approximately 4.10%.

The net proceeds from the sale of the debentures will be added to the general funds of the company and will be available for maturing debt or for the purchase of receivables. Such proceeds may be applied initially to the reduction of short-term borrowings.

The new debentures are not redeemable before March 1, 1963. On and after that date the company may, at its option, redeem the debentures at 102% if redeemed before March 1, 1964, and thereafter at prices decreasing to the principal amount on and after March 1, 1971. However, there is a special provision for redemption at lower redemption prices in the event of stipulated declines in aggregate General Motors Acceptance Corp. non-subordinated United States indebtedness.

General Motors Acceptance Corp. finances the distribution of new products manufactured by General Motors to dealers for resale and finances such dealers' retail instalment sales of new products as well as used units of any make. The financing of automotive vehicles comprised 98% of the dollar volume of receivables purchased in 1957.

Notes and bills receivable, after deducting unearned income and loss reserves, held by the company at Dec. 31, 1957, amounted to $4,168,092,000, compared with $3,850,046,000 at Dec. 31, 1956.

Total GMAC indebtedness at Dec. 31, 1957, was $3,739,369,000. This total included: due within one year, $1,498,800,000; due subsequent to one year, $1,865,569,000; subordinated indebtedness, $375,000,000.

All of the outstanding capital stock of GMAC is owned by General Motors Corp. Total capital stock and surplus at the year-end amounted to $273,832,000.

## Forms Universal Secs.

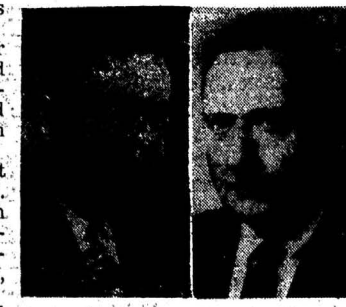
TULSA, Okla.—Ralph H. Henry is engaging in a securities business from offices in the Enterprise Building under the firm name of Universal Securities Co.

## S. D. Karlin Opens

OCEANSIDE, N. Y.—Stanley D. Karlin is engaging in a securities business from offices at 2625 Cornwell Place.

## Welch and Arnold on European Tour

Mr. and Mrs. Edward H. Welch (Sincere and Company, Chicago) and Mr. and Mrs. Henry J. Arnold



Edward H. Welch Henry J. Arnold

(Geo. Eustis & Co., Cincinnati) are leaving New York City on Feb. 21 on the Italian liner Saturnia for an eight-week motor trip through Portugal, Spain, Italy, Switzerland, Austria, West Germany, France and England.

## H. Hentz Adds Two

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Harold L. Epstein and Lawrence L. Hertz are now with H. Hentz & Co., 9680 Santa Monica Boulevard. Mr. Epstein was formerly with Daniel D. Weston & Co. Mr. Hertz was with Sutro & Co.

Continued from first page

# As We See It

gardless of any need, real or fancied, for stimulating recovery at this time.

### What Price Tax Reduction?

But these tax reduction suggestions now being offered as a means of reviving business need to be studied with care. Few take the trouble to explain what taxes they think ought to be reduced or by how much—and that phase of the subject is of first rate importance. There is, however, very little obscurity about at least one aspect of these proposals. It is implicit in most proposals, and fully expressed in others, that such tax reduction as is effected now should be temporary. Professor Burns is explicit on the subject; others without doubt assume that when business improves, taxes would be raised again. In other words, the idea usually is that tax rates should be raised or reduced as a means of controlling business fluctuations.

Now let us see what is implied in this notion of temporary tax reduction. For one thing business men are supposed to be encouraged to go ahead with plans for expansion, including expenditures for plant and equipment, but are promised, or virtually promised, that as soon as they do so their taxes will be raised again. Now Business men—certainly the successful men of business—have a habit of looking well into the future. They would not be successful if they had no such habit. For strictly short-term operations, probably, a temporary tax reduction might prove an effective incentive. But capital expenditures are not usually short-term commitments.

The incentive value of a temporary reduction in the income tax in the higher brackets—where they ought to be permanently reduced in any event—would also appear to be uncertain. Where these extremely high tax rates on large incomes are most harmful is in the case of individuals who may have dreams such as Ford, Rockefeller, and thousands of other geniuses have had in the past. But such projects as they would undertake are not short-term. They are life-long undertakings for the most part. Merely to assure such a would-be entrepreneur that he would have to pay less income tax for a year or two would do little to create an atmosphere conducive to a vigorous course of action such as probably would occur were it not for the burdens of high income taxes on such incomes as would be earned if undertakings of the sort prove successful.

What effect lower taxes would have on the spending of the great rank and file would, it seems to us, depend upon circumstances. Income taxes do not constitute a very large part of the expenses of the masses. Reduction in other types of taxes which resulted in substantially lower prices for goods people want might well stimulate demand. The temporary nature of reductions might work in the other direction in this case since consumers would tend to buy while they had an opportunity which is to pass before very long. So far as can be ascertained, however, consumer disposition to buy has suffered a good deal more than consumer income, or in other words consumer ability to buy. What lower prices would do to consumer psychology, we do not profess to know.

### Lower Prices?

But what assurances have we that reduced taxes would really bring lower prices? Or if lower prices ensued, what assurances can there be that they would be more than strictly temporary? Rising costs, particularly labor costs, must not be overlooked. What is more, let it not be forgotten that the lower taxes suggested are designed to accompany higher, not lower, Federal outlays. In other words what is being suggested is a large national deficit—and that just at the time that the Reserve system is apparently less interested in preventing further increase in prices than in inducing business expansion. The indexes have given no convincing evidence of any marked tendency to decline. Indeed, with a changed Federal Reserve policy and persistent labor demands for higher and higher wages, it takes a good deal of optimism—or should we say naivete?—to believe in lower prices generally as a result of tax reduction.

Of course, recession or no recession, the country and all of us in it need lower taxes. But we need reduction in public outlays first, so that taxes can be cut without creating deficits which in the end are almost certain to be inflationary and generally harmful. But the fact is that the groups who talk about tax reductions are urging not lower but larger Federal outlays as a stimulus to business! Strangely enough a good many who have been decrying these loose fiscal policies as likely to do great harm to business and to the country now seem to think that they could and would bring an end to a recession.

Continued from first page

# Equity Investment Policy for Today

his opinion, licked, and the outlook for his company appears propitious he then comes to the conclusion that his enterprise is pretty good and a probable buy. Since by that time others who have been looking over his shoulders have anticipated the fruits of his work, he becomes an innocent source of misleading information to his friends and others incautious enough to follow his analytical lead. Talleyrand, in Napoleon's day, said, "I never speculate except on the best of information, and how much money I have lost!"

There is the myth that the stock market is a key to the future. It is a natural human failing to try to get some inside dope in order to instill one's courage and bolster decisions in the arduous task of coping with the problems of the world. And indeed this goes back even to classical times of antiquity when the Greeks saw fit to consult with the oracles to gain some possible insight for the guidance of their affairs. The recourse to Delphi was fairly habitual and the utterances were in many cases magnificent, couched in polite but ambiguous rhetoric, a noble example of the art of double talk which in our times has shown such notable progress.

Since forecasting the future is very difficult, if not impossible, and we can only feel our way forward to a certain degree, the attempt to prognosticate the stock market and stock prices is replete with charlatanry if not asininity, unless pinioned to frames of reference which are understood, accepted, and remembered. Unfortunately the client and the public are insistent with their demands on Wall Street that an unhedged simple forecast be made. They tend to forget the frames of reference postulated or inherent in such prognoses. In other activities the mistakes are swept into the past or are buried or a new tack is taken, but in the stock market the bookkeeping is inexorable, accurate, and lives with us for years and decades. The pocketbook is a very sore and sensitive point and the individual must always have a scapegoat for his own frailties.

### Anatomy of Stock Prices

Having attempted to clear the air on this vexatious matter, I shall nevertheless try to avoid vagueness. The stock market is an uncertain affair. The reasons for this are very simple since stock prices rest almost entirely upon the interplay of many variables, just a few of which I will mention to illustrate my point: First, there is the economic setting in which the facts of the present are less important than their trend and the estimate of the economic position months or years ahead. Secondly, there is the price of the securities which constantly changes and continually has to be re-related to assets, earning power, and outlook, both its own and in comparison with a thousand and one other securities. Thirdly, there is the psychological attitude of mind which gains its optimism or pessimism from the world picture, the national situation, political overtones, social feelings; and how all this is translated into whether attention should be focused on the realities of the moment or the romance of things to come. This ends up in a phrase called "price-earnings multiple."

Let us for a moment discuss just these three factors.

(1) **Economic Setting**: Since the pause and slip in business a great number of competent economists have focused their scrutiny on business even more closely than ever before and we now have a range of forecasts studiously and soberly arrived at. They have all worked with approximately the same material. Nevertheless, the range of interpretation is wide. The investor will have to study these economic diagnoses and then the prognoses and choose therefrom that which suits him intellectually, temperamentally, and appropriate to his investment objectives and procedures.

(2) **Price**: The sharp drops or changes in price, affecting the 1,100 common stocks on the New York Stock Exchange and a few thousand listed and unlisted stocks traded elsewhere in the market, call for a reappraisal of the whole position. The statistical staffs of the Street are engaged in attempting to bring them into better focus in the light of the change in pace and trend of the economy.

(3) **Psychological**: Since 1955 the earnings of the Dow-Jones averages, inadequate as this index may be but nevertheless accounting for one-third of the total common stock values on the New York Stock Exchange, have had a swing of 10% back and forth, the larger part attributable to one company, Chrysler, and to a much lesser extent, Westinghouse. Against this apparent earnings stability the price swings of their stocks were considerably greater, say 25% for the averages, reflecting a change in price multiple from 12 times to 15 times and back to 12 times and encompassing within the averages multiples of considerably less than 10 times for some of the stocks to well over 20 times for others. Thus a change in multiple can be more important in terms of the price of the shares than a change in earnings, reflecting an economy that first was growing and then was pausing.

### "Cabots and the Lodges"

These three factors are further complicated by the unfortunate circumstances that the first variable, the economic situation, is dealt with by the economist; the second factor, the price of the security, is studied by the statistician or security analyst; and the third, the psychological, is supplied by the public. These three only talk to each other spasmodically, if at all. Those who attempt to synthesize are few and far between and constitute the speculators and sophisticates of finance who are better in doing it for their own account than they are in articulating it to the satisfaction of others. The others wish to have a clear-cut proof which in the nature of things cannot be forthcoming.

The sophisticate, besides not articulating his views, is not necessarily right. His judgments are frequently visceral though backed by experience and continuous study and rationalization of the evidence. When he makes a mistake he does not lose his nerve. He may run but he does not remove himself from the market nor attempt to pinpoint his entrance and exit. He has the stamina to withstand the strain and to live with faulty timing. This makes a tremendous difference in the overall long-term result. The equity owner carries the burden of his ownership and not everybody has the capacity to stand the load of living with uncertainties which are the normal tensions in the marketplace.

As for the economic background, I am willing to accept as a working tool, subject to change without notice and always prepared for changes, that we are in a decline more severe than 1954 but not a depression and that while the inventory readjustment may soon be alleviated the other cycle of construction of plant and equipment culminated last year and is likely to take a protracted period before an uptrend starts anew.

As you may know, in Wall Street there are two vocal groups derisively termed "The Six Months Club," on the one hand, and "The 350 Club" on the other. The former see the turn to improvement at the mid-year point with everything all right in the last six months. The latter, with little diminution in their long-term enthusiasm for the country as a whole, nevertheless believe that a correction is not possible until we have gone through the traditional and orthodox bath in the classical manner, and this will give them their opportunity to buy their favorite equities when the averages stand at 350. Frankly I am not a member of either club.

Actually, to get down to brass tacks to formulate equity investment policy for today, it is necessary to scrutinize the industry components of our economy which make up the securities market. There are 50 to 100 industries including sub-industry categories but let us examine as quickly as possible a score or so to find out where we stand and what we are talking about.

### View of Industries

(A.) AT OR CLOSE TO THEIR HIGHS

Utilities
Grocery Chains
Drugs
Finance
*Banks
Foods
Tobaccos

*N.Y.C.: 5 at highs; 6 down 15%.

**Electric Utilities**: Currently around their highs, reflecting lower money rates, defensive position, and long-term favorable prospects. Selling at almost 19 times for the growth utilities where the average yield is 3¾% and 14 times for the run-of-the-mill companies where the yield is about 5%. Good investments but no bargains.

**Grocery Chains**: The shares are reaching new highs now and the outlook continues quite favorable. The leading shares sell at 11-15 times earnings.

**Drugs**: Their highs are with us and are even above the highs of 1951 and 1952 just prior to collapse of penicillin-streptomycin prices. Multiples for the leading ethicals, such as Merck and Parke-Davis, around 14 times, but a specialty or two over 20 times, and the mixed proprietary-ethicals selling around 11 times. Competitive but attractive. Some Government poking around about prices. Yields around 4%. Great foreign growth and excellent research. Worthwhile equities.

**Installment Finance**: The finance companies are at their highs and sell at 10-11 times this year's estimated earnings. Dividends are safe and yields good.

**Banks**: Many are at their highs though the country-over they may be considered off 7% from their highs of a year ago. Reasonably priced in relation to earnings last year and this year and most selling at small discounts from conservatively computed book values. Dividends are safe.

For shelter I like them better than preferred stocks.

**Foods**: This potpourri of scores of companies finally ending up in the cuisine are in general selling at their highs with multiples ranging all around the lot from 10 to 14 times. In most sections continued growth, but no fireworks can be expected. Good ballast for the portfolio.

**Tobaccos**: Under the pall of cancer, neglected during the stock rise of the 50's. They are now near their 1956-1957 highs but some of the leaders well below the halcyon peaks of 30 years ago. The five companies battle with their brands, and with the health scare, and some are attempting to diversify. The four majors sell at 8½-10 times earnings, and yields are plentiful at 5% to 7%, wherein lies the principal attraction.

**(B.) DOWN 10%-20%.**

| | |
|---|---|
| Electric | 15% to 20% |
| Containers | 12% to 20% |
| Rubber and Tires | *20% |
| Natural Gas | 20% |

*One down 40%

**Electric**: G. E. down 15% from the high of 1957 and Westinghouse 20% from the pre-strike highs of two years ago but down little from last year's high. Both comparatively interesting as their major market will suffer no contraction in the coming year, and the latter one is underpriced.

**Containers**: Down 12%-20% from the 1956-57 highs for the three leading companies. Having reached a degree of saturation all three are diversifying. A defensive group selling at 13-16 times earnings. Growth slow, yields satisfactory.

**Rubber & Tires**: Three of the four big companies down 20% from highs of last two years. Selling at 12 times this year's estimated earnings. Still good long-term growth with possible dynamism abroad and in other lines. One of them (U. S. Rubber) depressed, over 40% down and speculatively interesting on real recovery over the longer term.

**Natural Gas Pipelines**: Down 20% from the highs of 1957. Plagued by regulatory imbroglio, legislative snarls, and judicial snags. A mixed group mostly not particularly inviting.

**(C.) DOWN ¼ to ⅓.**

| | |
|---|---|
| Chemicals | 25% |
| Oils | 25% |
| Office Equipment | 25% |
| Merchandising | 30%-20%-30% |
| Paper | 30% |
| Life Insurance | 30% |
| Steels | 25%-33%-50% |
| Aircraft | 30% |
| Building | 33% |
| Agricultural equipment | 33% |

**Chemicals**: Down 25% from the highs reached in 1956. Now selling at multiples of 15-25 times this year's estimated earnings, but on a cash throwoff basis probably half that, and of course the incidence of research and development expenses has its distortions and its potentials. Cash dividends yield 4% down to 2%. This industry is complex and consists of a series of differentiated aggregates, generally operating well below capacity and still being expanded at a good clip, and being invaded by many other strong companies diversifying their other businesses. Labor content is reasonable. Basically still strong but a long-term affair. Good for institutions.

**Oils**: Standard & Poor's combined index of 19 oil stocks is down about 25% from the highs of last year. This great industry with its many facets is not judged by one yardstick. The appraised value and the cash throwoff are perhaps more important than the conventional price-earnings multiple. With regard to the first, the shares are reasonable. With reference to the second, current prices range from 3 to 8 times cash earnings; and as to the third, it is only significant for the more important domestic integrated companies which range from 7½ to 14½ times net earnings with yields varying from 3% to 6%. Currently there is an oversupply of both crude oil and refined products and the growth factor is down to 3%. Refined product prices are already down to a level comparable with that of late 1956 and a price cut in crude oil may, with difficulty, be avoided. Internationally the growth factor, whatever the cause, is two or three times the domestic rate and the world oil industry is still in few hands.

A few of the international oils, recently taking the trouble to raise $700 million of new equity money, seem attractive. The exploratory companies, well selected, are good for growth on a long-term basis.

**Office Equipment**: Leaders down one-quarter and the leader of the leaders (I.B.M.) down 8% with a brilliant future at 23 times estimated adjusted consolidated earnings for 1958 and at 18 times prospects for 1959.

**Merchandising**: The great mail order and department store companies are down about 30% and 20% respectively from highs reached in 1956, reflecting profit squeezes of one sort or another. Now selling at 9-10 times roughly estimated 1958 earnings. Not unreasonable. Yields generally attractive and the speculative eye must look to 1959. Variety chains down 30%. Yields good subject to dividend cuts. No growth in this erstwhile growth industry. Underlying values great if liquidators could take hold. Not interesting but undergoing changes and combinations are brewing.

**Paper**: The highs were made largely in 1956 and the shares are down on average 30%. The industry, consisting of many subdivisions, is operating between 80%-90% of capacity. The major companies are selling at over 15 times 1957 earnings, and any increase in earnings must be postulated on 1959 and 1960. A couple in the second rank, such as St. Regis and Mead, are selling at around 12 times earnings and may be interesting.

**Life Insurance**: The shares are down 30% from their overexploited 1955 highs. Business last year excellent and this year should be quite good. The miracle of compound interests works here, virtually free of tax bite, over the years.

**Steels**: The highs were reached at the end of 1956 and early 1957. Shares of the leaders are down 25%-30% and those of poorer grade and specialties one-third to one-half. The industry is cyclical and now operating at less than 60% of capacity. Proponents believe prices will hold and earnings will be down 20%-30%, on which basis the shares are selling at 9 to 11 times. Not unreasonable considering next year's potential. Of course, many investors, for whom this is the typical cyclical industry, are allergic to steel, fearful of price cutting, abhorring the large labor component, the militancy of the union, and antagonism of the Government towards decent prices. The leader seems undervalued.

**Aircraft and Missiles**: Defense expenditures, on which this group relies, nearly 10% of the GNP, and after being checked briefly last year are now in a strong upward curve which presumably will persist for the foreseeable future. On the $10 billion which goes for hardware the increase will be large percentagewise. This can be a fertile field for investment, speculation, and outright gambling, if one wishes to hazard the vagaries of defense procurement, obsolescence, long lead time, and the remote possibility of some disarmament. The range of companies is wide, comprising the great and reasonably priced aircraft manufacturers, down 30% from the 1956 highs, electronic companies great and small, specialized scientific laboratories, and others ranging from production of prosaic items to new and exotic fuels and weaponry.

**Building**: The building materials group is off about one-third from the highs which were reached in 1956, although U. S. Gypsum is still hovering near its peak. Commitments are not unreasonable on the expectancy of a 5% or better increase in housing starts this year with a substantial improvement in the 60's. Some of the smaller specialty companies are statistically cheap.

The cement industry with a capacity of 375 million barrels will sell about 300 million barrels this year, a couple of per cent above last year. Leading companies are priced at 15 times earnings partly based on the belief that the road-building program will get up steam.

**Agricultural Equipment**: Two or three strong companies, down about a third from the highs of five years ago. Slowly eliminating weak competitors in an over-planted industry. Outlook still dull.

**(D.) OFF AROUND ½.**

| | |
|---|---|
| Beverages: | |
| Soft | Fair |
| Hard | Low |
| Airlines | 40% |
| Textiles | 40% |
| Fire and Casualty | 33%-50% |
| Automobiles | 40% |
| Nonferrous Metals: | |
| Nickel | ⅓ |
| Copper | ⅓-½ |
| Aluminum | ⅓-⅔ |
| Lead-Zinc | ⅔ |
| Fiberglas | 56% |

**Beverages**: Hard and soft, the former near their lows, the others fair to middling. Good for income.

**Airlines**: The airlines, after romantic bursts in 1945 and 1955, have slipped from favor and in 2½ years have had a decline of 40%. They sell below book values, well below replacement values, and at only a few times cash throwoff. The regulatory authority has a schizophrenic problem of regulation and competition, creating pressure on weaker segments of the industry to merge without careening the stronger into financial difficulties and, at the same time, allowing all to ready themselves for the jet age. The shares are available at distress prices and the remedies for their return to fortune and favor are largely in the lap of the Government.

**Textiles**: Real highs reached in 1951, now down 40% from the subsequent 1955 highs which were not so high. Has a chronic cycle of its own. With industry fragmented even the new large units constitute only a small percentage of the whole. High unsafe yields. In a trough but more often than not sell at deflated prices.

**Fire and Casualty**: Shares are down one-third to a half from their highs of 1955, justifiably deflated because of red figures. Prospects are mediocre in view of increased competition from direct writers such as Sears Roebuck's Allstate or specialty outfits such as Government Employees, and rate problems.

**Automobiles**: Three companies left. Prices down 40% from the highs of two years ago. Whatever the mildly interesting growth potential, and say the market for 1960, they are faced with perpetual style problems, major labor troubles, and now consumer lethargy. Not interesting. Automotive suppliers in similar box and subject to great squeezes.

**Metals**: **The Copper Group** reached their highs early in 1956 and have been in a bear market for two years. The leaders are down close to 50%, while lesser companies are down two-thirds or more. Domestic price of copper has dropped 45%, world prices 60%. When things were good the multiples were less than 10 times. Now with the imbalance of supply and demand not too great, say 15%, but the price cut in half, the multiples are 20 times on current earning power or 9-11 times if copper is postulated at 30c and full capacity. The group is a candidate for purchase as the time to buy them is when the multiples are high and the price of copper is low, rather than vice versa.

**Lead and Zinc**: Lead and zinc shares, down nearly two-thirds, represent a fragmented industry with great overcapacity hidden by stockpiling and various devices, and now requiring boom times to put it on its feet for worthwhile upthrust.

**Nickel**: Nickel shares, down one-third, continue to have good prospects and strong prices in nickel, and will benefit from byproduct copper recovery. Current multiples while not cheap are not unreasonable.

**Aluminum**: Aluminum, down one-third to two-thirds from the highs of the last two years, must contend with heavy overcapacity but has a firm price structure and good long-term prospects. Current multiples around 20 times. Candidates for eventual purchase.

**Fiberglas**: This glamor growth group of three companies is down over 50% from the 1955 highs and the leader, which does over two-thirds of the business, after unparalleled sales growth, has shown a mere 7% increase per annum for the last five years and sells at over 25 times reported earnings.

**(E.) WAY DOWN.**

| | |
|---|---|
| Television | * |
| Rails | 50% |
| Machine Tools | 67% |
| Rayon | 70% |

*Some down—some out.

**Television**: Many in group way down from mid-1955 highs but they managed to eliminate a dozen and a half contenders. Still battling for market supremacy, with meager profit margins. A very mixed group, some interesting, the survivors to benefit from obsolescence and new developments.

**Rails**: The highs were reached in 1956 and since then the rail market has broken in two and, for that matter, some of the rails can go broke if the low level of current loadings persists. Some selected rails in the northwest and the southeast quadrants of the country, such as Western Pacific and Southern Railway, may be purchased for income, worry, and eventual appreciation. Yields 6%-9%. The news will get worse before its gets better.

**Machine Tools**: Down two-thirds. Bleak outlook.

**Rayon**: Down 70% from the highs of 1955. Earnings trend still lugubrious and multiples all around the lot from 10 to 15 times. Selling at less than half book values, and several selling around 3 times cash flow. Yields high in some cases but dividends barely or not covered and in danger.

## Policy and Conclusions

This is merely a sampling of the industries, disposed of in a casual and cursory manner to discern their present position. From the foregoing and from other factors I should like to offer a number of comments and conclusions:

(1) Aside from a holocaust like 1932, this is not a stock market but a market of stocks. Some groups or industries have had a bear market for years, others are in the full swing of prosperity and popularity. Stocks are not coffee, copper, or wheat. They do not fluctuate in unison but by industries which are affected by their own imbalances and structures. To view it otherwise is oversimplification and error.

(2) The precipitous drops and the money lost last year were the result of a minor panic, the conjuncture of several things: the sudden awareness that the economy was in transition from shortages to oversupply and overcapacity; the default of the U. S. Government in dispensing payments to its defense contractors which brought fear into the hearts of many; and the invasion of outer space by the Soviet, striking terror into our belief in our superiority and invincibility. These three elements, coming closely together, created a paroxysm of fright and swept shares to indiscriminate lows. Since then readjustments, mainly upward, have ensued and the investor, saturated over recent years with threats of inflation, with arguments of growth, and with a deepening sense of basic security in this great economy of ours, may not return to throwing overboard his savings in the form of equities and may not be unduly depressed or obsessed by the parade of poor reports which we can expect during the first half of this year. So I do not expect the 350 Club to score a touchdown.

However, the period we are in may, in effect, be a tax holiday for non-earning or lower earning corporations which normally contribute so handsomely to the revenues of this land for which profitability they are assailed by the ungrateful recipients, that is, the politicians and the labor leaders. Budgetary deficits will increase the money supply.

(3) The decline in stocks has had more or less fair logic. There is not much gold immediately to be found in the groups with the great declines. Those which dropped the most deserved the fall. It will take good search and penetrating intelligence to pan the precious metal from the dirt. The pickings are slender and can be found a little in the great declines but also in the shares that have shown their strength.

(4) Below the great corporate institutions which have won their race and are the warp and woof of our society, there remains a host of specialties, those many interesting enterprises which constitute the real striving and struggling entities squirming and hacking their way upwards. It is on these small and not so large enterprises that the keen mind and courageous soul can pin his faith for a breakthrough, for high stakes and rewards. These specialties are the secret weapon of Wall Street. Each professional has a few in his own account, whatever his view of the economy, his skepticism or worry over the market, or his pessimism about things in general. These are the quicksands of our liquidity and these are the source of our fortunes, if any—while the great companies fluctuate reflecting general optimism and pessimism and every decade or so have a big forward momentum. To pick up these promising morsels requires contact with the machinery of Wall Street and the becoming of a real died-in-the-wool investor, that is, speculator, which is a subject by itself.

(5) For the professional adviser as opposed to the gambler or trader, his investment course does not veer abruptly. He is as equally impressed with conditions as he is with prices, carefully examining the flow of statistics, the many reports and recommendations which cross his desk, picking areas of disagreement as is his wont, adjusting his views to conditions as they unfold, and from it all arriving at convictions which he slowly translates to the portfolio, which is shifted gently to bend to the times and to take advantage of new winds and tendencies. He does not turn

*Continued on page 24*

Continued from page 23

## Equity Investment Policy for Today: Erpf

things upside down or do somersaults as the public conceives him to do. He works and thinks, holds to his basic line, and over the years the items fructify.

Undoubtedly he has given or is giving consideration to judicious switching from the defensive portion of the portfolio, such as income utilities and other groups with slow growth which have served him well over the recent period, to more interesting equities, such as:

I. B. M., General Electric, Westinghouse and other electronics, with or without problems, major and minor;

As well as the beneficiaries in the aircraft and missile group, of which there are many;

In the oils, strengthening the world companies which have just been depressed by financing at the expense of lesser growth domestics;

Nonferrous metals: nickel, copper and eventually aluminum;

The leading steel, which is not appreciated;

To the battered air transports;

And even to the bruised and flattened Avisco in textiles—all of this gradually and as the business decline progresses, or the recovery is delayed, more actively.

(6) For the amateur may I excerpt from a little talk, "The Pursuit of an Honorable Estate Through Risk," which I had occasion to give in Boston and where, in Capsule VI, I jotted down some pointers for the wary pilgrim who seeks to travel the perilous journey from refined poverty to worrisome riches. Of the 24 admonitions, which are by no means all-inclusive, and I might add that I have difficulty in following quite a few of them myself, I might mention a few:

(a) Never gamble. But try to avoid investments when they become such. Always speculate.

(b) Don't think that savings will get you anywhere, but make and take savings to speculate.

(c) Life insurance is the cheapest lottery ticket to play death for sweepstakes for your beneficiaries. It is not an investment for yourself. It is interim protection.

(d) If you are not in the securities business, pick an honest and competent firm and stick to them, but you determine the strategy, letting them help you in implementing it.

(e) Don't play the market—let the chartists, sooth-sayers, and slip-stick boys be always right; they never have the dough. Worry less about the stock market as a whole and concentrate more on your own position.

(f) Don't average. If you have a commitment which breaks in two, put it aside to study it anew and only buy into it as though it were an entirely new commitment.

(g) Bear in mind that companies can grow through competence, creativity, and by capture, and be interested in constructive managements which appear so minded.

(h) Distrust generally held beliefs. The majority is usually wrong. If this were not so, the majority would be rich, powerful, and successful. According to Pareto and a few other disagreeable fellows, the majority gets poor in the long run.

(i) Remember you can have your own bear and bull market and nobody may ever know about it because the market may be mildly up or down. The mere fact that everybody is riding high or low is only a gregarious thrill and association having no bearing on your own book and fortune.

(j) Bear in mind that trustees, investment committee members, pillars of society are usually a generation behind trends in the making. This gives the alert speculator ample time to maneuver but it also means that patience is required to gain conventional recognition.

(k) Take speculation and security selection seriously. The process of investing or speculating is of social significance. It is not Monte Carlo or a game for the boys, except incidentally. It is the means whereby the reservoir of the nation's savings and a portion of its capital are kept liquid and this itself aids the movement of new savings or old capital into new industries, new companies, to fertilize reorganizations and mergers, to participate in the endless shifting and reformation of industries and companies, to supply the financial sinews for growth — in essence, making our capitalistic society dynamic, fruitful, creative, efficient, disciplined, and great. It is the creative genius of the man as against the stagnancy of the bureaucracy. It is the United States vs Russia.

(7) Finally and briefly, since 900 stocks have advanced sprightly since the year end, 50 remaining steady and 100 going down, while business is shot to the devil, the wisdom of equity investment policy for the nonce on the broad front is watchful waiting.

### Louis Berg Opens

Louis Berg is engaging in a securities business from offices at 40 Exchange Place, New York City.

# Institute of Investment Banking to Hold 6th Annual Session

WASHINGTON—The sixth annual session of the Institute of Investment Banking is scheduled for March 30-April 4, it was announced by William C. Jackson, Jr., First Southwest Company, Dallas, President of the Investment Bankers Association of America.

Sponsored by the Association in cooperation with the Wharton School, University of Pennsylvania, Philadelphia, the Institute offers an executive development program for officers, partners and other seasoned personnel of Investment Bankers Association member organizations.

Registrants attend the Institute one week in the spring for three years, and, upon completion of the program, receive a Certificate of Merit in recognition of their specialized training in the investment banking business. It is expected that about 70 Certificates will be awarded at the graduation exercises Friday, April 4, the concluding day.

Several new features have been added to the Institute program this year, according to Robert O. Shepard, President, Prescott, Shepard & Co., Inc., Cleveland, Chairman of the IBA Education Committee:

Three open forums—on municipal finances, securities merchandising and investment companies—will be available to all registrants to provide additional opportunity for informal discussion.

Case-study problem on estate planning.

Tours of Philadelphia and the University of Pennsylvania campus.

An additional innovation will be announced at the opening session, March 31.

Applications may again exceed the available facilities this year, Mr. Shepard noted, in view of the preferred list carried over from last year and the advance interest shown in the 1958 session even before program topics and speakers were known.

The official Application Forms are being mailed only to the main office of member organizations. Applications for branch office personnel should be channeled through the main office.



## Frank J. Reynolds

Frank J. Reynolds, President and Director of Albert Frank-Guenther Law, Ins., advertising agency of 131 Cedar Street, New York, died suddenly of a attack in Mt. Sinai Hospital late Friday evening, Feb. 14. Mr. Reynolds would have been 63 years old Feb. 19.

Frank J. Reynolds

Born in New York City, he was educated at Sachs Collegiate Institute, New York, and the New York Military Academy, Cornwall-on-Hudson, New York, where he was graduated in 1908. He received his Certificate of Appointment to the U. S. Military Academy, West Point, N. Y. in June, 1908, and the following month was appointed a 2nd Lieutenant, Infantry, U. S. Army Reserve.

He began his career in the advertising business in 1908, joining Albert Frank & Company as file clerk. Several years later he was elected Vice-President and Director of the agency, and in January, 1917, he was elevated to the post of President. Following the consolidation in September, 1932 of Albert Frank & Company and the Rudolph Guenther-Russell Law, Inc. agency into the larger organization to be known as Albert Frank-Guenther Law, Inc., Mr. Reynolds was elected President of the company, a post he held at his death.

During World War I, he went on active duty as a 2nd Lt., Infantry, U. S. Army on Oct. 6, 1916. He transferred in April, 1917 to the Aviation Section Signal Corps (later the Air Corps), and in January, 1919, he was transferred as a Captain to the U. S. Air Corps Reserve.

Mr. Reynolds held memberships in the Advertising Club of New York, of which he was a Director from 1935 to 1939; the Lawyers Club and the Westchester Country Club. He was President of the board of trustees of New York Military Academy; a member of the Board of Governors of the New York Military Academy Regiment of Graduates; a member of the Military Order of Foreign Wars, and a member of Chi Sigma Chi Fraternity (National).

## Now With Boren Co.

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Cecil J. Downs has become affiliated with Boren & Co., securities brokers, 9640 Santa Monica Boulevard. Mr. Downs, who has been in the investment business for many years, was formerly with Daniel D. Weston & Co. and Walston & Co.

Continued from page 11

# An American Road to Survival

flinch before the stars and stripes word, competition.

In that contest, why should we shiver in terror or flee in despair?

For if we do shiver and flee, then, is all that we have, all that we have done, all that we represent, mere pretension?

And competition means military, economic, spiritual, ideological, scientific, educational, cultural, political, the exercise of imagination, the germination of ideas, the summoning of determination, the exercise of self-discipline — it is competition in the whole wide and wonderful range of human activity.

That, it seems to me, is the nub of the free world's struggle against the world to tyranny.

Let us concede what we know—that the Soviet Union is run by barbarians, perhaps more correctly, cannibals. For they devour their own in purges and suffocations.

Call the Soviets barbarians, cannibals, treaty-breakers, what you will. Whatever they are, they are headed, for the time being, by a Khrushchev who plays Russian roulette with the biggest firecracker this side of the sun.

That is the essential point: The Soviets own ICBM's and hydrogen bombs. It is that combination of barbarism with the big bang, that accentuates our danger, forces us to multiply our muscles and compels us to invigorate our search for peaceful solutions with the Russians.

Lester Pearson, of Canada, the Nobel Peace Prize Winner, has expressed it succinctly.

"The alternative to peaceful coexistence," he said, "is a peace balanced precariously on the knife edge of terror, followed by nuclear war and total annihilation."

What we all need to know—not for the sake of scapegoat hunting—but for the carving of a future, is this:

How well are we competing, in a desperate race, to meet the demands of our times, here on earth, and in the Heavens above?

Some observers say that in the past four years, there has been a precipitous decline in free world power, and of American leadership of the free world alliance.

If the decline — precipitous or merely gentle—has come, is it because communism has become so attractive? Is it because empire-snatching has assumed popularity?

The contrary is true. Empires are in decay. And communism is even unpopular with communists, inside and outside of Russia, who could stomach everything—until the Hungarian massacre.

I submit we have faltered—and therefore Russia has gained—for one solitary reason:

We have been remiss—I use the more charitable word—we have been remiss in the field in which we were supposed to be enthusiastic and supreme—the field of competition.

### Are We Competing?

Our mortal peril comes — not primarily from the power of Russia and certainly not from the magnetism of communism — but from our own carelessness, purposelessness, lack of self-discipline, an unwillingness to face the total burdens of our own struggle to survive.

The essential question now is: If we do not want war—and the Soviets do not—and, neither of us, *wants* the big war—how well are we competing?

In so many areas, we have made stunning progress — more in the field of technology, than in the field of ideas — but still, in no arena have we stood still.

We have upheld the principle of freedom of thought—always difficult even in a democracy—even though that fight was terribly scarred and tragically interrupted by McCarthyism.

We have made a notable stride to put ourselves on the side of moral decency and racial equality, with a 1954 Supreme Court decision—even though the stride was thrown off its cadence by Faubism in Arkansas.

We all know, all too well, that we have poured out many billions in foreign economic and military aid. We have engaged in world-wide programs without equal, in scope and imagination, in the history of civilization, or what passes for civilization.

We have hitched up our trousers, and in a shorter time ever alloted to a people for mental, physical and financial adjustment, we have assumed the title, and many of the burdens, of free world leadership.

But we are not in competition with our past. We are competing against the present and the future—we are in a contest with Soviet Russia—we are in a race to deal with events coming around the bend.

And fate is a hard taskmaster. It hands out duties and never says: Do you want this job? Are you prepared to handle it?

Nations rise, or fall, in direct ratio to their ability to discharge a responsibility that is thrust upon them, by an incredibly complex set of circumstances.

In the same way, presidents make their record, not on the basis of deep freezes or fur coats, accepted or rejected, but in demonstrating how alert they are to the challenges rushing to meet them, and how effectively they deal with them.

It would be absurd for anyone from here to Moscow, and at all stopover points in between, to denigrate our accomplishments in the whole postwar period.

Titanic they are, indeed. But that is only one part of the answer. We still have to ask ourselves: Have we done enough?

And the answer is, quite obviously—no, not enough.

In the way of human nature, all of us hunt scapegoats for our current difficulties. And there are surely enough to go around, to satisfy all desires.

But let me describe a pattern that has been etched across the face of our nation.

If we must fix a rigid time to correspond with political decisions of the American people, we have had five years in which a notable accomplishment has been made.

President Eisenhower has united the nation in accepting the fundamental sociological and economic and international precepts brought into being by the Roosevelt New Deal and the Truman Fair Deal.

That is to say, Mr. Eisenhower performed the herculean task of transporting many millions of screaming or reluctant Americans into the 20th Century.

That was, and is, a notable accomplishment.

At the same time, we were in a race to win more people to our side and to maintain the wide gap we had over Russia five years ago.

I venture this view:

The failure of the past five years has been the reluctance of President Eisenhower to recognize—and therefore an inability to communicate to the American people—the urgency of the race with Soviet Russia.

Events rather clearly show that what Mr. Eisenhower did communicate to the nation — ably abetted by editors and public relations experts—was a national state of euphoria.

It is hardly necessary for me to say this. Events speak more eloquently, from the Geneva Summit, to Syria to Sputnik.

They tell us that we have been crouching for quite a few years under that commodious rug where so many of our problems have been swept to a dark and false haven.

To crouch under that rug is an awkward, undignified, ineffective position to meet the challenges now avalanching upon us. We need to remember that one eventually does have to clean under the rug.

One challenge is obvious. Soviet Russia is a shrewd bully, powerful, disorderly, on the make and as casual about murder as you are about cutting your steak.

A world saddled with such a bully nation, calls for immense American military strength.

You might say: That goes without saying. Not so. It needs to be said.

And it needs to be said by the people of a nation which thinks it noble and astute to be prepared to meet the Russians with a balanced budget.

It needs to be said by a President and a Congress that imposed a national debt ceiling, and thereby imposed on the United States a form of unilateral disarmament.

Why do we have military strength, if not to deter our enemies and retain our friends?

### Military Parity Is Not Enough

Our military posture is the main means by which we try to cling to a fragile peace, to dissuade the Soviets from conquest by intimidation, and restrain them from expansion by threats of waging the small war.

But parity with Russia is not the most effective way to impress the neutrals and uncommitted peoples of our superiority.

We can hardly afford to forget that many a nation, and many a mind, have resisted Communist threat and blandishment for only one reason:

Confidence in U. S. superiority in modern weapons and technology.

That confidence now has to be restored by leaders who, time and time and time again, have miscalculated the rate of Soviet military progress, and poured their soothing syrup on the heads of the American people.

Authorities ranging from President Eisenhower to Paul-Henri Spaak, the Secretary General of NATO, have assured us that the balance of military power has not been changed by Sputnik. Perhaps not—in the coldest terms of military hardware.

But part of military strength is the self-assurance of people who have or do not have weapons. The Russian assurance has increased. Ours has decreased.

Part of military strength is the attitude of one's allies. The advantage there also is with Russia.

The index of the military textbook of today can be found in the incredible utterances of our leaders—that we will "catch up" with Soviet Russia.

Who, five years ago, would have thought we would have been compelled to make such a confession of the liquidation of our advantage?

It's often said, we are battling to win the hearts and minds of people. That embraces propaganda.

### Sizing Propaganda Initiative

In that field, we need to be realistic enough to be unafraid to compete.

The American story around the world has been muddied and muffled by Congressional myopia and administrative incompetence.

Since January, 1953, we have seized the propaganda initiative from Soviet Russia, only once.

That came at the Geneva Summit Conference in the summer of 1955, when President Eisenhower proposed to Russia aerial inspection of each other's defenses.

Not even on Suez did we gain the initiative. When some of our best friends tried to shout through the thick rug about the trend of events in the Middle East—we responded to the call by saving an Egyptian dictator from military disaster, handed him a political victory and made, for ourselves, not a friend in the Middle East.

We did not even appease Soviet Russia. For Nikita Krushchev is convinced to this day that we connived with Britain, France and Israel for the invasion of Egypt.

The Middle East story is far from over—but it has gone this far. The Russians have achieved a 300-year-old ambition. They have bought and paid for a base in the Middle East, leapfrogging over Turkey, to plant themselves in Syria. Which is to say, Russia now controls the faucet that carries 40% of the oil Western Europe needs to survive.

For over a year, our Government dared not let us compete in a field where we pride ourselves so lustily in competition—freedom of the press.

The refusal to permit American correspondents to go to Red China put the onus of iron curtain mentality on us, not on the Communists.

Are we so afraid of the peoples' right to know that we try to make a correspondent a creature of Government policy? Is this the freedom we are supposed to symbolize or is it an aping of Soviet Russia?

Last summer 2,000 American university students, well briefed, could have attended the Youth Festival in Moscow — except for the opposition of the State Department.

These 2,000 young Americans need not have uttered a word in order to communicate to the Russian people. Their mere presence, their mere appearance, their suits or dresses and shoes, would have derailed many a Russian's train of thought.

We could have reaped only rich rewards for the Russian in the street to see that we are a friendly, smiling amiable people, with neither horns on our head, nor atom bombs in our hip pocket.

That could have been useful.

Almost the first remark made to me by every Russian I encountered in the Soviet Union was: Please don't drop atom bombs on us.

That fear, so profoundly promoted by the Kremlin, could have been lightened, erased or questioned, by 2,000 young American emissaries—at the cost of not even a dime to the State Department.

Are we gaining in the cold war, or, are we presiding over our own liquidation?

We have to reckon with the fact that the issue no longer is to keep Russian out of the Middle East but how to negotiate Russia into reasonable Middle East behavior.

For if we had a policy to keep Russia out of the Middle East, that policy has failed.

The issue is not how to unify Germany on our terms—that hope is dim if not extinguished—but how to prevent Germany's unification on Russian terms.

The issue in Asia is not how to enable Chiang Kai-Shek to return to mainland China, but how we can do business with Red China so as to drive a wedge between Peiping and Moscow, and not firmer into each other's embrace.

For if we had a policy to bring about the collapse of Red China, it has failed.

### Educational Program

We all can be gratified that, under the spell of Sputnick, our nation may get off on an education kick—especially in producing a bigger crop of scientists and engineers, five, ten or twenty years hence.

That's a rather drastic change. I seem to recall, and you may also, that just five years ago, there was a campaign cry sounding across the nation: Down with eggheads!

In other words, away with people with brains, imagination, ideas.

Every visitor to Russia is tremendously impressed by the extraordinary devotion to education in the Soviet Union.

My own view is, that in that education program—as rigged to dogma as it may be—lies the seeds for the eventual disintegration of the Soviet tyranny.

But as part of our own integrated survival, million of Americans face a harsh and monumental decision, and, many are actually making it right now.

It is no less than this: Is it more desirable to go on hugging to ourselves a traditional system of racial prejudices and separateness, than it is to take a basic step to gain the trust and respect, and perhaps even the friendship, of a billion and a half people whose skin is not what we call white?

The choice, I suggest, is unavoidable. And the decision would appear to be inevitable—not just for our moral posture before the world, but because we need the non white people on our side, in order to survive.

On no point I have mentioned, are we standing still. Of course, things are happening and more will happen. Having been caught with our face out of joint and our posture unbecoming and infantile, we are neither so placid nor immature as not to attempt growth and remedy.

### Giant Leap

But the unanswered question is whether the pattern of the past few years has been to deeply etched in our muscles and minds that we are incapable of taking this "giant leap" toward military strength as well as peace.

That we shall have to do. Many nations, now in the direct, immediate and adjacent path of Soviet intimidation or destruction, need the assurance that we have the power to protect them, and to stay the hand of Russia.

If we agree that we need bigger military muscles, I think we should add that we need a sounder mental balance, stronger nerves, and a re-evaluation of our highly developed sense of materialistic values.

Russia will test all those—and our citizenship and discipline—to the hilt. The purgings in Moscow are not ended. The temptation for Russia to engage in foreign adventures, to divert at home and capitalize abroad, has been whetted by western disunity, lethargy and indecision.

If my remarks have been harsh and brittle, they are so, because it is self-evident that we cannot tranquilize our way into the future. We can compete only by—competing.

We owe a debt of gratitude to Mr. Sputnik, for yanking us, it is assumed, out of the somnolence we have been enjoying under that thick rug.

We have quite an incentive to awaken. Our world is now, and their world soon will be, wide open to utter destruction from the stratosphere.

The answer is only superficially in Washington. Essentially, in our system of a society, it is within ourselves.

We now have to ask ourselves whether we have the self-confidence, the self-discipline, and the titanic courage—to wear the mantle, proudly and responsibly, of Leader of the free world.

### Join Eastman, Dillon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Harold S. Anderson, Walter A. Anderson, Don N. Bowker, and Mary J. Hunging have joined the staff of Eastman Dillon, Union Securities & Co., 3115 Wilshire Boulevard. All were formerly with Dean Witter & Co.

*Continued from page 5*

# There's More to the Economy Than Monetary-Fiscal Activities

complex economic system can be altered within a short period of time.

Only a few months ago our primary concern was to halt the growth of inflationary tendencies. Today, considerable attention is directed toward economic stimulation.

In point of fact, even the briefest review of our past development indicates that the American economy simply does not respond in a predictable ratio to use of a few tools intended to modify the people's collective judgment and collective actions.

### Laissez-Faire Is Finished

There is a place for governmental action — and an important place. The day of *laissez-faire* is over. There is an immense body of law and custom within which American business and labor must operate. Governmental authorities must remain flexible at all times, and must be constantly alert to changing conditions. We have the willingness and determination to employ the tools of government as properly and helpfully as we can. But this use cannot do the whole job.

In our decentralized free enterprise system, the momentum of the economy comes from the millions of decisions being made all over the country by businessmen, workers, investors, housewives — all of us, in every walk of life. It is in this area, most importantly, that each one of us needs to assume serious responsibilities.

If our competitive system measures up to the full demands expected of it, each person in his efforts to achieve profits and to acquire take-home pay must as well consider his decisions in achieving those goals so as to preserve the economic atmosphere where profit and take-home pay are generated. This is the system of intelligent competition. The profit motive and the wages of the laborer cannot be divorced from the welfare of all of the people without endangering the values inherent in a free, democratic society.

This is not altruistic. We must make allowances for sectional differences, for diversity of interests, for the pulls of competition, for the full play of enlightened negotiations. But if we allow any single interest to completely dominate our collective decisions and activities, the full potentialities of a competitive enterprise system cannot be realized.

### Creativeness, Not Controls

What are the positive directions, then, which our efforts should take? As individuals, we must be aware of the need to raise the level of skills and business management so as to foster continued investment and jobs and enterprise and sufficient individual savings to support them. We must recognize the need for improved education and a widening of the skills of our population. We must not deny the needed mobility of labor and capital. In short, we want to avoid moving toward a system of controls, and we want to do all in our power to encourage the creative and expansive forces inherent in the American economy.

Now, how does this bear on our view of the current situation—on the short-term outlook?

### Short-Run Outlook

At present, a number of downward indicators are evident in the economy, and these are properly receiving attention. We are facing the facts squarely. We are deeply concerned about the increase in unemployment and the human problems it creates. Each adverse factor in all sections of our economy and that of other free nations is being constantly studied and evaluated as best we can.

The first need, as I see it, is to stand these indicators up against the forces which have stimulated —and are continuing to stimulate —the impressive long-term growth rate in the American economy. This is the best insurance I know of against ill-advised and inappropriate action.

But when that has been done, we can recognize also certain factors in the short-term outlook which are favorable—which indicate that a general upturn may not be too long postponed.

First of all, we can recognize without being unduly optimistic that part of the readjustment has occurred. Reduction of inventory in some lines and certain adjustments in output and prices have already taken place. Possibly in reflection of this fact, both sensitive industrial material prices and the prices reflected in the all-commodity index of the Bureau of Labor Statistics have recently showed considerable stability.

The level of personal income has held up well. There has been prompt and responsive readjustment in certain stock and bond yield and interest rate relationships, and the stock market has shown some elements of strength during the past month.

Residential housing construction has turned upward slightly, and mortgage money is becoming more readily available. A sustaining influence can be expected from the stepped-up pace of certain Federal programs such as the post office modernization program just announced by the President, highway building, other construction and modernization programs and urban redevelopment. In addition, state and local projects having to do with community facilities are increasing, with the visible supply of new municipal bond issues estimated to be twice as large as a year ago. Increased defense spending and contract placement will also have a stimulating effect on the economy.

Another factor may be noted which may have a stimulating effect on business spending in the future.

Between 1946 and 1957 American industry invested over $300 billion in fixed plant and equipment, a total outlay equal to United States military expenditures during World War II, 1941-1945. This is an impressive contribution to our industrial machine, and it is an important factor in the increased output per man hour of recent years.

However, it has been little realized that a large and increasing proportion of this investment was required to replace capital values currently used up. Recently only about one-tenth of business expenditures for fixed assets has represented net expansion. This fact has not been generally understood, partly because one of the effects of long-term inflation is that depreciation allowances are less than the actual cost of replacing the capital consumed. It is a most important factor in the current outlook, however. The fear that we have over-expanded and have much more new capacity than we will need would seem to be exaggerated.

Finally, every American should ask himself:

Do I believe in this country?

Do I believe in our economic system?

Do I believe that competition, initiative, skill, ambitions, the plans of a free people will result in growth and expansion?

If you believe these things, you should have confidence — confidence which is the primary ingredient for insurance that, despite any readjustments, our economy will go forward.

In the growing, ever-changing economy, constantly responsive to the decisions of individuals and groups, we cannot expect that every period will be spangled with superlatives. What we should remember is that our economy is healthy; that we will grow and expand; that we will meet new demands of an increasing population. We believe that the one new thing in hundreds of years—government by the people and a system of competitive enterprise—will succeed. I have that confidence. I believe that every thinking American has the same confidence and faith in his country.

Abraham Lincoln did not visualize a static America but a creative, a constantly changing, a constantly improving America. I have faith that our people, wanting to remain free, will make their decisions so that we perpetuate our freedoms and preserve the American pattern of progress.

## Connecticut Turnpike General Oblig. Bonds Offered to Investors

An underwriting group managed jointly by The First National City Bank of New York, Bankers Trust Company, Lehman Brothers and The First National Bank of Chicago is offering $77,000,000 State of Connecticut 3¼% and 3.30% Expressway Revenue and Motor Fuel Tax Bonds, Greenwich-Killingly Expressway (Connecticut Turnpike) due 1968-1997, inclusive, at prices to yield 2.25% to 3.25%, according to maturity. The bonds are general obligations of the State of Connecticut for which its full faith and credit are pledged. The underwriting group was awarded the issue on Feb. 18 on a bid of par, resulting in a net interest cost of 3.2584% to the State.

Net proceeds from the offering will be applied to the costs of the part of the Turnpike west of the Connecticut River and include provision for the retirement of $31,100,000 general obligation notes which were issued for Turnpike purposes. The entire length of the Turnpike extending from Greenwich, Conn. eastward to Killingly on the Rhode Island line was opened to traffic on Jan. 2, 1958 except for a section comprising a bridge over the Byram River at the New York State line and a 5½ mile length extending eastward of the river. This section is expected to be completed during 1958.

The bonds are redeemable beginning Jan. 1, 1966 at the election of the State or beginning July 1, 1963 from available funds in the bond acceleration fund at prices ranging from 105% if called on or prior to June 30, 1968 to 100½% after June 30, 1993.

## Robert Cay, Boston Mgr. For Reynolds & Co.

BOSTON, Mass. — Robert C. Cay has been appointed resident manager of the Boston office of Reynolds & Co., 19 Congress Street. Edward S. Munro, formerly Boston resident manager, has been appointed regional manager.

## Bernard Jaffe

Bernard Jaffe passed away suddenly February 14th. Mr. Jaffe had been associated with Carl M. Loeb, Rhoades & Co.

# Bank and Insurance Stocks

By ARTHUR B. WALLACE

## This Week — Bank Stocks

A selection of 12 New York City banks to compare with a like number among the largest outside of New York, brings out not much difference in the two averages for 1957, so far as their price-earnings ratios are concerned, as well as the rate of earnings on book value, or invested capital. However, on the average dividend pay-out as related to operating earnings there is shown a more pronounced difference between the two groups.

| | Price Earnings | Earned on Book Value | Dividend Pay-out |
|---|---|---|---|
| First National Bank, Boston | 9.8 times | 11.0% | 51% |
| Mellon National, Pittsburgh | 8.7 | 8.0 | 45 |
| Continental-Illinois | 9.8 | 9.3 | 47 |
| First National, Chicago | 12.8 | 9.7 | 33 |
| Cleveland Trust | 7.4 | 12.0 | 20 |
| National Bank of Detroit | 9.1 | 10.7 | 39 |
| Republic National, Dallas | 20.5 | 8.3 | 71 |
| Security First, Los Angeles | 11.4 | 9.9 | 45 |
| American Trust, San Francisco | 9.5 | 8.8 | 46 |
| Crocker Anglo, San Francisco | 9.5 | 10.6 | 44 |
| Bank of America, San Fran. | 11.5 | 12.5 | 64 |
| Seattle First | 10.2 | 9.6 | 46 |
| AVERAGES | 10.9 times | 10.0% | 45.9% |

| | Price Earnings | Earned on Book Value | Dividend Pay-out |
|---|---|---|---|
| Bankers Trust | 10.9 times | 8.9% | 53% |
| Bank of New York | 10.1 | 10.2 | 56 |
| Chase Manhattan | 11.3 | 9.3 | 57 |
| Chemical Corn Exchange | 11.3 | 8.6 | 60 |
| First National City | 11.7 | 8.2 | 60 |
| Guaranty Trust | 12.8 | 7.6 | 77 |
| Hanover Bank | 10.5 | 9.2 | 48 |
| Irving Trust | 11.1 | 10.6 | 57 |
| Manufacturers Trust | 9.9 | 9.7 | 49 |
| J. P. Morgan & Co. | 10.5 | 9.9 | 43 |
| New York Trust | 12.5 | 8.7 | 63 |
| United States Trust | 10.4 | 8.6 | 56 |
| AVERAGES | 11.1 times | 9.1% | 56.6% |

Thus the differences between the two group averages on price-earnings and on earnings on book value are not of much consequence. However, when we get to the pay-out ratio average, the figure for the New York banks is 23% greater than that of the banks away from New York. It does not follow from this that the managements of the large New York banks are more liberal with the stockholder, for they are not. Indeed, being banks of deposit for smaller institutions around the country, their tendency would more likely be over-conservative when they are subject to the loss of deposits by interior banks' withdrawals.

The primary reason for the greater pay-out ratio average lies in the fact that the deposit ratio of the New York banks is, again on average, some 18% higher than the banks away from New York. In the case of the New Yorks, only four banks showed, as of Dec. 31 last, deposit ratios above the old orthodox 10:1; and the highest was Manufacturers Trust with 13.6:1 (capital funds: total deposits). On the other hand seven of the hinterland banks ran above 10:1, with the highest at 16.5:1 (Bank of America, N. T. S. A.). In this group the most conservative ratio was Mellon National's 6.7:1; New York had Guaranty Trust at 5.9:1 and United States Trust at 4.4:1. The latter, it must be noted, is not a commercial bank; and Bank of America, based on its deposit distribution, might be called 50% a savings bank.

But the point is that on average the New Yorks are considerably less in need of retaining earnings to fortify their deposit liability, while the interior banks do have to think in terms of backing up deposit volume with retained earnings. In cases where the deposit ratio is relatively high not only is the pay-out ratio likely to be somewhat on the low side, but such banks normally give consideration to new capital financing via subscription rights. If it is decided to do this, often an increase in the dividend makes the sale of the new stock more attractive.

For example, in 1957 both First National City Bank and Chemical Corn Exchange raised their regular dividend dates around the time of their new financing. As recently as Jan. 31, 1957, City's pay-out ratio was 54%; Chemical Corn's only 47%. Thus, many banks seeking new capital are able not only to put through a successful flotation, but also to increase the cash dividend and still present a conservative pay-out ratio.

Incidentally, using 1957 year-end dividend rates and market prices, the New York City banks had a sizable edge in yield over the banks away from New York, respectively 5.08% versus 4.17%.

This is probably a reflection of the fact that many bank stock investors regard the interior banks as better growth prospects than those in New York.

*Continued from page 3*

# Time for a New Look at International Relations

ground ready to take on their deadly cargo. Russia has similar planes. She also has hundreds of submarines, armed not only for sea combat, but also capable of launching landward-bound missiles with nuclear warheads. In addition, Russia apparently has intercontinental missiles which, loaded with H-bombs, could reduce Montreal or New York to rubble and obliterate every form of life that these cities contain. All of these hideous weapons are designed for almost push button use, and authority is vested in hundreds of men in scattered parts of the globe to touch them off if World War III appears to have begun.

The $74,000,000,000 federal budget that President Eisenhower recently sent to Congress calls for expenditures of $47,100,000,000, or 64% for "protection" against Russia. The USSR, we can be sure, is likewise devoting as large a part of her substance to "protection" against us.

An American expert on modern warfare has lately recommended that up to $40,000,000,000 should be spent on shelters for use by the populace in the event of nuclear combat. Without such shelters, it has been estimated that 60,000,000 American lives would be lost in an intercontinental nuclear war.

### Hell-bent Toward Bankruptcy and Suicide

From all these signs and portents, one can only conclude that the human race is hell-bent toward both bankruptcy and suicide.

I say all of this is incredible folly. I feel we ought to move vigorously and immediately to avert the impending catastrophe. I believe we can and must reach a workable accommodation with the Russians. Certainly no issue now dividing the world looms so large as to warrant the destruction of all that civilization has produced.

Our statesmen plainly have been stalling. They have played down the hazards to mankind of the insane armaments race. They have seized upon every occasion to foment popular hatred of Russia. Twelve years ago, in fact, the United States declared cold war on Russia, and that has been the cardinal principle of American foreign policy ever since. Bear in mind that, up to that time, Russia had been our ally, just as Japan had been our enemy. While we made peace with Japan and restored our ancient friendship with her, we turned on Russia and challenged her to an armaments race. Because we alone knew the secrets of the A-bomb we began the contest with contempt for our opponent and confidence in ourselves.

### Decries Dulles

The change of Administration in the United States in 1952 brought not an alteration in our policy of baiting the Soviet bear, but an intense aggravation of it. Secretary of State Dulles became the self-appointed Soviet-hatemonger. Six years later he is still making a career of stirring up enmity and distrust between the Western and Eastern worlds. He takes regular occasion to redeclare the cold war not only on Russia, a proud and powerful nation of 225,000,000 people, but also on Red China, a new nation of 650,000,000 people undergoing a far-reaching industrial revolution, and destined to occupy a position of prominence among the world's major powers.

The same Mr. Dulles who labels Russia and Red China as ruthless dictatorships has despotically decreed that no American observer or journalist shall go into China to get first-hand information for the American people on what is transpiring there. To deny us access to eye-witness reporting on the world's most populous nation constitutes as arbitrary a ukase as ever emanated from the most absolute of dictators. Let us no longer call ourselves the free world when the petty tyrant of our State Department can bring this to pass.

I submit that the statesman who hurls opprobrious epithets at Russia and China is no friend of America or the world. With the crushing burden of taxation that has been saddled on the American people to sustain the armaments race, I further submit that Secretary Dulles has brought us not only to what he boastfully calls the brink of war, but also to the brink of depression. Finally, I submit that there can be no prospect for a political understanding between the US and the USSR until Secretary Dulles reverses his whole policy or is removed from office.

If the statesmen of the world have been unable to meet face to face for frank and free discussions, at least the scientists have not been so laggard. Shortly before his death, Einstein joined with my good friend Bertrand Russell, distinguished British mathematician, philosopher, and Nobel prize winner, in an appeal to scientists of all nations to meet and warn the world of the deadly dangers of these new nuclear weapons.

### Pugwash Conference

The first conference pursuant to the Einstein-Russell suggestion convened in my native village of Pugwash, Nova Scotia, last summer. From Russia, Red China, Japan, Great Britain, France, the United States, Canada and other countries came 22 of the world's leading nuclear experts, from the diciplines of physics, chemistry, biology and medicine. Others who were unable to attend because of conflicting commitments kept in close touch with the Pugwash proceedings.

Despite barriers of race, creed and color, these eminent scientists were able to reach an agreement at Pugwash and to issue a manifesto declaring that a third world war employing nuclear weapons would constitute a disaster of appalling proportions, with aggressor and defender going down in ruin together. On their return to their native lands, they moved swiftly and diligently to place the Pugwash manifesto in the hands of their colleagues. The moral chain reaction touched off by the Pugwash manifesto hopefully may affect the future of mankind as profoundly as that famous first nuclear chain reaction of seventeen years ago in the laboratories of the University of Chicago.

The scientists of Japan understandably were eager to take formal action. The Science Council of Japan devoted much of its annual meeting to the Pugwash proceedings, and adopted a resolution placing its component societies and their 25,000 members squarely on record as endorsing the Pugwash findings in their entirety.

Germany was next to act. Twenty of her leading scientists reviewed and approved the Pugwash manifesto. Their concensus was that settlement of political disputes by force was no longer possible, and would be suicidal. They saw slight prospects for survival of the human race if the armaments race were not stopped.

Most surprising and most promising of all was the report from Russia. First the Presidium of the Academy of Sciences of the USSR met and officially ratified the Pugwash manifesto. Then 195 leading Soviet scientists called in writing for a further meeting of scientists of as many nations as possible at any time in any place to work for world peace.

When the Russian declarations reached the United States, I made the statement, in a New York Herald Tribune interview, that I thought the Russians meant what they said, and I proposed that we meet the Soviets half way. The statement was picked up by the world press, and it has produced an amazing response. Approving letters have been pouring in every day from people in all walks of life in every part of the globe. One day's voluminous mail, which included letters from six Nobel prize winners, contained this typical comment from Dr. Albert Schweitzer, world-famed humanitarian and Nobel peace prize winner: "I attach great importance to the fact that the proposal of the Soviet scientists goes back to your meeting of international scientists at Pugwash last year."

What gave Dr. Schweitzer the greatest encouragement was that this meeting of scientists from both sides of the iron and bamboo curtains was held in the western world, where the war spirit has assumed mounting strength. He found it gratifying that the Russians and the Red Chinese could and would come to Pugwash, and that they agreed without reservations to the Pugwash manifesto. I need not remind you that Canada played host to this momentous meeting.

### Permanent Pugwash Committee

As last summer's international meeting of nuclear scientists drew to a close, a Permanent Pugwash Committee was set up. The Committee met in London toward the end of December to lay plans for a second and somewhat larger conference in the near future. Where last summer's participants met to consider nuclear problems strictly from the scientific standpoint, those who are to gather soon will strive to reach agreement on practical suggestions that can be offered to the statesmen of their nations for breaking the present stalemate. This second meeting cannot be held at Pugwash because our buildings there are equipped only for summer use, and lack central heating. There is good reason to hope that the new conference will be convened in Canada, however.

Inasmuch as the statesmen have consistently lost rather than gained ground since World War II ended, I find reason for optimism that the scientists of the world are willing to apply themselves to the practical aspects of the revolutionary discoveries they have made. They understand fully the unspeakable destructiveness of the new weapons, and they are imbued with an increasing sense of social responsibility for finding the way for mankind to escape from the present grim path that points but to death.

There is special reason for optimism, I feel, in the tremendous concern of the Soviet scientists to find the road to world peace. Of all segments of Soviet society, I firmly believe that the intellectuals, particularly the scientists, carry the greatest weight with their government. With the Russian intellectuals lies the likelihood for enlightenment and amelioration of the harshness of the Soviet system. Let us not forget that Russia—and Red China, too—embraced communism in order to obtain more of the material things of life for their vast impoverished and unlettered masses. Besides realizing fully the deadly nature of nuclear weapons, the Soviet scientists certainly know that their nation's standard of living could be markedly improved if it were not necessary to engage in the production of these instruments of destruction.

### Extends Invitation

While the scientists of the world exert their best efforts to secure honorable peace among nations of opposing philosophies, I should like to urge my fellow businessmen and industrialists to speak up and to work for the same life-and-death goal. Everything to which we have devoted our lives is at stake. We cannot afford to stand idly by while our families, our homes, our factories, our mines, our places of business, stand in jeopardy.

### Turns to Role in Canada

As far as Canada is concerned, I believe she can play a highly constructive role by using her considerable influence to persuade both the U. S. and the U. S. S. R. to reach some reasonable concert. The cities of Canada will be in the front lines of an intercontinental nuclear war.

While playing this conciliatory part, I hope Canada will concentrate on her own immediate and challenging task of developing the rich resources of her vast unoccupied continent. Accomplishment of difficult but rewarding industrial feats has long been a Canadian tradition. The physical and financial obstacles to the construction, in the 'Eighties, of the now great Canadian Pacific Railway caused the sceptics to brand its original backers as objects of derision. When my associates and I tackled the Steep Rock Iron Mines project 15 years ago, we were the subject of scoffing that suddenly vanished after we rolled back the deep waters of the lake and started shipping millions of tons annually from our billion and a half ton reserves of high grade iron ore.

It is no news, I am sure, that we have now embarked, in partnership with five of Germany's leading steel producers, on a $200,000,000 program to tap vast new iron ore deposits in the Ungava Bay region in the far northern part of this marvelous Province of Quebec. This entry of strong German steel interests into the mining industry here should mean much to the burgeoning Canadian economy. In Ungava, we shall also have the active participation of North America's oldest iron ore firm, The Cleveland-Cliffs Iron Company. Cliffs has spent 20 years and scores of millions in laboratory and pilot plant research and in operation on the same type of ore which occurs in northern Quebec, and which has to be upgraded before shipment and use in the blast furnace. In addition, we shall have the invaluable benefit of Steep Rock's experience in the art of iron ore mining under comparable climatic conditions.

In the past decade, Canada has emerged among the nations of the world as a young and fast-growing economic giant, with many mines to open, factories to erect, oil wells to drill, roads to build, railroads to extend, airports to construct, harbors to improve, rivers to make navigable, telephone lines to string and water powers to harness. It will be a boon to Canada, along with the rest of the world, if the modern miracles of science can be diverted from plans for death and destruction to the sweet uses of peace and prosperity.

## John Moody

John Moody, founder of Moody's Investors Service passed away February 16th at the age of 89 following a brief illness.

## Boston Inv. Club to Hear Shelby C. Davis

BOSTON, Mass. — The Boston Investment Club will hold its February dinner meeting at 5:15 p.m., Wednesday, Feb. 26, at the Boston Yacht Club. Discussing the outlook for insurance stocks will be Shelby Cullom Davis, President of the firm of Shelby Cullom Davis & Company. Mr. Davis was at one time an economic adviser to Thomas E. Dewey, and Deputy Superintendent of Insurance in New York, prior to taking over the management of the oldest firm specializing in insurance stocks. Mr. Davis has also been active in The National Federation of Financial Analysts Societies, and in 1955-1956 served as its President.

Shelby Cullom Davis

## $13.5 Million Issue of Montreal Transport Comm. Bonds Offered

An issue of $13,500,000 Montreal Transportation Commission 4⅝% sinking fund debentures, 1958 issue due Feb. 15, 1978, was offered for public sale on Feb. 19 by an underwriting group headed jointly by Shields & Company; Halsey, Stuart & Co. Inc.; White, Weld & Co. and Savard & Hart. The debentures are priced at 96.829% and accrued interest to yield approximately 4.875% to maturity.

The Commission will use the proceeds from the sale of the debentures in connection with its 1958 modernization program. This will involve the purchase of 345 autobuses at a cost of about $10,350,000 and the construction of a new garage and other garage extensions and improvements at a cost of approximately $2,050,000.

The debentures are unconditionally guaranteed as to principal, interest and sinking fund retirements by the City of Montreal. A sinking fund calling for annual payments of $472,500 starting Feb. 15, 1959 is calculated to retire more than 66% of the debentures prior to maturity. The sinking fund price is 100%.

Except for the sinking fund the debentures are not redeemable prior to Feb. 15 or Aug. 15, 1968, with optional redemption prices ranging from 103% to 100¼%.

Greater Montreal at June 1, 1956 had a population of 1,620,000, compared with 1,395,000 in 1951. The city from its early days has been a focal point for the transshipment of both exports to other countries and of imports for distribution to various parts of Canada and the United States. The city's economic development is expected to show continued improvement upon completion of the St. Lawrence Seaway, scheduled for 1959.

The Montreal Transportation Commission furnishes urban transportation services in an area of approximately 91 square miles comprising the City of Montreal and 17 neighboring municipalities. Property and equipment at Nov. 30, 1957 included 1,457 buses, 105 trolley-buses, garages and a 10-story office building.

Giving effect to this financing the Commission will have a funded debt of $71,490,000.

## Thomson McKinnon Adds

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, Ga. — Harry L. Gernazian is now with Thomson & McKinnon, Healey Building.

*Continued from page 15*

# Wages, Productivity and Prices: Post World War II

billion in 1945, $5.4 billion in 1947 and $12.4 billion in 1956.[13] From 1945 to 1956, the cost of these supplements rose about 150%. This was a rise from 4.3% of total compensation in all private industries in 1945 to 4.9% in 1947 and 6.4% in 1956. For manufacturing industries, total supplements were 4.9% of total compensation in 1945 and 7.3% in 1956.

From these data, it is evident that the fringe is covering quite an area and that the area has been growing in importance. In fact, in many settlements it has not been unusual for the cost of the fringes to exceed the cost of higher wages. Under these conditions, the measurement of labor gains cannot be confined to changes in wages.

### Increases in Labor Costs Versus Productivity Gains

The key to the impact of labor costs upon prices is found in labor cost-productivity relationships. Labor cost increases press upon unit costs and prices when they exceed the gains in productivity. It should eb emphasized in making these comparisons that **all** labor costs must be considered, not wages alone.[14] When the costs of wages and other benefits increases more than output per manhour, unit labor costs rise. No amount of statistical manipulation can change this fact. As was noted earlier, the data for fringe benefits are very inadequate and hence, most of the comparisons necessarily must be made using only average hourly earnings.

Some fringe benefits are reflected in the reported average hourly earnings figures. Thus, for example, payments for time not worked such as holiday pay, vacation pay, call-in pay, rest periods, and coffee breaks are reflected in the average hourly earnings data. In reporting such data to BLS, companies include the money paid for these hours in their payrolls and they include the hours in the number reported.

Similarly, payments for shift differentials and premium payments for holiday work and Saturday and Sunday work also are reflected in the average hourly earnings. An interesting illustration of how these figures may affect the reported totals is found in the steel industry. Prior to 1952, in the months which included holidays, the net effect of premium holiday pay was to add about 3 cents an hour to the average hourly earnings. This factor was important in connection with months used as a base date for wage comparisons.

On the other hand, payments for pensions, welfare funds, supplementary unemployment benefits, social security, and similar payments are not reflected in the average hourly earnings data. They should be added to the total to obtain a proper comparative.

Productivity data prepared by the U. S. Bureau of Labor Statistics usually are obtained by relating production workers hours paid for to the total output. This method of measurement overstates the rise in productivity in recent years. Productivity reflects the result of all hours worked by all workers in a company or an industry. When there was little change in the proportion of production workers in a company, no serious errors arose if productivity was measured in terms of their manhours alone. The trend over time, which is the important figure, was not distorted. However, in recent years the proportion of production workers in our economy has declined. For example, from 1947 to 1956, the ratio of production workers to the total decreased from 83.7% to 78.0%. The relative increase in the number of nonproduction workers over the past decade has resulted from the increase in such nonproduction activities as engineering, science, sales, and personnel.[15]

These shifts affect tne rate of change in productivity. For example, in the steel industry from 1939 to 1955, the rise in productivity on the basis of production worker manhours was approximately 62% in contrast to a rise of only 55.0% to 57.5% on the basis of total manhours. Similarly, BLS has reported that for the steel industry ". . . the number of employees per unit of output declined less than the number of production workers per unit of output, from 1947 to 1955."[16]

With these limitations in mind, let us examine the changes in wages and productivity for manufacturing industries during the war and postwar period.

Increases in wages have exceeded by a very wide margin the increases in productivity in all manufacturing industries and for the entire economy. Average hourly earnings in manufacturing industries rose by 214% from 1939 to 1956. Inclusive of various fringe benefits, the increase is even larger. During the same period, output per manhour increased only 48.8%. As a result, unit labor costs have more than doubled. One estimate of total compensation of all employees per unit of output in all manufacturing industries recorded a rise of 130% from 1939 to 1956.[17] To suggest that such a large rise in unit labor costs will have a major impact on prices is not to be anti-labor. To ignore this impact, however, is to be anti-arithmetic.

Output per manhour rose 2.7% in all manufacturing industries in 1956 as compared with the rise of 5.3% in average hourly earnings exclusive of fringe benefits. Unit labor costs rose 2.9%.

For the entire private nonagricultural economy, productivity recorded no change in 1956 and unit labor costs rose 4.5%.[18]

These trends continued in 1957. In the first 10 months of 1957, average hourly earnings in manufacturing industries rose more than 4% above the 1956 level. Inclusive of fringes, it is probable that labor costs per manhour increased more than 5% this year. During 1957, total output in manufacturing industries was first stabilized on a high plateau and then declined. However, the total volume in 1957 will be moderately higher than in 1956. These conditions are not conducive to large gains in productivity. When the data finally become available, it seems probable that productivity in 1957 will have increased no more and probably less than the long term average of 3%. Thus, there has been a further rise in unit labor costs in 1957.

The magnitude of the increase in average hourly earnings **plus** fringes may be shown by using the data for steel and railroads.

From 1939 to 1956, output per manhour rose 64% for the basic steel industry. During this same period, average hourly earnings rose 201% and average hourly earnings plus fringes increased 211%. As a result, total unit labor costs from 1939 to 1956 rose by 89%.

In the year 1956, productivity rose 1.7%, average hourly earnings 6.8% and average hourly earnings plus fringes by 7.4% in the basic steel industry.

A similar picture in shown for the railroads. From 1939 to 1956, productivity increased by 86%, average hourly earnings by 185.6% and average hourly earnings plus fringes by 190%. As a result, wages and payroll taxes per thousand traffic units rose from $5.20 to $8.10 or a rise of 55.8% in unit labor costs.

In 1956, railroads productivity rose by 4% or slightly more than half as much as the 7.2% increase in average hourly earnings and the 7.7% increase in average hourly earnings plus fringes.

I have cited these two industries to illustrate that total labor costs have risen more than shown by data for average hourly earnings alone and thus, that the pressure on unit labor costs also has been greater.

The increase in wages in excess of the gains in productivity with the accompanying rise in unit labor costs has been called wage inflation.[19] Sometimes, the pressure for price rises resulting from excessive increases in labor costs is described as a cost-push inflation in contrast to the demand-pull inflation which results from an excessive creation of money supply.

The impact on prices of such increases in unit labor costs depends in part in their relative importance. Thus, where labor costs account for a small percentage of total revenues, the effect on prices of any rise in such labor costs will be small. Where labor costs are a large percentage, the price effects tend to be significant. This point is well illustrated by the service component of the consumer price index. Services are predominantly labor costs and this is an area of the economy where productivity gains have been minimal. Thus, it is not surprising to find that the steady rise in wages and other labor costs has been reflected in a steady rise in the prices of all types of services.

Between March 1955 and October 1957, the prices of services rose 7.9% as compared with the rise of 4.9% in the retail prices of goods.

Between 1951 and October 1957, the prices of services have risen 22.0% while goods prices rose only 3.6%.

Between 1949 and October 1957, the increases have been 32.4% for services and 13.6% for goods.

It seems evident, therefore, that wage inflation has contributed significantly to the rise in the consumer price index in recent years. Labor leaders have disavowed any relationship between wage increases and advances in prices. One steel union economist has stated: "Wage increases in steel have not caused even a single steel price increase since the formation of the Steelworkers Union 20 years ago."[20] However, on Dec. 2, 1957, Richard J. Gray, President of the AFL-CIO Building and Construction Trades Department proposed a moratorium on wage increases for one year to halt price inflation. He recognized that higher wages may add to higher living costs when he stated: "Shall we continue to strive for and obtain wage increases to compensate for—and, I might add, **contribute to**—the increased cost of living and inflation?" (underscoring added).[21] Needless to say, this statement was promptly greeted by a chorus of dissent from other labor leaders.[22]

### The Annual Improvement Factor

In 1948, General Motors Corporation introduced the annual improvement factor into collective bargaining. This was an attempt to relate formally the improvements in real wages to gains in productivity in the national economy. However, the annual improvement factor principle has never been adhered to very closely since the labor costs have increased substantially more than productivity. Initially, General Motors announced that because the long term gain in national productivity was 2% a year, it had agreed to an increase of 3 cents an hour or 2% in the real wages of its employees. Since the first contract, the wage increase provided has been stepped up to 2½% or 6 cents an hour, whichever is greater.

The relationship between real earnings and productivity gains must embrace the various fringe benefits as well as wages. This is particularly true in connection with such fringes as pensions, walfare funds, and supplementary unemployment benefits. The automobile and other industries have increased real wages more than the long term rate of gain in productivity. In addition, they have improved their pension and welfare fund benefits considerably in recent years, and have introduced supplementary unemployment benefits at a cost of 5 cents per hour.

As a result of these developments, the increases in real wages and other fringe benefits have been far greater than the gains in productivity. We don't have an annual improvement factor — we have an annual improvement **plus** factor. And the plus is a very important component of the wage inflation which has characterized our economy in the postwar years. In our attempts to evaluate the economic effects of the annual improvement factor, this departure from the original underlying concept must be emphasized.[23]

### The Escalator Clause

To protect workers against a rise in living costs, a number of contracts include wage escalator clauses. BLS reports that about 3½ million union workers are now protected by these clauses.[24] The number of such employees doubled between January 1955 and December 1956. Included in this category are railroad workers, steel workers, auto workers, meat packers, and many others. These clauses typically provide that every three months or six months, workers shall have their wages adjusted to changes in the consumer price index in accordance with a prescribed ratio. While in theory, these adjustments can be up or down, in practice, escalator clauses have been used primarily during periods of rising prices. When the outlook changes, unions are less willing to agree to such adjustments.[25] Thus, they become a one way street.

Let us see the effects of wage escalation. When prices rise, wages follow a short time later. Such wage increases have the same impact on costs as any other wage increases. There is nothing about their timing to suggest that productivity will have risen at the same time. In fact, the larger the price rise, the less likely it is that wage increases will bear any relationship to productivity changes. One result is a further rise in unit labor costs.

The rise in unit labor costs creates pressure on total unit costs and in turn upon prices. If prices are increased generally, the consumer price index rises and a new round of wage increases automatically takes place. It seems obvious that wage escalation clauses adopted as a protection against increases in the cost of living help to bring about the price increases which they are supposed to neutralize. The importance of this pressure has been demonstrated in 1957. In many industries, the escalator clause increases were about 7 cents an hour and as a result the total rise in wage rates including deferred increases, was about 14 cents an hour. Escalator clauses help to widen the gap between increases in labor costs and in productivity and hence add to the pressure for higher prices.

### Long Term Contracts

One of the important developments in labor relations in recent years has been the negotiation of long term contracts. In many industries, three year contracts have been introduced. Among the industries with such contracts are: steel, railroads, automobiles, electrical equipment, and aluminum. About 5,000,000 workers are covered under long term contracts.[26]

Long term labor contracts provide an element of stability in the terms of the labor bargain. It seems desirable to provide such stability for all elements in the labor contract except wage rates. When predetermined wage increases are included as part of these contracts, then we find companies required to give wage increases of a size that would not be granted in light of the actual economic conditions prevailing at the time of the increase.

Thus, for example, the railroads, with sharply declining volume found that they had to pay a 12 cent an hour increase (included 5 cents cost of living increase) in wages (as of Nov. 1, 1957) despite their precarious financial position. Similarly, the steel industry, which has already experienced a 20% decline in activity and for which the outlook is for a continuation of operations substantially below the recent peak levels, will find itself obligated to add 10 cents to 15 cents an hour to its labor costs next summer regardless of its economic well-being at the time.

A period of recession is the wrong time to add substantially to labor costs. When there is no shortage of labor and increased unemployment, money wages should not rise. Nor is a general wage increase at such times necessary in order to improve the economic well-being of labor. It is an interesting fact that one of the largest increases in **real** hourly earnings in the postwar period occurred in 1949 when no general wage movement[27] devel-

*Continued on page 30*

13 This total includes employer contributions for social insurance (old age, unemployment, railroad retirement and unemployment, retirement systems for civil servants, etc.) and other labor income (compensation for injuries, employer contributions to private pension and welfare funds, pay of military reservists, etc.) U. S. Department of Commerce, Office of Business Economics, *National Income, 1954 Edition*, Washington, 1954, pp. 210-211; Survey of Current Business, July 1957, p. 22.

14 Jules Backman, "Wage-Productivity Comparisons," *Industrial and Labor Relations Review*, October 1954, pp. 59-67.

15 U. S. Department of Labor, Bureau of Labor Statistics, "Nonproduction Workers in Factories, 1919-56," *Monthly Labor Review*, April 1957, pp. 435-440.

16 U. S. Department of Labor, Bureau of Labor Statistics, "Man-hours per Unit of Output in the Basic Steel Industry, 1939-1955." *Bulletin No. 1200*, September 1956, U. S. Government Printing Office, Washington, pp. 16-17.

17 Joint Economic Committee, *Productivity, Prices, and Incomes*, U. S. Government Printing Office, Washington 1957, pp. 144-148.

18 *Ibid.*, p. 280.

19 For a discussion of the nature of this problem by 11 economists, see National Industrial Conference Board, *Wage Inflation. Studies in Business Economics, Number 56*. New York, 1957, 74 pp.

20 Testimony of Otis Brubaker in "January 1957 Economic Report of the President." *Hearings before the Joint Economic Committee*, Congress of the United States, 85th Congress, 1st Session, Jan. 31, 1957, p. 295.

21 New York "World-Telegram and Sun." Dec. 2, 1957, p. 1.

22 New York "Times," Dec. 3, 1957, pp. 1, 38.

23 I called attention to these potential problems and many others in my *The Economics of Annual Improvement Factor Wage Increases*, New York University Schools of Business, June 1952, 72 pp.

24 U. S. Department of Labor, Bureau of Labor Statistics, "Deferred Wage Increases in 1957 and Wage Escalator Clauses." *Monthly Labor Review*, January 1957, p. 52.

25 Many contracts contained such escalator clauses in the early postwar period and during the Korean War. However, with the stability in living costs after 1953, the clause was dropped from most contracts. The main exception was found in contracts which included annual improvement factor increases.

26 *Monthly Labor Review*, January 1957, p. 50.

27 In 1949, the monthly changes in average hourly earnings in manufacturing industries were between $1.392 (October and November) and $1.408 (July and December).

*Continued from page 29*

# Wages, Productivity and Prices: Post World War II

oped and when the consumer price index declined moderately. The following table shows the change in real average hourly earnings in all manufacturing industries since the end of World War II.

| Year | Real Hourly Earns. (In 1947-49 dollars) | Year to Year Change |
|---|---|---|
| 1946 | $1.31 | |
| 1947 | 1.30 | —0.8 |
| 1948 | 1.31 | +0.8 |
| 1949 | 1.38 | +5.3 |
| 1950 | 1.43 | +3.6 |
| 1951 | 1.43 | —— |
| 1952 | 1.47 | +2.8 |
| 1953 | 1.55 | +5.4 |
| 1954 | 1.58 | +1.9 |
| 1955 | 1.64 | +3.8 |
| 1956 | 1.70 | +3.7 |
| 1957 (9 mos.) | 1.72 | +1.2 |

The rise in real hourly earnings in 1949 was 5.3%. With the exception of 1953, it was the largest rise in the entire postwar period. Increases in wage rates and other labor costs during periods of recession act to limit the downward price adjustments which can play so significant a role in correcting the economic maladjustments of the preceding boom. Such declines in prices also provide some urgent relief to the fixed income groups who fail to share in the boom and who are penalized by the rise in prices at such times. If they have no opportunity to recover their position somewhat during a period of recession, their plight, indeed, becomes serious.

The timing of long term contracts in different industries also plays a significant role in the wage inflation picture. The relationship between auto workers and steel workers contracts is particularly important because of the intense rivalry between Walter Reuther and David MacDonald. Thus, for example, the three year contract entered into by the automobile industry in 1955 was a very important determinant of the level of wage and fringe increases agreed upon in the steel industry's three year contract negotiated in 1956. In 1958, when the auto workers' contract expires, one of the important factors will be the steel contract negotiated in 1956. The automobile industry can perform a constructive service to the national economy by resisting vigorously excessive increases in labor costs next year. To be effective, it will be necessary to adopt industry-wide bargaining. Otherwise, Mr. Reuther will again be able to capitalize on the intensely competitive situation among the Big Three by picking them off one at a time.

Because automobile and steel are key wage bargain industries, these overlapping contracts enable the unions to play leap frog with American industry. It is certain that when the steel contract is negotiated in 1959, the overall agreement will be influenced by the automobile contract entered into in 1958 if it is for more than one year. Thus, one of the unfortunate attributes of long term contracts with predetermined wage increases and overlapping contract periods, is that they tend to prevent even a one year breathing spell in the march upward of wage and labor cost increases at rates exceeding the long term gains in productivity. Under these conditions, long term contracts add to the pressures on prices which are generated by wage inflation.

### Wage Changes and the Trend of Economic Activity

When labor costs increase more than productivity, unit labor costs rise. Under these conditions the alternative effects are possible: (1) prices can be raised, or (2) profit margins are narrowed, and/or (3) costs can be reduced. Since labor costs are by far the most important ones, a reduction in labor costs often means unemployment is increased. The effects or combination of effects which develop depend upon the general trends in the economy. During periods of expansion, it is probable that the rise in unit labor costs will lead to a rise in prices and possibly to some shading of the margin of profits. This is what happened during the 1955-57 boom.

During a period of stable or declining business activity, it will be more difficult, and in many instances impossible, to pass on a rise in unit labor costs in the form of higher prices. Rather, the tendency would be to reduce profit margins and/or to cut costs with the resulting increase in unemployment.

These effects are unavoidable as a matter of simple arithmetic. Clearly, unless a company can recover its increased costs by increasing its revenues, it must reduce its profit margins or cut its costs or some combination of both. It is true, of course, that under some circumstances increases in volume may be of such magnitude that overhead costs per unit decline by enough to offset in whole or in part an increase in unit labor costs. While such a situation might develop during a period of boom, it obviously cannot develop generally during a period of recession since one of the main characteristics of such a period is a decline in total volume with the consequent rise in unit overhead costs.

In some respects, this formulation of cause and effect relationship between wage increases and changes in prices, profits, and employment gives a misleading picture of the causal relationships. During the period of boom, when price increases follow labor cost increases, it is often said that the labor cost increase caused the price increase. But if demand were not adequate to support the higher level of prices, a company would not be in a position to recoup its higher labor cost through this means. In effect, the higher labor costs become the excuse, the publicly accepted rationale, for the price increase which is possible because of the strength of demand. In light of the political concern over price rises, however, it may be questioned whether prices would rise as much in the absence of large increases in unit labor costs. Hence, in this sense, we may speak of a wage-price spiral when wage increases in excess of productivity gains create a wage inflation which becomes the reason for the rise in prices.

The importance of these considerations becomes very clear during periods of declining business activity. As such times, despite the rise in labor costs, it is difficult for many companies to raise their prices. In other words, although wage increases are still a publicly accepted reason for price increases, underlying conditions do not permit such increases.

Wage-price relationships are complex. What appears to be a simple relationship on the surface is not quite so simple when all of the facts surrounding a particular situation are examined.

### Proposals to Halt Wage-Price Spiral

In the past year many proposals have been advanced to stop a wage-price spiral. Among the earliest suggestions was President Eisenhower's appeal for voluntary restraint. In his words:

"Specifically, business and labor leadership have the responsibility to reach agreements on wages and other labor benefits that are fair to the rest of the community as well as to those persons immediately involved. Negotiated wage increases and benefits should be consistent with productivity prospects and with the maintenance of a stable dollar. And businesses must recognize the broad public interest in the prices set on their products and services."[28]

Many persons have been skeptical of the possibility of success of such a policy of voluntarism. Accordingly, a number of specific proposals for action have been made including the following:

(1) Have provision in administered price industries for "a standstill on price increases for a period after the conclusion of any new wage contract. This would insure that wages . . . are bargained for out of proceeds and not automatically passed on to the public."[29] This proposal involves a form of involuntary price restraint. Sumner Slichter suggested another version of the use of a penalty as a deterrent to excessive wage increases:

**"Withdrawal of the Large Subsidy That the Government Now Gives to Wage Increases.**

"It is ridiculous for a government that is sincerely interested in preventing inflation to give employers powerful encouragement to grant wage increases. But the income tax of 52% on corporate profits means that 52% of any wage increase granted by a profit-making company is paid by the government. The 'subsidy' might be reduced moderately by requiring employers to wait a year before counting wage increases as part of the costs which are deductible in computing Federal income tax liability."[30]

(2) Advance notice and public discussion "where major movements in wages and prices are in prospect."[31] This proposal relies upon indirect political pressure to hold down prices and wages.

(3) Limit annual increase in wages and fringe benefits to about 2½% a year, except in unusual circumstances.[32] This proposal requires a restraint, apparently involuntary, on the magnitude of labor cost increases.

(4) Impose comprehensive government wage and price controls. This proposal turns the responsibility over to government.

(5) Call a labor - management conference to "work out an informal agreement to hold the price and wage line for a year with the possibility of a renewal for a second year."[33] A variation of this proposal was Gray's suggestion noted earlier, for a voluntary moratorium on wage increases in 1958. This proposal involves voluntary restraints over any wage or price increases.

(6) Walter Reuther's proposal to the automobile companies to cut their prices by an average of $100 in return for a commitment by the UAW to "avoid making [wage] recommendations that would necessitate price increases."[34] This proposal is designed to lower prices in return for a vague promise to keep wage demands moderate.

(7) Industry should resist excessive increases in labor costs. In some instances, this might mean taking strikes. In others, such as the automobile industry, it would mean industry-wide bargaining. This proposal is designed to equalize the bargaining power of the parties and to increase the cost of obtaining excessive wage increases.

(8) Prohibit strikes to help halt inflation.[35]

(9) Break up labor monopoly. Make unions subject to the antitrust laws.[36] These two proposals are designed to weaken the relative bargaining power of the unions.

The first six proposals involve various forms of voluntary or governmental actions to limit rises in wages and/or prices. The seventh is intended as an interim measure to strengthen the power of management in key bargaining areas. The eighth and ninth proposals are designed to limit the power of unions to impose settlements involving excessive labor cost increases.

Voluntary or imposed restrictions on increases in prices and wages do not hold out much promise as an effective means of stopping a wage-price spiral. It may be seriously questioned whether effective control over wages could be imposed in peacetime. In this connection, it may be recalled that wage stabilization during the Korean War meant a slowing up in the rate of increase, not an unchanging level of wage rates. Thus, as a practical matter these proposals really mean the imposition of some type of control over prices. Time does not permit a full exposition of the distortions which would be introduced by government fixing.[37] It does not provide a satisfactory solution and hence I am completely and unequivocably opposed to such actions in peacetime.

Resistance by industry can be helpful in some key bargain areas because of the patterns which they set. However, this does not appear to provide a long term solution to the problem.

Considerable attention must be given to the problem of giant labor monopolies. It is not an accident that the major pressures on labor costs have been initiated in the areas of the economy in which the unions are most powerful. Among the proposals designed to limit this power are: the application of the antitrust laws to labor unions, the restriction of union negotiations to a company rather than to an industry, and the restriction of bargaining to a plant basis or geographically.

The full implications of such restrictions upon union activities should be given a complete public airing and be subject to careful study. As a result of such evaluations in the past, restrictions were placed on the activities and powers of investment bankers, railroads, public utility holding companies, securities trading, trusts and other groups. The American public has been unwilling to permit any groups to accumulate and exercise too much power in the past. It has usually insisted that such power be curtailed when the abuses have become widespread. Sooner or later the public will insist that the power of the labor monopolies be curbed.

Fundamentally, inflations are caused by excessive increases in money supply and governmental budgetary deficits. The nine proposals outlined above to stop a wage-price spiral do not deal with these basic forces. Monetary policy and fiscal policy are the appropriate instruments with which to counter an inflationary price spiral.

In conclusion, let me emphasize that I do not believe we face a wage-price spiral in 1958. The termination of the boom has modified the main immediate pressure for price rises. Thus, there is no need to introduce any of the various proposals outlined earlier in order to control a wage-price spiral at this time. However, the longer term problem of wage inflation, namely increases in labor costs greater than gains in productivity, remains. During this breathing spell, we would be wise to devise the programs required to limit future wage inflation. Unfortunately, past experience suggests that with a reduction in the pressures for price rise, there will be a diminution of interest in solutions of the wage inflation problem.

28 *Economic Report of the President*, U. S. Government Printing Office, Washington, January 1957, p. 3.

29 Testimony of J. K. Galbraith, *Administered Prices*, Hearings before the Subcommittee on Antitrust and Monopoly of the Committee on the Judiciary, United States Senate, 85th Congress, First Session, July 1957, Part I, p. 53.

30 *Christian Science Monitor*, Oct. 5, 1957.

31 "Administered Prices," *op. cit.*, p. 50. This proposal as regards prices has also been advocated by Senator O'Mahoney (see *Ibid.*, p. 102) and by Nat Weinberg of the UAW (Hearings before the Joint Economic Committee, *January 1957 Economic Report of the President*, Jan. 31, 1957, p. 313). O'Mahoney would adopt this policy whenever 30% or more of the output is produced by five or six firms. Weinberg would limit it to situations where one corporation accounts for 20% to 25% of the total sales of the industry.

32 Sumner Slichter, *The Commercial and Financial Chronicle*, Oct. 10, 1957, p. 34.

33 G. C. Means, "Administrative Inflation," *Current Business Studies No. 28*, Society of Business Advisory Professions, Inc., New York University, Oct. 16, 1957, pp. 41-42.

34 Letter to presidents of the Big Three Automobile Companies, Aug. 16, 1957.

35 Neil Carothers, *The Commercial and Financial Chronicle*, Oct. 10, 1957, p. 38.

36 T. O. Yntema, *Wage Inflation: Public Enemy No. 1*, an address before the American Life Underwriters Association in Chicago, Illinois on Oct. 11, 1957.

37 See Jules Backman, *Government Price Fixing*, Pitman Publishing Corp., New York, 1938 and *Price Practices and Price Policies*, Ronald Press, New York, 1953, Chapters 18 to 20.

# Harriman Ripley Group Offers Niagara Mohawk Power Preferred Stock

Public offering of 250,000 shares of Niagara Mohawk Power Corp. 4.85% perferred stock was made on Feb. 18 by a group of investment banking firms headed by Harriman Ripley & Co., Inc. The stock was priced at par $100 a share.

Net proceeds from the sale of the preferred shares will be used to reimburse the company's treasury; to repay $6,000,000 of short term notes and to finance in part its construction program.

The preferred shares are to be redeemable in whole or in part at $106 per share through Jan. 31, 1963 and thereafter at reduced prices, depending upon the date of redemption, plus accrued dividends in each case. Prior to Feb. 1, 1963, none of these shares may be redeemed through certain refunding operations.

Operating revenues of the company for the year 1957 aggregated $254,969,000 and net income amounted to $26,430,000.

Niagara Mohawk renders electric service in an area in New York State having a total population of about 3,200,000, including the cities of Buffalo, Syracuse, Albany, Utica, Schenectady, Niagara Falls and Troy. Electric operations include service to residential farm, commercial and industrial customers. Electric energy is also sold to other utilities and municipal distribution systems.

## Bamm Corporation Opens

Bamm Corporation has been formed with offices at 515 Madison Avenue, New York City to engage in a securities business.

## With Lloyd Arnold

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Darvin M. Curtis has become connected with Lloyd Arnold & Company, 364 North Camden Drive. He was formely with H. Carroll & Co. and Daniel D. Weston & Co.

## Joins Bache Staff

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif. — Norman Mendleson has joined the staff of Bache & Co., 445 North Roxbury Drive.

## Benjamin Phyfe

Benjamin P. Phyfe, partner in Whitehouse & Co., passed away February 11th at the age of 84.

## *Public Utility Securities*

By OWEN ELY

### New England Gas & Electric Association

New England Gas & Electric Association is an integrated holding company whose subsidiaries' operations are confined to the State of Massachusetts. The Association is now 31 years old, having been organized on the last day of 1926. It started 1927 operations with six utility properties, and during 1928-35 acquired ten additional, in the meantime disposing of a few companies. On April 1, 1947 the Association was recapitalized to conform with the Holding Company Act. In 1954 New Hampshire Electric was disposed of, NEGEA thus becoming an "exempt holding company."

The Association now owns the electric and gas companies in Cambridge, the Cape & Vineyard Electric, New Bedford Gas & Edison Light, Plymouth County Electric, and Worcester Gas Light Co., all located in the southeastern third of Massachusetts. These six companies represent by absorption 12 of the units originally purchased. Cambridge Steam Corp. was also organized to sell steam from the generating stations. NEGEA supplies electricity in about 40 communities; gas in about 40; and steam to Harvard University and 29 other customers in Cambridge. About 54% of revenues are derived from electric business, 44% from natural gas and 2% from steam heating. Electric revenues are about 37% residential, 23% commercial and 28% industrial. Important cities served with both electricity and gas include New Bedford, Plymouth and Cambridge, and with gas alone, Somerville, Worcester, Framingham and the Hyde Park district of Boston.

NEGEA sells a substantial amount of power to Harvard and MIT, the total for these institutions amounting to over one-quarter of the industrial electric load. Harvard also takes a substantial amount of steam. Other leading industrial customers in Cambridge are in the following diversified fields: rubber products, wire and cable, fasteners, soap, candy, chemicals, meat packing, cameras, printing and publishing, baking, ice manufacturing, steel products, ice cream, plastics, electronics and radio, machine tools, instruments.

Gas is obviously an important part of this System's business. It buys gas from Algonquin Gas Transmission (it owns 48,561 shares of that company) and Tennessee Gas Transmission; it also maintains a very efficient standby manufactured gas plant with ample capacity for peak shaving, etc. Before receiving natural gas the company had done considerable research in producing manufactured gas and had reduced its cost to a level almost comparable with natural gas, after crediting sale of by-products.

The company has 68,400 space heating customers or about 43% of total domestic gas customers. Last year it sold enough heating equipment and water heaters to increase sales of gas about 5%, although the weather was much warmer than normal. During the past ten years the number of degree days has averaged 5,286 while last year they were only 4,670.

Gas sales and earnings are greatly affected by variations in the weather. NEGEA is planning to prepare its operating gas budgets on the basis of "trended degree days." If there is a sustained period of cold weather the company would hope to set up a reserve (with regulatory approval), which would then be available to add to earnings in abnormally warm periods. As an illustration of the need for such adjustment, it may be mentioned that in the 12 months ended Sept. 30, 1957 share earnings would have been 7c greater if degree-days had equaled the 20-year average, but would have been 18c higher if degree-days had equaled the amount for the 12 months ended Sept. 30, 1956.

While New England has been considered vulnerable to the loss of textile and shoe business in recent years, it has gained many new industries, particularly electronics and machinery. Many of the old plants were marginal operations using old buildings and antiquated machinery; their departure left available skilled labor ready to develop new industries and new products. The Boston area and particularly the city of Cambridge is said to have perhaps the greatest concentration of scientific, engineering and research talent in the world—including the ability to discover new products and the personnel to develop them.

The City of Boston has been going through a period of rejuvenation with the development of new expressways and highways. The $85 million Prudential Life Insurance development will include the company's own new building plus other office and store facilities, a hotel, apartment houses, municipal auditorium, etc.

NEGEA expects to spend about $9 million for construction in 1958, but the parent company does not expect to sell any stock this year. Share earnings in 1957 were $1.50 based on average shares. On the same basis sinking fund payments amounted to 15c per share. The common stock has been selling recently in the Over-Counter Market around 17 and based on the regular $1 dividend rate yields about 5.9%. The price earnings ratio is 11.4.

| Years— | Revenues (Millions) | Common Stock Record— Earnings | Dividends | Approx. Range |
|---|---|---|---|---|
| 1957 | $46 | *$1.50 | $1.05 | 18½-14½ |
| 1956 | 44 | 1.44 | 1.00 | 18½-17 |
| 1955 | 40 | 1.37 | 1.00 | 18½-16 |
| 1954 | 36 | 1.32 | 1.00 | 18 -15 |
| 1953 | 38 | 1.23 | 1.00 | 16½-14 |
| 1952 | 36 | 1.23 | 1.00 | 15½-14 |
| 1951 | 34 | 1.15 | 1.00 | 16 -13½ |
| 1950 | 31 | 1.46 | 0.95 | 16 -12½ |
| 1949 | 29 | 1.46 | 0.85 | 14½-10 |
| 1948 | 29 | 1.31 | 0.80 | 12 -10 |
| 1947 | 25 | 1.31 | 0.40 | 12½-10 |

*Based on average shares.

## Whitehead to Conduct Course At Hunter Coll.

Louis H. Whitehead has again been asked to conduct a course in investments (which began Feb. 11, 1958), it was announced by Dr. Edward Davison, Director of the Hunter College School of General Studies. The course will meet one evening a week for a total of 15 sessions.

Louis H. Whitehead

Formerly a member of the faculty of Syracuse University, and a lecturer for the American Institute of Banking, Mr. Whitehead is a partner of Cosgrove, Whitehead & Gammack, New York 5, New York, members of the New York Stock Exchange and American Stock Exchange.

Mr. Whitehead has had more than thirty years of experience in investment research and advisory work and is in charge of his firm's investment counseling department. He is a graduate of the Wharton School of Finance & Commerce at the University of Pennsylvania. Since 1942 Mr. Whitehead has been a member of the faculty of the New York Institute of Finance, successor to the New York Stock Exchange Institute where he conducted courses in Economics and Current Economic Developments Affecting Investments.

## Johnston, Lemon Group Offers 6% Debentures Of Southern Oxygen Co.

Johnston, Lemon & Co., as manager of an underwriting syndicate, yesterday (Feb. 19) offered $1,500,000 Southern Oxygen Co. 6% convertible subordinate debentures, due Jan. 1, 1968, at a price of 100% and accrued interest.

Net proceeds from the sale of the debentures will be used for general corporate purposes, including, the purchase of a new liquid tonnage oxygen, nitrogen and argon plant for the company's Greensboro, N. C., facility; to remodel plant and install new equipment at Greensboro; to purchase new liquid oxygen, nitrogen and transportation equipment, and to retire bank loans. The balance of the proceeds will be added to working capital.

The debentures are to be redeemable prior to Jan. 1, 1960, at optional redemption prices ranging from 105% to par, plus accrued interest. The debentures may be converted on or before maturity or redemption, into common shares of the company at the basic conversion price of $10 per share.

Southern Oxygen Co., is engaged in the production and sale of compressed gases, including oxygen, acetylene, hydrogen, nitrogen and argon. The company also produces and markets liquid oxygen, and sells and exports welding equipment and devices, medical equipment, and related supplies.

For the fiscal year ended Sept. 30, 1957, the company had total revenues of $9,712,899 and net income of $343,461.

Upon completion of the current financing outstanding capitalization of the company will consist of $5,799,132 of funded debt and 139,878 shares of common stock.

### F. A. Melhado Opens

Frederick A. Melhado is engaging in a securities business from offices at 120 Broadway, New York City.

## *Our Reporter on Governments*

By JOHN T. CHIPPENDALE, JR.

[Late yesterday (Wednesday, Feb. 19) the Federal Reserve Board announced a reduction in member bank reserve requirements of ½ of 1%.]

The government market appears to be digesting very readily the bonds which were offered in the refunding operation. This is in spite of the sizable amount of these securities which were taken by those who cannot be classified as investors or permanent holders of these obligations. It is evident, also, that certain institutional buyers have decided to make purchases of the 3½s of 1990 and 3s of 1964 at premium prices, because they believe that interest rates will go lower, and future offerings of intermediate and long-term government bonds will not be significant enough to affect the outstanding issues adversely.

The short-term sector of the government market continues to have plenty of demand, because money which would ordinarily be used for business expansion purposes is being put to work in the most liquid Treasury issues. Likewise, it is reported that some of the funds which would usually be finding an outlet in the equity market, and which went into the longer refunding securities, are now coming into short-term Treasuries.

### Money Market on Its Own

The money market continues to stay on the favorable side in spite of the absence of any new help on the part of the powers that be. The latest available data indicate that the monetary authorities are doing practically nothing to loosen the money market. This appears to be a rather unusual procedure in the face of all the unfavorable business statistics which are coming to light. It would seem as though the Federal Reserve Board is still very much concerned with an inflationary pattern, when one looks at the type action which has been taken by the central banks to offset the return flow of currency from circulation and the decrease in the demand for loanable funds. It may be that the existing recession in business will be overcome without the aid of more ample credit and easier money rates. This, however, would be very different from the course which has been followed by the monetary authorities in the past, while the economy has been on the defensive.

### Past Fed Policy More Aggressive

When the business pattern has turned down in previous times, it brought with it rigorous action on the part of the Federal Reserve Board. This consisted not only of successive reductions in the discount rate, but also the lowering of reserve requirements of the commercial banks, as well as open market operations. To be sure, there have been decreases in the central bank rate in the last two months, but nothing has been done about the lowering of reserve requirements. In addition, open market operations so far have tended to cut down the available supply of credit which could have put more funds at the disposal of the money market through the return flow of currency from circulation and the repayments of loans.

The lowering of margin requirements and the discount rate did not make any more credit available to the money market. These were purely psychological actions which will not have more than a temporary influence on the credit and interest rate pattern.

### Banks Will Need Reserves to Finance Treasury

The Treasury, in the not distant future, will be in the market for new money and the bulk if not all of the securities which will be sold for cash by the government will be short-term obligations. The new money financing will be tailored to meet the requirements of the commercial banks and this means the most liquid type of security. However, in order for the Treasury to sell sizable amounts of near-term obligations to the commercial banks, these institutions will have to be supplied with the reserves which will make possible their purchase of new money government securities.

An increase in the debt limit is in the making beyond any question of doubt, and with the advent of important borrowing by the Treasury, there will be a lowering of the reserve requirements of the commercial banks. Sales of Treasury issues to the deposit institutions is one of the ways in which the decline in deposits can be overcome, and the money supply increased. The economy at this time is in such a position that some reflation should be a desirable development.

### All Bond Markets Depressed

The offering of the 3½s of 1990 seems to have had a temporary depressing effect on the whole bond market. Recent new issues of corporate bonds and tax free obligations have not been too well received, with some syndicates being dissolved. As a result, these securities are now selling below the original prices at which they were put on the market. It is reported that certain savings banks which have been prominent in the new issue bond market are now putting money to work in the mortgage field due to some betterment in the building business.

### Phila. Inv. Ass'n to Hear

PHILADELPHIA, Pa.—Russell W. Richie, Vice-President of The Philadelphia Saving Fund Society, will be guest speaker at a luncheon meeting of the Investment Association of Philadelphia to be held Friday, Feb. 21, 1958, in the Carlton Room of the Sylvania Hotel.

Mr. Richie will discuss the "Problems Concerning Saving Fund Investments."

### Mrs. C. Towart Joins D. H. Blair & Co.

Mrs. Claire Towart has joined the collateral loan department of D. H. Blair & Co., Inc., 42 Broadway, New York City, it was announced by Philip Egner, Vice-President.

Formerly with Garvin, Bantel & Co. for the last eight years, Mrs. Towart had previously been with Frazier, Jelke & Co. and Stewart & Co.

*Continued from first page*

# Unwarranted Doubts

is the simple survival requirement. We divert manpower from peacetime pursuits in order to prosecute the war at the front. On the home front we give up the production of those things that can be spared the better to produce the materiel needed at the front. We convert our factories—to the extent they can be converted—to the building of guns and equipment. We patch and repatch the old facilities to keep them running. Other factories whose output is not essential are just closed down, the manpower and materials being needed elsewhere. There are long lists of goods whose continued output can be postponed. These are the durable goods, because those we already have can be made to last a little longer. Among them are such things as new houses, automobiles, housefurnishings, clothes, roads, public and private construction of many kinds, and the thousands of new models, products, gadgets, conveniences, recreational facilities and comforts that our inventive people are constantly devising in the promotion of an ever-rising scale of living.

Thus while the war is on, the business measurements will disclose a very high level of activity, but this war-energized activity cloaks a deeply sub-normal production of peacetime durable goods. War is simultaneously a period of great production and of great postponement. It is a period in which the nation is singlemindedly engaged in satisfying its survival requirements.

### Multiplying the Supply of Money

In the meantime the Government, in order to meet its huge war bills, increases taxation. But even that does not provide enough money, so it borrows heavily. Part of the debt is lodged with banks and becomes the basis for a great expansion in the bank deposits which we use for money in this country. During World War II our money supply was roughly tripled. In order to counteract the increase the Government imposed extensive price controls and rationing. The techniques of this modern substitute for the old-fashioned money printing press are beyond the scope of this discussion. But the point is that when the war is over the nation finds itself simultaneously possessed of big shortages of peacetime durable goods and abundant supplies of money. One era comes to a close; a new one begins. With the heavy demand for survival having been met, the nation turns to satisfying its huge backlog demand for peacetime durable goods.

### The Postwar Booms

This demand is the most powerful and insistent known to peacetime markets. It is a demand for goods that people have had in the past, that they know about, that they know how to produce, to which they feel they are entitled, and for which they have the money to pay. It is a demand compounded by the need of industry to replace, at last, its equipment and machinery worn out during the war, to catch up on deferred maintenance, to reinstitute expansion plans laid aside while the war was on. The postwar reconstruction era also feels the resurgence of the characteristic American impulse to devise, produce and market new things. Such innovation is furthered by the wartime stimulus to find better and quicker ways of doing things, by the stimulus to men's minds as they are moved from one environment to others in meeting the war requirements.

And so, following each of our great wars there has been about a decade of postwar reconstruction prosperity or boom. Most of you can remember the 1920s—it was called "The New Era." Those who delve into history will find that in the early 1820s, following the War of 1812, there was a period of similar reconstruction prosperity and expansion. That period was called "The Era of Good Feeling." There was a similar period following the Civil War. It has been labelled, "Industrial Overexpansion Prosperity." And since the close of World War II we have once again been in such a period, one that has probably been lengthened by the conflict in Korea and the adoption of a "guns plus butter" national policy.

There is one thing about these postwar, decade-long booms we should note. It is that in the past they seem always to have been overdone. Because they last so long, people are insidiously led to believe that the prevailing boom conditions are normal, whereas what really happens is the development of a much greater than so-called normal demand for peacetime durable goods to make up for their deeply subnormal production during the war. There is also a very natural reason why postwar booms might be overdone and overprolonged. Thus with backlog demands on top of normal demands for the end products of business, the existing capacity of industry is overstrained. So those capacities are sought to be expanded. And this places still more demand on industry to produce also big quantities of producer goods. Industry must simultaneously produce to meet current demands, backlog demands and demands to enlarge its own capacity. It takes a long time to catch up.

But eventually the long catching up process is accomplished. Industry is eventually supplied with adequate or even excess capacity; people are well stocked with new homes, homefurnishings, automobiles, and so on. Another era comes to a close and transition to something different must be faced. And here I come to what I think is troubling the minds of many people.

### After the Boom

Many of us remembered what happened after the "New Era" of the 1920s came to a close. And many who have looked back over the long record find somewhat similar sequels to all our previous postwar reconstruction booms: The sequel, in the literature on the subject, has come to be called a "Secondary Postwar Depression." According to the long chart of business activity prepared and issued by the Cleveland Trust Company, the nation entered such a depression in 1826—about eleven years after the close of the War of 1812. That depression lasted for about four and a half years. In 1874 we entered another such depression in which we remained for over six years. And in 1930 we entered a similar depression in which we remained for about ten years. A big part of the reason that these so-called secondary postwar depressions have been so long is that the nation appears to enter them relatively well stocked with new durable goods and with excess capacities to produce them. It takes time to wear them out and it also takes time to reorient the nation's manpower and resources to the abundant production of still newer and better goods and services to promote its rising living standards.

In the light of all this the troublesome question now is: Are we again on the eve of repeating that which has been so regularly repeated in our past?

To those who mechanically give blind obeisance to historical parallelism—we might think of them as afflicted with "parallelitis"—the answer must perforce be, "Yes." But the more thoughtful, I am sure, will find many good reasons for believing that this need not be the case. To those considerations I now turn.

### But Knowledge Is Power

There is a saying that knowledge is power, and if that be the case then we are armed with power to meet any possible serious business decline as never before. Forewarned is forearmed. Most people forget that our knowledge about these matters is of comparatively recent origin. It was not until the middle 1920s, for example, that there was such a thing as the Federal Reserve Board index of industrial production; and it spanned only the years subsequent to 1918. It was not until the middle 1930s that the records were retroactively compiled to tell us of the fluctuations in business back to 1790. It was only then that the regularly repeated long swings of business activity wrought by war emerged from the record; it was only then that students began to understand the how and the why of these matters and coined the term, "Secondary Postwar Depression." This, indeed, is the first time that the nation has ever come up to the possibility of such a period with knowledge that the possibility even existed. That knowledge has already borne fine fruit.

### Hopeful Factors

For example, we should first note that we have not had this time, as we did in 1929, a great speculative stock market, financed on thin margins with borrowed money. It was the great collapse of bank credit—three times as great as ever before recorded—engendered by the stock market collapse in 1929 which led ultimately to the great difficulties of the banks in the subsequent years, and which, in turn, tremendously aggravated the difficulties of doing business of all kinds. The monetary authorities have been vigilant in seeing to it that no great collapsible structure of speculative bank credit has been reared this time. For that we had better be thankful, rather than critical of the safeguarding restraint recently imposed by the monetary authorities.

Let me next note that it is true that we have had this time, as we did in the 1920s, a great post-war housing boom financed largely with mortgage money. The spiralling collapse of real estate values with successive waves of foreclosures in the early 1930s served greatly to aggravate the general credit collapse. But things are vastly different this time. Home mortgaging practice has significantly shifted from lump sum, short maturity loans, to monthly amortized, 20 to 30-year obligations, more like rent. Much of the debt is also guaranteed or insured by the Government. The owners' equities in their homes are thus steadily growing and big lump sum due dates have been eliminated. So the question of ability to meet a large payment on an asset which is or has depreciated market-wise, can scarcely arise in wholesale fashion as it did in the 1930s.

These two factors alone well could be sufficient to guarantee that we are not headed into another nation-wide financial paralysis such as we experienced in the 1930s. Our new knowledge has borne fine fruit indeed in these two vital areas.

I think next that business men as a whole have conducted their affairs with far greater prudence and deliberation than ever before. The records show inventories as being large, it is true, but the data do not disclose a situation that would require a prolonged period of readjustment. There is, moreover, all the difference in the world between an orderly liquidation of inventories in the course of business, and a fast liquidation forced by a credit crisis, from which crisis we have been saved by the Federal Reserve authorities. Because business planning has proceeded with prudence in the past, it can proceed with the more assuredness and steadiness in the future. This augurs well for the period ahead.

Encouraging, too, is the fact that large volumes of construction in public roads, schools and utilities remain to be performed. Monetary restraint in the recent period has helped to defer projects from a period when their performance would have aggravated existing boom to a period when their performance should prove salutary. Everyone also knows that our population has resumed its growth, at rates comparable to those experienced in the early part of this century. This is a mixed blessing. Although it adds to the markets of the future, it also adds to the costs. There will be more people to buy things; but there will be more people to be supported out of existing resources. In terms of business prospects, however, it is a powerful long-term factor sustaining capital expenditures of industry.

Mention should also be made of the social security programs of Government and industry, and of the fact that a very large segment of income in the form of Government payrolls is presumably stabilized. Although these cannot breed business revival, they can cushion business recession.

### The Broader View

I have already noted why fear of repeating the drastic features of the 1930s is unwarranted. But if we wish to insure a still more rapid and less onerous reorientation of the nation's affairs to its historically characteristic pursuit of an ever more abundant life, then we must look at certain national policies to which we have become habituated in as broad and fair a perspective as we can.

What I deeply fear is that in the course of nearly two decades of war and of postwar boom certain attitudes have become so widely accepted and ingrained in national policy that it will prove very hard to review them objectively. Nevertheless in three great areas, namely, in taxation, in monetary and fiscal policy, and in labor policy, we have done things which the nation could stand while war and assured boom were the order of the day. But these attitudes could prove a handicap in a period when our every effort should be to reinvigorate the processes of private productive investment, from which alone comes the creation of new self-sustaining jobs on the one hand and, on the other, the ever newer and better products and services which are the very substance of an advancing scale of living.

### Taxation

Let us look first at taxation and, since it is closer to home, look first at the taxation of individual income. Does anyone really believe that the best way to encourage 170 million people to invest their savings in new job-creating ventures is to provide that any additional money they might make in so doing will be taken away from them by taxation at ever increasing rates up to 91 per cent? Let me remind you that the most ardent advocate of heavy progressive taxation that history has known was Karl Marx. He wanted it because he believed it would help destroy private enterprise by penalizing the more industrious and undermining productive incentives. It is time we gave thoughtful attention to our present confiscatory rates if we are not to stifle the nation's full productive genius and initiative.

Well, let's next take a look at corporate taxation and double taxation. Corporations are the creations of government. They are the resourceful invention of people to enable large numbers of them cooperatively to pool their resources and their labor and so accomplish mighty production tasks beyond the power of any one individual or small number of them. The dividends paid by these corporations are less than 4 per cent of the nation's income, yet corporations provide nearly three-quarters of all the non-government wages and salaries paid. The corporate economy is also the biggest remaining segment of business life that is still disciplined by vigorous competition. In the light of all this there must surely be something wrong with a generalized attitude of hostility towards corporations and their profits as such. Their profits are less than they were six years ago—while the nation's annual wage bill has increased by $80 billion. Yet the taxation of corporations seems unhappily designed not only to double tax the income that they generate but also to erode away their capital. The income is double taxed because it is first taxed—to the extent of over half of it—as it is earned; and then it is taxed again when paid out as a dividend. The capital is eroded away because the tax code refuses to recognize that it takes a lot more of today's cheapened dollars to equal enough depreciation to replace equipment purchased many years ago when a dollar would buy much more than it does now. The deficiency is arbitrarily considered income and taxed as such. In the case of U. S. Steel alone such tax erosion of capital as it turned over through depreciation amounted to over $650 million in the years 1940 to 1957 inclusive.

If we are to look at taxation of corporate income from the broadest possible viewpoint of the nation's enduring welfare, we should also note that it tends to impair productive efficiency and impede growth. The company that operates more efficently than another pays a relatively higher tax, and so in effect pays a penalty for being more efficient. Taxes levied at high rates against efficiency cannot help but impair that efficiency. This, in turn, affects a corporation's ability to finance its own growth, and this is certainly not in the national interest. Should we additionally provide, as is being promoted in some areas, that as corporations increasingly serve the nation's markets, the tax rate on them would be additionally increased—this is the so-called progressive taxation of corporations—then I suppose that persons behind the Iron Curtain could congratulate themselves that we in America had reached some sort of a new high in self-stultification.

The biggest part of the business done in this country is carried on through corporations, and so we must ask ourselves whether we really want to handicap ourselves unfairly, corporate tax-wise. Surely in view of what we may be facing we need and want not only the maximum fair stimulus to individuals but also a similar stimulus to the same individuals when acting as a corporate group. So a long hard look at corporate taxation is also needed if we are to skip or minimize the prospect of subnormal business activity.

Let me add one caution. I do not seek tax reduction resulting in government deficits and inflation. We should instead seek to re-devise our tax systems so as to leave the maximum productive incentive for each producing unit that is possible without undermining a similar incentive for all other units. Let me quote a sentiment expressed by Sumner Slichter in a Winthrop Ames lecture way back in 1942. He said: "The tax history of the United States in recent years has been fairly sensational. A visitor from Mars would suspect that a Communist fifth columnist was writing the laws for the purpose of making private enterprise unworkable. I am not complaining about the general level of taxes. Rather I am complaining of the extraordinary way in which taxes have been modified to bear heavily on any enterprise or individual who displays daring, backs an innovation or experiment, especially an experiment which is pretty certain to experience losses for a few years." Fifteen years have gone by since those words were said. Maybe the time has come to heed them.

**Monetary and Fiscal Policy**

I would next invite you to look at the broad sweep of fiscal policy and public attitudes toward it. One big part of that policy I have already dealt with in discussing incentive-destroying taxation. But on an even broader sweep I fear that the once self-reliant and independent American people have come to rely blindly upon government to take care of everybody. Is this really what we want in our country? Is this really the way to promote the transition we seek? Has not the process of deficit spending been tried out and played out? Consider the astronomical debt we have already achieved. Consider the threat of endless inflation with which its renewed fast expansion would be regarded by an awakening public. Consider the fact that in the course of the biggest and longest boom our country has ever experienced and with the highest, even confiscatory, tax rates ever imposed in peacetime, there has been no significant reduction in this debt. For those who would repose fond—and, I think, blind—confidence in government spending as the sovereign cure for economic ailments, let me cite the record: From 1930 to 1940 the Federal debt was nearly tripled to augment government spending. But unemployment rose—not declined—from 4 million to 8 million people. He who is willing to face the factual record is forced to the conclusion that the spending of tax money and printing press money to support people in a non-productive status serves more to perpetuate them in that status than to secure their re-employment.

So we had better earnestly review this part of fiscal policy. If we do we may uncover the realization that the only durable hope of ever lightening the total burden of government must come from a constant and insistent public demand that any government waste and inefficiency be driven out, and that the true job of government is to defend and to govern the nation — and very little else, let alone to engage in an incentive-destroying redistribution of the people's income. There should, instead, be a release of productive incentives so that real income may grow rapidly and thus relatively lighten the tax burden.

**Labor Policy**

I come next to one of the most extraordinary phenomena of American history—the startlingly rapid growth of giant labor unions, headed by leaders who, possessed of great power, seek always to outdo each other in elevating employment costs in their respective industries. The legislative and social framework within which they function compels them to compete in elevating this cost that is basic to all industry. On a consolidated industry basis employment cost represents more than three-quarters of all costs and as it rises it forces prices upward. This has come to be called cost-push inflation as distinguished from the better known demand-pull type of the past caused by rising prices created by excess of demand over supply.

These are matters of profound importance to every citizen and especially to every one who lives through the wages he earns. There is, however, one aspect of the matter which is of particular concern to me in view of the business transition we seek and desire in this land. It is the seemingly endless and irresistible wage-cost-price spiral of inflation wrought primarily through labor power. I see this spiral manifest in the affairs of U. S. Steel. Year after year, in peace and in war, in periods of good business and in periods of bad, the employment cost per hour marches steadily upward and carries all other costs up with it. Since 1940 our employment costs per hour have advanced on the average at a rate of over 8% per annum compounded. Surely a resourceful American people can find some way to check this institutionalized inflation and do it with justice to every one concerned. And surely this is something very important to consider on the eve of what might otherwise be our entrance into another serious economic decline. For in terms of ordinary common sense, is there really any better way to handicap a business readjustment than to provide that everything, willy-nilly, has got to cost more to produce and hence be sold at cost-covering price increases in markets increasingly saturated?

**Conclusion**

As I come to the close of these remarks I note that I have so far made no mention of either cold or hot war. It is the unhappy fate of our generation to live in a half century of mighty conflicts, in the course of which the world has witnessed the declining leadership of the British Empire—the end of the long Pax Britannica. Ruthless despotisms have concurrently arisen to dominate many peoples. At the end of World War II there was reasonable prospect that a non-aggressive Pax Americana might be accepted and so usher in a new bright period of human histroy. Unhappily that prospect seems still some time away. Powerfully armed Good and powerfully armed Evil now stand fatefully poised in apprehensive attention. We call it "cold war." It is not within my power to prophecy what alterations in that posture may occur; and so I have spoken on the presumption of its continuance. But as I review what I have said I find little that I would alter in the light of other presumptions. Whether it is cold war, hot war, or no war at all, we should still seek fiscal and monetary sanity, avoid incentive-destroying taxation, and find fair ways to curb destructive wage-price inflation.

Reviewing the array of possibilities, I find no good reasons for supposing that we in this land need re-experience another 1930s. On the contrary, armed with knowledge that has already been utilized in a safeguarding way, we can be masters of our destiny. We can make it a better destiny as we thoughtfully adjust our overriding national attitudes and policies to suit the characteristic broad swings of postwar business developments.

## Named Directors

Edward H. Heller, partner in Schwabacher & Co., and Jan Oostermeyer, former President of Shell Chemical Corp., have been elected to the board of directors of The Siegler Corporation, it was announced by John G. Brooks, President.

## H. G. Hoffman Opens

Henry G. Hoffman is conducting a securities business from offices at 318 West 75th Street, New York City. He was formerly with First Investors Corporation.

*Continued from page 14*

# 1958—A Critical Year

least twice previously in the dozen years since the end of the war. The most recent of these, in 1953-54, carried the Federal Reserve index of production from 137 down to 123 over a period of 15 months, and raised unemployment to 5% of the labor force. This readjustment was occasioned by a drop in government spending for defense and the correction of a top-heavy inventory situation. If our present situation is analogous to 1953-54 then we may consider that a readjustment which has already been under way for some time (the high point of the Federal Reserve index was 147, in December, 1956) should be completed no later than the middle of 1958 and should be followed by an upturn in the second half year, under the impetus of increased defense spending, depleted inventories, and easier money rates.

But are we confronted this time with something more than a "rolling readjustment?" The consensus of informed opinion at present seems to be giving a negative answer to this question; but I think we owe it to ourselves to take a good look at the possibility of a more serious deflationary episode than we have yet experienced in the postwar period. The typical rolling readjustment, so called, is one that takes place in correction of an over-extended position in one or two sectors of the economy at a time when industry as a whole is still somewhat short of needed capacity and there are still in the aggregate many unfilled demands. But is this the case today? Capacity in almost all lines of production is more than adequate to meet present demand, and consumer inventories of durable goods are at a high level, at the same time that consumers seem to be more conscious of existing debt obligations and less disposed to incur new ones. Also, the unrelenting wage pressure on consumer goods prices at a time when consumers are showing some reluctance in buying is a kind of maladjustment that may take considerable unwinding.

Furthermore there does not seem to be the same occasion for reversal of inventory building that appeared in 1954. Thus far inventories have not risen greatly in relation to sales, though if sales should decline considerably, this appearance might be given. So in some respects the typical "rolling readjustment" pattern does not appear to fit the current situation very aptly.

There are other circumstances to give us some pause. Although the situation probably involves some need for inventory adjustment, the major problem does not necessarily appear to be one of inventory adjustment. The basic fact is that we have just experienced a great boom in capital goods spending, and that boom has just turned down, in the fourth quarter of 1957, in response to tight money, decreased productivity, higher wage costs, and curtailed earnings. All this is much in the classic manner, as is the sharp break in the stock market during the second half of 1957. (Remember that the stock market paid relatively little attention to the rolling readjustment of 1953-54.) In times past such developments have usually been associated with the end of an over-expanded capital investment boom.

And we must not overlook the psychological aspect. It has often been remarked during the last couple of years that the boom was getting tired, the forces that gave rise to it were becoming spent, we had reached the dangerous "in between" years, when the fires under the old boom had grown cold and the big new impetus for the next boom (quite possibly atomic energy and space exploration) had not yet become effective. At such a juncture alterations in public psychology can occur more easily and exercise greater influence than at earlier periods in the boom, and there is more than a shrewd suspicion that a growing uneasiness among both businessmen and consumers, a certain degree of disillusionment with the present Administration in Washington, worry about the foreign situation, perturbation over contract cutbacks, disquietude over the racial integration issue, fear of Democratic political gains, all were triggered by Sputnik into a very conscious and vocal dissatisfaction with the existing state of affairs. That this alteration in public psychology has had some effect on both consumer and business behavior during the last several months is entirely probable.

**Effect on Retail Sales**

Now all of this is simply a long way of saying that although the general concensus among economic observers looks for this to be another rolling readjustment, reaching a bottom in the first half of 1958 and then turning up, you should not close your eyes to the possibility that this time a more fundamental type of readjustment may be needed, going farther and lasting longer. I am of course aware of the very great differences between our present-day economy and the business structure of the 1920's and 1930's, differences which make a repetition of the experiences of the 1930's vastly unlikely; but I do not think we should dwell so exclusively on the differences that we fail to recognize some of the similarities of antecedent conditions when they begin to appear.

But even if this proves to be a longer and more severe type of readjustment than the nation has previously experienced in the postwar years, we should bear in mind the fact that the retail industry, being the first recipient of consumer spending, will suffer less attrition in sales volume than most other sectors of the economy.

**III**

Before examining the outlook for the basic flows of spending in 1958, we need to orient ourselves briefly with respect to three significant guide posts, namely, the government budgetary situation, money rates, and prices.

In all probability there will be a small deficit at the end of the government's current fiscal year next June 30. For the next fiscal year, with the Federal budget projected at $74 billion and with tax receipts declining because of lower profits, a budget deficit is almost certain; conceivably it may be accentuated by a tax cut, if the business (and political) situation seems to demand such a move. During a considerable part of this calendar year, then, the government will be paying out more than it is taking in, a fact which presumably will tend to stimulate business activity. Quite clearly the debt limit will have to be raised, but don't forget that the ratio of the debt to the gross national product is currently much lower than in many previous years. It is fairly clear that there are three things that we cannot have simultaneously: (1) the consumer continuing to "live high on the hawg," (2) adequate national defense, and (3) a balanced Federal budget. Your guess is the same as mine as to which one of these will go by the board.

Now that the Federal Reserve authorities have decided that their battle against inflation can be relaxed for the time being, it seems probable that some further steps toward monetary ease will be taken, possibly in the form of lower reserve requirements. No return to the cheap money of a few years ago is to be anticipated, but it is a fair presumption that the availability of funds will improve somewhat during 1958 and that the prime rate will be reduced. It would be a mistake, however, to assume that business activity will respond directly to this credit factor alone.

**Price Level**

The price situation as the year opens is somewhat mixed. Eleven of the 13 commodities in the BLS index of industrial raw materials fell in price during 1957, with the greatest declines in the metals and rubber. Nevertheless the general all-commodity index of wholesale prices at the end of the year was only fractionally off from the high of 118.4 recorded in August (1947-49=100), and the retail price index was at its all-time high of 121.6. Obviously the upward trend of wage rates over recent years has made both retail and general wholesale prices far less responsive to changes in industrial raw material prices, and has given rise to marked divergence in price movements between raw commodities and finished goods, with what ultimate consequences still remains to be seen.

For 1958 the most reasonable forecast is one of price stability; the pattern of advance established in the last two years seems to have been broken, but no general downtrend is as yet in the making. Quite plausibly the wholesale price index will ease a couple of points during the year, but if there is any change in the consumer price index it is likely to be a fractional edging up. If this appraisal is correct, any changes in economic magnitudes in 1958 will have less of a price-change element in them than has been the case for the last two years. (Parenthetically it is possible to question somewhat the significance of the consumer price index; quite possibly it is more a measure of the "better life" which consumers now enjoy than it is a measure of change in the retail price level.)

**IV**

**Major Spending Flows**

Against this general background suppose we now proceed to assess probable changes in the major flows of spending for 1958, some of the pluses and minuses that will enter into the composition of the gross national product, remembering as we do so that we are working on a very large base. The gross national product for the year just closed was about $435 billion, with a high of $439 billion in the third quarter; so bear in mind the fact that even if we should anticipate a drop of as much as $20 billion in 1958, we would still have a year second only to 1957 in its economic magnitude.

**A. Government Spending.**

For the current government fiscal year defense spending will be a little above the $38 billion that was projected, probably $39 billion, and for the next fiscal year it is certain to go up by at least $2 billion and more, probably $3 billion, or even more if the international situation continues to deteriorate. Any idea that Congress, in an election year, will cut back other Federal spending programs, such as agricultural aid, in order to provide for additional defense spending within a balanced budget can quickly be dismissed. State and local expenditures are still on the rise, and probably will go up at least $2 billion, perhaps $3 billion. Thus for the first part of the calendar year, government spending at the least will be leveling out from its recent decline, and for the latter

*Continued on page 34*

Continued from page 33

# 1958—A Critical Year

part of the year it should be rather strongly up. The minimum increase for the calendar year is probably $4 billion.

**B. Capital Goods.**

Business spending for plant and equipment turned down slightly in the fourth quarter and is forecast to take a much sharper drop in the first quarter of 1958. The increase for 1957 over 1956 was less than 6%, in comparison with an increase of 22% in 1956 over 1955. The 1957 figure of $37 billion is forecast by McGraw-Hill to drop about 7% in 1958, or $2.5 billion. Much of this business capital spending is already in process, of course, and there is little reason to suppose that most existing plans will not be carried out. Following the recent turnaround in Federal Reserve policy, somewhat greater availability of funds may be anticipated as the year goes on, but no return to the easy money conditions of a few years ago is on the cards. And in any event easy money is not itself a cause of liberal spending for capital goods.

The chief holdbacks to this kind of outlays in 1958 will be (1) the existence in many lines of industry of fully adequate or excess capacity to meet any nearby anticipated demands and (2) the somewhat cloudy prospects for business profits, especially in the light of projected wage demands for the coming year. In my opinion, these holdbacks will cause a substantial tapering of plant and equipment spending during 1958, and I should not be surprised if the annual rate of this spending was lower by at least $5 billion at the end of 1958 than it is now. Most important is the point recently made by Martin Gainsbrugh[1] that business declines which begin in the capital goods sector go deeper and last longer than those that begin in the inventory sector.

**C. Inventory.**

Inventory accumulation during 1957 was not excessive although, as remarked earlier, the relationship to sales gradually worsened. During the first three quarters the annual rate of inventory increase was substantially less than in 1956 or 1955, and in certain lines there was apparently considerable liquidation during the fourth quarter, which contributed to the significant drop in gross national product from its high of $439 billion in the third quarter. Although inventories at present are not importantly out of line with sales, they have been kept that way by some rather severe cut-backs in production, especially in the fourth quarter. Of course, if sales should deteriorate further, inventories could again become out of line and further liquidation would be in order. With inventories it is always difficult to know how high is high, especially since a growing economy, like a growing business, has legitimate occasion for larger inventories. Whether inventory liquidation will prove to be a significant minus factor in the 1958 business equation depends on the course of business itself. Unless there is a continued general downward spiral in business, it is hard to see inventory decline in 1958 accounting for more than $1 or $2 billion.

**D Building.**

Construction in 1958 should at least hold its own, in dollar terms if not in physical volume. For some two and a half years beginning with 1955, home building experienced a decline; but a turnaround has been evident in recent months, and new housing starts for 1957 have come out close to one million. For 1958 the number of new housing starts should again be close to one million or slightly over, and repair and modernization outlays will probably increase. Somewhat easier mortgage money will presumably be a favorable factor. Non-residential construction, however, seems to be slated for some recession in 1958, particularly in the industrial and commercial fields. School and highway construction probably will increase, however, though it is to be borne in mind that programs of the federal government in these areas may be reviewed in the light of defense requirements. Perhaps a fair figure for over-all construction outlays in 1958 would be $48 or $49 billion, but this could be altered by any continued deterioration in business and consumer sentiment.

Despite the recent upturn the residential sector of the building industry remains well under its peak years of 1950 and 1955. Mr. Walter Hoadley, Jr., Treasurer of the Armstrong Cork Company, points out that four major road blocks need to be removed before residential construction will again contribute in a major way to a business boom, namely, (1) tight money, (2) high and rising building costs, (3) lack of effective marketing devices to facilities financing and sale of houses, and (4) the relative ineffectiveness of competition in the building industry.[2]

**E. Foreign Trade.**

Though foreign trade plays a distinctly minor part in our total economy it may be remarked in passing that the fall in basic commodity prices in world markets and the restrictive monetary policies in a number of countries create problems of payment which may operate to reduce the export trade balance, thus contributing a small minus factor to the total equation.

**F. Consumer Spending.**

Personal consumption expenditures in the year just closed were not far from $280 billion, roughly divided $35 billion to durable goods, $140 billion to nondurable goods, and $105 billion to services. Much of the 1958 outlook depends on how well consumer spending will be maintained.

(1) Personal income, with a current annual rate of about $345 billion, has been slipping a little for the last four months, and this decline will be extended into 1958 because of growing unemployment and shorter work-weeks, the effect of which will more than offset wage advances. Nevertheless for at least the first quarter and probably for most of the first half of 1958, personal income in dollars will be running somewhat ahead of the 1957 months. In assessing the outlook for personal income it must not be forgotten that manufacturing industry, where most of the unemployment is appearing, is no longer the majority employer of labor; employment in distribution and services now predominates, and such employment does not fluctuate so much as manufacturing employment. Also, of course, the operation of social security measures has helped to loosen any close dependence of personal income on manufacturing activity. On the other side of the picture the possibility must not be overlooked that increased labor strife in 1958 may cut income in some degree.

(2) Disposable income will at least keep pace with personal income. Certainly no increase in federal income taxes is likely, though that necessity may have to be faced eventually as the expanded defense program develops. Talk of a tax cut, on the other hand, has died down, in view of budgetary realities. Yet conceivably if the business recession deepens as the year goes on, there may be a budget-unbalancing tax cut. Though the reasons for such action would be mainly political, the step could make good economic sense if business deterioration continues into the second half year.

(3) People saved about $20 billion of their personal income in 1957, something under 7%. At the end of the year the rate was declining. Clearly there is still some leeway here, if people are so disposed, to cut back savings somewhat in order to maintain living standards. This might happen in the early part of 1958, especially since savings in the form of financial assets are on the increase.[3]

(4) Consumer credit is the next consideration. Will people take on more debt in 1958 than they did in 1957? It is significant that during October of 1957 total consumer credit increased by less than $20 million, as against $120 million in October, 1956, and $400 million in October, 1955. For the year 1957 the increase may be less than $2 billion, as compared with $3.2 billion in 1956 and $6 billion in 1955. Total consumer credit outstanding at the end of October was $43 billion, about $12.5% of current personal income of $345 billion at the annual rate, almost exactly the same as the corresponding percentage at the end of 1956. Thus consumer credit, while still growing, is advancing with much less rapidity than previously and for the past year has maintained a constant relation with consumer income. This is not a picture which suggests that increases in the total burden of consumer debt will powerfully augment spending in 1958, as was the case, for instance, in 1955. Indeed, a decrease in the total amount of consumer credit outstanding is not unthinkable, though there is no evidence that consumer credit is shaky.

### Consumer Spending

(5) But consumer purchasing power does not automatically get translated into expenditure, particularly in a time of business uncertainty. There is the important matter of consumer attitude. As far back as the spring of 1957 the study of consumer attitudes and buying intentions made by the Survey Research Center of the University of Michigan indicated a shift in the direction of "cautious and moderate expenditure," an attitude that almost certainly has been reinforced by the events of the past six months. Consumer purchases of automobiles, appliances, furniture, and other "big ticket" items are governed more by expectations of the nearby future than by actual current income. Hence the hard goods outlook for 1958 must be considered rather dubious, at least until such time as there is a clearing of the economic skies. The single most important hard goods product, of course, is the automobile; and although Detroit is still talking in terms of another six-million-car year, I should be willing to settle for 5½ million. Here as elsewhere in the hard goods field the higher retail price tags resulting from wage increases are not helping the outlook.

For soft goods and services the picture is different. Consumer outlays may be expected to keep pace with income, and hence some increase in both these sectors is probable for at least the first half year.

All in all, consumer spending will be a strong supporting factor in the 1958 economy, but there is certainly no present justification for expecting it to spark a boom, as it did in 1955.

With this general conspectus of the major flows of spending for 1958, it is at once apparent that the balance of pluses and minuses does not produce a total that is greatly different from 1957. If we say that total government spending will rise about $4 billion, that will offset a possible drop of $4 billion in business outlays for plant and equipment. If we squeeze $2 billion out of inventories, probably an outside estimate, reduce exports by $1 billion, and hold about even on construction, then consumer spending would have to increase only $3 billion to make the total economic activity of the year approximately the same as in 1957. And remember that even if the total gross national product dropped as much as $20 billion, the year 1958 would still be the second best on record in terms of this monetary measure of total output.

### Cannot Predict Type of Recession

This kind of arithmetic makes the tacit assumption that we are experiencing nothing more serious than another rolling type of readjustment, certainly nothing more serious (and quite possibly a good bit less serious) than the 1954 episode, when the Federal Reserve index, average for the year, dipped from 134 to 125, unemployment averaged 5% of the labor force, and gross national product (in terms of 1956 prices) declined by $6.4 billion. If the present readjustment, however, should prove to be more fundamental in character, then these comforting analogies may not be applicable. Presumably a more fundamental type of readjustment would involve a larger ultimate drop in capital spending, greater inventory liquidation, higher unemployment, and considerably reduced consumer expenditure, accompanied, perhaps, by an appreciable decline in prices. To find any historical analogy for this type of recession, it is necessary to go back at least as far as 1937, and conditions have changed so enormously in the 20 years intervening that no useful parallels can be drawn. In all honesty I think it is not possible at this point to say with complete confidence which of these types of business readjustment we are facing.

## V

Coming, then, more specifically to the first half of 1958, I believe we shall see during those months a further decline in general business something on this order:

**Production**—A drop in the Federal Reserve index from the recent figure of 139 to about 132 or 133.

**Unemployment**—An increase to between 4½ and 5 million.

**Gross National Product**—A decline from the third quarter annual rate of $439 billion to about $431 or $432 billion at the low point for the half year.

**Personal Income** — A continued tapering off, bringing the figure back to even with 1957 sometime before the end of the second quarter.

### Department Store Forecast

In this situation what is it reasonable to expect of department store business in the spring season?

**Sales.** Sales of apparel and other soft goods are likely to keep pace with the higher personal income figures that will characterize the early months of 1958. This trend will be favorable for department store sales in the spring season; at the same time, the sales of hard goods will be no better than even, and more probably off somewhat. Also department stores in the recent past are not quite keeping pace with the whole group of general merchandise outlets, possibly because many of the department stores are continuing to experience "downtown trouble." Were it not for some of these secondary factors one might expect department store sales to run ahead of total retail sales in a period such as the first half of 1958. But remembering that during the spring of 1957, when total business was continuing to move up and personal income increased from a $336 billion rate in January to a $346 billion rate in July, department stores were able to increase their sales by only 2%, I believe that a break-even sales performance as against last year is about the best that I would hope for and that a showing of somewhere between 1% and 3% down would not surprise me. The consumer holds the key, not only to the fortunes of retail business in 1958 but in a larger sense to the fortunes of the total economy. Well-sustained consumer buying will hasten the time when inventories need to be replenished and will give encouragement to manufacturers to carry on with capital investment for the future.

**Gross Margin.** Competition will be tough and inventory trimming will be conducive to markdowns. These factors point to a lower gross margin. On the other hand, the merchandise mix, with a greater admixture of apparel, should lead to higher gross margin, and the state of the wholesale markets should permit some good buys. So perhaps we should say that no change in gross margin percentagewise is the likely outcome.

**Expense.** It requires no crystal ball to predict that the expense percentage will rise in the spring of 1958. Because wage advances will still be taking place it will prove difficult for most stores to hold dollar expenses in line; and if sales slack off a bit, the percentage cannot help rising. Here and there, however, some companies that really tackle their expense problems from the standpoint of making "an agonizing reappraisal" may be able to back this trend.

**Earnings.** I am afraid there is not much doubt that profits will be harder to come by in the spring of 1958. It has been possible in recent years to edge up profits slightly by virtue of better gross margin and improved sales volume, but prospects for help from either of these quarters in 1958 are dim. So with expenses almost certain to go up, this coming spring season will without much doubt reverse the gradual improvement of department store earnings which has been evident over the past three years.

Now I suspect that most in the industry have already laid out budgets for the spring season with figures not differing greatly from those that I have just suggested, except as particular local conditions dictate something different. The principal interest centers on the second half of 1958.

### Second Half of 1958

In the main, as I see it, we are relying on three factors to turn the situation around before that time: namely (1) easier credit conditions, (2) inventory depletion, (3) increased government spending. Without trying to guess whether these factors will in actuality turn the business trend back to an upward path by the fall season, I think certain comments may be offered.

First of all, easier money conditions, assuming that they develop, will be a facilitating rather than a causative factor. We learned somewhat painfully during the years of money and credit experimentation in the 1930's that even the most plentiful and cheap funds will not automatically spark a revival if businessmen are disinclined to borrow. So opportunities and profit possibilities are essential. If these are sufficiently available, easier credit will help to get the ball rolling again at its usual clip. If, however, there is a longer

1 *The Business Outlook—1958* (New York, National Industrial Conference Board, Inc., 1957), p. 86.

2 *The Business Outlook—1958* (New York, National Industrial Conference Board, Inc., 1957), pp. 25-29.

3 *Survey of Current Business*, December, 1957, p. 13.

period of adjustment needed before such opportunities again appear attractive, important results from a relaxed credit policy will not be immediately forthcoming.

Inventory depletion is a much more certain cause of revival. When inventories have been pulled down, the orders flow back to the factories. There is much reason to think that many businesses today may be beginning to draw down their inventories faster than they are placing new orders. The production cutbacks of recent weeks certainly reflect a drop in inventory buying. Revised figures for business magnitudes in the fourth quarter will indicate that a substantial amount of readjustment is already behind us. Provided consumption holds up, depleted inventories will surely bring an early pick-up in industrial activity. "Provided consumption holds up"—that is essential. So here the consumer, and to a lesser extent the merchant, holds the key. Let's keep shoving those goods over the counter this spring, but let's not get panicky about it or give the consumer any idea that it would be advantageous for him to defer buying.

Increased government spending may take time to materialize. There is the problem of the debt limit to be dealt with, lead times on complicated items are necessarily long, and there is as yet no clear indication that the signal-calling system in Washington has been straightened out. If, however, the services have any backlogs of orders that can be tossed into the situation at an early date, quicker effects can be expected. And, of course, if announced programs are sufficiently big and spectacular, then business will make anticipatory moves that will stimulate activity. From advance reports of the new budget, however, nothing of this kind seems to be indicated.

VI

In closing, I cannot forbear remarking that in the existing state of affairs in the world it does not seem very important to debate whether department store sales and profits will decline in the first half of 1958, and whether they will pick up again in the second half. Unless we immediately give right answers to some very crucial national problems, problems that are as crucial as life and death, the matter of department store profits, or indeed of any business profits, may in the years ahead become of only historical interest. Four years ago, I said, "I am not one of those who believe that the international situation is improving. On the contrary, I think the realization gradually will grow on us that we are losing the cold war, that ultimately we shall have to end our wishful thinking and face the necessity of large sacrifices to defend our national existence." And I added, "I believe this crisis will come before 1960." Today that crisis is at hand. Sputnik has blown up our fool's paradise. It is difficult to find words or tones of sufficient gravity to present what I am convinced is the true situation.

### Advises Stepped-Up Budget

In a very real sense the Soviets have already won, because it is now demonstrated that we cannot match Russian progress toward specific objectives of knowledge, power, and achievement without voluntarily submitting ourselves to a substantial degree of purposive direction in our lives, direction of investment, direction of manpower, direction of education. The notion that our "millions of centers of initiative" in a free enterprise system would automatically provide superiority in scientific achievement over the regimented efforts of the Soviet dictatorship has had to be sharply revised. Unless we are prepared to accept a definite channeling of our resources, our manpower, and our educational system toward certain goals, we are not going to be able to hold our own in competition, either warlike or peaceful, with a dedicated directed economy. I do not think we have as yet begun to realize the full picture (partly because our leaders have been afraid to give us the facts), but as time unfolds I venture to say that life in America will never again be the same as before Sputnik.

Today we have only two alternatives, either retreat and ultimate surrender (and I mean those words very literally) or a program with positive and powerful leadership dedicated to regaining the missile lead, to surpassing Russian science, to greatly strengthening the strategic air force, to stepping up our submarine defense, to increasing the materials and forces needed to fight local wars, to initiating practical civic defense measures, and to extending increased economic and military aid to other free countries.

The economic cost of such a program will, of course, be very great, but it is not unmanageable. Even if we were to devote $90 billion a year to it (approximately the peak of World War II annual expenditure), that would be only 22% of our gross national product. More realistically a defense budget between $50 and $60 billion would be appropriate and economically feasible. Needless to say, there will be problems and pressures: taxes will have to increase; some of the lushness will have to go out of American living; controls of basic materials, of credit, of inventories, and perhaps of prices and manpower may well be needed; the trend toward a shorter work-week will have to wait. It will be a time of sacrifices; and retail trade will bear a full quota of these. Under the conditions I am suggesting, it certainly will not be possible to say that what is good for the United States is good for retailing, or vice versa.

But retailing, and all business, and all of us as individuals, I am sure, will cheerfully face up to this time of sacrifice and extra effort, once we understand the facts and the choices, once we are given the leadership.

To those who think they have some understanding of the facts, it is profoundly shocking that the Administration in its projected budget for the next government fiscal year apparently takes such small and faltering steps toward an adequate defense program. Just incidentally, the kind of program which I believe the situation demands would quickly dispel any doubts about the character of the present business readjustment; the anticipation of such greatly increased government spending would reverse present trends well before the middle of the year, notwithstanding the long lead times involved in making the expenditures effective. It is not for that reason, however, that I urge a greatly expanded defense effort, but because I believe such an effort to be the only alternative to eventual national surrender and extinction of the American way of life.

## Form Alan Russell Secs.

Alan Russell Securities, Inc. has been formed with offices at 37 Wall Street, New York City to engage in a securities business.

## 20th Century Transfer

BUFFALO, N. Y.—Twentieth Century Transfer Agency is engaging in a securities business from offices in the Prudential Building.

## Institutional Financial

Institutional Financial Services Corporation has been formed with offices at 85 Broad Street, New York City, to engage in a securities business.

## ICA Representative For NY Consultations

Effective Monday, Feb. 24, a Washington representative of the investment guaranties staff of the International Cooperation Administration, will be available in New York for consultations on a once a month schedule at the New York field office, U. S. Department of Commerce, 350 Fifth Avenue, it was announced.

William J. Russell, manager of the Commerce field office, said Thomas P. Doughty, associate chief, investment guaranties staff, ICA, would welcome appointments from members of the New York investment community for Feb. 24, March 24 and April 21. These appointments may be arranged by telephoning LOngacre 3-3377, Ext. 31.

Mr. Doughty will discuss details of the ICA investment guaranty program, under which guaranties protect U. S. firms against the risk of being unable to convert foreign earnings into dollars and against the risk of loss through expropriation.

These guaranties are offered by ICA for the protection of new U.S. investments in 37 friendly nations which have entered into guaranty agreements with this country. Complete information on this type of insurance protection will be available from Mr. Doughty.

As of Dec. 31, 1957, 206 investment guaranties with a total value of $187,496,484 had been issued. A new high of $631 million in pending applications has been reached.

## Kimball Group Offers Consumer Finance Stk.

Paul C. Kimball & Co. heads an underwriting group which on Feb. 18 offered to the public $800,000 of 6½% capital notes of Consumer Finance Corp. of America, with detachable common stock purchase warrants for 80,000 shares of $5 par value class A common stock. The company was formerly People's Finance Corporation.

The notes, due Feb. 1, 1973, are priced at 100% and accrued interest. Attached to each $1,000 note is a warrant to purchase 100 class A common shares; each $500 note carries a warrant for 50 shares.

Proceeds will be added to working funds, with a portion expected to be used to reduce outstanding bank loans.

Consumer Finance maintains headquarters at Denver, Colorado and has 22 offices in seven Rocky Mountain States.

Associated in the offering are: Peters, Writer & Christensen, Inc.; Dempsey-Tegeler & Co.; A. G. Edwards & Sons; Wilson, Johnson & Higgins; and Metropolitan St. Louis Co.

## ASE Dinner to Honor J. L. Julian

A special committee of American Stock Exchange members, headed by Charles Leichner, Chairman, has announced that several hundred members of the American Stock Exchange will attend a testimonial dinner in honor of John L. Julian on Thursday, March 6, 1958, at the Park Lane Hotel. Mr. Julian, a broker on the Exchange trading floor, is a partner in the firm, Merrill Lynch, Pierce, Fenner & Beane.

## Midwest Exch. Members

CHICAGO, Ill.—The Executive Committee of the Midwest Stock Exchange today elected the following to Exchange membership: John W. Billings, Jr., Chicago, Ill.; Robert A. Don, Granbery, Marache & Co., New York, N. Y.; John A. Kemper, John A. Kemper & Company, Lima, Ohio.

# *Securities Salesman's Corner*

By JOHN DUTTON

## Perspective

In order to accomplish any worthwhile project you must have a method and an objective. No ship was ever brought into port unless the captain knew his destination and his navigation. Today, many investment men are like the captain of a rudderless ship that is without a compass. He gazes out on the storm tossed ocean and asks himself, "Where are we headed?" Such a situation is far from comfortable and at the same time cannot bring the ship back on course. The only thing that can be done is to find a piece of sky and take some sightings—the same old standbys are still there if we look for them. The stars haven't changed.

I don't intend to become literary but the analogy is a correct one. No guidance and no direction can be given to an investment account unless you know where you are going. This applies even though the situation looks confusing (as it always does) in the middle of a decline in the business index and a fall in stock prices and earnings. There are so many counterparts in the history of the business cycle (it hasn't been eliminated) and the securities markets that a few reminders of what has always happened in the past may clear the air and restore some clear thinking to the captain on the bridge. Each investment securities salesman that is handling customers accounts is in a position of leadership and responsibility as it pertains to his client's investments. Unless he has some constructive suggestions to offer and exhibits intelligent, confident, leadership, his customers will lose confidence in him. This is a must, if you want to hold your clients and keep them through this trying period of market unsettlement and business recession.

### Past History Indicates

(1) **Business recessions do not last forever.** Some last for short periods from four to eight months, others several years.

(2) **Over-optimism is followed by over-pessimism.** The emotional swings are accentuated by the radio commentators and the headline makers. It is best not to become an extremist in your thinking—keep calm and watch the psychological index heat up, either on the up side or the down. As pessimism and gloom mounts and the business news becomes more of a front page story, and the politicians start to swing at one another, you can be sure that it isn't going to be too long before recovery will start in certain areas.

(3) **The stock market is composed of groups of stocks.** Many made their highs in 1955, others in 1956 and others in 1957. Some industries have been working off over-capacity by closing uneconomical plants and selling off excess inventory for months. Other industries are pulling in their belt and cutting down waste and extravagance. The free economy adjusts itself IN SPITE of the politicians' attempts to interfere with the normal adjustments. This condition has been going on for several months during the present recession, and is now being accelerated by business management that is much closer to the problem than Washington will ever understand.

(4) **As groups of stocks stumbled when they made their highs many of these same groups are now showing resistance to further selling.** The most opportune time to buy sound equities is when they are depressed and companies have been undergoing a period of declining business. The timing varies in individual industries and companies within industries, but sooner or later stocks bought at a time when the majority of investors will not touch them will prove to be a profitable investment.

(5) **The country is not going down the drain.** Money will not become valueless, nor will deflation ruin the valuation of sound common stocks. It is never a one sided coin, and there are the pros and the cons to our economic situation. Every day that passes brings the turning point nearer when public psychology will once again become confident and the indexes of business will move upward. Meanwhile, the stock market will have discounted the coming recovery in advance. The experienced investors will have made all the good buys that were available at low levels and those who did not will once again kick themselves in the shins for not buying when they could have had a bargain.

(6) Here then are some soundings that are based upon experience. **Let your customers know that you are aware of them.**

(7) **If you have any real 100% "dogs" in a customer's account, go to him and tell him that you think he ought to get out, take his loss, and use the proceeds to buy something else that has some merit and possibility of recovery. Every time he thinks about that "pup" he is going to think of you. After he gets rid of it, you will find that his desire to continue business relations with you may be somewhat improved.**

## Hurson Officer of Republic Nat'l Bank

DALLAS, Texas—John A. Hurson, formerly Comptroller of the First National Bank and Trust Co., Kalamazoo, Mich., has been elected an Assistant Vice-President of the Republic National Bank of Dallas, James W. Aston, President of Republic, has announced.

Mr. Hurson assumed his duties with Republic on Feb. 17. He will be responsible for directing the accounting department, Mr. Aston said, pointing out that Mr. Hurson has a background of 20 years' work with banks, finance companies and in the public accounting field.

## Phila. Inv. Women to Hear Paul F. Miller

PHILADELPHIA, Pa.—The fifth in a series of Educational meetings of the Investment Women's Club of Philadelphia, will be held Feb. 24, at 5:30, on the Concourse floor of the Philadelphia National Bank. The speaker at this meeting will be Paul F. Miller, Jr. The topic will be Growth Stocks with comments on the Paper Industry. Mr. Miller became a partner in the investment advisory department of Drexel & Co., in 1956 and is presently engaged in advisory function with institutional accounts. He is also in charge of investment research. He was Lecturer in Finance at University of Pennsylvania Wharton School from 1953 to 1957.

## Beil & Hough Branch

CLEARWATER, Fla. — Beil & Hough, Inc. have opened a branch office at 605 Court Street under the management of Pryor Crosby.

The firm also recently opened an office with Alan Stark as representative.

Continued from page 12

# Eisenhower Expects Recession to End in March

of this year in the rate at which defense procurement contracts will be placed with private industry.

### Public Works

These and other programs and proposals are outlined in the fact paper. If other measures are needed, I assure you they will be proposed—and in time. For example, for some time now the Administration has been engaged in systematic and comprehensive planning for expansion and modernization of public works and buildings, all of these useful public projects to be taken off the shelf when they could most appropriately be undertaken. Yesterday I directed the Postmaster General to present to the Congress a $2,000,000,000 program for modernization during the next three-five years of post office buildings and equipment throughout the country.

In all these matters of Government policy it is well to remember that with an economy as complex as ours it is necessary not only to avoid the taking of wrong steps but confidently take the right ones. This we propose to do.

### Fact Paper on Certain Programs and Proposals Bearing on the Current Economic Situation

#### I

*Housing* — New housing units are currently being started at the rate of nearly 1,000,000 per year. An increase in this rate is justified in terms of housing needs and would have a widely beneficial effect on the economy. Direct employment would increase in thousands of communities, and many industries, such as lumber, furniture, home equipment and appliances, would be indirectly benefited.

The Federal Government has taken a number of steps, going back over a period of months, to help promote an increase in home construction.

In August, 1957, a sharply liberalized schedule of minimum required down payments was put into effect for FHA-insured home loans. On a $12,000 house, for example, the minimum required down payment was reduced from $1,200 to $600.

In January, 1958, the rule requiring that closing costs be paid in cash was rescinded. This reduced further the cash investment required by a home buyer when purchasing a home under an FHA-insured mortgage.

### Housing Funds Freed

The President has ordered the release of an additional $177,000,000 of funds for military housing, and for building under other Federally supported programs.

Prompt action by the Congress on several matters already before it would help to promote a higher level of home construction.

The Congress should act promptly on the request of the Federal Housing Administration for a supplemental authorization which would permit FHA to accelerate the processing of home-loan insurance applications.

The interest rate limitation on GI home loans should be eliminated, to permit veterans of World War II to enjoy their benefits under this program.

The Congress should also remove interest-rate limitations on FHA-insured loans for rental projects, cooperative housing and Capehart military housing.

Congress should also increase the size of loan that can be insured by FHA, as recommended in the President's economic report, and should promptly increase FHA's insurance authorization.

#### II

*Highways* — Federal-aid highway expenditures will have an appreciable impact on the economy in the months ahead in the direct employment of labor and materials, and by stimulating large amounts of additional indirect investment.

Estimated expenditures during the fiscal years 1957-59 are as follows:

FISCAL YEAR
(Millions)

| | |
|---|---|
| 1957 | $ 969 |
| 1958 | 1,771 |
| 1959 | 2,382 |

#### III

*Urban Renewal*—Activity under the urban-renewal program will increase substantially in the fiscal years 1958 and 1959. The increase in program activity is indicated in the following figures:

FISCAL YEAR

| | 1957 | 1958 | 1959 |
|---|---|---|---|
| Projects completed | 2 | 20 | 25 |
| Projects being started | 56 | 100 | 120 |
| Projects in execution at end of year | 178 | 258 | 353 |

As part of a five-year extension of this program, the President has requested an additional $200,000,000 for the fiscal year 1959.

#### IV

*Defense Contract Awards* — The placement of defense-procurement contracts is being sharply accelerated. These contracts will provide increased employment in many industrial communities.

Defense-procurement contracts placed in calendar year 1957, and planned for calendar year 1958, are as follows:

CALENDAR YEARS
(In billions)

| | 1957 | | | 1958 | | |
|---|---|---|---|---|---|---|
| Type | Year | 1st Half | 2d Half | Year | 1st Half | 2d Half |
| Major procurement | $12.4 | $6.7 | $5.7 | $17.2 | $9.7 | $7.5 |
| Construction | 1.5 | 1.2 | 0.3 | 2.2 | 1.6 | 0.6 |
| Other | 3.9 | 2.0 | 1.9 | 4.2 | 2.1 | 2.1 |
| Total | $17.8 | $9.9 | $7.9 | $23.6 | $13.4 | $10.2 |

#### V

*Civil Public Works*—In addition to Federal aid for highways, expenditures of the Federal Government on civil public works will increase sharply in the current fiscal year and will be still higher in the coming fiscal year. These include natural-resource-development projects, hospitals, schools in Federally impacted areas, general government building, etc. Amounts are as follows:

FISCAL YEAR
(Millions)

| | 1957 | 1958 | 1959 |
|---|---|---|---|
| Commerce and housing (excluding trust-fund financed highways) | $172 | $325 | $424 |
| Natural resources (mainly water resources) | 841 | 958 | 1,012 |
| Labor and welfare (hospitals, schools in impacted areas) | 127 | 219 | 261 |
| Veterans (mainly hospitals) | 40 | 43 | 41 |
| Agriculture and agricultural resources (grain storage and watershed control) | 8 | 61 | 68 |
| General government building | 63 | 126 | 165 |
| Total (rounded) | $1,290 | $1,730 | $1,970 |

#### VI

*General Service Administration* —Ninety-two projects are currently authorized in GSA's lease-purchase program.

In the calendar year 1958, 58 projects will be initiated involving $105,000,000 of financing.

In the calendar year 1959, the program is scheduled to expand sharply, with an estimated $300,000,000 of financing for the 34 remaining projects.

The law authorizing this program (P. L. 519) expired July 22, 1957. Legislation is needed to permit this program to continue beyond the 92 projects currently authorized.

#### VII

*District of Columbia*—The Bureau of the Budget has approved submission to the Congress by the commissioners of the District of Columbia of proposals for construction of needed public improvements. These projects will entail borrowing from the Treasury over a period of five years of $100,000,000.

#### VIII

*Export-Import Bank* — It is estimated that credits extended by the Export-Import Bank will finance $625,000,000 of shipments abroad in the first half of the calendar year 1958. A substantial proportion of these shipments will be machinery and equipment.

Exports financed by Export-Import Bank credits will rise further in the second half of the calendar year. To assure continuity in the bank's lending operations, the President has requested that the Congress increase the Export-Import Bank's lending authority by $2,000,000,000. Prompt action by the Congress on this request would make it possible to accelerate the bank's lending activities, with direct benefits to employment in many communities.

#### IX

*Credit Policy*—Steps have been taken by the Federal Reserve authorities to increase the availability of credit and to reduce its cost to borrowers.

The reserve position of member banks of the Federal Reserve System has been appreciably improved.

The discount rate was reduced from 3½ to 3% in November, 1957, and has recently been further reduced by 10 of the 12 Federal Reserve banks to 2¾%.

The increased availability and lower cost of credit which these steps have brought about will help promote a higher level of home building and construction generally. They will also make it easier and less expensive, for state and local governments to move forward with the construction of needed public facilities.

## Bache Offers Course In Secs. Investment

A special course in securities investment, to be held each Tuesday evening for eight successive weeks, beginning Feb. 18, is being offered by Bache & Co. in its Chrysler Building office, 405 Lexington Avenue, New York. Classes are scheduled to start at 8 p.m.

Allan Rogow, Account Executive with Bache's Chrysler Building office, will conduct the course, which is designed to give investors a clear understanding of the opportunities and problems of investing.

Mr. Rogow, an attorney, was formerly Manager of the corporate and union pension department of Bache & Co. and is still in charge of the investment of funds of a number of large corporate and union pension trust funds and welfare plans. Prior to joining Bache, he was for many years a member of a law firm which served as general counsel to a large New York commercial bank and all of its branches. In this capacity he participated in and handled many important financial and security transactions.

## Joins Daniel Reeves

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Alfred Borglum has joined the staff of Daniel Reeves & Co., 398 South Beverly Drive, members of the New York and Pacific Coast Stock Exchanges. He was formerly with Bache & Co.

## Now With Kidder Peabody

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert S. Comer has become affiliated with Kidder, Peabody & Co., 210 West Seventh Street. He was formerly with Lloyd Arnold & Co. and Eastman Dillon, Union Securities & Co.

Continued from page 4

# The State of Trade and Industry

the corresponding week a year ago, output was 145,846 cars and 24,113 trucks.

Each of the Big three, General Motors, Ford Motor Co. or Chrysler Corp., had some plants on part-time operation during the week. General Motors programmed a 5% decline and Ford dropped by 4%. Chrysler, however, although De Soto production is virtually at a standstill, raised programming by 8% via increases at other divisions.

American Motors continued the steady pace characteristic of operations so far this year, but Studebaker-Packard shut down its passenger car assembly line all week.

A year-to-date comparison shows 1958 car production currently stands 27% behind 1957, while truck output is 17% below last year. Car production has totaled 702,857 this year compared to 961,924 in corresponding 1957. This year's truck count is 120,933 contrasted to 145,457 in 1957.

### Steel Operations the Current Week Expected to Yield 54.0% of Ingot Capacity

In the steel industry the current week flat-rolled steel producers expect automotive buying will pick up in April, based on the belief that an auto strike will start in June, "Steel" magazine reported on Monday last.

Steel producers think the auto companies will reverse their policy of holding steel inventories to a minimum and will stock up for high operations when the anticipated strike ends. Most automakers have been holding steel stocks to an abnormally low level of 20 days. That has contributed heavily to the troubles of the steel mills since the beginning of the year, since no major automotive order has been placed for a month.

Some of the reasons automakers are not buying more steel now are due to the fact that sales of 1958 models have been disappointing. In January, dealers sold 380,300 cars or 22.4% fewer than they did a year ago when sales stood at 490,000. On Feb. 1, the new car inventory was 818,000, 21% higher than it was a year ago at 645,000. At the January sales rate of 14,627 a day dealers have a 56-day inventory. Since they regard 35 days as about right, they are in no mood to accept more cars.

Although automakers have reduced production (January's output was 489,357, compared with 641,591 a year ago), they will still turn out about 1,700,000 cars between Feb. 1 and May 31, when contracts expire. Subtracting probable sales for the period (1,632,000) from output would mean an addition of 68,000 cars to inventory.

With nearly 900,000 cars in dealers' showrooms on June 1, automakers could suspend production for six weeks without inconveniencing buyers.

Sluggish auto demand is not the only explanation for the doldrums-stricken steel market. Pittsburgh construction companies report their work has fallen off sharply this month. As a result, they are not in the market for plates or shapes. Mills are absorbing more freight but holding the line on base prices.

Steelmaking operations declined another half point last week to 53.5% of capacity. Production was 1,445,000 tons, compared with 2,501,000 tons for the like week a year ago.

"Steel's" composite on the prime grade of scrap moved up another 34 cents. At $37.67, it is at the highest level since last October.

The Federal highway program is not such a boon to metalworking as first thought, the publication declared. While roadbuilders will increase structural steel usage about 10% this year over last, the figure falls short of expectations.

Few economists checked by "Steel" last week thought that the United States plan to build and modernize post office buildings and equipment will help markedly as an anti-recession remedy. The $2,000,000,000 program will be spread over three to five years.

A sign of the weather and business times reveals that Cleveland's Cuyahoga River, usually free of ice because of hot industrial materials disposed in it, was frozen last week for the first time since 1913.

**The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steelmaking capacity for the entire industry, will be an average of *90.8% of capacity for the week beginning Feb. 17, 1958, equivalent to 1,459,000 tons of ingot and steel for castings (based on average weekly production for 1947-1949) as compared with an actual rate of *90.0% of capacity, and 1,445,000 tons a week ago.**

**Output for the week beginning Feb. 17, 1958 is equal to about 54.0% of the utilization of the January 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 53.5% the week before.**

**For the like week a month ago the rate was *93.1% and production 1,496,000 tons. A year ago, the actual weekly production was placed at 2,501,000 tons, or *155.7%.**

***Index of production is based on average weekly production for 1947-1949.**

### Electric Output Spurred by Cold Weather Increased Further the Past Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 15, 1958, was estimated at 12,417,000,000 kwh., according to the Edison Electric Institute.

For the week ended Feb. 15, 1958, output increased 128,000,000 kwh. above that of the previous week and 471,000,000 kwh. or 3.9% above that of the comparable 1957 week and increased by 1,096,000,000 kwh. above that of the week ended Feb. 18, 1956.

### Car Loadings Declined 3.3% the Past Week and 20% Below Like Period a Year Ago

Loadings of revenue freight for the week ended Feb. 8, 1958, were 18,137 cars or 3.3% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended Feb. 8, 1958, totaled 532,289 cars, a decrease of 132,962 cars, or 20% below the corresponding

1957 week and a decrease of 152,039 cars, or 22.2% below the corresponding week in 1956.

### Automotive Production Declined 4% the Past Week

Automotive production for the week ended Feb. 14, 1958, according to "Ward's Automotive Reports," declined by 4% below the preceding week. A year-to-date comparison shows 1958 car output currently stands 27% behind 1957 and truck output 17% below a year ago.

Last week's car output totaled 104,419 units and compared with 109,028 (revised) in the previous week. The past week's production total of cars and trucks amounted to 123,233 units, or a decrease of 5,276 units under that of the previous week's output, states "Ward's."

Last week's car output dipped below that of the previous week by 4,609 cars, while truck output declined by 667 vehicles during the week. In the corresponding week last year 145,846 cars and 24,113 trucks were assembled.

Last week the agency reported there were 18,814 trucks made in the United States. This compared with 19,481 in the previous week and 24,113 a year ago.

Canadian output last week was placed at 7,300 cars and 1,175 trucks. In the previous week Dominion plants built 5,722 cars and 1,052 trucks and for the comparable 1956 week 8,049 cars and 1,827 trucks.

### Lumber Shipments Fell 5.7% Under Output in Week Ended Feb. 8, 1958

Lumber shipments of 480 reporting mills in the week ended Feb. 8, 1958, were 5.7% below production, according to the National Lumber Trade Barometer. In the same period new orders were 0.9% above production. Unfilled orders amounted to 29% of stocks. Production was 0.2% above; shipments 2.0% below and new orders were 5.3% above the previous week and 7.5% above the like week in 1957.

### Business Failures Eased Slightly in Past Week

Commercial and industrial failures dipped to 319 in the holiday week ended Feb. 13 from the post-war high of 342 in the preceding week, Dun & Bradstreet, Inc. reports. However, casualties remained slightly above the 317 in the comparable week last year and exceeded considerably the 252 in 1956. Business failures were 9% greater than in the corresponding prewar week of 1939 when 293 occurred.

Failures involving liabilities of $5,000 or more declined to 279 from 297 in the previous week but were higher than the 266 of this size a year ago. There was a dip also among small casualties with liabilities under $5,000, to 40 from 45 last week and 51 in the similar week of 1957. Twenty-five of the failing concerns had liabilities in excess of $100,000 as against 41 a week ago.

All industry and trade groups had lower failures during the week except wholesaling, which edged up to 33 from 26. Casualties among retailers fell to 161 from 182, manufacturers 53 from 57, construction contractors 47 from 51, and service establishments to 25 from 26. All of the increase from 1957 was concentrated in retail trade, while manufacturing held even with last year and other lines declined slightly.

Fewer concerns succumbed than in the preceding week in six of the nine major geographic regions. The total on the Pacific Coast was down to 75 from 79, in the East North Central to 40 from 44, and in the South Atlantic to 23 from 30. In contrast, New England casualties climbed to 30 from 23, Middle Atlantic edged to 105 from 100 and the Mountain States to 3 from 2. Trends from last year were mixed. Four regions reported more failures than a year ago and five reported lower totals. The most noticeable increases from 1957 appeared in the New England and Mountain States.

### Wholesale Food Price Index Rebounded to Previous High Set on Jan. 21 Last

The wholesale food price index, compiled by Dun & Bradstreet, Inc., for the week ended Feb. 10, returned to the high point of 1958 of $6.52, reached on Jan. 21. This represents an increase of 0.8% over last week's $6.47 and 6.4% over the index one year ago.

Higher in price last week were corn, rye, oats, wheat, flour, sugar, cocoa, butter, eggs, potatoes, prunes, cottonseed oil, steers, hogs, hams and bellies, while barley, coffee and raisins registered declines.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meats in general use and its chief function is to show the general trend of food prices at the wholesale level.

### Wholesale Commodity Price Index Turned Moderately Upward the Past Week

Price increases on steel scrap, livestock, flour and some grains helped boost the general commodity price level moderately over that of the preceding week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 279.08 on Feb. 10 from 276.21 a week earlier, but remained below the 291.94 of the comparable date a year ago.

There was a noticeable rise in wholesale buying of corn and oats, which resulted in an appreciable rise in prices, the Chicago Board of Trade reported. Despite increased trading, prices of wheat and rye were close to those of the prior week. Prices of soybeans increased somewhat as transactions improved. Traders were waiting for an announcement last week on what the Government will do about some of the price supports this year.

A moderate rise in flour buying occurred during the week which brought about an increase in prices. Flour receipts at New York railroad terminals totaled 29,410 sacks, with 2,580 for export and 26,830 for domestic use. In preparation for the Lenten season retail grocers noticeably stepped up their orders for rice. Prices remained close to those of the preceding week.

Coffee futures prices dipped at the beginning of the week, but picked up slightly at the end of the period. Cash coffee prices slipped as trading lagged behind that of a week earlier. Limited supplies of African cocoa resulted in a noticeable increase in purchases, lifting prices substantially. Orders for sugar and prices held unchanged from that of a week earlier.

Hog prices increased noticeably in Chicago as trading advanced. Hog receipts were slightly below those of both a week earlier and the similar 1957 period. Transactions in steers were sustained at the level of the prior week and prices climbed moderately. Cattle receipts were somewhat below last year. The salable receipts of sheep and lambs advanced considerably, depressing prices somewhat. Purchases of lambs were close to those of a week earlier. Prices on lard were unchanged as trading equalled that of the previous week.

Following declines at the beginning of the week, cotton futures prices picked up at the end of the period. The early decline was attributed to reports of continued sluggish demand for cotton textiles. The later increase in prices followed a report that the Department of Agriculture had approved an export subsidy of 6 cents a pound, effective August 1.

There was a slight decline in prices on cotton print cloths as bookings lagged. Despite a drop in new orders, synthetic fabric prices held steady with those of the preceding week. The call for woolens expanded moderately, while interest in worsteds and carpet wool continued to lag.

Wholesalers reported another dip in rubber purchases, causing prices to fall fractionally. Improved volume helped boost prices on hides over those of a week earlier. A fractional rise in prices on burlap occurred as trading improved.

### Trade Volume Registered A Moderate Decline in Latest Week

Extremely cold weather and rising unemployment in many areas discouraged consumer buying the past week, offsetting substantial gains that occurred on Lincoln's Birthday. Overall retail trade was moderately below that of a year ago, with the most noticeable decrease in major appliances, furniture and floor coverings. Automobile dealers reported a moderate lag in sales of new passenger cars and slight year-to-year declines prevailed.

The total dollar volume of retail trade in the period ended on Wednesday was 5 to 1% below that of a year ago, spot estimates collected by Dun & Bradstreet, Inc. show. Regional estimates varied from the comparable 1957 levels by the following percentages: East South Central States —2 to +2%; Middle Atlantic and Mountain —3 to +1%; New England —4 to 0%; South Atlantic —5 to —1%; West North Central —6 to —2%; East North Central and Pacific Coast —7 to —3% and West South Central States —9 to —5%.

Appliance retailers reported noticeable year-to-year declines in sales of refrigerators, automatic dishwashers, television sets and lamps during the week. Interest in upholstered chairs, dinette sets and case goods slackened. Total furniture volume was down moderately from last year. Slight declines from last year prevailed in purchases of linens, draperies and slipcovers. The call for floor covering fell considerably.

Although Valentine sales promotions stimulated interest in women's fashion accessories and men's furnishings, over-all apparel volume fell moderately below that of the similar 1957 week. Apparel stores reported some increased interest in women's Spring coats and sportswear, but sales of coats and dresses sagged. The buying of men's overcoats, suits and dress shirts dipped below that of the similar period last year.

Food sales slackened somewhat during the week, despite a considerable gain in the call for candy, baked goods and some dairy products. Volume in fresh meat, poultry, canned goods and frozen foods slipped.

Contrary to the national trend, sales of household goods in Seattle improved, resulting in moderate year-to-year gains. The buying of women's apparel declined most noticeably in Detroit.

Apparel buyers noticeably stepped up their orders for women's Summer dresses and sportswear last week. As a consequence, volume was slightly higher than that of a year ago. Interest in Spring coats and furs remained close to that of a week earlier. Wholesalers reported slight gains in sales of men's lightweight suits and Summer sportswear. A slight rise in the call for children's Summer clothing occurred during the week.

Wholesale buying of furniture at shows in San Francisco and Kansas City continued to climb. Principal gains were recorded in metal outdoor tables, chairs, dinette sets and bedding and moderate year-to-year gains were reported. Wholesalers in Chicago registered increases from last year in sales of gifts, glassware and dinnerware. While volume in draperies and linens slackened, purchases of floor coverings improved. There was a slight decline from last year in interest in hardware and building materials.

Although transactions in wool climbed substantially during the week, trading in worsteds and carpet wool was sluggish again. At the beginning of the week some scattered orders for print cloths and broadcloths were reported, but over-all volume in cotton gray goods was unchanged from the preceding week. There was a moderate dip in bookings in industrial fabrics and manmade fibers.

Purchase of food at wholesale lagged during the week. Principal declines were noted in canned goods, flour and dairy products. Rice, fresh meat and frozen foods registered slight gains for the week. On Feb. 10 the Dun & Bradstreet wholesale food Price Index rose to $6.52, equalling the high point of the year so far set on Jan. 21.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 8, 1958, declined 8% below the like period last year. In the preceding week Feb. 1, 1958, a decrease of 2% was reported. For the four weeks ended Feb. 8, 1958 a decrease of 3% was reported. For the period Jan. 1, 1958 to Feb. 8, 1958 a decrease of 1% was recorded below that of 1957.

**Retail trade sales volume in New York City last week ranged from about even to 5% above the corresponding period a year ago, according to trade observers.**

**Cold weather the past week proved a deterrent to sales.**

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 8, 1958 decreased 2% below that of the like period last year. In the preceding week, Feb. 1, 1958 an increase of 10% was reported. For the four weeks ended Feb. 8, 1958, an increase of 3% was registered. For the period Jan. 1, 1958 to Feb. 8, 1958 an increase of 3% was registered above that of the corresponding period in 1957.

## J. F. Reilly Vice-Ch. Of American Stock Ex.

Joseph F. Reilly, a former page-boy on the trading floor of the old New York Curb Market from 1927 to 1929, has been elected to his first term as Vice-Chairman of the American Stock Exchange Board of Governors at the Board's reorganization meeting, according to an announcement by Edward T. McCormick, Exchange President.

Joseph F. Reilly

After having served as a telephone order clerk on the old New York Curb Exchange, he became a regular member of the Exchange in 1936. First elected to the Board in 1951, he was reelected in 1954 and served as President of the American Stock Exchange Clearing Corporation in 1955 and again in 1957. His present assignment will include Chairmanship of the Committee on Floor Transactions. Upon his election as Vice-Chairman of the Exchange today, he announced his retirement as Clearing Corporation President. His replacement will be named at a later date.

Governors who received appointments as Committee Chairmen include: James R. Dyer, Board Chairman, who will head the Executive Committee; Louis Reich, Committee on Securities; Harold A. Rousselot, Committee on Outside Supervision; John J. Mann, Committee on Finance; Gerald Sexton, Committee on Admissions; Paul Porzelt, Committee on Arbitration; Walter T. O'Hara, Committee on Public Relations; Leo G. Shaw, Committee on Business Conduct.

## D. M. Reeves Named Secretary by N.A.M.

BOCA RATON, Fla.—David M. Reeves, long-time staff executive of the National Association of Manufacturers, was elected Secretary of the association at the opening session of the mid-winter meeting of the board of directors here.

Mr. Reeves joined the association in 1940 and has held many administrative posts since. He was Assistant Secretary for two years and succeeds Thomas M. Brennan, who recently was made Assistant General Manager of the association.

### M. J. Gordon Now Bache Research Mgr.

Appointment of Monte J. Gordon as Manager of the research department of the nation-wide investment firm of Bache & Co., 36 Wall Street, New York City, has been announced by Harold L. Bache, senior partner. Mr. Gordon served as Assistant Manager of the research department at Bache from January, 1954, to February, 1956, when he was named Acting Manager.

Mr. Gordon has been a member of the New York Society of Security Analysts for about six years. For the past ten years he has been teaching at Brooklyn College conducting courses on corporate financial policy and security analysis.

### Now First Eastern Inv.

RED BANK, N. J.—The firm name of Eastern Investment Co., 157 Broad Street, has been changed to First Eastern Investment Co.

# Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

**★ Aeronca Manufacturing Corp.**
Feb. 10 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To go to selling stockholder. **Office**—Germantown Road, Middletown, Ohio. **Underwriter**—Greene & Ladd, Middletown, Ohio.

**★ American Business Shares Inc., New York**
Feb. 13 filed (by amendment) an additional 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

**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, 1957, 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 Quicksilver Corp.**
Feb. 3 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—626 W. 231st St., Wilmington, Calif. **Underwriter**—None.

**American Telephone & Telegraph Co.**
Dec. 31 filed $718,313,000 of 4¼% convertible debentures due March 12, 1973 (convertible into common stock, beginning May 12, 1958, at a price of $142, representing $100 debenture and $42 cash) being offered for subscription by stockholders of record Jan. 24, 1958 at rate of $100 principal amount of debentures for each nine shares held; rights to expire on March 12, 1958. **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. Statement effective Jan. 17.

**Amsterdam (City of), The Netherlands (2/25)**
Feb. 5 filed $15,000,000 of 15-year sinking fund dollar bonds due March 1, 1973. **Price** — To be supplied by amendment. **Proceeds**—To be added to loan funds of the City. **Underwriter**—White, Weld & Co., New York.

**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** — Cruttenden, Podesta & Co., Chicago, Ill.; and Odess, Martin & Herzberg, Inc., Birmingham, Ala.

**★ Andes Copper Mining Co.**
Feb. 6 (letter of notification) 6,277 shares of class B capital stock to be offered to stockholders at rate of one share of class B stock for each six shares of capital stock (par $14) held as of Feb. 21, 1958; rights to expire about March 11. **Price** — At par ($35 per share). **Proceeds**—To pay outstanding obligations to Anaconda Co., the parent, for funds advanced. **Underwriter** — None.

**Anita Cobre U. S. A., Inc., Phoenix, Ariz.**
Sept 30 filed 85,000 shares of common stock. **Price**—At par ($3.75 per share). **Proceeds**—For investment in subsidiary and working capital. **Underwriter**—Selected Securities, Inc., Phoenix, Ariz

**• Atlas Sewing Centers, Inc. (2/24-28)**
Jan. 6 filed $1,500,000 6½% convertible subordinated debentures, due 1973. **Price**—100% and accrued interest. **Proceeds**—To increase inventories, expansion, and reduce bank debt. **Underwriter**—Van Alstyne, Noel & Co., New York.

**Baltimore Gas & Electric Co. (3/3)**
Feb. 7 filed $30,000,000 of first refunding mortgage sinking fund bonds due 1993. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co. Inc. and Alex. Brown & Sons (jointly); Kuhn, Loeb & Co. **Bids** — Expected to be received up to 11:30 a.m. (EST) on March 3.

**Bankers Management Corp., Houston, Texas (3/11)**
Feb. 10 filed 400,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—To reduce outstanding indebtedness and for working capital. **Underwriter**—McDonald, Holman & Co., Inc., New York.

**Barton Distilling Co., Chicago, Ill.**
Jan. 28 filed $1,000,000 of secured notes due Oct. 1, 1962 (with warrants attached to purchase whiskey warehouse receipts. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans of $400,000 and for working capital. **Underwriter**—Fulton Reid & Co., Inc., Cleveland, Ohio. **Offering**—Expected this week.

**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.

**Bridgeport & Port Jefferson Steamboat Co.**
Jan. 30 (letter of notification) 30,000 shares of common stock (par $5) to be offered for subscription by common stockholders of record Dec. 31, 1957 at the rate of three new shares for each two shares held. **Price**—$10 per share. **Proceeds**—To construct new vessel. **Offices**—Port Jefferson, N. Y.; and Bridgeport, Conn. **Underwriter**—None.

**★ Butler Brothers, Chicago, Ill.**
Feb. 12 filed 50,000 shares of its common stock (par $15) to be offered to certain Ben Franklin franchise holders. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Underwriter**—None.

**California Electric Power Co. (2/27)**
Jan. 23 filed $12,000,000 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.; Kidder, Peabody & Co.; White, Weld & Co. **Bids**—Expected to be received up to 9 a.m. (PST) on Feb. 27 at offices of O'Melveny & Myers, Room 900, 433 So. Spring St., Los Angeles 13, Calif.

**Camoose Uranium Mines of America, Inc.**
Jan. 9 filed 3,000,000 shares of common stock (1 cent par), all owned by Camoose Mines Ltd., which is in liquidation and has equivalent amount of stock outstanding (1 cent par). When registration statement becomes effective, Camoose Mines will issue as a liquidating dividend, on a share-for-share basis, the 3,000,000 Canadian Uranium Mines shares it owns. **Office**—New York City. **Underwriter**—None.

**★ Carolina Power & Light Co. (3/18)**
Feb. 17 filed $20,000,000 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.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; Blyth & Co., Inc.; W. C. Langley & Co. and The First Boston Corp. (jointly); Equitable Securities Corp. **Bids**—Tentatively scheduled to be received on March 18.

**Central Illinois Public Service Co. (2/25)**
Jan. 29 filed $15,000,000 of first mortgage bonds, series G, due Feb. 1, 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 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 to be received up to 11 a.m. (CST) on Feb. 25.

**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.

**• Chenango & Unadilla Telephone Co. (2/21-24)**
Jan. 29 filed 20,000 shares of common stock (par $20) to be offered for subscription by common stockholders of record about Feb. 21, 1958 on basis of one new share for each 5.28 shares held; rights to expire about March 9. **Price**—To be supplied by amendment. **Proceeds**—To repay short-term bank loans and for additions and improvements. **Underwriters** — W. E. Hutton & Co., New York; and Laird, Bissell & Meeds, Wilmington, Del. Unsubscribed shares are expected to be publicly offered about March 10.

**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.

**★ Cincinnati Gas & Electric Co. (3/12)**
Feb. 20 (today) company plans to file 130,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For construction and improvements, to repay bank loans, and for other corporate purposes. **Underwriters**—Morgan Stanley & Co., W. E. Hutton & Co., and Blyth & Co., Inc., all of New York.

**★ Cincinnati Gas & Electric Co. (3/12)**
Feb. 20 (today) company plans to file 450,923 shares of common stock (par $8.50) to be offered for subscription by common stockholders of record March 11, 1958, on the basis of one new share for each 16 shares held; rights to expire on March 26. **Price**—To be supplied by amendment. **Proceeds**—For construction and improvements, to repay bank loans, and for other corporate purposes. **Underwriters**—Morgan Stanley & Co., W. E. Hutton & Co., and Blyth & Co., Inc., all of New York.

**Cleveland Electric Illuminating Co. (2/25)**
Jan. 8 filed $30,000,000 first mortgage bonds due in 1993. **Proceeds**—Retire bank loans in amount of $9,500,000 and for construction program. Latter, for 1958, calls for $65,000,000 outlay, and over next five years total is approximately $280,000,000. **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 11 a.m. (EST) on Feb. 25 at 55 Public Square, Cleveland 1, Ohio.

**Columbia Gas System, Inc. (3/6)**
Feb. 7 filed $30,000,000 of 25-year debentures due 1983. **Proceeds**—For construction program. **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 up to 11 a.m. (EST) on March 6.

**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**—Indefinite.

**• Consolidated Cuban Petroleum Corp.**
Dec. 30 filed 599,464 shares of common stock (par 20 cents) being offered for subscription by common stockholders on the basis of one new share for each four shares held as of Feb. 14; rights to expire on Feb. 28. **Price**—50 cents per share. **Proceeds**—For exploration activities and capital expenditures. **Office** — Havana, Cuba. **Underwriter**—H. Kook & Co., Inc., New York

**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.

**Counselors Research Fund, Inc., St. Louis, Mo.**
Feb. 5 filed 100,000 shares of capital stock, (par one cent). **Price**—At market. **Proceeds**—For investment. **Underwriter** — Counselors Research Sales Corp., St. Louis. Robert H. Green is President.

**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. **Offering**—Postponed indefinitely.

**Daybreak Uranium, Inc., Opportunity, Wash.**
Jan. 29 filed 1,156,774 shares of common stock (par 10 cents), of which 630,000 shares are to be offered for account of company and 526,774 shares for selling stockholders. **Price**—At market. **Proceeds**—For exploration and drilling costs and other corporate purposes. **Underwriter**—Herrin Co., Seattle, Wash.

**Diapulse Manufacturing Corp. of America**
Jan. 29 (letter of notification) 150,000 shares of common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—276 Fifth Ave., New York, N. Y. **Underwriter**—None.

**★ Digitronics Corp.**
Feb. 12 (letter of notification) 140,000 shares of class B capital stock (par 10 cents). **Price** — $1.50 per share. **Proceeds**—For general corporate purposes. **Office**—Albertson Avenue, Albertson, Long Island, N. Y. **Underwriter**—Cortlandt Investing Corp., 135 Broadway, New York 6, N. Y.

**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.**
Dec. 24 filed 165,625 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each four shares held. **Price**—To be supplied by amendment. **Proceeds**—For expansion and general corporate purposes. **Office**—Clifton, N. J. **Underwriter**—P. W. Brooks & Co., Inc., New York. **Offering**—Temporarily postponed.

**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., Denver, Colo.**
Jan. 29 filed 60,000 shares of common stock (par $1) and $180,000 of 6% callable unsubordinated unsecured debenture notes due 1960-1964 to be offered in units of $600 of notes 200 shares of stock. **Price**—$1,000 per unit. **Proceeds**—For construction of plant, working capital and other corporate purposes. **Underwriter**—Minor, Mee & Co., Albuquerque, N. M.

**Famous Virginia Foods Corp.**
Jan. 30 (letter of notification) 16,900 shares of common stock (par $5) and 390 common stock purchase warrants to be offered in units of 50 shares of stock and one warrant. **Price**—$500 per unit. **Proceeds**—For equipment and working capital. **Office**—922 Jefferson St., Lynchburg, Va. **Underwriter** — Whitney & Co., Inc., Washington, D. C.

**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.

★ **Farrar Drilling Co.**
Feb. 3 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For oil and gas drilling expenses. **Office**—316 Rogers Bldg., Mt. Vernon, Ill. **Underwriter**—Paul A. Davis & Co., Miami, Fla.

**Fidelity Capital Fund, Inc., Boston, Mass.**
Feb. 6 filed 20,000 shares of capital stock, of which 10,000 shares were previously sold privately and the balance is to be offered to a limited number of investors. **Price**—$10 per share. **Proceeds**—For investment. **Underwriter**—The Crosby Corp., Boston, Mass.

**Fidelity Trend Fund, Inc., Boston, Mass.**
Feb. 6 filed 20,000 shares of capital stock, of which 10,000 shares were previously sold privately and the balance is to be offered to a limited number of investors. **Price**—$10 per share. **Proceeds**—For investment. **Underwriter**—the Crosby Corp., Boston, Mass.

**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.

**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.

# NEW ISSUE CALENDAR

**February 20 (Thursday)**
Gulf Power Co.------------------------Bonds
(Bids 11 a.m. EST) $8,000,000

**February 21 (Friday)**
Chenango & Unadilla Telephone Co.----Common
(Offering to stockholders—underwritten by W. E. Hutton & Co. and Laird, Bissell & Meeds) 20,000 shares

**February 24 (Monday)**
Atlas Sewing Centers, Inc.-------------Debentures
(Van Alstyne, Noel & Co.) $1,500,000
Forest Laboratories, Inc.----------------Common
(Alfred L. Powell & Co. and H. Carroll & Co.) $500,000
L-R Heat Treating Co.-------------------Common
(Charles Plohn & Co.) $300,000
Pennsylvania Electric Co.----------------Bonds
(Bids noon EST) $29,000,000

**February 25 (Tuesday)**
Amsterdam (City of), The Netherlands----Bonds
(White, Weld & Co.) $15,000,000
Central Illinois Public Service Co.----------Bonds
(Bids 11 a.m. CST) $15,000,000
Cleveland Electric Illuminating Co.---------Bonds
(Bids 11 a.m. EST) $30,000,000
Tenney Engineering, Inc.------------------Common
(Milton D. Blauner & Co., Inc.; Hallowell, Sulzberger & Co.; and Michael G. Kletz & Co., Inc.) $297,999

**February 26 (Wednesday)**
Potomac Electric Power Co.--------------Preferred
(Dillon, Read & Co. Inc. and Johnston, Lemon & Co.) $15,000,000
South Carolina Electric & Gas Co.--------Common
(Offering to stockholders—to be underwritten by Kidder, Peabody & Co., Inc.) 369,694 shares
Southern New England Telephone Co.----Debens.
(Bids 11 a.m. EST) $30,000,000
United Gas Corp.-------------------------Bonds
(Bids noon EST) $30,000,000

**February 27 (Thursday)**
California Electric Power Co---------------Bonds
(Bids 9 a.m. PST) $12,000,000

**February 28 (Friday)**
National Aviation Corp.-------------------Common
(Offering to stockholders—no underwriting) 174,404 shares

**March 3 (Monday)**
Baltimore Gas & Electric Co.---------------Bonds
(Bids 11:30 a.m. EST) $30,000,000
Iowa Public Service Co.-------------------Bonds
(Bids to be invited) $10,000,000
Saxon Paper Corp.-----------------------Common
(Milton D. Blauner & Co., Inc.) $450,000

**March 4 (Tuesday)**
Ohio Edison Co.-------------------------Bonds
(Bids 11 a.m. EST) $40,000,000
Public Service Electric & Gas Co.--------Preferred
(Merrill Lynch, Pierce, Fenner & Beane) $25,000,000

**March 5 (Wednesday)**
Iowa Illinois Gas & Electric Co.--------Debentures
(Bids 10:30 a.m. CST) $9,000,000
Union Electric Co.-----------------------Bonds
(Bids 11 a.m. EST) $35,000,000

**March 6 (Thursday)**
Columbia Gas System------------------Debentures
(Bids 11 a.m. EST) $30,000,000
Virginia & Southwestern RR.--------------Bonds
(Bids noon EST) $5,000,000

**March 10 (Monday)**
Merrimack-Essex Electric Co.---------------Bonds
(Bids noon EST) $20,000,000
Olin Mathieson Chemical Corp.---------Debentures
(Dillon Read & Co. and Eastman Dillon, Union Securities & Co.) $40,000,000

**March 11 (Tuesday)**
Bankers Management Corp.---------------Common
(McDonald, Holman & Co., Inc.) $400,000
Indianapolis Power & Light Co.-------------Bonds
(Bids to be invited) $8,000,000 to $10,000,000
Mississippi River Fuel Corp.-------------Debentures
(Eastman Dillon, Union Securities & Co.) $30,000,000
Sylvania Electric Products, Inc.---------Debentures
(Paine, Webber, Jackson & Curtis) $40,000,000

**March 12 (Wednesday)**
Chicago, Rock Island & Pacific RR.----------Bonds
(Bids noon EST) $16,000,000
Cincinnati Gas & Electric Co.------------Preferred
(Morgan Stanley & Co.; W. E. Hutton & Co. and Blyth & Co., Inc.) $13,000,000
Cincinnati Gas & Electric Co.-------------Common
(Offering to stockholders—to be underwritten by Morgan Stanley & Co.; W. E. Hutton & Co. and Blyth & Co., Inc.) $3,828,346
General Telephone Co. of California--------Bonds
(Bids 8 a.m. PST) $20,000,000

**March 18 (Tuesday)**
Carolina Power & Light Co.----------------Bonds
(Bids to be invited) $20,000,000

**March 20 (Thursday)**
Georgia Power Co.------------------------Bonds
(Bids 11 a.m. EST) $24,000,000

**March 25 (Tuesday)**
Florida Power & Light Co.-----------------Bonds
(Bids 11:30 a.m. EST) $20,000,000
New Jersey Bell Telephone Co---------Debentures
(Bids to be invited) $30,000,000

**March 31 (Monday)**
Wisconsin Electric Power Co.--------------Bonds
(Bids to be invited) $30,000,000

**April 1 (Tuesday)**
Idaho Power Co.-------------------------Bonds
(Bids to be invited) $10,000,000

**April 9 (Wednesday)**
Duquesne Light Co.-----------------------Bonds
(Bids to be invited) $15,000,000

**April 15 (Tuesday)**
Commonwealth Edison Co.-----------------Bonds
(Bids to be invited) $50,000,000 to $60,000,000

**April 16 (Wednesday)**
Mississippi Power & Light Co.--------------Bonds
(Bids to be invited) $15,000,000
Sierra Pacific Power Co.-----------------Common
(Offering to stockholders) 57,362 shares

**April 22 (Tuesday)**
Consolidated Edison Co. of N. Y. Inc.-------Bonds
(Bids to be invited) $50,000,000

**April 23 (Wednesday)**
Sierra Pacific Power Co.-------------------Bonds
(Bids to be invited) $3,000,000

**April 28 (Monday)**
Puget Sound Paper & Light Co.-------------Bonds
(Bids to be invited) $30,000,000

**May 5 (Monday)**
Philadelphia Electric Co.------------------Bonds
(Bids to be invited) $40,000,000

**May 13 (Tuesday)**
United Gas Improvement Co.--------------Bonds
(Bids to be invited) $12,000,000

**May 20 (Tuesday)**
Illinois Power Co.------------------------Bonds
(Bids to be invited) $25,000,000

**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

**July 1 (Tuesday)**
Florida Power Corp.-----------------------Bonds
(Bids to be invited) $25,000,000

**Forest Laboratories, Inc. (2/24)**
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Alfred L. Powell Co., New York; and H. Carroll & Co., Denver, Colo.

**Freeman Electric Construction Co., Inc.**
Nov. 27 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To reduce accounts payable, etc., and for working capital and general corporate purposes. **Office** — New York. **Underwriter**—Harris Securities Corp., New York City.

**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 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 Shoe Corp., Nashville, Tenn.**
Feb. 13 filed 125,000 shares of common stock (par $1) to be offered to certain employees of the company and its subsidiaries pursuant to the company's restricted stock option plan.

**General Telephone Co. of California (3/12)**
Feb. 11 filed $20,000,000 of first mortgage bonds, series L, due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—May be determined by competitive hidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); Equitable Securities Corp. **Bids**—To be received up to 8 a.m. (PST) on March 12.

★ **Glassheat Corp.**
Feb. 12 (letter of notification) 150,000 shares of class A common stock (par 10 cents). **Price**—$2 per share. **Proceeds**—For general corporate purposes. **Office**—1 E. 35th Street, New York 16, N. Y. **Underwriter**—James Anthony Securities Corp., 37 Wall St., New York 5, N. Y.

★ **Graybar Building Associates of New York**
Feb. 12 filed $4,180,000 of participations in partnership interests in associates (in $10,000 units). **Proceeds**—To purchase leasehold and for other general corporate purposes. **Underwriter**—None.

**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.

**Guardian Insurance Corp., Baltimore, Md.**
Aug. 16 filed 300,000 shares of common stock, of which 200,000 shares are to be publicly offered and the remaining 100,000 shares reserved for issuance upon exercise of warrants which are to be sold at 25 cents per warrant to organizers, incorporators, management, and/or directors. **Price**—$10 per share. **Proceeds**—For working capital and general corporate purposes. **Underwriter**—None.

**Gulf Power Co. (2/20)**
Jan. 24 filed $8,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; Kuhn, Loeb & Co.; Blyth & Co., Inc.; Lehman Brothers; Merrill Lynch, Pierce, Fenner & Beane and Salomon Bros. & Hutzler. **Bids**—To be received up to 11 a.m. (EST) on Feb. 20 at office of Southern Services, Inc., Room 1600, 250 Park Ave., New York 17, N. Y.

★ **Hawaiian Airlines Ltd., Honolulu, Hawaii**
Feb. 18 filed $1,250,000 of convertible subordinated debentures due April 1, 1975 to be offered for subscription by stockholders at the rate of $100 of debentures for each 36 shares held. An additional $100,000 of debentures to be offered to employees and $150,000 to others. **Price**—At principal amount. **Proceeds**—To be used to buy new airplanes, to repay certain short-term bank loans, and for other corporate purposes. **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.

*Continued on page 40*

*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.

★ **Indianapolis Power & Light Co. (3/11)**
Feb. 14 filed $8,000,000 of first mortgage bonds, due 1988. **Proceeds**—To repay short-term bank borowings, and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Shields & Co. (jointly); Blyth & Co.; Kuhn, Loeb & Co.; Lehman Brothers and Goldman, Sachs & Co. and First Boston Corp. (jointly); Equitable Securities Corp. **Bids**—Expected March 11.

★ **Industrial Processes Inc.**
Feb. 4 (letter of notification) 490 shares of common stock, of which 230 shares are to be offered to creditors in cancellation of indebtedness and 260 shares are to be offered to stockholders. **Price**—At par ($100 per share). **Proceeds**—To install and assemble a wheat washer solids recovery system. **Office**—527 Finch Bldg., Aberdeen, Wash. **Underwriter**—None.

**Iowa-Illinois Gas & Electric Co. (3/5)**
Feb. 5 filed $9,000,000 of convertible debentures due 1968. **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 to be received up to 10:30 a.m. (CST) on March 5 at the First National Bank of Chicago, 38 South Dearborn St., Chicago, Ill.

**Iowa Public Service Co. (3/3)**
Jan. 31 filed $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 up to 11:30 a.m. (EST) on March 3.

**Janaf, Inc., Washington, D. C.**
July 30 filed $10,000,000 of 5½-8% sinking fund debentures due Aug. 1, 1972 and 100,000 shares of common stock (par 20 cents) to be offered in units of a $1,000 debenture and 10 shares of stock, or a $100 debenture and one share of stock. **Price**—Par for debenture, plus $2 per share for each 10 shares of Stock. **Proceeds**—For construction of a shopping center and other capital improvements; for retirement of present preferred shares; and for working capital, etc. **Underwriter**—None.

**Koeller Air Products, Inc.**
Nov. 25 (letter of notification) 150,000 shares of common stock (par five cents). **Price**—$2 per share. **Proceeds**—For capital expenditures, equipment, repayment of loans and working capital. **Business**—Welding and cutting equipment. **Office** — 253 Boulevard, Hasbrouck Heights, N. J. **Underwriter**—Pierre Rossini Co., Westwood, N. J.

**Lefcourt Realty Corp., New York**
Jan. 29 filed 250,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—For development of property in Florida. **Underwriter**—Frank M. Cryan Co., Inc., New York.

**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.

● **L-R Heat Treating Co., Newark, N. J. (2/24-28)**
Feb. 5 (letter of notification) 120,000 shares of common stock (par 15 cents). **Price**—$2.50 per share. **Proceeds**—To pay outstanding obligations and for working capital. **Underwriter**—Charles Plohn & Co., New York.

★ **Mangel Stores Corp., New York, N. Y.**
Feb. 18 filed $3,000,000 of convertible subordinated debentures due 1973. To be offered for public sale. **Price**—To be supplied by amendment. **Proceeds**—To be used for enlargement of existing stores, opening of new stores, and other corporate purposes. **Underwriter**—Lee Higginson Corp., New York.

**Matheson Co., Inc.**
Jan. 17 (letter of notification) $299,000 of 6% sinking fund debentures due 1978. **Price**—Of debentures, issued in denominations $1,000 and $500. **Proceeds**—Refunding of outstanding Bonds, Debentures and increase working capital. **Office**—932 Paterson Plank Rd., East Rutherford, N. J. **Underwriters**—Mohawk Valley Investing Co. Inc., Utica, N. Y.; Security & Bond Co., Lexington, Ky.

**Merrimack-Essex Electric Co. (3/10)**
Feb. 11 filed $20,000,000 of first mortgage bonds, series C, due 1988. **Proceeds**—Together with other funds, to redeem a like amount of 5⅝% series B bonds due 1987. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and White, Weld & Co., (jointly); Halsey, Stuart & Co. Inc., and First Boston Corp. **Bids**—To be opened up to noon (EST) on March 10 at 441 Stuart St., Boston 16, Mass.

**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.

**Minnesota Development Corp., Minneapolis, Minn.**
Jan. 30 filed 20,000 shares of capital stock (no par). **Price**—$50 per share. **Proceeds**—For general corporate purposes. **Underwriter**—None. Walter M. Ringer, Sr., of Minneapolis, Minn., is President.

★ **Mississippi River Fuel Corp. (3/11)**
Feb. 17 filed $30,000,000 of 20-year sinking fund debentures, due 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

**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**
Jan. 14 filed 20,000 shares of class A common stock and 10,000 shares of 7% cumulative convertible preferred, to be sold publicly at a unit price of $101, representing one share of preferred and two shares of common. **Proceeds**—To be invested in the stock of Motels Americano, an Italian organization. **Office**—Silver Springs, Maryland. **Underwriter**—None.

**Multnomah Canadian Fund, Ltd., Vancouver, B. C.**
Jan 31 filed 1,000,000 shares of class A common stock (par $1). **Price**—At market. **Proceeds**—For investment. **Business**—Investment company, with Spencer R. Collins of Eugene, Ore., as President.

**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. **Offering**—Expected early in February.

**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.

● **National Aviation Corp., New York (2/28)**
Feb. 7 filed 174,404 shares of capital stock (par $5) to be offered for subscription by stockholders of record Feb. 27, 1958 at rate of one new share for each four shares held (with an oversubscription privilege); rights to expire on March 13. **Price**—To be supplied by amendment. **Proceeds**—For investments. **Underwriter**—None.

**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. Statement effective Feb. 10.

★ **National Tea Co., Chicago, Ill.**
Feb. 11 filed 50,000 shares of common stock (par $5), deliverable only upon exercise of options which have been and may be issued, without cash consideration, to officers and other key employees of the company pursuant to the company's Restricted Stock Option Plan.

**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.

**Nebraska Consolidated Mills Co.**
Feb. 6 (letter of notification) 25,000 shares of common stock to be offered to stockholders at the rate of one new share for each 16 shares held. Rights will expire March 15, 1958. **Price**—At par ($10 per share). **Proceeds**—For working capital. **Office** — 1521 North 16th St., Omaha 10, Neb. **Underwriter**—None.

**Nichols, Inc., Exeter, N. H.**
Nov. 14 filed 25,000 shares of common stock (no par). **Price**—$27 per share. **Proceeds**—To repay short term bank loans and for working capital. **Business** — Sells hatching eggs and day-old chicks. **Underwriter**—None. George E. Coleman, Jr., is President.

★ **Nortex Associates Inc., Dallas, Texas**
Feb. 17 filed $2,000,000 of participating interests in 1958 oil and gas exploration program. Interests are to be offered for public sale in $10,000 units. **Proceeds**—For exploration and development of gas and oil properties. **Underwriter**—None.

● **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**—[illegible] Securities, Inc., New York, N. Y. **Offering**—Temporarily withdrawn.

**Northern Illinois Gas Co.**
Jan. 31 filed 100,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—For property additions and improvements. **Underwriters** — The First Boston Corp. and Glore, Forgan & Co., both of New York. **Offering**—Expected today (February 20).

**Nuclear Science & Engineering Corp.**
Sept. 20 filed 100,000 shares of common stock (par 25 cents). **Price**—To be supplied by amendment. **Proceeds**—To prepay indebtedness to Norden-Ketay Corp., to purchase additional equipment and for working capital. **Underwriter**—Hayden, Stone & Co., New York. **Offering**—Temporarily postponed because of market conditions.

**Ohio Edison Co. (3/4)**
Feb. 6 filed $40,000,000 of 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 to be received up to 11 a.m. (EST) March 4 at Bankers Trust Co., 16 Wall Street, New York 15, N. Y.

**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.

**Pennsylvania Electric Co. (2/24)**
Jan. 16 filed $29,000,000 first mortgage bonds, due March 1, 1988. **Proceeds**—To be used, along with proceeds of previously-authorized sale of 500,000 shares of common stock to parent company, for repayment of short-term notes issued to finance 1957 construction program and to pay part of $41,500,000 construction outlay scheduled for 1958. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, Eastman Dillon, Union Securities & Co. and White, Weld & Co. (jointly). **Bids**—Tentatively scheduled to be received up to noon (EST) on Feb. 24 at 67 Broad Street, New York, N. Y.

**Peoples Security Investment Co.**
Oct. 28 filed 1,000,000 preorganization subscriptions to class A voting common stock and 250,000 preorganization subscriptions to class B non-voting common stock to be offered in units of four class A shares and one class B share, the purchaser agreeing to donate each class B share to the Peoples Security Foundation for Christian Education, to be incorporated as a non-profit corporation. **Price**—$2 per share. **Proceeds** — For capital and surplus to finance a proposed insurance company to be named Peoples Security & Endowment Co. of America. **Office** — Montgomery, Ala. **Underwriter** — None. T. J. Patterson is President.

**Pittsburgh Brewing Co., Pittsburgh, Pa.**
Nov. 15 filed $5,646,750 of 5% sinking fund income subordinated debentures due Oct. 31, 1992; 112,935 shares of common stock (par $1); and 451,740 warrants to purchase 451,740 additional shares of common stock being offered in units of $50 of debentures, one common share, warrants to purchase four common shares plus $1 in cash. These units are to be issued in exchange for each outstanding share of preferred stock (par $25) plus accrued dividends. The offer will expire on Jan. 31, 1958. **Purpose**—To eliminate or reduce preferred dividend arrearages. **Underwriter**—None. Statement effective Dec. 13.

**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.

**Potomac Electric Power Co. (2/26)**
Feb. 5 filed 300,000 shares of preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loan and for new construction. **Underwriters**—Dillon Read & Co. Inc., New York, and Johnston, Lemon & Co., Washington, D. C.

**Premier Pharmaceutical Corp., Buffalo, N. Y.**
Jan. 29 filed 100,000 shares of 6% preferred stock (par $10) and 100,000 shares of common stock (par $1) to be offered in units of one share of each class of stock. **Price**—$11 per unit. **Proceeds**—To build or lease plant, for new equipment and for working capital and other corporate purposes. **Underwriter**—Girard Securities, Inc., Buffalo, N. Y.

**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 Service Electric & Gas Co. (3/4)**
Feb. 13 filed (by amendment) 250,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — Merrill Lynch, Pierce, Fenner & Beane, New York. Negotiations to sell these securities were discontinued last June because of unsettled market conditions at that time, but have now been resumed.

**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.

**★ R-B Corp., Arlington, Va.**
Feb. 7 (letter of notification) 4,000 shares of 6% non-cumulative non-convertible preferred stock (par $10) and 200 shares of common stock (par $10) to be offered in units of 20 shares of preferred and one share of common. **Price**—$10 per share or $210 per unit. **Office**—1510 N. Quincy St., Arlington, Va. **Underwriter**—None.

**Reichhold Chemcials, 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**—Postponed temporarily.

**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.

**Saxon Paper Corp., New York (3/3)**
Jan. 31 filed 112,500 shares of common stock (par 25 cents). **Price** — $4 per share. **Proceeds** — Working capital. **Underwriter**—Milton D. Blauner & Co., Inc., New York.

**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. **Price**—At par. **Proceeds** — For expansion of plant in the manufacture of laboratory and scientific instruments and to build up company's new electronics division. **Office** — 15 Park St., Springfield, Mass. **Underwriter** — Willis E. Burnside & Co., Inc., New York City.

**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.**
Dec. 20 filed a maximum of 817,720 of New York Shares (representing a like amount of ordinary shares) being offered for subscription by holders of ordinary shares, including stock represented by New York shares of record Jan. 17, 1958, on a 1-for-10 share basis; rights to expire March 3. This represents 10% of the total offering by the company, which 10% is being offered for subscription by American residents. **Price**—5 pounds, ten shillings; $15.40 at current official exchange rate. **Proceeds** — For exploration programs. **Underwriter** — None in the United States. Statement effective Jan. 20.

**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.

**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.

**South Carolina Electric & Gas Co. (2/26)**
Feb. 4 filed 369,694 additional shares of common stock (par $4.50) to be offered for subscription by common stockholders of record Feb. 26 on basis of one new share for each 10 shares held (with an oversubscription privilege); rights to expire on March 12. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter** — Kidder, Peabody & Co., New York.

**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.

**Southern New England Telephone Co. (2/26)**
Feb. 4 filed $30,000,000 of 33-year debentures due March 1, 1991. **Proceeds**—To repay advances from American Telephone & Telegraph Co. and for additions and improvements to property. **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 up to 11 a.m. (EST) on Feb. 26 at Room 2315, 195 Broadway, New York, N. Y.

**Southwest Gas Corp**
Jan. 22 filed 40,000 shares of common stock (par $1). **Price**—$9.50 per share. **Proceeds**—To repay short-term bank loans and for construction program. **Underwriter**—Eastman Dillon, Union Securities & Co., New York. **Offering**—Expected this week.

**Southwest Grease & Oil Co., Inc.**
Jan. 17 (letter of notification) 35,290 shares of common stock (par $7.50) to be offered for subscription by common stockholders about Feb. 3 on a 1-for-4 basis. **Price**—$7.75 per share. **Proceeds**—For the acquisition of Battenfeld Grease & Oil Corp. **Office** — 220 W. Waterman St., Wichita, Kan. **Underwriters** — Small-Milburn Co.; Lathrop, Herrick & Clinger, Inc.; and Brooks & Co. of Wichita, Kan. and Barret, Fitch, North & Co., Kansas City, Mo.

**Southwestern Virginia Gas Co.**
Jan. 31 (letter of notification) $125,000 of 6% convertible debentures due Jan. 1, 1983. **Price**—99% of principal amount. **Proceeds**—To retire bank loans and for working capital. **Office**—1014 Fidelity Bldg., Baltimore 2, Md. **Underwriters**—C. T. Williams & Co., Inc., Baltimore 1, Md.; John W. Yeaman, Martinsville, Va.; and Bioren & Co., Philadelphia, Pa.

**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**—Delayed.

**★ Stein Roe & Farnham Fund Inc.**
Feb. 14 filed (by amendment) an additional 100,000 shares of capital 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.

**★ Sylvania Electric Products, Inc. (3/11)**
Feb. 18 filed $20,000,000 of sinking fund debentures due 1980 and $20,000,000 of convertible subordinated debentures due 1983. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for working capital. **Underwriters** — Paine, Webber, Jackson & Curtis and Halsey, Stuart & Co. Inc., both of New York.

**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. Statement withdrawn Feb. 5.

**● Tenney Engineering, Inc. (2/25)**
Jan. 29 (letter of notification) 99,333 shares of common stock (par 10 cents). **Price**—$3 per share. **Proceeds**—To repay outstanding bank loans and for general corporate purposes. **Office**—44 Harvard St., Montclair, N. J. **Underwriters**—Milton D. Blauner & Co., Inc., New York, N. Y.; Hallowell, Sulzberger & Co., Philadelphia, Pa.; and Michael G. Kletz & Co., Inc., New York, N. Y.

**★ Texas-Arizona Minerals Co., Inc.**
Feb. 3 (letter of notification) 71,850 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For mining expenses. **Office**—Farm & Home Savings & Loan Association Building, 600 Caroline St., Houston 2, Tex. **Underwriter**—None.

**Tourist Industry Development Corp. Ltd.**
Jan. 14 filed $2,250,000 7% perpetual subordinated debentures (4% fixed interest and 3% of earned), to be sold at par in denominations of $1,000 and multiples thereof. **Proceeds**—To acquire mortgages or other liens on real estate, also for loans to or invested in hotels, resorts or inland transport. **Office**—Jerusalem, Israel. **Underwriter**—None.

**● Town & Country Securities Corp.**
Dec. 20 filed 250,000 shares of common stock (no par). **Price**—$4 per share. **Proceeds** — For working capital. **Office**—442 W. California Road. Fort Wayne, Ind. **Underwriter**—None. Statement effective Feb. 5.

**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 Electric Co., St. Louis, Mo. (3/5)**
Feb. 11 filed $35,000,000 of first mortgage bonds due 1988. **Proceeds**—For improvements and additions to property. **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. **Bids**—Expected to be received up to 11 a.m. (EST) on March 5.

**★ Unified Funds, Inc., Indianapolis, Ind.**
Feb. 14 filed $12,000,000 series B certificates (to be issued in denominations of $1,500 each).

**United Gas Corp., Shreveport, La. (2/26)**
Feb. 3 filed $30,000,000 of first mortgage and collateral trust bonds due 1978. **Proceeds**—To purchase $27,000,000 of first mortgage bonds of United Gas Pipe Line Co., wholly-owned subsidiary; to purchase additional securities of Union Producing Co., another subsidiary; and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp., Harriman Ripley & Co. Inc. and Goldman, Sachs & Co. (jointly); Kuhn, Loeb & Co.; White, Weld & Co. and Equitable Securities Corp. (jointly). **Bids**—To be received up to noon (EST) on Feb. 26 at Room 2033, Two Rector St., New York 6, N. Y.

**United States Sulphur Corp.**
Oct. 8 filed 1,500,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For plant rental, etc.; to retire corporate notes; for core drilling; for working capital; and for other exploration and development work. **Office** — Houston, Texas. **Underwriter** — None.

**Universal-Cyclops Steel Corp.**
Feb. 10 filed 600,153 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders who are to receive said shares in exchange for their holdings of Empire Steel Corp. and Reeves Steel & Mfg. Co. common stock. **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.

**Washington National Development Corp.**
Oct. 2 (letter of notification) 50,000 shares of common stock (par $1) of which 34,280 shares are to be offered publicly at $1.20 per share and 15,720 shares are to be offered to certain individuals under options. **Proceeds**—For general corporate purposes. **Office** — 3612 Quesada St., N. W., Washington, D. C. **Underwriter**—Wagner & Co., New York City.

**★ Washington Planning Corp.**
Feb. 13 (letter of notification) 39,200 shares of preferred stock (par $5) and 7,840 shares of class A stock (par 10 cents) to be offered in units of five shares of preferred stock and one share of class A stock. **Price**—$26 per unit. **Proceeds**—For general corporate purposes. **Business**—To transact a general securities business, specializing in Mutual Funds. **Office**—52 Broadway, New York 4, N. Y. **Underwriter**—None.

**★ West Coast Airlines, Inc., Seattle, Wash.**
Feb. 12 filed $600,000 of 6% subordinated debentures, due 1970, and 150,000 shares of common stock (par $1) to be offered for subscription by common stockholders of record March 1, 1958, in units of $100 principal amount of debentures and 25 common shares, at rate of one unit for each 31 common shares held on the record date. **Price**—$125 per unit. **Proceeds**—To finance the acquisition of six new Fairchild F-27 "Friendship" aircraft on order for delivery during 1958, and related costs. **Underwriter**—None.

**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.

**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, Maloney & Co., Inc., New York.

*Continued on page 42*

*Continued from page 41*

# Prospective Offerings

**American Electronics, Inc.**
Dec. 30 it was reported 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.

**Associates Investment Co.**
Jan. 23 it was reported company plans to issue and sell some additional debentures (amount not yet determined). **Underwriters** — Salomon Bros. & Hutzler and Lehman Brothers, both of New York. **Offering**—Expected before July 1.

**Atlantic City Electric Co.**
Jan. 20 it was reported company plans to issue and sell in 1958 $10,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co. and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and Drexel & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly).

**Boston Edison Co.**
Jan. 27 it was reported company may issue and sell in the second or third quarter of this year some additional first mortgage bonds and preferred stock. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—For bonds to be determined by company, with prospective bidders including Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Harriman Ripley & Co. Inc. (jointly). For preferred stock, The First Boston Corp., New York.

**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.

**Central Hudson Gas & Electric Corp.**
Jan. 22 it was reported company plans to issue and sell in June or July 1958 $18,000,000 of first mortgage bonds. This may be done privately.

**Central Illinois Light Co.**
Jan. 22 it was announced stockholders will vote March 27 on increasing the authorized preferred stock (par $100) from 250,000 shares to 500,000 shares. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

**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. (3/12)**
Jan. 28 it was announced company plans to issue and sell $16,000,000 first mortgage bonds due 1983. **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. **Bids**—To be received up to noon (EST) on March 12.

**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).

**Citizens & Southern National Bank of Savannah, Ga.**
Jan. 15 it was reported Bank plans to offer to its stockholders the privilege of subscribing for 100,000 additional shares of capital stock in about 60 days. **Underwriter**—None.

**Columbus & Southern Ohio Electric Co.**
Dec. 9 it was reported company plans to issue and sell in 1958 about 250,000 shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly).

**★ Commonwealth Edison Co. (4/15)**
Feb. 17 it was announced company plans to issue and sell $50,000,000 to $60,000,000 of mortgage bonds. **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**—Expected to be received on April 15. **Registration**—To be filed about the middle of March.

**Consolidated Edison Co. of N. Y., Inc. (4/22)**
Jan. 28 directors authorized an issue of $50,000,000 first and refunding mortgage bonds. **Proceeds**—To repay bank loans. **Underwriter**—To be determined through competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—To be received on April 22.

**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).

**Delaware Power & Light Co.**
Jan. 22 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. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Eastman Dillon, Union Securities & Co.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly). **Offering**—Expected in June.

**● Duquesne Light Co. (4/9)**
Jan. 29 it was announced company plans to sell not exceeding $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). **Bids**—Tentatively expected to be received on April 9.

**Florida Power Corp. (7/1)**
Jan. 29 it was reported corporation plans to issue and sell $25,000,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Smith (jointly); Lehman Brothers and Blyth & Co., Inc. (jointly); Eastman Dillon, Union Securities & Co., and Harriman Ripley & Co. Inc. (jointly); The First Boston Corp. **Bids**—Expected to be received on July 1.

**Florida Power & Light Co. (3/25)**
Jan. 30 it was reported company may issue and sell $20,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Beane and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Bids** — To be received up to 11:30 a.m. (EST) on March 25. **Registration**—Expected Feb. 25.

**Georgia Power Co. (3/20)**
Feb. 10 it was announced company plans to issue and sell $24,000,000 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., 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.

**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 States Utilities Co.**
Jan. 29 it was reported company plans to issue and sell in May $20,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Lehman Brothers; Stone & Webster Securities Corp.; Kuhn, Loeb & Co.

**Gulf States Utilities Co.**
Jan. 29 it was reported company plans to issue and sell 200,000 shares of common stock. **Underwriter** — To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith and Lehman Brothers (jointly); Stone & Webster Securities Corp. **Bids**—Tentatively expected to be received in May.

**★ Idaho Power Co. (4/1)**
Feb. 14 company applied to the Federal Power Commission for authority to issue and sell $10,000,000 of first mortgage bonds due 1988 and $10,000,000 of sinking fund debentures due 1983. **Proceeds** — To repay bank loans. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Equitable Securities Corp. **Bids**—Expected to be received on April 1.

**Illinois Power Co. (5/20)**
Jan. 29 it was reported company plans to issue $25,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; White, Weld & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—To be received on May 20.

**★ Kansas Power & Light Co.**
Feb. 14 it was announced company plans to issue and sell $10,000,000 of first mortgage bonds due 1988. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Harriman Ripley & Co. Inc.; White, Weld & Co.; Blyth & Co., Inc.; Equitable Securities Corp. **Registration**—Expected before Spring.

**Kentucky Utilities Co.**
Jan. 21 it was reported company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lee Higginson Corp.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. **Offering**—Expected in September or October.

**Kentucky Utilities Co.**
Jan. 21 it was also reported that company may offer approximately 165,000 additional shares of its common stock to its common stockholders on a 1-for-15 basis. **Underwriters**—Blyth & Co., Inc. and J. J. B. Hilliard & Son.

**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.

**Master Fund, Inc., Fairfield, Calif.**
Jan. 27 it was announced this newly organized investment company plans to offer to bona fide residents of California 10,000 shares of capital stock (par $1). **Price**—$10 per share, less an underwriting discount of 8½%. **Proceeds**—For investment.

**Missiles-Rockets-Jets & Automation Fund, Inc.**
On Jan. 7 this new fund registered under the Investment Company Act of 1940. Plans to issue $15,000,000 common stock, of which $7,500,000 will be underwritten on a firm basis by Ira Haupt & Co. **Price**—$10. **Proceeds**—For investment. **Technological Advisors**—Include Dr. Theodore von Karman, Chairman of the advisory group for aeronautical research and development of NATO.

**Mississippi Power & Light Co. (4/16)**
Jan. 29 it was announced company plans to issue and sell $15,000,000 of first mortgage bonds due 1988. **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. **Bids** — Tentatively expected to be received on April 16.

**New Jersey Bell Telephone Co. (3/25)**
Jan. 30 the directors approved the sale of $30,000,000 debentures. **Proceeds**—To redeem a like amount of 4⅞% debentures due 1993 on or about April 28. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Shields & Co. (jointly); Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively expected to be received on or about March 25.

**New Orleans Public Service Inc.**
Feb. 10 it was announced company does not plan to issue and sell $6,000,000 of first mortgage bonds until the first quarter of 1959. **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.

**Northern States Power Co. (Minn.)**
Jan. 13 it was reported that the company may be considering the issue and sale this Summer of about $25,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly).

**Oklahoma Gas & Electric Co.**
Feb. 3 it was reported company plans to issue and sell $15,000,000 of bonds this year. **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).

**★ Olin Mathieson Chemical Corp. (3/10-21)**
Feb. 12 it was announced company plans to issue and sell $40,000,000 convertible subordinate debentures. **Proceeds**—To redeem three preferred stock issues and for general corporate purposes. **Underwriters**—Dillon, Read & Co. Inc. and Eastman Dillon, Union Securities & Co., both of New York. **Registration**—Expected Feb. 21 or 27.

**Pacific National Bank, San Francisco, Calif.**
eb. 12 the Bank offered 44,708 additional shares of common stock (par $20) to stockholders at the rate of one ew share for four shares held as of Feb. 11; rights to xpire on March 4. **Price**—$37.50 per share. **Proceeds** -To increase capital and surplus. **Underwriters** — Elorthy & Co.; Scnwabacher & Co.; Davis Skaggs & Co.; luger & Baerwald; and J. Barth & Co.; all of San rancisco, Calif.

**Pacific Telephone & Telegraph Co.**
an. 8 it was reported company plans $300,600,000 capil outlay program. **Proceeds**—For construction program 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—o be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

**Philadelphia Electric Co. (5/5-9)**
an. 27 it was reported company plans to issue and sell May, subject to market conditions, $40,000,000 of first ortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Haly, Stuart & Co. Inc.; The First Boston Corp.; White, eld & Co.; Morgan Stanley & Co. and Drexel & Co. ointly). **Bids**—Expected week of May 5.

**Public Service Co. of Oklahoma**
an. 20 it was reported company plans to issue and sell May $16,000,000 of first mortgage bonds due 1988. roceeds—To repay bank loans and for construction proram. **Underwriter**—To be determined by competitive dding. Probable bidders: Halsey, Stuart & Co. Inc.; hite, Weld & Co.: and Shields & Co. (jointly); Blyth Co., Inc.; Salomon Bros. & Hutzler; Kuhn, Loeb & o. and Eastman Dillon, Union Securities & Co. (joint-); The First Boston Corp.; Glore, Forgan & Co.; quitable Securities Co.

● **Puget Sound Paper & Light Co. (4/28)**
Jan. 29, Frank McLaughlin, President, announced company plans to issue and sell $30,000,000 of first mortgage bonds. **Proceeds**—To redeem $20,000,000 of 6¼% series bonds due 1987 and to finance new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. and Lehman Brothers (jointly); Stone & Webster Securities Corp., The First Boston Corp. and Smith, Barney & Co. (jointly). **Bids**—Expected to be received on April 28.

**Richfield Oil Corp.**
Jan. 6 it was reported that company may late in January announce its financing plans, which are not yet completed. **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.

**Sierra Pacific Power Co. (4/16)**
Jan. 27 it was also reported that the company plans to offer to its common stockholders the right to subscribe for 57,362 additional shares of common stock (probably with an oversubscription privilege). **Proceeds**—For construction program. **Underwriter**—Exemption from competitive bidding to be sought. Stone & Webster Securities Corp. and Dean Witter & Co. (jointly) were only bidders for last rights offer, which was on a competitive basis.

**Sierra Pacific Power Co. (4/23)**
Jan. 27 it was reported company plans to issue and sell $3,000,000 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.; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly). **Bids**—Tentatively scheduled to be received on April 23. **Registration** — Planned for March 25.

**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).

**Toledo Edison Co.**
Jan. 20 it was reported company plans to issue and sell about $15,000,000 of first mortgage bonds in April or May of this year. **Proceeds**—To repay bank loans. **Underwriter**—If issue is not placed privately, underwriter may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; Eastman Dillon, Union Securities & Co.; and Salomon Bros. & Hutzler (jointly); Carl M. Loeb, Rhoades & Co.; The First Boston Corp.; White, Weld & Co.

**Tuttle Engineering, Inc., Arcadia, Calif.**
Feb. 10, Leo L. Strecker, President, announced corporation plans issue and sale in near future of $1,000,000 convertible debentures or preferred stock, to be followed later in 1958 by the sale of about $5,000,000 of common stock. **Proceeds**—For working capital and other corporate purposes.

**United Gas Improvement Co. (5/13)**
Jan. 28 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.; Morgan Stanley & Co.; The First Boston Corp.; Kidder, Peabody & Co.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane and Eastman Dillon, Union Securities & Co. (jointly). **Bids**—Expected to be received on May 13. **Registration**—About April 11.

**Virginia Electric & Power Co. (6/10)**
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. (3/6)**
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; Eastman Dillon, Union Securities & Co.; Kidder, Peabody & Co., and White Weld & Co. (jointly). **Bids**—To be received up to noon (EST) on March 6 at Room 2018, 70 Pine St., New York 5, N. Y.

**Washington Natural Gas Co.**
Oct. 18 the directors authorized the sale of $5,000,000 in debentures. **Proceeds**—For expansion program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York.

★ **Wisconsin Electric Power Co. (3/31)**
Feb. 14 it was announced company plans to issue and sell $30,000,000 of first mortgage bonds. **Proceeds**—For construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Eastman Dillon, Union Securities & Co. and Harriman Ripley & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane and Equitable Securities Corp. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received on March 31.

# SEC Reports to Congress

**A new fiscal high in dollar volume of registered securities is reported by Securities and Exchange Commission in its 23rd annual report. The report focuses attention on abuses and violations uncovered in its law enforcement activities, and on proposals recommended to retain American public's faith and confidence in the capital markets.**

The Securities and Exchange mmission, in its 23rd Annual port for the fiscal year ended ne 30, 1957, delivered to Coness currently, declared that it essential for the Commission to ntinue a vigorous enforcement the Federal securities laws "if e confidence and faith of the merican public in the capital arkets are to be maintained so at the essential supply of capital n be continued to meet the high te of demand anticipated by esent estimates of industrial proction with the resultant high andard of living."

The Commission pointed to an creasing number of "uninformed d unsophisticated investors" ho seem to think that it is posle "for the unskilled to reap rge and quick profits in the serities markets" and are willing purchase unknown and specutive securities represented by nknown salesmen "as offering nusual opportunities for gain." hese attitudes, the Commission bserved, "increase substantially e opportunities for illicit profit the illegal and fraudulent sale securities and increase also the remium upon successful evasion the investor safeguards proided in the Federal securities ws." They also "require a more igorous and accelerated program" investor protection under those ws, including new measures of w enforcement, the report stated.

The report of the Commission oints to its legislative program ubmitted to the Congress at its last session and which proposes amendments to 87 provisions of the Federal securities laws, designed "to strengthen the safeguards and protections afforded the public by tightening the jurisdictional provisions, correcting certain inadequacies revealed through administrative experience and facilitating criminal prosecutions and other enforcement activities." The Commission also notes that, in a bill introduced by Senator J. W. Fulbright and endorsed by the Commission, the financial reporting, proxy soliciting, and insider trading provisions of the laws now applicable only to companies whose securities are listed on stock exchanges, would be extended (with certain exceptions) to non-listed companies having $10 million of assets and more than 1,000 stockholders.

**Shift to Smaller "Boiler Rooms"**

The Commission reports that most of the larger "boiler rooms" whose activities created such concern in the past year are no longer in operation. The term is applied to firms engaged in the sale of securities primarily over the telephone, particularly the long distance telephone, by high pressure methods ordinarily accompanied by misrepresentation, deception and fraud. The detection and proof of fraud in these cases, the Commission indicated, "is a difficult undertaking, involving the painstaking collection and verification of evidence from widely scattered sources through the United States;" and the Commission has utilized all available enforcement techniques to meet the problem. The "boiler room" techniques are now being used by smaller firms with only a few high pressure salesmen, making the Commission's enforcement work even more difficult.

**Abused Exemptions**

Another problem which has added to the Commission's law enforcement problem has been the sale of unregistered securities based upon a claimed but questionable exemption from the registration and disclosure requirements of the Securities Act. Among these are situations in which securities were transferred through channels in Canada, Switzerland, Liechtenstein, and other foreign countries. "There is reason to believe," the Commission stated, "that in many instances these channels are utilized for the deliberate purpose of complicating or frustrating the Commission's investigative effort. Every effort must be, and is being, made to discover the facts in such cases and to prevent evasion of statutory duties by such means." Again, in the case of securities issued in connection with mergers and consolidations, the Commission states that it is still considering possible modifications of the "no sale" theory of its Rule 133 which under certain circumstances, provides an exemption from registration and which the Commission believes "has been abused in deliberate efforts to evade compliance with the registration provisions." Substantial revisions of the rule, the Commission stated "may ultimately prove necessary to prevent its being used as a loophole for evasion of the registration requirements."

An increase in the sale of promotional stocks of new ventures has placed a most serious burden on the Commission's investigating staff, the report stated. The increase is attributable to recent economic conditions which favor the sale of promotional stocks, particularly in fields in which the securities of established enterprises have shown marked gains. Among these are the promotions of new insurance and finance ventures particularly in the South Central, Southwestern, and Southeastern parts of the country; and techniques have been employed in the offering and sale of their securities which appear to involve abuses and possible violations of the anti-fraud provisions of the laws which require extensive investigation.

The Commission's report notes a substantial increase in all phases of its law-enforcement activities during the last fiscal year, including possible law violations under investigation, administrative actions, injunction actions, and cases referred to the Department of Justice for criminal prosecution. Thus, there was an increase from 17 to 26 in the number of cases referred for prosecution; 33 to 68 in court injunctive actions filed; 95 to 132 in temporary suspensions of Regulation A exemptions from registration for small issues; 8 to 10 in stop order proceedings challenging the adequacy and accuracy of disclosures made in connection with proposed public offerings of securities; 44 to 73 in proceedings to deny or revoke broker-dealer registration; 952 to 1,214 in the inspections of the books and records of broker-dealer firms designed to enforce compliance with the reporting and other requirements of SEC rules; and 952 to 1,214 in the cases under investigation.

The dollar volume of securities registered with the Commission for public sale during the year reached a new fiscal year high of $14.6 billion, a 94% increase over 1953. Financial and other disclosures provided through such registrations seek to apprise investors of the basic facts essential to an informed analysis and evaluation of the securities. Similar disclosures are provided by companies whose securities are listed and registered on the nation's stock exchanges. The aggregate market value of all listed stocks amounted to over $262 billion at June 30, 1957; and the dollar volume of all securities traded on stock exchanges rose to $34 billion in the fiscal year 1957 as compared with about $17 billion in 1953.

## Grimm & Co. to Admit

On March 1 Robert Warren will become a partner in Grimm & Co., 44 Wall Street, New York City, members of the New York Stock Exchange.

## W. L. Lyons Partner

LOUISVILLE, Ky.—W. L. Lyons & Co., 235 South Fifth Street, members of the New York Stock Exchange on March 1 will admit William Lee Lyons Brown, Jr. to limited partnership.

## To be Starkweather Partner

W. Lee Brokaw on March 1 will be admitted to partnership in Starkweather & Co., 111 Broadway, New York City, members of the New York Stock Exchange.

## New A. M. Kidder Branch

ST. PETERSBURG, Fla.—A. M. Kidder & Co. has opened a branch office at 195 Seventy-fifth Avenue under the management of Kingsley E. De Rosay, Jr.

## With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Stephen R. McKibbin is now with Harris, Upham & Co., 523 West Sixth Street.

## With Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Mark H. Klein is now associated with Paine, Webber, Jackson & Curtis, 111 Pearl Street. He was formerly with Eddy & Company.

## With Benjamin Bartlett

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio—Charles S. Millard is with Benj. D. Bartlett & Co., 313 Vine Street, members of the New York and Cincinnati Stock Exchanges.







# *Mutual Funds*

By ROBERT R. RICH

## Decline May Be Greater and Recovery Longer Than 1953

Developments indicate the business decline may be "somewhat greater" than that of 1953-54 and recovery may take longer—"unless the consumer becomes an aggressive buyer of goods"—a well-known Wall Street investment research organization reported.

The report was made to Tri-Continental Corp., the nation's largest diversified closed-end investment company, and three associated mutual funds, Broad Street Investing Corp., National Investors Corp. and Whitehall Fund, Inc., by economists of Union Service Corp.

"There is," the economists stated, "little indication of this increased purchasing at present. However, as yet there is no evidence that this decline will assume the severe character of the 1937-38 period and, even more certainly, not that of the long depression following 1929.

"Business activity," the report noted, "is now at approximately the level called for by the long-term growth trend line, calculated at 3.75% annual increment, after having exceeded this line for several years. While it may well decline below the trend line for some time, as it has often done in the past, continuation of the long-term growth should eventually bring a higher level of activity without generating a boom.

"There has continued a wide divergence between the common stocks of cyclical companies and consumer goods companies. Even at the current level, cyclical stocks have declined more from their highs than during the 1953-54 recession. Many optimistic forecasts of an early recovery in business are based on the expectation of increased consumer buying. A study of earlier periods indicates that such expectations are not supported by historical precedent.

"A comparison with the last recession in 1953-54 would indicate that the current situation is not as strong in many respects with the exception of increasing defense expenditures as against declining expenditures in the earlier period."

This accelerated government spending on defense, the Tri-Continental report brought out, plus "unemployment benefits, public and private pension payments, and an increasing portion of wage earners in service industries, should go far to sustain a reasonable level of retail sales, which are now reducing inventories and eventually should call for increased production."

Russian advances in the missile field, the economists observed, "have not been conducive to a feeling of security which stimulates free spending" and "the over-capacity of industry precludes, for some time, rapidly rising prices which lead to consumer stocking of goods, as was evident at the outbreak of the Korean War."

Viewed from all considerations, the report opined that there "does not seem to be any historical basis for expecting the consumer to bring this readjustment to an early termination because of aggressive purchases and, until there is more evidence of buoyant purchasing, one is forced to conclude that it is doubtful that June or an earlier month will see the start of a recovery movement, although the level of business may well have been stabilized at a lower level by that time."

## I. D. S. Funds Assets Now $1.4 Billion

Total net assets of the five mutual funds managed by Investors Diversified Services, Inc. increased $26,777,008 during 1957, Joseph M. Fitzsimmons, President of IDS, announced Feb. 18.

As of Dec. 31, 1957, combined total net assets of the five funds, Investors Mutual, Inc., Investors Stock Fund, Inc., Investors Selective Fund, Inc., Investors Group Canadian Fund Ltd. and Investors Variable Payment Fund, Inc. were $1,388,651,090 as against $1,361,874,082 at the close of 1956.

The following table shows the comparison between total net assets of each fund taken at market value at the 1957 and 1956 year ends.

| | Dec. 31, 1957 | Dec. 31, 1956 |
|---|---|---|
| Investors Mutual, Inc. | *$992,117,897 | $1,005,234,873 |
| Investors Stock Fund, Inc. | 240,320,725 | 227,828,889 |
| Investors Selective Fund, Inc. | 21,311,903 | 21,133,239 |
| Investors Group Canadian Fund Ltd. | ‡120,366,344 | ‡107,677,081 |
| Investors Variable Payment Fund, Inc. | 14,534,221 | |
| Totals | $1,388,651,090 | $1,361,874,082 |

*On Jan. 3, 1958, Investors Mutual, Inc. regained its status as a $1 billion corporation when its net assets rose to $1,006,223,000. Currently (as of Feb. 12, 1958) net assets of the Fund amount to $1,041,459,000. †Initial offering of shares, June 1957. ‡Canadian.

Shareholders in the five funds at the close of 1957 totaled 454,346, an increase of 72,216 compared with 382,130 at the end of 1956.

Dividends totaling $60,798,096, of which $49,925,353 was derived from investment income and $10,872,743 from capital gains, were paid to shareholders in the five funds during 1957.

Shareholders in the three United States funds reinvested their 1957 dividends in the amount of $40,958,212, equivalent to 67.4%. No dividends are paid to shareholders in Investors Group Canadian Fund Ltd., in accordance with its stated policy. Instead, such ordinary income and capital gains which may be realized are reinvested, thereby increasing the assets of the fund to a corresponding extent.

## Fund Sales In January $131 Million

Investor purchases of open-end investment company (mutual fund) shares in January were $131,605,000 compared with $102,952,000 in December, 1957 and $149,911,000 in January of 1957, according to the National Association of Investment Companies.

The popularity of accumulation plans for the regular monthly or quarterly purchase of mutual fund shares continued in January as investors opened 18,371 new plans. In December, 1957, 15,910 such plans were opened and, in January a year ago, the total was 18,862.

The value of mutual fund shares turned in for redemption by shareholders declined to $30,445,000 in January in comparison with $33,411,000 in December, 1957 and $37,261,000 in January a year ago.

Total net assets of the Association's 143 open-end company members amounted to $9,217,948,000 as of Jan. 31, 1958 compared with $8,714,143,000 at the end of 1957 and $9,060,437,000 as of Jan. 31, 1957.

Cash, U. S. Government securities and short-term corporate obligations held by the 143 mutual fund members totalled $594,225,000 at the end of January. This compares with cash holdings of $523,154,000 at the close of December and $516,921,000 as of the end of January a year ago.

## Wisconsin Fund 20% in Bonds, Cash

Wisconsin Fund, Inc. had more than a fifth of its total holdings in cash, U. S. bills and corporate bonds as of Dec. 31, 1957, it was revealed in the mutual fund's annual report.

"This will enable the management to take advantage of any reversal of the general business trend and of investment opportunities as they present themselves," said Harold W. Story, President.

A year ago the fund was almost fully invested in common and preferred stocks. On June 30, 1957, 8.7% was in cash and corporate bonds and on Sept. 30, 1957 this proportion rose to 14.2%. At the end of the year, 21% was in cash or bonds.

Net assets on Dec. 31, 1957 amounted to $10,756,227 or $4.53 a share. This is equal to $4.79 a share after adding back the 26c capital gains distribution paid on Jan. 31, 1957. On Dec. 31, 1956 net assets totaled $11,634,065 or $5.42 a share.

A capital gains distribution of nine cents a share is being distributed to shareholders on Jan. 31, 1958 from net realized profits on the sales of securities in 1957.

The report showed that the number of shareholders increased 349 during the year to 6,333, an all-time high. The fund also secured an 11% increase in the number of shares outstanding during 1957 from 2,147,433 to 2,376,184.

Wisconsin Fund held 80 different securities at the end of 1957. The larger holdings by industries were: Public Utilities, 9.9%; Banks, 9.3%; Oil and Gas, 9.1%; Drugs, 8.5%; Chemicals, 5.2%; Gas Transmission and Distribution, 4.6%; Food and Beverages, 4.2%, and Stores, 4.0%.

Stocks held in Wisconsin companies include Wisconsin Bankshares Corp., Bucyrus-Erie Co., Wisconsin Electric Power Co. and Wisconsin Public Service Corp.

## Putnam Fund Sales at Record In Year

Purchases by investors of shares of The George Putnam Fund of Boston during 1957 were the highest for any year in the history of the Fund, a total of $22,644,000, compared with $20,866,000 during 1956 according to the 20th Annual Report to Shareholders. Shareholders totaled 43,600, a new high record, compared with 39,000 in 1956.

Total net assets of the Fund were $133,219,000 on Dec. 31 compared with $134,034,000 a year ago. Net asset value per share declined from $12.44 at the end of 1956 to $11.19, after adding back capital gains distributions of 34 cents per share.

Common stocks represented 60% of the Fund's total investments, compared with 66% a year ago. Electric utilities constituted the Fund's largest industry holding, followed by oils and insurance stocks.

New additions to the Fund's commonstock section during the final quarter of 1957 included 10,000 shares of Merck & Co., Inc., 23,100 Polaroid Corp., 10,000 St. Regis Paper Co., and 5,700 Security First National Bank of Los Angeles.

Eliminations included 23,100 shares of American Can Co., 8,300 American Natural Gas Co., 22,520 Babcock & Wilcox Co., 40,000 General Motors Corp., 9,000 Guaranty Trust Co., 15,100 Kerr-McGee Oil Industries, Inc., and 20,000 Mississippi River Fuel Corp.

## H. H. Slayton Says Business Decline All But Over

The current fast pace of inventory readjustment means business has declined "about all it is going to," with the start of a gradual recovery "that much closer," Hilton H. Slayton, President of the $49 million Managed Funds, Inc, said.

Reporting to the 19,000 shareholders of his nationally-distributed mutual fund group Mr. Slayton cited the sharp December upturn in retail sales as one major reason for the rapid drop in inventories.

The October-November sales lag caused retailers to reduce their orders and producers, in turn, to cut output, he said. As a result, the sudden record burst of Christmas sales had to be filled out of stocks on hand.

"Even the automobile industry, which was feeling somewhat pessimistic, was surprised by a spurt in new car sales late in December," he added.

Mr. Slayton said the fast rate of inventory reduction "can't continue much longer," with retail sales continuing to hold up as well as they are. It is generally expected that liquidation will slow down to a rate of $3 billion for the first half of 1958 and sales will rise about 4% over the entire year.

"If this happens," he said, "many retailers will find themselves caught short of stocks and have to start buying more again."

According to Mr. Slayton, more than half of inventory reduction has been in durable goods industries—big users of steel and other metals. The steel industry itself expects to complete its inventory reduction by the end of the first quarter, with a pickup likely in the second quarter followed by steady second-half gains.

Mr. Slayton also looks for the textile, apparel and TV industries to increase output in the next few months.

"And, while capital appropriations for new plant and equipment are reduced," he said, "they are still only 11% under a year ago and 31% higher than two years ago. Thus capital goods spending in 1958 should still exceed the 1955 rate."

Mr. Slayton said business sentiment has improved "substantially" with the realization that what the economy has been undergoing is "simply an inventory readjustment during an transition toward more government and consumer spending and moderately less spending by business for expansion."

"In fact," he said, "expectation of a business upturn has become widespread, not only among businessmen but also among economists and financial observers.

"This is a change in sentiment which could find sudden reflection in the stock market at any time."

## Fidelity Fund At New Peaks

Fidelity Fund, Inc., twenty-eighth Annual Report states that in 1957 number of Fidelity Fund shareholders and shares outstanding again reached new highs continuing the trend that has characterized the history of the fund. As of Dec. 31, 1957, there were 18% more shareholders in Fidelity Fund than at the end of 1956, while the number of shares outstanding increased in the same period approximately 16%. During 1957 sales of new shares were nearly five times greater than redemptions.

As of Dec. 31, 1957, Fidelity Fund reported net asset value of $232,089,331. Net asset value per share as of this date was $11.72. Dividends from investment income in 1957 were 50c per share. A distribution of 58c per share from long-term capital gains realized in 1956 was made on Feb. 4, 1957. As of Dec. 31, 1957, over 37% of Fidelity Fund shareholders are participating in a continuous investment plan or a dividend reinvestment plan account, representing a new high figure for such participation.

### With Shillinglaw, Bolger

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — David M. Bolger has joined the staff of Shillinglaw, Bolger & Co., 120 South La Salle Street.

### With Yates, Heitner

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Wesley W. Crone is with Yates, Heitner & Woods, Paul Brown Building, members of the New York and Midwest Stock Exchanges.

### Two With Eastman Dillon

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—James M. Anderson and Harry R. Hyde have joined the staff of Eastman Dillon, Union Securities & Co., 415 Laurel Street. Both were previously with First California Company.

### Join J. Cliff Rahel

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—Edwin N. Van Horne and John Van Horne have joined the staff of J. Cliff Rahel & Co., First National Bank Building.

### With Edward D. Jones

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John J. Bergmann is now affiliated with Edward D. Jones & Company, 300 North Fourth Street, members of the New York and Midwest Stock Exchanges. He was formerly with Henry, Franc & Co.

### Prime Investors Opens

EAST MEADOW, N. Y.—Prime Investors Co. has been formed with offices at 2409 Cadillac Drive to engage in a securities business.

## Selected American Assets Now $59 Million

Total net assets of Selected American Shares at Dec. 31, 1957, as reported by Edward P. Rubin, President, were $59,805,980. Outstanding shares of 8,001,847 were held by 19,838 shareholders. Comparable figures at the end of 1956 were: total assets $65,165,831, outstanding shares 6,556,189, shareholders 16,661. Net asset value per share was $7.47.

A capital gain distribution of 93c a share was declared and paid in Jan. 1957. Asset value was $9.94 a share on Dec. 31, 1956. With appropriate adjustment for capital gain distribution, the per share decline approximately reflected the movement of stock prices during the year. Dividends declared from investment income totaled 31c a share, the same as in 1956. A capital gain distribution of 26c a share was declared Jan. 2, 1958, payable Jan. 29, from net profits realized in 1957.

At the year-end common stocks represented 97.5% of assets; corporate short-term notes, convertible bonds, and cash accounted for the remaining 2.5%. The company had investments in 113 companies. Largest holdings of common stocks by industry were oil 19.9%, electric utility 11%, chemical & drug 8.8%, steel 8.2%, electrical & electronics 7.8%.

In the fourth quarter the company added stocks of these companies to the portfolio: Allied Chemical & Dye 2,000 shares, American Airlines 3,000, Anaconda 3,000, Emhart Mfg. 500, Lily Tulip Cup 2,500, Louisville Gas & Electric 3,800, May Department Stores 4,000, National Gypsum 5,400, Northern States Power 7,000, Republic Natural Gas 5,000 and U. S. Gypsum 8,000. Increases of 2,000 or more shares in stocks previously owned were: Bristol-Myers 4,500, Chrysler 9,000, Commonwealth Edison 18,000, Federated Department Stores 3,000, General Foods 5,000, International Nickel 3,000, Louisiana Land & Exploration 4,500, Monsanto Chemical 11,828, National Dairy 3,200, Otis Elevator 3,000, Parke-Davis 2,000, Socony Mobil Oil 13,000, Standard Oil (NJ) 12,000, Tennessee Gas Transmission 2,000, Texas Co. 3,000, West Penn Electric 11,000, Zenith Radio 3,700. Companies eliminated from the portfolio were: Allied Stores, American Smelting, Consolidated Edison, Delaware Power & Light. The Company decreased its holding of Ingersoll Rand by 4,900 shares.

Largest changes in industry holdings of common stocks during 1957 included: Increases—Automobile 1.8%, bank & finance 2%, building 1.5%, chemical & drug 5.6%, electrical & electronics 3.7%, electric utility 4.3%, food 2.4%, oil 4.2%, retail trade 1.3%. Decreases—aviation 6%, machinery 2.7%, paper 2%, railroad 1.9%, steel 3.1%.

Rubin says in the report to shareholders: "Whether the stock decline has fully or adequately reflected the lower business figures . . . remains to be seen. But some of the most important facts, which to the discerning pointed to possible trouble when the market was at its high last summer now seem to be turning in a more favorable direction . . . we remain strongly convinced of the basic long term strength of the forces working in favor of the owner of American common stock equities."

### Arthurs, Lestrange Admit

PITTSBURGH, Pa. — Arthurs, Lestrange & Co., 2 Gateway Center, members of the New York and Pittsburgh Stock Exchanges, on March 1 will admit Joseph P. Short and Alexander J. Burnett III to partnership.

## Dorcas Campbell V-P of East River Savs.

George O. Nodyne, President of the East River Savings Bank announces the election of Dorcas Campbell, as Vice-President. In the 110 years of the bank, Miss Campbell is the first woman to be elected to that office. Coming to the bank from the University of Michigan, Miss Campbell was placed in charge of the Service Department of the Main Office, later becoming Director of all Service Departments, and subsequently of publicity, advertising, and public relations. She was elected Assistant Vice-President in 1949.

Dorcas Campbell

Miss Campbell has written two books on careers in banking, "Women in Banking and Finance" and "Your Career in Banking," the latter a compendium of success stories about men in finance, both published by E. P. Dutton & Co.

Miss Campbell has lectured throughout the United States on banking subjects, especially with reference to the position of women in banking today. Miss Campbell taught Public Relations at the School of Commerce — New York University, where she took her Master's degree in Business Administration; later she gave a course at the New School for Social Research on "Women and Their Money." In 1950, she was a guest lecturer for the British-American Associates in the British Isles.

For the last six years, Miss Campbell as Treasurer of the Girl Scouts of the United States of America played an active role in the acquisition of the birthplace of Juliette Gordon Low, founder of the Girl Scouts of the United States of America, and served as Vice-Chairman of the Building Committee of the National Headquarters at 51st Street and Third Avenue, dedicated January, 1958.

## FHLB Redeem Debs.

Everett Smith, fiscal agent of the Federal Home Loan Banks, on Feb. 17 announced that $148,000,000 Federal Home Loan Banks 4.30% consolidated notes maturing Feb. 17 will be paid off from current cash resources of the Banks. Upon redemption of the issue, outstanding notes of the Banks will have been reduced to $659,000,000 principal amount.

The strong cash position which enables the Banks to meet the large note maturity without refunding primarily reflects repayment to the Banks of loans made to member institutions, Mr. Smith said. The repayment of such loans in turn reflects a heavier inflow of savings into member institutions and a seasonally smaller demand for mortgage funds.

### With Illinois Mid Cont.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Patrick C. Brewer, Alfred J. Ganz, Robert E. Kehl and Victor A. Zucco are with Illinois Mid Continent Investment Co., 676 St. Clair Street.

### Joins J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

SAN DIEGO, Calif.—Charles S. Berger has joined the staff of J. A. Hogle & Co., 1030 Sixth Avenue. He was formerly with T. R. Peirsol & Co. and Francis I. du Pont & Co.

## Suggests Positive Business Leadership

**K. M. Bartlett probes paradoxical psychological bearish factors and calls on business to "strike out boldly" rather than "wait and see." Concludes leadership must come from large companies whose expansion plans and other examples of positive thinking would set the stage for renewed optimism by business and the public.**

"The real fear that is haunting many people is not that we are in the midst of a mild recession, but rather that we are experiencing the same series of events that lead to the conditions of the early 1930's."

Kenneth M. Bartlett

Such is the opinion of K. M. Bartlett, President of Horizons Incorporated, Cleveland pro Cleveland process and materials research organization.

According to Mr. Bartlett, "if people were certain that business conditions today reflected nothing more than the situation of the mid-1940's, I have no doubt that much of the general pessimism would dissolve. And, after all, any general business decline is not so much a matter of specifics, but rather of personal attitude compounded millions of times over."

The Horizons chief executive points out that during the last ten years, thousands of people invested in the stock market who never had done so before.

"Even though today they have experienced no actual loss and, as a matter of fact, still realize important paper profits, nevertheless they consider the potential loss from their all-time highs and have sold much of their holdings because they are afraid of their possible future loss."

In addition to causing the bearish market, Mr. Bartlett contends this is only part of a general over-all attitude.

"In 1955, such a person may well have purchased a new car, a new home, or other such items, not because of his specific income at that time, but because of expected profits from investments.

"Today, of course, selling to protect investments is causing the market to drop still further, and is preventing any determined comeback which might be possible if business conditions did improve."

### Strike Out Boldly

Mr. Bartlett believes that most business executives do not actually fear specific business conditions, but instead fear the attitudes of the general public. Rather than strike out boldly in the face of this attitude, they prefer to adopt a "wait and see" attitude that, itself, is only compounding the problem.

"When business slows down, whatever the reason, and unemployment grows, the general public fears for its own future, and decides not to spend the money that would actually set the wheels turning again."

What, then, is the answer to this paradoxical problem? Mr. Bartlett concludes that leadership must come from those large companies whose expansion plans and other examples of positive thinking would set the stage for renewed optimism of business and public at large.

## Yes, But . . . .

"The rapid changes taking place in agriculture are largely the result of a major breakthrough in agricultural science and technology. In recent years agriculture has been experiencing a veritable revolution in productivity.

* * *

Pres. Eisenhower

"Farm production per man hour has doubled since 1940. There has been more change in agriculture within the lifetime of men now living than in the previous two thousand years.

"Changes of such magnitude place great stress on our farm people and on the social, political and economic institutions which serve them. Far-reaching adjustments are being made which involve the lives and hopes of 20,000,000 men, women and children on the farms of America.

"The scientific revolution in agriculture is irreversible and is continuing. It cannot be avoided and it need not be feared. In recognition of this basic fact, we must find ways of utilizing more completely the abundance that our farm people are now able to produce; we must find ways of further expanding markets for this increased production, not only among our own citizens but among people all over the world who need the food and clothing we produce in such abundance. At the same time we must help our farm people to cope with the sometimes harsh consequences of their own unparalleled ability to produce, while preserving and strengthening free enterprise and the family farm."

—President Dwight D. Eisenhower

**But, as the President must know and the others ought to know, the ultimate solution will be found only in a shift of many agricultural producers into other pursuits. Let's face that fact.**

# 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 (per cent capacity) | Feb. 23 | §54 | *53.5 | 55.4 | 97.8 |
| Equivalent to— | | | | | |
| Steel ingots and castings (net tons) | Feb. 23 | §1,459,000 | *1,445,000 | 1,496,000 | 2,504,000 |
| **AMERICAN PETROLEUM INSTITUTE:** | | | | | |
| Crude oil and condensate output—daily average (bbls. of 42 gallons each) | Feb. 7 | 6,858,285 | 6,842,385 | 6,849,985 | 7,461,215 |
| Crude runs to stills—daily average (bbls.) | Feb. 7 | ¶7,325,000 | 7,548,000 | 7,772,000 | 8,119,000 |
| Gasoline output (bbls.) | Feb. 7 | 26,047,000 | 27,040,000 | 26,981,000 | 27,386,000 |
| Kerosene output (bbls.) | Feb. 7 | 2,587,000 | 2,486,000 | 2,524,000 | 2,613,000 |
| Distillate fuel oil output (bbls.) | Feb. 7 | 12,045,000 | 12,543,000 | 13,189,000 | 14,086,000 |
| Residual fuel oil output (bbls.) | Feb. 7 | 7,431,000 | 7,497,000 | 7,705,000 | 8,894,000 |
| Stocks at refineries, bulk terminals, in transit, in pipe lines— | | | | | |
| Finished and unfinished gasoline (bbls.) at | Feb. 7 | 208,043,000 | 204,559,000 | 198,738,000 | 199,895,000 |
| Kerosene (bbls.) at | Feb. 7 | 21,580,000 | 23,179,000 | 27,263,000 | 23,614,000 |
| Distillate fuel oil (bbls.) at | Feb. 7 | 117,552,000 | 123,121,000 | 141,349,000 | 93,516,000 |
| Residual fuel oil (bbls.) at | Feb. 7 | 57,627,000 | 57,502,000 | 58,257,000 | 37,042,000 |
| **ASSOCIATION OF AMERICAN RAILROADS:** | | | | | |
| Revenue freight loaded (number of cars) | Feb. 8 | 582,289 | 550,426 | 569,444 | 665,251 |
| Revenue freight received from connections (no. of cars) | Feb. 8 | 526,857 | 533,316 | 490,066 | 630,037 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:** | | | | | |
| Total U. S. construction | Feb. 13 | $208,683,000 | $322,937,000 | $219,940,000 | $311,646,000 |
| Private construction | Feb. 13 | 97,918,000 | 182,733,000 | 105,118,000 | 178,040,000 |
| Public construction | Feb. 13 | 110,765,000 | 140,204,000 | 114,822,000 | 133,606,000 |
| State and municipal | Feb. 13 | 83,929,000 | 111,388,000 | 80,115,000 | 107,382,000 |
| Federal | Feb. 13 | 26,836,000 | 28,816,000 | 34,707,000 | 26,224,000 |
| **COAL OUTPUT (U. S. BUREAU OF MINES):** | | | | | |
| Bituminous coal and lignite (tons) | Feb. 8 | 7,460,000 | 8,120,000 | 8,790,000 | 9,725,000 |
| Pennsylvania anthracite (tons) | Feb. 8 | 413,000 | 461,000 | 506,000 | 601,000 |
| **DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100** | Feb. 8 | 93 | 92 | 108 | 101 |
| **EDISON ELECTRIC INSTITUTE:** | | | | | |
| Electric output (in 000 kwh.) | Feb. 15 | 12,417,000 | 12,289,000 | 12,400,000 | 11,946,000 |
| **FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.** | Feb. 13 | 319 | 342 | 260 | 317 |
| **IRON AGE COMPOSITE PRICES:** | | | | | |
| Finished steel (per lb.) | Feb. 11 | 5.967c | 5.967c | 5.967c | 5.650c |
| Pig iron (per gross ton) | Feb. 11 | $66.42 | $66.42 | $66.42 | $62.90 |
| Scrap steel (per gross ton) | Feb. 11 | $37.33 | $36.67 | $33.17 | $53.33 |
| **METAL PRICES (E. & M. J. QUOTATIONS):** | | | | | |
| Electrolytic copper— | | | | | |
| Domestic refinery at | Feb. 11 | 24.500c | 24.400c | 26.550c | 33.400c |
| Export refinery at | Feb. 11 | Not Avail. | 20.625c | 21.725c | 31.175c |
| Lead (New York) at | Feb. 11 | 13.000c | 13.000c | 13.000c | 16.000c |
| Lead (St. Louis) at | Feb. 11 | 12.800c | 12.800c | 12.800c | 15.800c |
| ‡Zinc (delivered) at | Feb. 11 | 10.500c | 10.500c | 10.500c | 14.000c |
| Zinc (East St. Louis) at | Feb. 11 | 10.000c | 10.000c | 10.000c | 13.500c |
| Aluminum (primary pig, 99%) at | Feb. 11 | 26.000c | 26.000c | 26.000c | 25.000c |
| Straits tin (New York) at | Feb. 11 | 92.750c | 92.750c | 93.375c | 101.375c |
| **MOODY'S BOND PRICES DAILY AVERAGES:** | | | | | |
| U. S. Government Bonds | Feb. 18 | 94.48 | 94.25 | 94.42 | 91.00 |
| Average corporate | Feb. 18 | 96.07 | [illegible] | [illegible] | [illegible] |
| Aaa | Feb. 18 | 102.80 | 102.80 | 102.63 | 101.47 |
| Aa | Feb. 18 | 99.84 | 99.36 | 99.36 | 99.04 |
| A | Feb. 18 | 96.23 | 96.07 | 96.38 | 96.38 |
| Baa | Feb. 18 | 86.78 | 86.65 | 84.81 | 89.37 |
| Railroad Group | Feb. 18 | 92.06 | 91.62 | 91.77 | 95.16 |
| Public Utilities Group | Feb. 18 | 98.25 | 98.09 | 96.85 | 96.69 |
| Industrials Group | Feb. 18 | 98.41 | 98.25 | 97.94 | 97.16 |
| **MOODY'S BOND YIELD DAILY AVERAGES:** | | | | | |
| U S Government Bonds | Feb. 18 | 2.97 | 2.99 | 2.97 | 3.24 |
| Average corporate | Feb. 18 | 4.00 | 4.01 | 4.04 | 3.98 |
| Aaa | Feb. 18 | 3.58 | 3.58 | 3.59 | 3.66 |
| Aa | Feb. 18 | 3.76 | 3.79 | 3.79 | 3.81 |
| A | Feb. 18 | 3.99 | 4.00 | 3.98 | 3.98 |
| Baa | Feb. 18 | 4.65 | 4.66 | 4.80 | 4.46 |
| Railroad Group | Feb. 18 | 4.27 | 4.30 | 4.29 | 4.06 |
| Public Utilities Group | Feb. 18 | 3.86 | 3.87 | 3.95 | 3.96 |
| Industrials Group | Feb. 18 | 3.85 | 3.86 | 3.88 | 3.93 |
| **MOODY'S COMMODITY INDEX** | Feb. 18 | 399.8 | 397.0 | 392.2 | 413.7 |
| **NATIONAL PAPERBOARD ASSOCIATION:** | | | | | |
| Orders received (tons) | Feb. 8 | 309,914 | 241,750 | 264,368 | 265,863 |
| Production (tons) | Feb. 8 | 251,516 | 244,049 | 275,279 | 282,539 |
| Percentage of activity | Feb. 8 | 83 | 82 | 88 | 95 |
| Unfilled orders (tons) at end of period | Feb. 8 | 395,797 | 340,841 | 402,939 | 450,170 |
| **OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100** | Feb. 14 | 108.67 | 108.63 | 108.44 | 111.05 |
| **ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:** | | | | | |
| Transactions of specialists in stocks in which registered— | | | | | |
| Total purchases | Jan. 25 | 1,428,680 | 1,628,660 | 1,296,210 | 1,476,610 |
| Short sales | Jan. 25 | 311,060 | 394,750 | 194,070 | 261,270 |
| Other sales | Jan. 25 | 1,096,820 | 1,349,890 | 932,940 | 1,170,390 |
| Total sales | Jan. 25 | 1,407,880 | 1,744,640 | 1,127,010 | 1,431,660 |
| Other transactions initiated on the floor— | | | | | |
| Total purchases | Jan. 25 | 395,200 | 393,670 | 294,020 | 316,120 |
| Short sales | Jan. 25 | 48,800 | 78,300 | 24,400 | 39,700 |
| Other sales | Jan. 25 | 282,650 | 320,170 | 194,650 | 292,450 |
| Total sales | Jan. 25 | 331,450 | 398,470 | 219,050 | 332,150 |
| Other transactions initiated off the floor— | | | | | |
| Total purchases | Jan. 25 | 600,435 | 659,935 | 460,164 | 492,204 |
| Short sales | Jan. 25 | 175,250 | 278,620 | 46,590 | 110,650 |
| Other sales | Jan. 25 | 605,928 | 471,415 | 335,922 | 521,422 |
| Total sales | Jan. 25 | 781,178 | 750,035 | 382,512 | 632,072 |
| Total round-lot transactions for account of members— | | | | | |
| Total purchases | Jan. 25 | 2,474,315 | 2,682,265 | 2,250,394 | 2,284,934 |
| Short sales | Jan. 25 | 535,110 | 751,670 | 265,060 | 411,620 |
| Other sales | Jan. 25 | 1,985,398 | 2,141,475 | 1,463,512 | 1,984,262 |
| Total sales | Jan. 25 | 2,520,508 | 2,983,145 | 1,728,572 | 2,395,882 |
| **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 | Jan. 25 | 1,209,909 | 1,388,699 | 1,069,228 | 1,391,505 |
| Dollar value | Jan. 25 | $50,423,753 | $59,718,097 | $39,504,282 | $66,902,133 |
| Odd-lot purchases by dealers (customers' sales)— | | | | | |
| Number of orders—Customers' total sales | Jan. 25 | 917,854 | 948,903 | 1,127,326 | 986,035 |
| Customers' short sales | Jan. 25 | 21,818 | 35,357 | 8,917 | 10,714 |
| Customers' other sales | Jan. 25 | 896,036 | 913,546 | 1,118,409 | 975,321 |
| Dollar value | Jan. 25 | $40,658,571 | $40,765,537 | $38,952,023 | $47,370,141 |
| Round-lot sales by dealers— | | | | | |
| Number of shares—Total sales | Jan. 25 | 249,570 | 195,840 | 347,330 | 203,650 |
| Short sales | Jan. 25 | ------ | ------ | ------ | ------ |
| Other sales | Jan. 25 | 249,570 | 195,840 | 347,330 | 203,650 |
| Round-lot purchases by dealers— | | | | | |
| Number of shares | Jan. 25 | 542,870 | 676,810 | 323,610 | 620,170 |
| **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 | Jan. 25 | 956,310 | 1,291,120 | 367,890 | 626,500 |
| Other sales | Jan. 25 | 11,296,480 | 11,358,970 | 10,021,700 | 10,553,430 |
| Total sales | Jan. 25 | 12,252,790 | 12,650,090 | 10,389,590 | 11,179,930 |
| **WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):** | | | | | |
| Commodity Group— | | | | | |
| All commodities | Feb. 11 | 118.8 | *118.6 | 118.7 | 117.0 |
| Farm products | Feb. 11 | 95.5 | 94.2 | 93.6 | 88.8 |
| Processed foods | Feb. 11 | 108.9 | 108.4 | 108.9 | 104.0 |
| Meats | Feb. 11 | 100.6 | 99.1 | 100.7 | 81.9 |
| All commodities other than farm and foods | Feb. 11 | 125.8 | *125.8 | 126.0 | 125.5 |

*Revised figure. ¶Includes 932,000 barrels of foreign crude runs. §Based on new annual capacity of 140,742,570 tons as of Jan. 1, 1958, as against Jan. 1, 1957 basis of 133,459,150 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 |
|---|---|---|---|
| **BUSINESS FAILURES—DUN & BRADSTREET, INC.—Month of December:** | | | |
| Manufacturing number | 208 | 213 | 172 |
| Wholesale number | 96 | 114 | 72 |
| Retail number | 514 | 559 | 472 |
| Construction number | 174 | 194 | 183 |
| Commercial service number | 88 | 93 | 83 |
| Total number | 1,080 | 1,173 | 982 |
| Manufacturers' liabilities | $14,985,000 | $18,061,000 | $21,785,000 |
| Wholesale liabilities | 5,527,000 | 5,912,000 | 5,619,000 |
| Retail liabilities | 16,028,000 | 12,895,000 | 10,946,000 |
| Construction liabilities | 5,713,000 | 13,420,000 | 8,149,000 |
| Commercial service liabilities | 3,072,000 | 2,611,000 | 3,780,000 |
| Total liabilities | $45,325,000 | $52,899,000 | $50,279,000 |
| **BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of November (Millions of dollars):** | | | |
| Manufacturing | $53,800 | *$54,100 | $52,200 |
| Wholesale | 12,800 | 12,800 | 12,800 |
| Retail | 24,300 | 24,200 | 23,500 |
| Total | $90,900 | *$91,100 | $88,500 |
| **CASH DIVIDENDS—PUBLICLY REPORTED BY U. S. CORPORATIONS—U. S. DEPT. OF COMMERCE—Month of December (000's omitted)** | $2,131,900 | $325,000 | $2,217,400 |
| **CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of January (000's omitted):** | | | |
| Total U. S. construction | $1,258,813 | $966,900 | $1,663,70 |
| Private construction | 521,201 | 409,765 | 741,52 |
| Public construction | 737,612 | 557,135 | 922,18 |
| State and municipal | 611,278 | 504,785 | 667,45 |
| Federal | 126,334 | 52,350 | 254,7 |
| **COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of December:** | | | |
| Cotton Seed— | | | |
| Received at mills (tons) | 925,266 | 931,617 | 339,6 |
| Crushed (tons) | 542,035 | 610,411 | 570,0 |
| Stocks (tons) Dec. 31 | 1,616,446 | 1,233,215 | 2,122,8 |
| Crude Oil— | | | |
| Stocks (pounds) Dec. 31 | 124,341,000 | 127,828,000 | 178,477,0 |
| Produced (pounds) | 180,635,000 | 203,699,000 | 192,572,0 |
| Shipped (pounds) | 144,856,000 | 146,271,000 | 155,988,0 |
| Refined Oil— | | | |
| Stocks (pounds) Dec. 31 | 132,316,000 | 113,978,000 | 237,267,0 |
| Produced (pounds) | 131,698,000 | 133,727,000 | 146,516,0 |
| Consumption (pounds) | 107,956,000 | 109,610,000 | 122,138,0 |
| Cake and Meal— | | | |
| Stocks (tons) Dec. 31 | 246,341 | 261,578 | 187,8 |
| Produced (tons) | 246,686 | 280,242 | 274,3 |
| Shipped (tons) | 261,923 | 268,047 | 272,5 |
| Hulls— | | | |
| Stocks (tons) Dec. 31 | 109,344 | 96,248 | 57,0 |
| Produced (tons) | 120,111 | 131,667 | 123,5 |
| Shipped (tons) | 107,015 | 112,738 | 128,1 |
| Linters (running bales)— | | | |
| Stocks Dec. 31 | 302,749 | 294,637 | 221,9 |
| Produced | 155,611 | 177,597 | 170,9 |
| Shipped | 147,499 | 135,056 | 161,2 |
| Hull Fiber (1,000-lb. bales)— | | | |
| Stocks Dec. 31 | 730 | 849 | 5 |
| Produced | 654 | 1,007 | 7 |
| Shipped | 773 | 1,197 | 91 |
| Motes, Grabbots, etc. (1,000 pounds)— | | | |
| Stocks Dec. 31 | 2,908 | 2,364 | 2,832 |
| Produced | 1,200 | 1,207 | 1,337 |
| Shipped | 656 | 689 | 1,234 |
| **EMPLOYMENT AND PAYROLLS—U. S. DEPT. OF LABOR—REVISED SERIES—Month of December:** | | | |
| All manufacturing (production workers) | 12,482,000 | *12,719,000 | 13,350,000 |
| Durable goods | 7,160,000 | *7,318,000 | 7,827,000 |
| Nondurable goods | 5,322,000 | *5,401,000 | 5,523,00 |
| Employment indexes (1947-49 Avge.=100)— | | | |
| All manufacturing | 100.9 | *100.2 | 107 |
| Payroll indexes (1947-49 Average=100)— | | | |
| All manufacturing | 158.1 | *161.1 | 171 |
| Estimated number of employees in manufacturing industries— | | | |
| All manufacturing | 16,333,000 | *16,581,000 | 17,159,0 |
| Durable goods | 9,426,000 | *9,593,000 | 10,071,0 |
| Nondurable goods | 6,907,000 | *6,988,000 | 7,088,0 |
| **MONEY IN CIRCULATION—TREASURY DEPT.** As of Nov. 30 (000's omitted) | $31,661,000 | $31,090,000 | $31,424,0 |
| **NEW YORK STOCK EXCHANGE—** As of Dec. 31 (000's omitted): | | | |
| Member firms carrying margin accounts— | | | |
| Total customers' net debit balances | $2,549,605 | $2,559,177 | $2,855, |
| Credit extended to customers | 67,824 | 41,786 | 32, |
| Cash on hand and in banks in U. S. | 342,360 | 324,964 | 335, |
| Total of customers' free credit balances | 896,064 | 876,175 | 880, |
| Market value of listed shares | 195,570,176 | 200,919,287 | 219,175, |
| Market value of listed bonds | 105,071,743 | 102,487,208 | 59,022, |
| Member borrowings on U. S. Govt. issues | 235,171 | 90 957 | 150 |
| Member borrowings on other collateral | 1,949,844 | 1,770,570 | 2,323, |
| **PERSONAL INCOME IN THE UNITED STATES (DEPARTMENT OF COMMERCE)—Month of December (in billions):** | | | |
| Total personal income | 342.8 | 345.4 | 33 |
| Wage and salary receipts, total | 238.8 | *239.5 | 23 |
| Commodity producing industries | 100.0 | *100.9 | 10 |
| Distributing industries | 64.3 | *64.2 | 6 |
| Service industries | 34.2 | 34.1 | 3 |
| Government | 40.3 | 40.3 | 3 |
| Other labor income | 8.0 | 8.0 | 7 |
| Proprietors and rental income | 50.4 | *50.4 | 5 |
| Personal interest income and dividends | 29.7 | 31.7 | 28 |
| Total transfer payments | 22.7 | 22.6 | 19 |
| Less employees' contribution for special insurance | 6.8 | 6.8 | 5 |
| Total nonagricultural income | 327.3 | *330.3 | 31 |
| **SELECTED INCOME ITEMS OF U. S. CLASS I RYS. (Interstate Commerce Commission)—Month of October:** | | | |
| Net railway operating income | $99,631,473 | $84,248,246 | $121,835,8 |
| Other income | 20,788,586 | 19,875,?12 | 20,851,9 |
| Total income | 120,420,059 | 104,124,158 | 142,687,7 |
| Miscellaneous deductions from income | 5,030,943 | 4,935,312 | 4,287,9 |
| Income available for fixed charges | 115,389,116 | 99,188,846 | 138,399,7 |
| Income after fixed charges | 84,192,019 | 68,111,937 | 108,155,7 |
| Other deductions | 4,372,780 | 4,446,957 | 4,602,4 |
| Net income | 79,819,239 | 63,664,980 | 103,553,3 |
| Depreciation (way & structure & equipment) | 49,475,845 | 49,046,108 | 47,039,1 |
| Federal income taxes | 43,776,442 | 28,454,137 | 60,171,5 |
| Dividend appropriations: | | | |
| On common stock | 21,032,027 | 22,364,652 | 34,977,4 |
| On preferred stock | 1,287,556 | 906,297 | 1,649,2 |
| Ratio of income to fixed charges | 3.70 | 3.19 | 4. |
| **UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Nov. (000's omitted):** | | | |
| Exports | $1,681,000 | $1,672,900 | $1,543,5 |
| Imports | 1,032,000 | *1,144,700 | 986,6 |

# Our Reporter's Report

The corporate new issue market continues to bump along finding the road none-too-smooth at the moment in the wake of the recent flurry of activity as money rates turned easier.

The shift in money emphasis seemingly caught investors, with funds available, a bit unexpectedly. But now they appear to have settled down once again. And the bloom is momentarily off the rose.

**Institutional buyers having tasted the blood of liberal yields over the last year or eighteen months, are not taking too kindly to the latest turn of events. Even through the days of abnormally easy money they maintained that capital was worthy of its hire although they weren't able to make much of a case for a period of years.**

They did put large amounts into direct purchases and into the mortgage field at somewhat better rates than were offered by new corporate debt issues of investment quality.

**But right now that latter outlet is not present in the same dimensions. For the moment equities are finding more ready acceptance than debt issues, it appears, judging from the reception accorded offerings like Gulf States Utilities preferred and Southern California Edison Co. preferred.**

In the new corporate bond market prospective buyers appear to be playing possum at the moment and come up willingly only when yields are to their liking.

### GMAC Debentures Move

Dealers reported a good demand for the $150 million of new 21-year debentures of General Motors Acceptance Corp., put on the market at 98½ to yield 4.10%.

With some 233 investment firms in the underwriting group, even this large issue promised to be spread out well around the country.

**In addition to the intermediate maturity set for the issue, the fact that it is non-callable for the first five years helped make additional friends for the debentures, affording the investor protection of his return at least for that period regardless of events in the money market.**

### Back At Old Game

Portfolio managers for large institutional investment outlets apparently are back at the old stand and determined to drive the best bargains possible in placing their funds.

**Having found it necessary to turn loose two sizable new issues in the last week, investment bankers presumably are aware that they must take the prospective buyers' pricing ideas into consideration when figuring out how to bid for a deal.**

Portfolio managers for major outlets naturally keep a weather eye on the trend of things, especially unsold inventories in the hands of offering groups. And they can press a hard bargain at times.

### Busy Week Ahead

With seven issues, all of them dropping nicely into that category called "Street-size," on tap, the investment market faces a relatively busy period next week.

The major offerings foot up to a total of about $147 million, the two largest being Cleveland Electric Illuminating Co.'s $30 million of bonds on Tueday, and Southern New England Telephone's $30 million of debentures, due on Wednesday.

Next in scope is Pennsylvania Electric Co.'s $29,000,000 of bonds up for bids on Monday. To add a bit of European flavor, the City of Amsterdam, through bankers here, is slated to market $15 million of bonds on Tuesday.

## Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—John H. Kaufman has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 523 West Sixth Street. He was formerly with E. F. Hutton & Company.

## With Mitchum, Jones

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Herbert W. Morrison is now conected with Mitchum, Jones & Templeton, 650 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

## Anthony Polack Opens

Anthony V. Polack is conducting a securities business from offices at 366 West 29th Street, New York City.

## With Brush, Slocumb

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Martin Blum is now with Brush, Slocumb & Co. Inc. of San Francisco.

## DIVIDEND NOTICES

### Atlas Corporation

33 Pine Street, New York 5, N. Y.

Dividends declared on 5% Cum. Preferred Stock and Common Stock

- Preferred Dividends No. 7, 8, 9 and 10
  Regular quarterly of 25¢ per share, for the year 1958
  Payable March 15, June 16, September 15, and December 15, 1958
  Record dates February 27, May 26, August 26, and November 26, 1958, respectively
- Common Dividend No. 65
  Regular quarterly of 15¢ per share
  Payable March 20, 1958
  Record date February 27, 1958

WALTER G. CLINCHY, *Treasurer*

February 15, 1958

## DIVIDEND NOTICES

### J. I. Case Company

(Incorporated)

Racine, Wis., February 17, 1958

A dividend of $1.75 per share on the 7% Preferred stock and 11.375 Cents per share on the 6½% Second Preferred stock of this Company has been declared payable April 1, 1958 to holders of record at the close of business March 12, 1958.

L. T. NEWMAN, Secretary.

### BRIGGS & STRATTON CORPORATION

BRIGGS & STRATTON

*DIVIDEND*

The Board of Directors has declared a quarterly dividend of thirty-five cents (35c) per share on the capital stock ($3 par value) of the Corporation, payable March 15, 1958, to stockholders of record February 28, 1958.

L. G. REGNER, Secretary-Treasurer.

Milwaukee, Wis.
February 18, 1958

### CANADA DRY

DIVIDEND NOTICE

The following dividends have been declared by the Board of Directors:

**Preferred Stock**—A regular quarterly dividend of $1.0625 per share on the $4.25 Cumulative Preferred Stock, payable April 1, 1958 to stockholders of record at the close of business on March 14, 1958.

**Common Stock**—A quarterly dividend of $0.25 per share on the Common Stock, payable April 1, 1958 to stockholders of record at the close of business on March 14, 1958.

Transfer books will not be closed. Checks will be mailed.

J. W. REILLY, *Secretary*

### CYANAMID

### AMERICAN CYANAMID COMPANY

PREFERRED DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series D, payable April 1, 1958, to the holders of such stock of record at the close of business March 3, 1958.

COMMON DIVIDEND

The Board of Directors of American Cyanamid Company today declared a quarterly dividend of forty cents (40¢) per share on the outstanding shares of the Common Stock of the Company, payable March 28, 1958, to the holders of such stock of record at the close of business March 3, 1958.

R. S. KYLE, *Secretary*

New York, February 18, 1958.

## DIVIDEND NOTICES

### CITY INVESTING COMPANY

25 Broad Street, New York 4, N. Y.

The Board of Directors of this company on February 19, 1958, declared the regular quarterly dividend of $1.375 per share on the outstanding 5½% Series Cumulative Preferred Stock of the company, payable April 1, 1958, to stockholders of record at the close of business on March 20, 1958.

JOHN A. KENNEDY, *Vice President and Secretary*

### CALIFORNIA-PACIFIC UTILITIES COMPANY

Quarterly dividends payable March 15, to shareholders of record March 1, 1958, have been declared at the following rates per share:

| | |
|---|---|
| 5% Preferred | 25¢ |
| 5% Convertible Preferred | 25¢ |
| 5.40% Convertible Preferred | 27¢ |
| 5½% Convertible Preferred | 27½¢ |
| Common | 40¢ |

*D. J. Ley*, VICE-PRES. & TREAS.

February 17, 1958

### DREWRYS

A quarterly dividend of forty (40) cents per share for the first quarter of 1958 has been declared on the common stock, payable March 10, 1958 to stockholders of record at the close of business on February 26, 1958.

**Drewrys Limited U. S. A. Inc.**
South Bend, Indiana

T. E. JEANNERET, *Secretary and Treasurer*

### SERVING HOME AND INDUSTRY WITH ESSENTIAL BASIC PRODUCTS

### EASTERN GAS AND FUEL ASSOCIATES

### DIVIDENDS

**COMMON STOCK — A regular quarterly dividend of 40 cents a share, payable March 28, 1958 to shareholders of record February 24, 1958.**

**4½% CUMULATIVE PREFERRED STOCK — A regular quarterly dividend of $1.12½ a share, payable April 1, 1958 to shareholders of record February 24, 1958.**

E. H. BIRD, *President*

250 Stuart St., Boston 16, Mass.

*February 13, 1958*

Our stock is listed on the New York Stock Exchange. Symbol is EFU.

## DIVIDEND NOTICES

DIVIDEND NOTICE

### FLORIDA POWER & LIGHT COMPANY

MIAMI, FLORIDA

A quarterly dividend of 35c per share has been declared on the Common Stock of the Company . . . payable Mar. 25, to stockholders of record at the close of business on Feb. 28, 1958.

R. H. FITE
*President*


WHERE INDUSTRY KNOWS NO SEASON!

### GOULD-NATIONAL BATTERIES, INC.

Manufacturers of a complete line of automotive and industrial storage batteries.

A REGULAR QUARTERLY DIVIDEND of 50c per share on Common Stock, was declared by the Board of Directors on January 10, 1958 payable March 15, 1958 to stockholders of record on March 4, 1958.

A. H. DAGGETT
PRESIDENT

ST. PAUL - MINNESOTA

### REYNOLDS METALS COMPANY

Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND

The regular quarterly dividend of fifty-nine and three-eighths cents (59⅜¢) a share on the outstanding Cumulative Preferred Stock, 4¾% Series A, has been declared for the quarter ending April 30, 1958, payable May 1, 1958, to holders of record at the close of business April 11, 1958.

COMMON DIVIDEND

A dividend of twelve and one-half cents (12½¢) a share on the outstanding Common Stock has been declared, payable April 1, 1958, to holders of record at the close of business March 11, 1958.

The Transfer Books will not be closed in either case. Checks will be mailed by The Chase Manhattan Bank.

ALLYN DILLARD, *Secretary*

*Dated*, February 12, 1958

## DIVIDEND NOTICES

CONSOL

The Board of Directors of **PITTSBURGH CONSOLIDATION COAL COMPANY** at a meeting held today, declared a quarterly dividend of 30 cents per share on the Common Stock of the Company, payable on March 12, 1958, to shareholders of record at the close of business on February 28, 1958. Checks will be mailed.

JOHN CORCORAN, *Vice-President & Secretary*

*February 17, 1958.*

### UNITED UTILITIES, INCORPORATED

**52nd Consecutive Dividend**

**The Board of Directors declared a quarterly dividend of 30 cents per share on the outstanding common capital stock of the company, payable on or before March 31, 1958, to stockholders of record at the close of business March 12, 1958.**

Abilene, Kans. February 7, 1958 — ALDEN L. HART, President

### UNITED FRUIT COMPANY

*235th Consecutive Quarterly Dividend*

A dividend of seventy-five cents per share on the capital stock of this Company has been declared, payable April 15, 1958, to shareholders of record March 14, 1958.

EMERY N. LEONARD
*Secretary and Treasurer*

Boston, Mass., February 10, 1958

### Public Service Electric and Gas Company

NEWARK, N. J.

**QUARTERLY DIVIDENDS**

The Board of Directors has declared the following dividends for the quarter ending March 31, 1958:

| Class of Stock | Dividend Per Share |
|---|---|
| 4.08% Cumulative Preferred | $1.02 |
| 4.18% Cumulative Preferred | 1.045 |
| 4.30% Cumulative Preferred | 1.075 |
| $1.40 Dividend Preference | .35 |
| Common | .45 |

All dividends are payable on or before March 31, 1958 to stockholders of record March 3, 1958.

F. MILTON LUDLOW
Secretary

PUBLIC SERVICE
CROSSROADS OF THE EAST

# Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — The Conservative forces in the United States, already sorely lacking in leadership, are going to lose perhaps their foremost champion. Senator Harry Flood Byrd, 71, is going to retire this year.

The Virginian, a member of one of America's most distinguished families, has been the "watch dog" of the United States Treasury for two decades. He has been a member of the Senate since Feb. 12, 1933.

**People from all parts of the United States, on the heels of Senator Byrd's announcement that he would not seek reelection this year, are sending messages appealing to him to reconsider and run again. However, persons in the Senate who are personal friends of the Virginian said there is no chance of the Virginian reconsidering.**

Six years ago Senator Byrd said he promised his wife, now an invalid, that he would not run again. He and his wife plan to spend the remaining days of their lives at Berryville, their home, where the Senator operates a large apple orchard.

Because of the Senator's influence in the Old Dominion State, where the state government is operated pretty much on a pay-as-you-go basis, his critics describe the state political organization as the "Byrd Machine." Certainly the Byrd lieutenants have long been the dominant political force in Virginia, but the officials who have been elected with their backing have been competent, and for the most part outstanding men like former governors Tuck, Darden and Stanley.

**Although he is a "Democrat," as far as party labels are concerned, he is more conservative than probably 95% of the Republicans on Capitol Hill. When it comes to trying to hold down expenses and keep the big Central government in Washington from getting even bigger, the Virginian has been in the forefront for many years.**

### Probable New Chairman

There is a vital place on Capitol Hill for the role Senator Byrd has been playing. The man who will probably succeed him as Chairman of the Senate Finance, Senator Robert S. Kerr of Oklahoma, will not be the person to assume the mantle of the watch dog of the Senate. The Oklahoman, who made his millions in the oil and natural gas industry, has a political philosophy markedly different from that of his Virginia counterpart. He will become Chairman of the Senate Finance Committee if the Senate remains in control of the Democrats after the November election. It appears from this distance their control is not in any great jeopardy.

"Like all good citizens," said Senator Byrd's retirement announcement, "I will never lose my interest in public affairs. I will do all I can for good government in Virginia and the Nation."

### The Labor Issue

Perhaps few students of government would dispute a contention that labor unions, like business corporations, are here to stay. It is for this reason that there is more and more private talk among members of Congress who feel that labor unions, for the good of the country, should be placed under the antitrust laws like business.

Members of Congress have received a 48-page booklet on "The Economic Analysis of Labor Union Power," which was published and distributed by the American Enterprise Association, Inc., a non-partisan research organization with headquarters in Washington.

The author points out that the position of American labor has changed rapidly the past quarter of a century, so much so that most people do not fully comprehend what has happened. He declares that the "plain facts are that for anyone concerned with the preservation of free institutions the power position of labor has become truly ominous, that it has gone largely unrecognized, and that it cries out for analysis from a truly public, as distinct from a labor point of view."

**"Unions already do many things which directly restrain trade in the product market and which businessmen cannot do, merely because they are unions and exempt from the antitrust laws," said Dr. Chamberlain. "They may be, and have been used in effect as agents of employers to enforce collusive agreements with respect to product prices. And in cases where producers for some reason are unable to form or maintain a monopoly agreement, unions have a special incentive to exercise monopoly power in the product market for their own ends.**

**"Indirectly unions may already have more influence on raising costs and thus prices than do businessmen."**

The booklet by the professor refers to some specific monopoly practices of labor. Among them is the restriction of output for the purpose of controlling market prices, exclusion from the product market, direct participation in price fixing as well as organizational and jurisdictional strikes.

### The Quest for Power

The author points out that a labor union, once formed, naturally seeks to extend its power. This, of course, has been down through the years.

**"What is needed," said the author, "for a clear picture of union power is to disentangle analytically the accretions of power from collective bargaining per se. It may be found that if all the accretions were removed or effectively controlled the residuum derived merely from collective bargaining would be small; but whether removed or not, the first step is to analyze correctly the nature of the powers possessed in order that an intelligent decision may be reached as to how much, and which, of them may properly be sanctioned by society. Certainly such a decision will never be possible as long as all union activities are indiscriminately lumped together under the general and completely misleading rubric of 'collective bargaining'."**

*[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]*

## BUSINESS BUZZ


**"I understand before he became a Securities Salesman he was a hypnotist!"**

## Exchange Firms Govs. Meet in Washington

Governors of the Association of Stock Exchange Firms, the trade organization representing stockbrokers and securities dealers holding membership in the New York Stock Exchange, held their midwinter meeting of the governing board February 16-18th in Washington. Business sessions were held at which partners and officers of more than 30 firms prominent in the securities business discussed important matters of current concern to the investment fraternity.

Robert J. Lewis, Association president and partner in Estabrook & Co., New York, presided at the business sessions and at a formal reception and dinner. G. Keith Funston, president of the New York Stock Exchange, spoke on "The Risk Taker—His Capital Needs a Living Wage."

William C. Coe, partner in the New York Stock Exchange firm of Mackall & Coe and local governor of the Association, headed the committee on arrangements. Other members were: Mark Sullivan, Jr., Auchincloss, Parker & Redpath; Frank Stemple, Bache & Co.; Philip H. Watts, Alex. Brown & Sons; J. C. Herbert Bryant, Bryant & Co.; Ralph S. Riggs, Burton, Dana & Co.; George M. Ferris, Sr., Ferris & Co.; James Parker Nolan, Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.; Edwin F. Bastable, Harris, Upham & Co.; Robert H. Menzel, Hemphill, Noyes & Co.; Harmer Reeside, Hirsch & Co.; Joseph P. Kreeger, Jones, Kreeger & Hewitt; Homer C. Bassford, Laidlaw & Co.; Francis C. Hunter, Merrill Lynch, Pierce, Fenner & Beane; Charles B. Quarles, Orvis Brothers & Co.; Leo Sade, Sade & Co.

Other governors attending the meeting were David Scott Foster, V. P., Pershing & Co., New York; Harry C. Piper, Jr., V. P., Piper, Jaffray & Hopwood, Minneapolis; James A. Hetherington, II, Treas., Goodbody & Co., New York; Charles E. Ames, Kean, Taylor & Co., New York; John D. Baker, Jr., Reynolds & Co., New York; H. Lawrence Bogert, Jr., Eastman Dillon, Union Securities & Co., New York; John D. Burge, Ball, Burge & Kraus, Cleveland; Edw. N. Carpenter, Jesup & Lamont, New York; Henry I. Cobb, Jr., De Coppet & Doremus, New York; Henry M. Cook, Newhard, Cook & Co., St. Louis; Charles P. Cooley, Jr., Cooley & Company, Hartford.

Richard de La Chapelle, Lee Higginson Corporation, New York; Brittin C. Eustis, Spencer Trask & Co., New York; Herbert S. Hall, Morgan Stanley & Co., New York; Henry Hornblower, II, Hornblower & Weeks, Boston; E. Jansen Hunt, White, Weld & Co., New York; Charles McKenna Lynch, Jr., Moore, Leonard & Lynch, Pittsburgh; Joseph A. Martin, Jr., Gaines & Company, New York; Michael W. McCarthy, Merrill Lynch, Pierce, Fenner & Beane, New York; Ludlow F. North, Robert W. Baird & Co., Milwaukee; Blancke Noyes, Hemphill, Noyes & Co., New York; William C. Roney, Wm. C. Roney & Co., Detroit.

Edward Rotan, Rotan, Mosle & Co., Houston; James H. Scott, Scott & Stringfellow, Richmond; Wickliffe Shreve, Hayden, Stone & Co., New York; C. Newbold Taylor, W. H. Newbold's Son & Co., Philadelphia; Edward F. Thompson, Jr., Lamson Bros. & Co., Chicago; J. Emerson Thors, Kuhn, Loeb & Co., New York; James G. Tremaine, Gude, Winmill & Co., New York; Wendell W. Witter, Dean Witter & Co., San Francisco; Lloyd C. Young, Lester, Ryons & Co., Los Angeles.

### Smith, Polian Adds

(Special to The Financial Chronicle)

OMAHA, Neb. — Kenneth A. Nelson has been added to the staff of Smith, Polian & Company, Omaha National Bank Building.

### M. J. Sabbath Opens

WASHINGTON, D. C. — M. J. Sabbath & Co., Inc. has been formed with offices at 1757 K Street, N. W. to engage in a securities business. M. J. Sabbath is President. Mr. Sabbath was formerly head of M. J. Sabbath Co.