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EDITORIAL

As We See It

In the Spring of 1931, Herbert Hoover, then President of the United States, offered the American people these words of counsel:

"The nation is beset with difficulties and confusions. . . . Many have doubt and grave concern for the future. . . . Numerous are the temptations under the distress of the day to turn aside from our true national purposes and from wise national policies and fundamental ideals of the men who built our republic. Never was the lure of the rosy path to very panacea and easy ways to imagined security more tempting.

"For the energies of private initiative, of independence, and a high degree of individual freedom in our American system we are offered alluring substitutes with the specious claim that every body collectively owes each of us individually a living rather than an opportunity to earn a living.

"And the equally specious claim that hired representatives of scores of millions of people can do better than the people themselves, in thinking and planning their daily lives.

* * *

Government Not "Source of All Wisdom"

"We must not be misled by the claim that the source of all wisdom is in the government. Wisdom is born out of experience, and most of all out of precisely such experience as is brought to us by the darkest moments. It is in meeting such moments that there are born new insights, new sympathies, new powers, new skills. Such conflicts as we are in the midst of today can not be won by any single stroke, by any one strategy sprung from the mind of any single genius. Rather must

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Interest Rate Trend And the Bond Market

By NORRIS O. JOHNSON*

Vice-President, First National City Bank of New York

One of New York's prominent bankers prognosticates somewhat higher interest rates at year-end than now, and no real stringency in money and capital markets for the year. Mr. Johnson directs attention to critical area of Federal expenditures and tax policies; believes sometime this summer conditions should be ripening for recovery; and calls for understanding and finesse in urging tax reform, labor restraint, etc. The author ponders the prospective length of present declining interest rate period; explains why long run interest rate trend is upward, though leaving "real" interest rate at zero and diverting savings to equities; and sees lowered bank reserve requirements being helpful to bond market.

Forecasting money rates and the bond market is a hazardous occupation. This has been most particularly so in these last 25 or 30 years, strewn with so many unexpected events and political interventionisms. Nevertheless, there are forecasting systems that work. For example, there is a system for forecasting yields on 91-day Treasury bills which has worked to perfection since World War II. In 1944, you recall, we had bill yields neatly pegged at 3/8%. Since then, each Presidential election year, the bill yields have moved up through the next even number. In 1948 bill yields first moved up beyond 1%; in 1952, 2%; in 1956, 3%. In case you are interested in long-range forecasting, it is not complicated to compute 4% for 1960 and 5% for 1964. If rates try to rise too fast the next even number proves to be a

Norris Oliver Johnson

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*An address by Mr. Johnson before the New York University Graduate School of Business Administration Dean's Day Homecoming, Feb. 15, 1958.

Why the GNP Failed to Warn of 1957 Recession

By LEWIS H. HANEY

Economic Consultant

Professor emeritus Haney blames the surprising suddenness by which the current recession seems to have caught so many to general reliance placed upon, what he terms "misleading," national income and Gross National Product. The record of forecasts made by those who rely on GNP is very poor, the author contends, in pointing out, for example, that the figure rose almost uninterruptedly throughout 1957. Actually, he adds, the statistical component has done great harm by concealing "maladjustments" within the nation's business structure. To substantiate his charge, the economist offers ten "particular weaknesses and errors" found in the national income-GNP approach, and suggests, by way of making his points clear, employing a super FTC to prevent false and misleading use of the term, GNP.

Suddenly, at about the time when big banks got out their November business surveys and just before the New York Reserve Bank cut its rediscount rate (Nov. 15), the country seemed to awaken to the recession of 1957-58. This is important because the recession clearly began in December 1956. Even the Reserve Board's index of industrial production started to decline in January 1957. The strange tardiness in a period of apparently great statistical preparedness, is to be explained on the ground of a diversion of attention to misleading statistics. It was largely the postwar reliance on the "national-income" approach and the "GNP" that enabled the current recession to make such a sneak attack.

Prof. L. H. Haney

The "national - income" approach to economics and business means an attempt to set up an accounting system for the nation as if it were a business unit with four coordinate depart-

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PICTURES IN THIS ISSUE—Candid pictures taken at the 34th Annual Dinner of the Boston Securities Traders Association appear in today's PICTORIAL SECTION.

The Security I Like Best

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

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

This Week's Forum Participants and Their Selections

FNMA Common Stock—Douglas R. Hansel, Partner, Shields & Co., New York City. (Page 2)

Aztec Oil & Gas Co.—Herbert W. Marache, Jr., partner, Granbery, Marache & Co., New York City. (Page 2)

DOUGLAS R. HANSEL
Partner, Shields & Company, New York City
Members N. Y. Stock Exchange and American Stock Exchange

FNMA Common Stock

Due largely to the short period of time it has operated on its present basis, most investors are unfamiliar with the Secondary Market Operations Division of the Federal National Mortgage Association popularly known as "Fannie Mae." They do not know that common stock of this essentially government organization can be purchased in the over-the-counter market, nor do they appreciate the potential appeal of this stock in a well rounded investment program, particularly during the current period of declining interest rates.

Douglas R. Hansel

As chartered by Congress in 1954, FNMA is a government sponsored corporation, of which one division, Secondary Market Operations, is intended eventually to be completely owned by the public. Currently, all of the common stock of this division is held by the public and all of its preferred stock by the U. S. Treasury. The function of this division is to provide a degree of liquidity for mortgage investments, thereby facilitating a better distribution of investment funds for mortgages guaranteed by the Veterans Administration or insured by the Federal Housing Administration. It buys VA and FHA mortgages in the secondary market at prevailing prices, both to hold for interest income and to sell eventually as favorable opportunities are presented.

Earnings per share were $6.29 for the year ending Dec. 31, 1957 based on an average of the number of shares outstanding at the end of each quarter as compared to $8.95 for the year ending Dec. 31, 1956. The primary factor causing the decline was the rapid advance of interest rates during the first three quarters of 1957 which resulted in a higher interest cost incurred on indebtedness relative to interest earned on mortgages purchased. Another important factor was the increased emphasis by FNMA on the public market as a source of funds in 1957, whereas in 1956 the United States Treasury was a primary source.

The greater part of Fannie Mae's income is derived from investments in mortgages while in second place are purchasing and marketing fees charged to sellers of mortgages.

An important source of potential income lies in Unrealized Purchase Discount since Fannie Mae buys its mortgages at a discount from face amount. Under FNMA's conservative accounting policies, discount is not reflected in the income statement until the mortgage is finally paid off, or sold. The easing of interest rates in the mortgage market makes it more probable that mortgages purchased by FNMA at a discount will soon be saleable at a profit. In the first three weeks of February 1958, FNMA sold $21,000,000 of mortgages from its portfolio which is three times the amount previously sold since FNMA's inception. We estimate that, as of Dec. 31, 1957, the Unrealized Purchase Discount amounted to about $28.00 per share on FNMA stock after deducting Federal Income Taxes ($58.00 per share before Federal Income Taxes). The amount and time of realization of this discount will depend upon the Association's policy with respect to the sale of mortgages.

Of $1,415,000,000 indebtedness held by the public, $1,115,000,000 is due in less than one year. Earnings should benefit from the current conditions in the money market since Fannie Mae should be able to refund its outstanding short term debentures at substantially lower rates than it currently pays.

FNMA common stock has a book value of $105 per share and has been paying dividends since January 1956 at the monthly rate of $0.17 per share, or $2.04 per annum. The common stock represents a highly leveraged situation, since the corporation is legally authorized to borrow up to ten times the amount of its preferred and common stocks.

Depending upon the extent of the current decline in interest rates, a substantial increase in earnings is probable. The probable increase in earnings, the high book value of the stock, together with its high leverage and substantial Unrealized Purchase Discount would seem to warrant the attention of the investor who wishes a deflation hedge.

As of Dec. 31, 1957 there were 330,000 shares of common stock outstanding. FNMA stock is traded in the Over-the-Counter market.

HERBERT W. MARACHE, JR.
Partner, Granbery, Marache & Co., New York City
Members New York Stock Exchange and American Stock Exchange

Aztec Oil & Gas Company

Aztec, selling around 12¼, affords a long-term investor an unusual opportunity to participate in an oil and gas development company with only moderate risk. In 1956, reserves alone adequately covered the market price of the stock—figures have not been published for the past year but I anticipate the company will show a healthy net addition to reserves. On Dec. 31, 1956 proven reserves were reported at 14,600,000 barrels of oil and 546,000,000 MCF of gas. This is quite a contrast to 1954 when oil reserves totaled 1,780,000 barrels and gas 363,000,000 MCF. At $1.00 per barrel and 4 cents per MCF respectively, the reserves have a valuation of $36,400,000—the company is selling in the open market for $27,930,000. In other words, the estimated value, (disregarding the net quick assets and funded debt, because the latter is more than offset by undeveloped properties) approximates $16.00 per share.

Herbert Marache, Jr.

The past year has been a prosperous period for Aztec, based not only on discoveries and developments but also because of improved earnings. We anticipate these earnings should continue growing as shown by our 1958 forecast in a succeeding paragraph. The management, which has shrewdly acquired the company's properties and brought Aztec this far along, remains intact. Their policy of farmouts, where possible, to the major oil companies who drill at their own expense, particularly in the Four Corners area, has been, in the writer's opinion, an economic success. An investor, however, should not anticipate dividends for years. Any other policy, that is, to declare dividends while borrowing from the banks to finance expansion, would seem not to be in the best interest of the company. Aztec is a young company, with a definite future. The earnings retained now are undoubtedly much more advantageous to the stockholders than they would be if distributed to them.

Aztec was formed in 1950 to acquire certain oil and gas properties in New Mexico from Southern Union Gas Company and was distributed to the latter's stockholders in 1954. In 1951, the company reported gross revenues of $894,824 and net income of $483,174. Originally, management's prime concern was to rapidly build up reserves through the acquisition and development of promising leases, at a minimum cost to the company. Earnings were secondary, since income would develop as reserves were exploited. Management has successfully engineered operations as borne out by the translation of oil and gas into dollars. In 1953 through 1956, revenues were $1,056,304; $1,476,738; $2,000,740 and $2,273,151, respectively. Similarly, net income for this period was $480,776, $563,231, $528,563 and $626,082. For 1957, estimated revenues should approximate $2,785,000 and net income $1,010,000 or about 44 cents per share. As intangible costs for tax purposes have been charged against income, no Federal Income Taxes have been paid. General and administrative expenses, when compared with other similar companies, are low—being only about 10% of gross. The cash flow for 1957 might total around $1,930,000 or 84 cents per share. I believe that the current year's gross, net and cash flow should show a 55%, 65% and 60% increase, respectively, over the corresponding previous period.

Estimate of 1958 earnings follows:

	1958
Gross Revenues	$4,325,000
Net Income	1,070,500
Earnings per Share	73c
Cash Flow per Share	$1.31

At the end of 1956, Aztec held oil and gas leases of 174,098 acres which was broken down as follows: Permian Basin 34,315 acres, San Juan Basin 90,336 acres, Paradox Basin 48,759 acres and Allen Parish, La., 688 acres. While all these localities are well-known, the Paradox Basin probably has been getting the most publicity recently.

There are several interesting sources of stimuli for Aztec this year. The method of prorating gas through pipelines in the San Juan Basin is being changed and will increase the take of gas from Aztec. This spring two crude oil pipelines should be completed in the Paradox Basin. One with the capacity of 70,000 barrels per day, will take crude from the Four Corners area into California and will be tied in with El Paso's gathering system making a connection with the Verde Gallup

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The Treasury's View Of the Economy

By HON. ROBERT B. ANDERSON*
Treasurer of the United States

Mr. Anderson states Treasury's assumptions underlying its revenue estimates are: (1) recession will not continue for a protracted period and that growth would resume during 1958 and continue on to 1959; (2) income tax and personal income level for calendar year 1958 will be below the rate of increase of two preceding years; and (3) corporate profits in 1958 will be same as $42 billion estimated for 1957. The Treasurer finds present conditions do not warrant tax cuts to stimulate the economy but that tax general or structural revisions are in order as are tax policies to stimulate capital and consumer demand.

Perhaps the one characteristic of our American economy which has persisted since the beginning of our history has been growth by means of constant change. Fluctuations and dislocations are typical of a dynamic, competitive system in which the energies of free individuals have full scope. We must expect that the momentum of our economy will not be the same in all sectors of activity at the same time. Throughout our economic history there has been constant evaluation of both our needs and wants and our means of satisfying them. We have firm grounds for our belief that our Nation possesses the basic ingredients of an economic system which will insure a sound maintainable rate of economic growth.

Robert B. Anderson

At present we are passing through a period which is presenting certain difficulties and problems. This requires our continued and careful evaluation. But we must recognize that the need for appraisal — for considered judgment and action—is one of the responsibilities of membership in a free society. One of our great strengths is the dedication of our government and our people to the task of maintaining the basic health of our economy. Neither inflation nor deflation will be allowed to run a ruinous course.

Our judgments last December in arriving at our estimated budgetary receipts for the period 18 months in advance were admittedly difficult. They took into consideration both the current problems of our economy and a confidence in the strength of the underlying forces of our system contributing to growth. A further consideration was the fact that each of our governmental departments and our monetary agencies would continue to conduct their operations so as to contribute renewed vitality to our economy.

Some of the specific factors contributing to our judgments will be discussed later on.

We have not endeavored to judge the movements of our economic system with exact nicety nor to estimate shifts in the economy at precise moments. Rather, our judgments are predicated upon the belief that the restrictive phases of economic fluctuations would not continue for a protracted period.

It seems most important to us that our economic outlook in terms of future growth should be evaluated from the standpoint of long range factors as well as those of a shorter term.

Sees Long-Term Progress

Let us first review some of the forces underlying our belief in long-term progress.

We have a growing, vigorous population. We have a highly competitive, productive economy. Rapid technological advances have created new products and processes. Long range and careful planning is becoming more predominant. All of these forces are generating new demands and new needs. In order to satisfy these and like requirements, we must look to our natural resources, our expanded industrial capacity, our growing skills, our managerial capacity, and other like contributors to our productive machinery.

When we view our long-term situation in perspective, therefore, it is clear that we have on the one side the expanding needs and wants of our growing population and on the other side the capacity and skill for meeting these wants and needs with an expanding volume of output.

Moreover, we have the two further essentials of continued high level activity in a free enterprise economy—a relatively stable currency and an efficient financial system.

Our financial system is demonstrating an ability to provide short-term and long-term financing necessary for increasing activity and growth. We must continue to exert every effort to achieve stability in the purchasing power of our dollar.

Elements of Current Strength

In order to see just where we stand, it is worthwhile examining the elements of our current strength a little more closely.

First of all, what are the ex-

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*A statement by Mr. Anderson before Congressional Joint Economic Committee, Washington, D. C., Feb. 7, 1958.

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Observations . . .

By A. WILFRED MAY

CORPORATE REFORM ON-THE-HOUSE

At this annual meeting season we realize how companies over the years have been going all out to build up stockholder good will. These manifestations now run the gamut from gifts of the enterprise's products ranging from food delicacies to plastic squeeze bottles; to transportation to and from "location"; to edibles and refreshments of various kinds. The area of company manners has been concentrated on over the long years of his crusading by Lewis D. Gilbert, "America's Militant Stockholder No. 1," "The Stockholders' Stockholder." This is now again being manifested in the newly issued 18th Annual Report of *"Stockholder Activities at Corporate Meetings"* published in collaboration with his brother John—such "stockholder" activities referring almost entirely (in 277 pages with an appendix of photographs) to those personally participated in by the energetic and voluble authors at the 138 meetings attended. ("Today at an annual meeting Lewis Gilbert is the icing on the cake, the champagne at the coming-out party, the *eclat*. If he is not there it is like a show that missed Broadway.")

A. Wilfred May

Important Agenda Item

Devoting a full section to the subject of "Luncheon," the volume argues the importance of including a midday repast or other collation on the agenda. Reporting on the 1957 American Motors meeting, "the right of the partners [i.e., stockholders, also referred to as the owners] to have a snack at the Annual Meeting" is cited as one of the two major points raised during the proceedings.

The affairs of the American Telephone Company are discussed in similar vein. The Gilberts recall that a few years ago the management "hesitated" to serve refreshments after the meeting. This horrendous situation was remedied by valiant efforts of Wilma Soss and the Federation of Women Shareholders. After their ultimatum to the management to the effect that "they intended to feed the owners if the Company did not, owners now get something to eat after the oratory of the day is over."

Management modernization is also gratefully reported at Pan American World Airways, where the officials used to be adamant on limiting the owners to soft drinks. "We thought this absurd," say the Brothers, disclosing this brilliant coup in company bargaining: "As owners of National Biscuit, we were glad to buy some Nabisco products and were prepared to see that those at the meeting [Pan American's] were served at our expense. Faced with this situation, the management capitulated and sandwiches have become routine at Pan American for years."

Statesmanship Re Free-Loading

We must be quick to add mention of the objectivity, if not actual statesmanship, shown by the Gilbert's in also pleading *against* "free-loading" proclivities. They discovered that at the National Dairy luncheon a number of "the guests" actually were not stockholders and "were only interested in the lunch and (believe it or not) in stowing away left-over food. One can easily imagine what this kind of thing could lead to — meetings jammed with people who did not care and would simply be on the side of management who gave the best lunch." The Dairy management has promised our Stockholder Champions to correct this abusive situation this year.

The following additional anti-gouging measures are then suggested: (1) A card of admission, checked carefully at the door. (2) In order to discourage the practice of people coming for lunch alone, luncheon should be reserved for those who attend the meeting. (3) And then, to discourage people from leaving the meeting too early, or from hurrying the business so they can eat, an announcement should be made that come Hell-or-high-water, luncheon will not be served before a specified hour.

Souvenir-pilfering they dispose of as follows: "While souvenirs are very worthwhile, and in the interest of the corporation, the policy adopted by Vanadium should be followed by others. Those who desire the souvenir should be required to leave their names and addresses with the ushers. The souvenir is then mailed in due course of time."

Perhaps it is significant that a chapter on Gilbert in a forthcoming book *(The American Stockholder* by J. A Livingston) carries the heading, "The Care and *Feeding* of Stockholders" (italics ours).

* * *

Do such activities actually make any constructive contribution to the interest of "the owners"—large and small?

Spoon-Feeding Strategy

Of course, good amenities in conducting meetings do not of themselves increase earnings or dividend distributions (*"Dividends and Democracy"* was Gilbert's best-seller of last year). Dwelling on management salaries as well as the sandwich question constitute superficiality with diversion from really important corporate issues. But the agitation regarding civilities in a company's publicized gatherings may serve as a useful device to awaken the independent stockholder from his chronic lethargy. In fact, Gilbert definitely justifies his digressions and even antics as the best serious strategic way to incite the interest of the indifferent shareholder community, who are far busier with their own careers than with the affairs of corporations in which they have investments. Wilma Soss' once celebrated arrival at a United States Steel Company meeting in a bathing costume of the "Gay Nineties" was thus motivated.

Gilbert will tell you that the wisdom of his fan-faring is bearing fruit in various serious aspects of corporate progress, as spelled out in his current Report. These include the exclusion of non-recurring earnings from incentive compensation plans; broadened cumulative voting; pension ceilings; bonus limitations; and certain auditing changes. Thus both corporate reform and stockholder stimulation are being slipped into that lunch box!

"P. S."—Mr. Gilbert concedes no lack of moral justification for the demand for small-shareholder bounties. He insists they are the rightful due of the "Partners" as an offset to luxuries in the way of pent-house apartments and other expense account tid-bits allegedly conferred on the management echelon the year-round.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

STOCKTON, Calif. — Dwayne McClendon has become connected with Walston & Co., 137 East Weber Avenue. He was previously with Dean Witter & Co.

With Cruttenden Podesta

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Joseph E. Harlan is now with Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges.

The State of Trade and Industry

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

Rigorous weather the past week accompanied by heavy snows and sub-zero temperatures in many parts of the country severely curtailed production and trade. With the closing on Saturday last, of many retail shops and department stores, on the occasion of the Washington's Birthday holiday, retail sales volume too, suffered further contraction. In the auto industry, production cutbacks caused output to dip, abetted by severe snow storms and below zero temperatures in the East and Midwest which stepped up the rate of absenteeism and further curtailed output.

Reviewing the state of the construction industry, Walter J. Campbell, editor of "Steel" magazine told a gathering of Ohio Steel Fabricators Association members, at the Cleveland Athletic Club last week, that construction is bucking the general business recession and will establish a new dollar record this year. He further stated that increases in residential building and larger expenditures for public works, particularly highways and schools, are offsetting declines in industrial and commercial construction.

"Total new construction should be 3 to 4% ahead of 1957 and set a new record at $49,000,000,000," Mr. Campbell noted.

While total construction expenditures are increasing, the editor said, the steel fabricators' share will not increase proportionately. The steel fabricators produce the heavy structural beams that go into large industrial buildings, utilities and highway bridges and trestles. Structural steel requirements for residential and light buildings are relatively small.

While highway requirements are mounting, the rate of increase is less than scheduled and for the structural fabricators will not offset the losses in heavy industrial construction. The Federal interstate highway program, originally scheduled to be completed in 13 years, is lagging and may take 20 to 30 years to complete. The stretchout in the Federal highway program will reduce the structural requirements for bridges included in the program.

For the next decade, the outlook for building is excellent, Mr. Campbell continued. He predicted that total construction expenditures over the next 10 years will total $600,000,000,000 compared with slightly more than $400,000,000,000 in the boom construction period just ended.

"A new industrial building boom will start in the early 1960's and will raise requirements for structural steel at least 50% over present demand. The highway program will continue to expand and many local road and bridge projects will supplement the Federal program. As the new highway system develops, it will bring new commercial and industrial developments that will require heavy tonnages of structural steel."

The steel producing industry, although now operating at little better than 50% of capacity, will have to build new plants to supply the expanded demand we will face in the 1960's, "Steel's" editor assured the fabricators.

The nation's Gross National Product totaled a record $434,400,000,000 in 1957, but showed a drop of $7,400,000,000 for the final quarter of the year as business turned downward.

The United States Department of Commerce noted that the 1957 total of the value of all goods and services produced showed a dollar rise of about 5% above the 1956 level, but added that some 4% of this was accounted for by higher prices. The 1956 total was $414,700,000,000.

While the agency observed that the fourth quarter in 1957 national product at an annual rate of $432,600,000,000 was some $10,000,000,000 above the like quarter of 1956, the figures showed a drop of $7,400,000,000 in annual rate from the 1957 third quarter. In 1956, the national product rose $7,300,000,000 at an annual rate from the third to fourth quarter.

Some Government experts have predicted a first quarter 1958 Gross National Product at about $420,000,000,000 annual rate.

The total value of January building permits exceeded that of both the previous month and January 1957. For the 217 cities (including New York) reporting to Dun & Bradstreet, Inc., January building plans were valued at $438,331,568. This was 11.8% higher than the $391,981,064 of December and compared with $417,388,126 in January, 1957, for a gain of 5.0%.

New York City building plans filed during January were at the highest level since last August. They amounted to $67,583,851 compared with $47,061,897 in December, for an increase of 43.8% The level was 33.1% above the $50,783,539 of January 1957.

In the steel industry, order volume has picked up slightly within the last several weeks. It is nothing to get too excited about, but steel men are hopeful that the downtrend may have reversed itself, "The Iron Age," national metalworking weekly, disclosed on Wednesday of this week.

It added, the pickup in orders probably will not be reflected in a higher steel operating rate for some weeks. Even at present low production levels, the industry is turning out more steel than the improved volume of incoming business.

Continuing, it noted that another bright spot in the picture is an improvement in warehouse orders in the midwest. Some of this warehouse business is labeled "rush rush," another indication that user inventories are at a low ebb.

Steel men are taking a more realistic attitude toward the business picture, not looking at each new order as a sign of better things to come. The recent slight optimism over incoming tonnages could indicate a genuine feeling that the tide has turned, it declared.

Many steel users are missing the boat because of last-minute attempts to get steel, since they do not get it on time, they turn to another steel company. This shopping around at the last

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An Executive Looks at the Courts

By DAVID SARNOFF*
Chairman of the Board, Radio Corporation of America

Brig. Gen. Sarnoff addresses himself to the problem of successful, pioneering business firms facing growing legal uncertainties, resulting from antitrust practice of treating what is legitimate today illegitimate tomorrow, and harmful consequence this is said to have for industry, public, and the courts. RCA Chairman suggests such reforms as: (1) a larger degree of clarity on the legal rules of the game and a Federal agency to give advice and opinion before a firm embarks on a course of conduct; (2) reasonable controls and limitations on "discovery" procedures; and (3) firmer guarantees of adequate review of major decisions by administrative agencies. Gen. Sarnoff also explains what layman can do to improve the administration of justice.

Perhaps I should confess at the outset that in my youth I had a strong desire to become a lawyer. The Fates decided otherwise. They turned me first into a wireless telegraph operator and later into a business executive which inevitably resulted in my becoming a client. Over nearly half a century, I have, in that capacity, received a fairly extensive and certainly expensive legal education. Whatever faults there may be in its detail, the law is a magnificent edifice in the aggregate. The ideals embodied in law as administered by our courts constitute the framework of our whole civilization. Today, that civilization faces the mortal challenge of a powerful and dynamic ideology contemptuous of law and justice. Understanding and defense of our courts have, therefore, become the obligation not alone of those professionally concerned with them but of every layman as well.

David Sarnoff

Communism—A Moral Challenge

The overriding reality of the present period is the struggle between democratic freedom and totalitarian despotism. Outwardly the contest is between two opposed economic and political systems, but at its core it is a conflict between two irreconcilable moral systems.

You and I learned the Golden Rule at our mothers' knees. Today the Golden Rule must contend with the Iron Rule of the superstate. In a sinister directive laid down to his disciples, Lenin said: "It is necessary to use every ruse, cunning, unlawful method, evasion, concealment of the truth." This is the code of the criminal underworld. Already it has been imposed on a third of the human race and now it seeks to engulf the rest of mankind.

Law Is Above Government

In our judicial philosophy, rooted in Roman Law and English Common Law, drawing its living sap from Judeo-Christian ethics, the law is superior to the government; the courts are designed to protect the rights and property of the individual against the power of the State.

But under the totalitarian concept, whether Fascist or Communist, the state stands above the law. What they call law amounts to merely a codification of the imperious will of the dictators. Their courts are no more than tools for crushing the rights of the individual and exalting the power of the State.

Contrast this with the statement of Chief Justice Earl Warren who touched the heart of the matter when he wrote that "our legal system is woven around the freedom and the dignity of the individual."

The immense distance between the two sets of moral and legal concepts is also a measure of our responsibility in meeting their challenge. The values embraced by our laws and shielded by our courts are at once symbol and substance of our ethical heritage. Never before has it been so openly menaced. Never before, therefore, has it had so great and urgent a claim on our loyalty.

This, however, does not imply blind acceptance of our own judicial structure and procedures. On the contrary, it calls for open-minded dedication to continuous improvement. It is a sign not of weakness but of strength that we can acknowledge shortcomings and direct ourselves to their elimination.

The Legal Rules of the Game

Our law is the result of organic growth through centuries, and that has meant a constant adjustment to changing environment. But the moral principles on which our system of justice is based are eternal. No man-made moon or death-dealing missile can affect the validity of the Ten Commandments, the Magna Charta, the Bill of Rights and other repositories of the ethical wisdom constituting our heritage as free men.

It is all to the good that our courts resist the fashions and passions of the hour. The hallmarks of law under freedom are its stability and dependability. These enable the honest citizen to perform his part in organized society, to plan ahead in his private and economic life, with the necessary confidence that the rules of the game will not be arbitrarily changed in mid-play.

The rapid march of science and technology, during the last 50 years, however, brought an enormous increase in the complexity and scale of our economic structure. In business, this has resulted in a managerial revolution to secure more factual information on which to base its decisions, higher efficiency and swifter action. The impact of these developments and the tempo of our times have, in turn, placed new and heavy burdens upon the courts.

It is not in a critical spirit, therefore, that I take the liberty of touching on aspects of the administration of justice which are of particular importance to the business community. I feel sure that you will not discount it as special pleading, since I know well that justice is indivisible.

You are all familiar with the classic remark attributed to Solon, the ancient law-giver. Asked how justice could be made secure in Athens, he replied: "If those who are not injured feel as indignant as those who are." In our highly interdependent American society, hardships and inequities visited upon anyone must in the long run hurt everyone.

Antitrust Laws and Business

We all agree, I am sure, that the law, in relation to our free economy, is designed to protect the freedom of all people to create, to achieve, to compete. I believe that on the whole it does so. Yet it has seemed to me and to many other business executives that at times this protection leads to quite contrary results.

I have in mind, for example, trends in the antitrust field, where conspicuous achievement in the competitive economy too often becomes suspect. Court decisions have on occasion resulted in giving a substantial part of the harvest reaped to those who have evaded the labors and hazards of sowing.

The growing uncertainties as to the legal position of a sucessful company, especially if it pioneered new products, new services and even new industries, naturally has disturbed many business executives. In all humility I venture to suggest that it is also a matter of concern to the country at large.

It is still exceedingly difficult to know what rules of the game a court may apply *a few years later* to the game being played *now*. I feel there is pressing need for the clarification of laws relating to the conduct of business. The responsible executive ought at least to know that what is legitimate enterprise today will not be adjudged illegal tomorrow.

Only a resurgence of the rule of reason can arrest the growing confusion. In most of the other areas of human conduct, people can ascertain with assurance whether something they propose to do is within the bounds of legality. Why not in the antitrust area? Is not business entitled to be protected by the same rationale which protects the public from *ex post facto* laws?

From my vantage point as a layman, I respectfully submit that there is need for analysis, thorough and critical, of the effects of business practices which may be challenged retroactively on one or another theoretical basis. But nowhere in government, so far as I know, is there an agency, independent of the enforcement agencies, equipped and empowered to furnish such an impartial judgment *before* issues are unloaded on the overburdened courts.

Such an analysis, it seems to me, should be a prerequisite to the commencement of antitrust proceedings attacking business practices whether intiated by the Federal Trade Commission, the Department of Justice, or any other agency of government.

In the absence of some more effective proposal, I would recommend the creation of an official Bureau of Economic Intelligence, possessing adequate powers, personnel and facilities to supply expert and impartial analyses of business practices and their economic effects upon industry and the public. Both the courts and the companies would be greatly benefited if arbitrary conjecture were thus displaced by authoritative opinion.

Moreover, an immense amount of effort, money and time could be saved for all concerned if it were possible for executives to obtain definitive and enduring legal advisory opinions from an appropriate government agency before they embark on some course of conduct. Only in that way could they be reasonably protected against the demoralizing fear that the rules will be switched years later by some official taking a contrary view of the law.

One of the most common causes of calendar congestion in our Federal courts is the large antitrust litigation which ties up a judge in an overworked and undermanned court for months and sometimes for years. A good deal of this, it seems to me, could be avoided by the creation of the Bureau I have suggested; for the practices later complained of could be avoided in the first instance.

Further, I believe that the burden of government litigation could be substantially reduced in any event, if the existing agencies charged with antitrust enforcement consulted with business in advance of commencing litigation and indicated the specific practices to which they object. This would provide a method of obtaining compliance with the law by means of agreement to correct offending practices before any complaint is filed. In some cases litigation might thus be completely avoided. Where the government deemed filing of a complaint necessary, it could be accompanied by simultaneous entry of a consent decree. In either event the result would be to lessen the load on the courts. I am informed that the Government already has taken some steps along these lines but in my opinion it should go further in exploring this field.

What Price "Discovery"?

A related type of so-called "big case" which weighs heavily on the business community and the courts alike is private litigation in the antitrust field. Here, too, administrative reforms and controls seem desirable.

I understand that, in general, there is no restraint on anyone who chooses to commence a private antitrust action, regardless of its merits. The plaintiff need not possess any substantial factual evidence. He can go fishing for it at the defendants' expense and time. Under the present system he files a complaint, then invokes the almost boundless "discovery" techniques.

In an address before the Wyoming State Bar last August, a distinguished Federal Judge of the Southern District of New York, Irving R. Kaufman, spoke of "a few attorneys who, unfortunately, insist on interpreting freedom from picayune restriction as license for harassment." And their preferred field of operations, he said, is that of "discovery" proceedings.

In referring to the enormous costs of discovery proceedings in the antitrust field Judge Kaufman said:

"What makes these astronomical expenses even more appalling is the fact that in so many of these cases the percentage of useful information uncovered is so minute. The best estimates are that less than 10% of all the material contained in these voluminous depositions is useful at the trial."

Business executives recognize that private antitrust actions are an inevitable consequence of the antitrust laws. Many have found, however, that present procedures put a staggering and unwarranted burden on the companies and the courts involved. They contend that unlimited discovery is a bonanza for nuisance artists. They point out that companies are often forced to choose between principled defense of their position and expedient time and money-saving settlements.

Most judges and lawyers, I am told, favor one method for curbing abuses of discovery. It is the assignment of a "big case," such as an antitrust action, to one judge early in the proceedings; that one judge would thereafter supervise the limitation of the issues in the case and control the scope of discovery proceedings. Unfortunately this is not always practicable in districts, such as my own home district, where the dockets are heavily loaded down with "big cases" and many thousands of smaller cases. There is the ever present risk that the smaller cases will be blocked from trial by any preferential handling of the "big cases."

A more drastic remedy has also been suggested. I must confess that it makes a strong practical appeal to the mind of a businessman. Why not borrow the practice, which I understand the British follow, of requiring an unsuccessful litigant to pay the court costs and counsel fees incurred by his successful adversary? Besides acting as a deterrent to unwarranted suits, it would encourage more frequent and more effective defense in such cases and thus cut the ground from under the nuisance artists.

The Courts and Administrative Agencies

I come now to another thorny problem: court reviews of administrative decisions. More and more

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*An address by Gen. Sarnoff before the Section of Judicial Administration, American Bar Association, Atlanta, Ga., Feb. 20, 1958.

Parke, Davis & Company— Elite Ethical Drug Enterprise

By DR. IRA U. COBLEIGH
Enterprise Economist

Some favorable comment about a major company, recording a quite remarkable advance in net earnings for 1957.

Not all is gloom. Avon Products (a cosmetic company) carried its sales for 1957 past the $100 million mark, and its net to a new all-time high. General Electric moved forward into greater profitability; food and tobaccos, especially Lorillard, did very well in 1957; electric utilities gained new altitudes of profits and investor acceptance; and some of the pharmaceuticals never looked so good — in particular, Parke, Davis, our topic for today.

Ira U. Cobleigh

Much stress is now placed in all industries, on the importance of research. On that point, Parke, Davis is an authentic pioneer since its original laboratory was the first in America built by any commercial organization solely for research. Through the years this dedication to research has paid off handsomely; so much so that more than half of current sales volume (now running above $150 million annually) is derived from products developed within the past ten years. Over 600 different items are now marketed around the world by Parke, Davis under its own label. Of total sales, 65% are in general pharmaceuticals, 30% in Chloromycetin, a patented broad spectrum antibiotic, and 5% in other biotics and in surgical dressings.

A special comment should be made about this Chloromycetin, originally introduced in 1949. This "wonder drug" is now accepted as the recognized drug for treatment of typhoid, and the outstanding preference for treatment of typhus. But three years after its introduction, a nasty (and entirely unfounded) rumor was spread about Chloromycetin, that it caused certain blood disorders. These slanders were completely disproved and, after a heavy sales dip (from $52 million in 1951 to less than half that in 1953), the demand for this item resurged so that today U. S. sales volume has been substantially restored, and foreign sales have soared to a new peak.

Other recent Parke, Davis ethical products include APC vaccine (licensed in 1956) to prevent virus infections of eye, nose and throat. Tests, involving more than 5,000 patients, tended to establish the efficacy of this vaccine, and indicated the possibility of broad expansion of future sales. Celatin is a new drug for treating epilepsy; Azaserine, a tumor inhibiting antibiotic; Don, has controlled tumors in rats, and may prove helpful in the control of cancer. Eldec Kapsules, a combination of vitamins, minerals and hormones, have been developed for the "over 40" age group. Parke, Davis is estimated to have sold $14 million in Salk vaccines in 1957, and something less than $1 million in Asiatic "flu" vaccines. The point to note is that Parke, Davis research laboratories have had a quite consistent record in the successful development of new remedies, with broad vistas of rising and highly profitable sales. (Net earnings in relation to sales were 13.16% in 1956 against 11.63% in 1955.)

The trend of sales has had a pleasing upslant from $110 million in 1954, $123.1 million in 1955, to $134.1 million in 1956 and above $150 million for 1957. In particular, the rise in net for 1957 was quite remarkable. Fourth quarter 1957 results equalled $2.17 a share against $1.10 for the same period in 1956; and for the full year per share net reached $5.67 against $3.59 for 1956. Here was one instance where even the most optimistic had quite underestimated the earning power of a dynamic enterprise.

The plants of Parke, Davis are both efficient and extensive. There are manufactories at Detroit, Holland and Rochester, Mich.; and at Bridgeport and Versailles, Conn., together with warehouses and offices in 23 other cities in the United States. Foreign operations, which develop 30% in total sales, are serviced by manufacturing facilities in Canada, Cuba, Argentina, Brazil, Chile, Venezuela, South Africa, Australia, India, the Philippines, England, Italy, Belgium, Mexico and Pakistan.

Capital expenditures are being made at the rate of about $5 million a year. $25 million was spent from 1951-55 and another $25 million will have been spent on plant improvement and expansion by 1960, all out of retained earnings and the depreciation account. Of these improvements, perhaps the most significant is the new $10 million Medical Research Center at Ann Arbor, Mich., which more than doubles the company's research facilities.

However impressive the current operating results at Parke, Davis may be, the long corporate history of this enterprise is even more remarkable. It has earned a profit in every year since it began business and boasts an unbroken record of continuous dividend payments going back to 1878—eighty years. People considering Parke, Davis for current investment should note the policy of the company to pay out cash dividends averaging 57% of net for the past ten years. Since earnings have been rising, dividends have thus followed suit, moving from $1.40 a year in 1954 and 1955 to $1.70 for 1956, $2.15 for 1957 and an indicated $3 basis for 1958.

Capitalization couldn't be simpler, consisting solely of 4,914,987 common shares—no preferred, no bonds or debentures, and small likelihood of there being any such issued in the foreseeable future. This company has not only been able to pay good dividends and finance all plant additions out of earnings, but it has maintained, for years, a magnificent balance sheet. At the 1956 year end, current assets stood at $99 million against only $36.4 million in current liabilities.

It is quite common to find pharmaceutical shares selling at a high price/earnings ratio. For instance, Parke, Davis has, within the past five years, sold at 18½ times earnings. With stock now selling at 65, or at only 11½ times earnings, it would appear to be cheap on an historical basis, and unusually attractive by virtue of its current indicated yield of 4.6%. Whereas there may be some who may regard the present quote of 65 as pretty high against a price of 52 only last June, such judgment ignores the rapid advance in earning power in the intervening months. Parke, Davis is one stock which has been going blithely on its way quite without regard to the ups and downs of the D-J industrial average. So, whereas there might be some reason to defer decision to buy, say, a steel stock, until the earnings trend in the industry is more clarified, there doesn't seem to be much uncertainty about the direction of Parke, Davis earnings.

To the large group of investors today who seek defensive stocks, and those appearing to offer some stability in market value, Parke, Davis would seem to make a logical appeal. The industry, itself, is not likely to flag, since people, even in straitened circumstances, usually find the money needed for prescriptions to restore or retain good health. The broad diversity of existing Parke, Davis products, and the constant flow of its newly researched ethical drugs onto the market, afford considerable assurance of sustained sales and profitability in the future. And there is always, in the background, the possibility that another major wonder drug, such as Chloromycetin, may be brought forth, which could project the earning power of Parke, Davis & Co. into a new order of magnitude.

Parke, Davis sales have doubled in the last decade. Since 1950 the common stock has ranged in price between 30½ and 68½. Whether or not 65 is an attractive purchase price is open to debate; but this is not the sort of stock that suggests itself as a short sale.

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The Security I Like Best

Pool — the latter line having a 10,000 barrel daily capacity. The other pipeline with initial daily capacity of 60,000 barrels will carry crude to southeast New Mexico. Aztec expects to deliver a total of about 2,000 to 3,000 barrels of oil per day. Also in the Paradox, El Paso has recently signed up the gas producers in the Aneth Field — the contracts being 20 cents per MCF for the first five years with escalator clauses. The Texas Company has probably now completed a new natural gas refinery close to Aztec's properties at Desert Creek which will tap Aztec's production in the Paradox. This is an important potential source of income as the company hopes to sell enough gas to take care of its entire development program in the area.

Recently, some investment doubt has arisen regarding the gas producing companies. This may be partly attributed to the controversial natural gas bill which has yet to face Congressional action. In my opinion, the passage or lack of passage of such a bill will probably have little affect on the long-term future of Aztec. I believe the price of natural gas will increase regardless of whether the Federal Power Commission has the power to grant rate increases or whether such a rise may come from the scarcity value of natural gas. Actually, the majority of Aztec's natural gas sales are currently intrastate, consequently, they are not presently subject to FPC control.

The writer has indicated a value of $16 per share, based on the Dec. 31, 1956 report. If we did not play down superlatives we might venture an opinion that Aztec's 1957 development program was spectacularly successful, as indicated. We think the estimated 1958 earnings, and our own private forecast of 1959 earnings not given, could justify the expression. In any event, the outlook, in my opinion, is most encouraging. Some of the important areas in which the company operates, such as the Paradox and San Juan Basins, may rate among the best fields in the country in future years. I do not believe that the present price of the stock reflects either the current status or, by any means, the potential.

The World "Dollar Gap" —Its Credit Implications

By GEORGE S. MOORE*
Executive Vice-President
The First National City Bank of New York, New York City

The unlikelihood for foreign pace of excessively high demand for U. S. dollars to continue and our self-interest in the dollar problem are two principal topics discussed by Mr. Moore in his analysis of the forthcoming "dollar gap" and credit implications for private and public lending sources. Sees resumption of recent unprecedented growth and prosperity taking place after present readjustment is completed. The Banker recommends we continue effective economic aid; adopt a realistic trade policy; encourage investments abroad and modify our taxes on foreign profits; and adopt sound domestic fiscal policies.

Any change in our foreign economic and tariff policies and our foreign aid programs can magnify the effect of current economic developments in the rest of world. With so many conflicting statements by legislator and other leaders on these subjects, it is no wonder that our foreign friends are apprehensive as to whether the American public really understands the world's problems.

George S. Moore

The term "dollar gap" or "dollar shortage" appeared first immediately after the war. The destruction had reduced the dollar earning power of many countries, especially in Western Europe, and the United States was the only major country with a surplus of food, industrial raw materials, and equipment. Gold and dollar reserves were inadequate and were nearly exhausted by 1948. The Marshall Plan met this problem by supplying food and raw materials in needed quantities and provided the base for Europe's rapid recovery. Subsequently the Korean War increased the dollar outflow for defense purposes. Beginning in 1954, U. S. corporations began to increase their dollar investments abroad.

This flow of dollars resulted in the build-up of foreign gold and dollar reserves from some $15 billion in 1948 to about $28 billion in 1956. In the year 1954 we provided foreign countries with about $20 billion. By the spring of 1957 this had increased to around $29 billion on an annual basis, in addition to which the International Monetary Fund loaned about $1 billion net in 1957.

In view of this record-breaking supply of dollars, the term "dollar gap" or "dollar shortage" seems a misnomer. What really happened is this. The world boom, especially in Canada, Japan, and the countries of Western Europe, had reached such proportions that many had to turn to the United States for coal, steel, and other basic materials and in other cases, for capital goods, finished goods, and consumer durables which their own expanding economies could not meet. The inability of some countries to cope with inflationary pressures and the decline in the purchasing power of many local currencies resulted in overimporting and heavy dollar spending in many areas. Special factors such as the Suez crisis contributed to this demand for our goods and hence for dollars. Suez caused an increase in purchases here of petroleum, coal, and steel mill products. Our farm surplus disposal program, in conjunction with poor crops in Mexico, South Asia, and a number of European countries, resulted in an extraordinary outflow of U. S. farm products.

All of this explains the great upsurge in our exports to levels far beyond any one's expectations. By the spring of 1957, these reached an annual rate of over $20 billion compared with less than $13 billion in 1954. Exports of industrial equipment and metal products alone were at an annual rate of about $9 billion as compared with $5 billion in 1954.

Foreign countries also had increased dollar outlays in other directions. Their annual bill for transportation, U. S. insurance premiums, motion picture rentals, and royalties is now running into several billion dollars. Our direct investments abroad, which now amount to about $25 billion, are requiring an annual transfer to us of about $2.5 billion in dividends and interest. Furthermore, Western Europeans and Canadians have been using dollars to acquire long term assets in this country, partly for diversification, as a hedge against inflation and currency devaluations, and because of general insecurity in many parts of the world. During the first half of 1957, these investments here approached an annual rate of about $600 million although they were lower in the last half of the year. This "flight to the dollar" was particularly heavy following the Suez crisis and again last fall when inflationary pressures abroad cast doubt on the stability of some major currencies. From our balance of payment figures we know that there are many transactions that have never been reported. The so-called "errors and omissions" item, which covers these unidentified capital movements has exceeded $1 billion since the outbreak of the Suez crisis.

The sum of the foregoing dollar requirements of the world in 1957 add up to about $1 billion more than we provided. In essence, this billion dollars was supplied by the International Monetary Fund's credits to various central banks which enabled them to maintain their gold and dollar balances. Actually, these increased somewhat because of the added inflow of newly mined gold, including Russian gold.

In addition, the unreported dollar assets of foreigners here are unquestionably larger than ever before. Some of these funds may stay here permanently—others will return home when confidence in individual foreign currencies is restored. However, the advances from the International Monetary Fund, which now amounts to about $1.5 billion in total, will have to be repaid on a short term basis, unless renewed. This will impose restraints on the dollar spending of the countries involved.

One problem is that the distribution of gold and dollar reserves leaves much to be desired. This has become even more unbalanced in the past year through the decline of the French and Japanese

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*An address by Mr. Moore before the Credit Policy Commission of the American Bankers Association, Chicago, Ill.

Dealer-Broker Investment Recommendations & Literature

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

Atomic Energy—Review—Harris, Upham & Co., 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.

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

Copper Outlook—Analysis—Auchincloss, Parker & Redpath, 52 Wall Street, New York 5, N. Y.

Fire Casualty Insurance Industry—Preliminary 1957 operating results for twenty companies—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y. Also available are memoranda on **Kentucky Utilities Co.** and **Eli Lilly & Co.**

Future Growth of Natural Gas Industry — Booklet — Chase Manhattan Bank, 18 Pine Street, New York 15, N. Y.

Growth Stocks—Factors in selection—Drexel & Co., 30 Wall Street, New York 5, 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—Financial statistics of the Commonwealth, including State, Counties, Cities, Towns and Districts—Tyler & Company, Incorporated, 11 High Street, Boston 10, Mass.

Natural Gas Producers—Bulletin—Purcell & Co., 50 Broadway, New York 4, 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.**

Public Utility Stocks Yielding 5% or better—List of Ten issues—Thomson & McKinnon, 11 Wall Street, New York 5, N. Y.

Railroad Income Bonds—Comparison — Vilas & Hickey, 26 Broadway, New York 4, N. Y.

Tobacco Stocks—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass.

U. S. Economic Outlook for 1958—Analysis—Henry Montor Associates, Inc., 40 Exchange Place, New York 5, N. Y.

* * *

Abitibi Power & Paper Co., Ltd.—Data in "Monthly Bulletin"—Ross, Knowles & Co., Ltd., 25 Adelaide Street, West, Toronto, Ont., Canada.

American-Marietta Company — Annual Report — American-Marietta Company, Department 5, 101 East Ontario Street, Chicago 11, Ill.

Borax (Holdings) Ltd.—Memorandum—Model, Roland & Stone, 120 Broadway, New York 5, N. Y.

C. I. T. Financial Corporation—Analysis—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available is an analysis of **Otis Elevator Co.**

California Interstate Telephone Company—Analysis—Diran, Norman and Company, Inc., 80 Wall Street, New York 5, N. Y.

Columbia Gas System—Annual Report — The Columbia Gas System, 120 East 41st Street, New York 17, N. Y.

Columbia Gas System, Inc.—Memorandum—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also available are memoranda on **Socony Mobil Oil** and **Union Electric Co.**

Combustion Engineering, Inc.—Circular—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

Consolidated Electronics Industries—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available are bulletins on **Singer Manufacturing, Chance Vought,** and **Quaker Oats.**

Continental Aviation and Engineering Corporation—Bulletin—De Witt Conklin Organization, 120 Broadway, New York 5, N. Y.

Continental Illinois National Bank & Trust Company of Chicago—Analysis—Bacon, Whipple & Co., 135 South La Salle Street, Chicago 3, Ill.

Cook Electric Co.—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y. Also available is a memorandum on **Washington Steel Corp.**

Corn Products Refining Co.—Memorandum — Auchincloss, Parker & Redpath, 729 Fifteenth Street, N. W., Washington 5, D. C. Also available is a memorandum on **Parke, Davis & Company.**

El Paso Electric Co.—Memorandum—Doyle, O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Fluor Corporation—1957 Annual Report—The Fluor Corporation, Ltd., Dept. B, 2500 South Atlantic Boulevard, Los Angeles 22, Calif.

General Time Corporation—Analysis—A. C. Allyn & Co., 44 Wall Street, New York 5, N. Y.

Household Finance Corporation—Annual Report—Household Finance Corporation, Room 3200 Prudential Plaza, Chicago 1, Ill.

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

Kaiser Aluminum & Chemical—Report—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Kansas City Power & Light Co.—Memorandum—First Boston Corporation, 15 Broad Street, New York 5, N. Y.

Ketchum & Co.—Memorandum—Hemphill, Noyes & Co., 15 Broad Street, New York 5, N. Y. (In the Chronicle of Feb. 20 it was incorrectly reported that this memorandum was available through Dean Witter & Co.)

Los Angeles Metropolitan Transit Authority Bonds—Bulletin—Park, Ryan, Inc., 70 Pine Street, New York 5, N. Y.

Marquardt Aircraft Co.—Analysis—Hunter Securities Corporation, 52 Broadway, New York 4, N. Y.

National Gypsum Co.—Memorandum—Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

Norris Thermador Corporation—Analysis—William R. Staats & Co., 640 South Spring Street, Los Angeles 14, Calif.

Pepsi Cola Company—Analysis—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Philip Morris Inc.—Memorandum—Walston & Co., 120 Broadway, New York 5, N. Y.

Purex Corp.—Memorandum—Sutro & Co., Van Nuys Building, Los Angeles 14, Calif.

Raymond Concrete Pile Company—Analysis—Glore, Forgan & Co., 40 Wall Street, New York 5, N. Y.

A. V. Roe Canada Limited — Analysis—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Canada and Royal Bank Building, Toronto, Canada.

South Shore Oil & Development Co.—Memorandum—Howard, Weil, Labouisse, Friedrichs & Co., 222 Carondelet Street, New Orleans 12, La.

Standard Brands, Inc.—Memorandum—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Tilmore Corporation — Analysis — Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

Union Carbide Corporation—1957 Annual Report—Secretary, Union Carbide Corporation, 30 East 42nd Street, New York 17, N. Y. Also available is a booklet on products and processes of Union Carbide.

NSTA Notes

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

The Investment Traders Association of Philadelphia is holding its 34th annual Midwinter Dinner at the Bellevue-Stratford Hotel on Feb. 28. Luncheon for out of town guests will be given in the Clover Room at 12 noon. The dinner will be held at 7:30 p.m. Guest tickets $16.

Tickets may be obtained through Harry Green, Merrill Lynch, Pierce, Fenner & Beane; hotel reservations are in charge of Norman T. Wilde, Jr., Janney, Dulles & Battles, Inc.

COMING EVENTS

In Investment Field

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.

March 19, 1958 (St. Paul, Minn.)
Twin City Investment Women's Club meeting at Town & Country Club.

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.

June 19, 1958 (Minneapolis-St. Paul)
Twin City Bond Club annual picnic and outing at the White Bear Yacht Club, White Bear Lake, Minn.

June 27, 1958 (New York City)
Investment Association of New York outing at Sleepy Hollow Country Club, Scarborough on the Hudson, Scarborough, N. Y.

Sept. 18-19, 1958 (Cincinnati, Ohio)
Municipal Bond Dealers Group annual outing — cocktail and dinner party Thursday at Queen City Club; field day Friday at Maketewah Country Club.

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

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

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

Wakefield, Carder Opens

TULSA, Okla. — Wakefield, Carder & Holt, Inc., has been formed with offices at 320 South Cincinnati to engage in a securities business.

Ralph Winthrop Opens

Ralph Winthrop is conducting a securities business from offices at 666 Fifth Avenue, New York City.

1958: A Year of Decision in Atomic Power World Leadership

By ELMER L. LINDSETH*
President, Cleveland Electric Illuminating Company
Chairman, Edison Electric Institute's Committee on Atomic Power

Cleveland utility head answers critics of America's nuclear power program and technological standing by pointing out we have undisputable leadership and substantial edge over other nations in developing useful power from the atom, and that we unquestionably possess world leadership in overall technological achievement — despite temporary outstripping in satellites and missiles. Mr. Lindseth points out we have, at end of 1957: (1) 237 reactors for all purposes completed, under construction or in planning stage; (2) 88 power reactors alone—to generate electricity or propulsion—under construction or planned; and (3) 100 companies participating in one or more of 23 different projects concerned with research, development, planning or construction of nuclear plants. Names 15 atomic power plant projects scheduled for this country as evidence of construction progress.

Just four months ago today—on October 4, 1957—the Russians put Sputnik into orbit around the earth. That was certainly big news. To a lot of people it was not only big news, but alarming news. In this single event, they saw proof positive that the Russians had licked us hands down at our own game—technology.

Elmer Lindseth

Amid the confusion, some calmer voices were heard pointing out that one round doesn't make a prizefight. Then, on Feb. 1—less than four months after the launching of Sputnik I—the United States put into orbit 1958 Alpha, otherwise known as Explorer. We may now hope that this has reassured to some degree a number of the pessimists who were so busy predicting America's eclipse as a world power.

Nevertheless, there are still a lot of skeptics who belittle America's standing in the worldwide technological race for survival.

The simple fact is, however, that although we may at one time or another seem to be temporarily outstripped in some fields, such as satellites—and possibly missiles—we are definitely in the lead in a great many others. On balance, we have an unquestionable overall lead.

One area in which we hold a substantial advantage is the important one of nuclear power.

Since its very inception, America's nuclear power program has had its critics. Even in the pre-sputnik era, some called our atomic power program inadequate. And the Russian satellite launchings gave them further ammunition. Along the way, these critics gained the support of a number of people of good intentions, but without full acquaintance with the facts.

The facts about our atomic power program are not widely understood. Because of this, people don't appreciate where the United States stands today, and what the outlook is for the future. Yet it is very important that they should know the facts.

Operation of a Reactor

As a preliminary, let us review briefly what atomic, or nuclear, power is. What is the nature of a so-called reactor? How does one operate? In what respects is atomic power different from ordinary power?

Many people are surprised to learn that a nuclear power plant is practically identical in principle with a conventional steam power plant. The same kind of steam drives the same kind of generators to produce exactly the same kind of electricity. The only thing that is basically different is the fuel—that is, the source of the heat that evaporates water into steam.

In a conventional plant, the heat is produced by burning a fossil fuel, usually coal, oil, or gas, in a furnace or boiler. In a nuclear plant, the heat is produced by burning nuclear fuel in a reactor. From there on, the heat makes steam, the energy in the steam is converted into mechanical energy, the mechanical energy into electrical energy, the electrical energy into better living.

The nuclear plants operating or under construction today all use as fuel one of the isotopes of uranium, uranium 235, which occurs in nature. However, two other possible fuels are known, both man-made — uranium 233 and plutonium 239. These materials are termed fissionable because, under the right conditions and control, the nuclei of their atoms may be caused to split or fission in a controlled chain reaction. This is what takes place in a nuclear reactor, and the result is the release of a large amount of usable heat.

Parenthetically, the most abundant form of uranium occurring in nature, the isotope U-238, is itself not fissionable. It may, however, be readily converted—transmuted — into the man-made element plutonium 239, which is fissionable and which is our basic weapons material.

The question is sometimes asked: but what if this controlled reaction gets out of control? Will the reactor explode like a bomb?

The answer is definitely no. Creating an atomic bomb isn't that simple. A bomb requires a number of precisely-regulated components and conditions which are just not present in a nuclear reactor. Any talk about the explosive danger of nuclear power plants can be traced to an instinctive association of words and ideas. Reactor design principles give any such talk no basis in fact.

The only potential public hazard—and it is extremely remote—is associated with the release of radioactive fission products. These must be properly contained. And you may be very sure that no atomic plant is ever licensed to operate by the Atomic Energy Commission until they are convinced that this problem has been satisfactorily solved.

Every atomic power plant must get two licenses from the AEC; one to authorize its construction, and a second one, after construction is complete, to permit it to begin operating. This second license is granted only after the plant is certified as presenting no hazard to the public.

So much then for our description of a nuclear reactor. Briefly, it is a complex apparatus in which the heat-producing chain reaction takes place under constant control. The amount of heat given off can be increased or decreased at will, and in some cases is even self regulating. The heat turns water into steam in another apparatus; and from there on, the operation of the generating plant is exactly the same as that of a coal-burning plant, with all of its elaborate and complex components.

"Free" Power a Myth

We have only to appreciate the nature of atomic power as I have described it to see why it will never be as "free as the air" or "too cheap to meter," despite the claims of some optimists. The only expense eliminated by the atomic reactor is the cost of the conventional fuel — usually coal. And although, believe me, I am by no means indifferent to the cost of coal, it is still only a fraction of the total cost of supplying power. To make matters worse, the atomic fuel substituted for coal today is vastly more expensive than coal. And the same is true of the caiptal cost of the apparatus to utilize that atomic fuel.

So as of today, and in the near-term future, when a nuclear reactor is used in place of a coal-burning furnace in any power plant anywhere in the world — and I emphasize **anywhere** in the world—the cost of operation is increased instead of decreased. And in most cases the increase is a big one. For example, the cost of producing a kilowatthour of electricity at the atomic plant in Shippingport, Pa., which went into operation recently, is 10 or more times as great as the cost of producing the same kilowatthour in a coal-burning plant in that area. Ten times!

The cost of atomic power will, of course, be progressively reduced during the years ahead. That is the prime purpose of our present atomic power program in this country: to make atomic power competitive, dollar for dollar, with conventional power. It will be some years—probably at least 10 — before this aim is achieved, because coal is cheaper and more abundant in the U. S. than in any other industrialized country in the world. Also, we keep constantly learning how to improve the economy of our coal-burning plants. But eventually, through research, development, and experiment, we'll bring nuclear power down to the same cost level as conventional power.

All of this has a definite bearing on our competitive position in what has turned out to be an imaginary global atomic power race. Our objective has been different from the objectives of other nations, where fuel reserves are virtually exhausted. Because this has not been widely understood, the feeling has grown that our achievements have been inferior to the achievements of other nations. This is simply not true.

U. S. Holds World Lead

The United States today holds what Dr. Willard F. Libby, scientific member of the U. S. Atomic Energy Commission, has termed "an absolutely commanding position" in nuclear power on the world stage. And under our present program we will maintain that position.

That statement may sound dogmatic, but a simple examination of the evidence justifies it completely. Let's look at what this country has accomplished in the past few years in the nuclear field.

As of the end of 1957, the total number of American reactors for all purposes—electric power, propulsions, testing, research, production and training—either completed, under construction, or in the planning stage, was 237. There is also a type of modification of a reactor known as a critical assembly, using an external neutron source. If the number of these is included, the total figure goes up to 305.

The number of power reactors —that is, reactors for generating electricity or for the propulsion of vessels such as submarines or other naval craft—either built, under construction, or in the planning stages, is 88. In commenting on this figure Admiral Lewis L. Strauss, Chairman of the U. S. Atomic Energy Commission, said last month, "This total of 88 power reactors represents a program which, to our knowledge, is not approached by any other country, either in performance or planning."

Some of those 88 reactors have already chalked up an impressive record of performance in service. The atomic power plant of the submarine NAUTILUS has propelled the ship over 100,000 miles and is still going strong. The land-based prototype of the NAUTILUS power plant, in Idaho, has turned out an amount of power equivalent to over 50 million kilowatthours of electricity.

Since the NAUTILUS was launched it has been followed by two more atomic submarines, the SEAWOLF and the SKATE, and several others are under construction. The keel has been laid for an atomic powered guided missile cruiser, the LONG BEACH. And in fact the Navy has announced its intention of employing atomic power in all combat ships. This country undoubtedly leads the world in the development of a nuclear navy, and we intend to hold that lead.

Now, let's look at what has been accomplished with the other type of power reactor, the type designed to produce electric power in a land-based generating plant. Here, of course, we touch on the interest and responsibility of the electric utility industry. You are entitled to ask what we as an industry have contributed to America's atomic power program, and what we intend to contribute.

Contribution of Independent Utilities

The participation of America's independent utility companies in atomic power progress began even before passage of the Atomic Energy Act of 1954; notwithstanding that until the Act was passed, the government had prohibited the ownership of fissionable material or reactors by industry and so there was little an independent utility could do about construct-

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*An address by Mr. Lindseth before Cleveland Chamber of Commerce and Electric League of Cleveland, Feb. 4, 1958.

The Current Business Outlook And the State of Stock Prices

By THURSTON P. BLODGETT*
Vice-President, Tri-Continental Corp., New York City

Based on a study of the stock market and business, Mr. Blodgett concludes we are undergoing a readjustment recession more severe and prolonged than 1953-54 rather than a cyclical decline of 1937 or 1929. The Tri-Continental executive foresees the lower level of predicted business extending into 1959, and notes that stock prices are higher in relation to earnings, book value and a lower yield in relation to bond prices than they were in 1953-54 low.

Today the main consideration in investments is to decide whether the current decline in business will be so deep and protracted that it can properly be termed a depression, or whether the decline will be confined to a recession similar to the 1953-54 period. If a depression is on the way, the answer to the equity investment problem is simple, reduce common stock holdings even at this level to the smallest practical amount, holding even then only the most depression-resistant issues. On the other hand, if we are to experience a recession, even though it proves more severe than the last one in 1953-54, there already has been sufficient decline in the market—particularly in cyclical issues — to have discounted most of the readjustment. On this assumption, there would be ample opportunities in selected individual issues and groups which should perform well and thus justify substantial holdings of equities in order to gain in the coming recovery and to protect against the longer-term inflation possibilities.


Thurston P. Blodgett

No doubt most of you say, "Why bother to conjure with the word *depression* because one is so unlikely that even the possibility is academic?" It is a sobering thought, however, that in the early phases of previous depressions, contemporary opinion has always been that business was sound and recovery just around the corner. For example, the forecast at the end of November 1929 by a highly respected group of leading economists in their publication stated "a severe depression like that of 1920-21 is outside the realm of possibility; the conditions from which depressions have originated in the past are not now present." It was only a year or so later that I had to jump into the gutter to avoid a banker taking the outside route from the 21st floor of 31 Nassau Street. It behooves us, therefore, to be open-minded and to examine realistically this basic question regarding whether we are embarked on a recession or a depression.

Optimistic and Dismal Schools Of Thought

Those expecting a depression are usually of what can be termed the "business cycle" school. This school believes that after a long period of expansion accompanied by debt creation and inflation and prosperity, the boom finally gives way to a downward movement. Then the dynamics of the cycle cause a continued decline until the very severity of the decline and the subsequent trough create conditions leading to recovery. While this school has not been conspicuous in public print, possibly because of the unpopularity of being a Cassandra, it is nevertheless convinced that the earmarks of a cyclical decline in business are now present. The adherents cite the usual signs — great expansion of productive facilities threatening over-production, heavy borrowing culminating in tight money, narrowing of profitability of business, weakness in raw material prices, consumer resistance to higher prices and over-optimistic psychology. Early in 1957 this boom psychology gave way to caution as reflected later by the sharp break in the stock market. In addition, members of the "business cycle" school see indications of trouble abroad which may react on foreign trade and investments and induce a world-wide depression.

This type of reasoning can be questioned on the grounds that the cyclical declines of the past were under essentially unregulated or *laissez-faire* conditions. Certainly, it is true that the Government with its huge and relatively stable expenditures—particularly during the cold war — is a much larger factor than ever before in the general economy. Then too labor unions are in a much stronger position in their ability to maintain and increase wage rates. There are also the well-known "stabilizers" of social legislation and price supports designed to again maintain purchasing power. Business planning is on a more formal, thought-out basis which looks beyond the immediate future. Business enterprises have been consolidated and integrated, reducing the number of smaller fringe price-cutters. Government supplies a wealth of statistical information to business so that it can base its decisions on facts rather than on fears and inferences. And finally, the Federal Government is itself more actively concerned with the health of the economy as a factor in national defense and as a concern under the Employment Act of 1946 which assigns to the Government the responsibility of marshalling its forces to combat any spiral of deflation. Hence, it must be concluded that the dynamics of the business cycle have at least been moderated; some observers even go so far as to believe that the business cycle has been eliminated.

Is There Rolling Adjustment?

A second school of thought comprises those who look for guidance in the analysis of the Gross National Product, or the national income statement; they generally arrive at the view that there will be compensating movements within the components which will add up to relatively small changes in the total. For example, they believe that the expected decline in expenditures for plant and equipment will be balanced by increased government, state and municipal expenditures. It is difficult in such an analysis to weigh the interaction of different segments, that is, the spiraling in stopping or ameliorating dangers of any decline. Thus an increase in unemployment may create loss of confidence which can react unfavorably on the willingness of the public to buy automobiles, even though this public is in a good financial position to do so.

A condition where all the major groups expand sharply to a peak and then decline coincidentally and rapidly is apparently more likely to bring fear and spiraling than a broad top with many internal readjustments and a slow decline.

Until recently, business in the aggregate had been comparatively level for about two years. This level period obscured the fact that many substantial readjustments in individual lines of activity such as the drop in automobile production from a 7.9 million rate to 6 million, the deflation in the non-ferrous metals, the textile recession, and the weakness in consumer durable lines have already taken place.

A Recession Rather Than Depression

Both inductive reasoning and a study of the characteristic actions of business and the stock market point to the conclusion that we are facing a readjustment period more of the nature of the 1953-54 recession than a cyclical decline. However, the cyclical influences cannot be entirely disregarded, but they may work themselves out by delaying the recovery instead of forcing business activity to extremely low levels. It is worthwhile to seek clues in respect to the probable severity and, more particularly, to the duration of the current readjustment by comparing the present decline with that of 1953-54.

The Duration and Depth of the Recession

A study of the economic forecasts indicates that those who expect a short recession ending as early as March, or more generally June, are depending heavily on the expectation of increased consumer purchases. It is of interest, therefore, to examine the factors which may be expected to have a bearing on consumer psychology and to review the course of retail sales, consumer instalment debt, employment and savings during the 1953-54 period.

Examination of the 1953-54 record suggests the following comments:

(1) Retail sales held up well during the 1953 recession, as they are now doing, but they did not spurt until after the upturn in business late in 1954.

(2) In 1953, build-up in consumer instalment credit dropped sharply as business declined and showed no brisk pickup until after the turn in business. For the last four months in the current period, the increase in instalment credit again had slowed up.

(3) Savings, on the other hand, increased during the active phase of the decline, but when production stabilized at a lower level, were drawn upon and declined further as output inproved. Savings for the current period have remained relatively stable.

(4) The unemployment rate (percent of the civilian labor force), seasonally adjusted, which was very low in August, 1953 (2.1%) increased to 5.0% in February, 1954 and did not drop below 4% until June, 1955. This time unemployment was higher at the start and rose rapidly to 5.2% of labor force in December.

(5) No historical evidence that consumers will be the active force bringing recession to an early end.

As to a more general comparison, the following points may be made:

(1) Many of the deferred demands for goods existent in 1953 have been well satisfied. For

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*An address by Mr. Blodgett before the New York University Graduate School of Business Administration Dean's Day Homecoming, New York City, Feb. 15, 1958.

"We Shall Stand Together"

By BENJAMIN F. FAIRLESS*
President, American Iron and Steel Institute

A vehement denial that significant wage increases can come out of profits is made by Mr. Fairless on the occasion of receiving the nation's Business Press 1957 Silver Quill Award presented to him by Vice-President Nixon. In assaying the real sources of our economic strength, the steel leader states: (1) wages must bear fair relationship to advances in productivity, but this has not been the case in past decade; (2) denies lack of purchasing power causes below capacity production, or that increasing wages is the remedy for any downturn; and (3) asserts profits is the "real key to more productive power and thus earning power and thus progress."

In recent months we have been split and confused over the temporary — and I emphasize temporary—dip in our rate of progress.


Benjamin F. Fairless

We hear again of a cure for it that, strangely, sounds exactly like the treatment prescribed for a boom. It involves one of the discredited and bewhiskered economic arguments of Lord Keynes. And, it seems to me, that it is based on a serious lack of understanding of our system and the sound way true progress has been and can be achieved. The debate is now at that dangerous stage in which more heat than light is shed.

A Perfect Remedy if True

Certain labor leaders declare that the reason key industries are now operating below capacity is because of a lack of consumer purchasing power. This reason sounds so simple and the cure, bigger and bigger wage increases, so appealing that I suspect many persons want it to be true. But neither the simple sound nor the natural wish for "more" make it a valid reason.

If it were true, of course, then we would have a dandy remedy for any temporary downturn and a pat formula for all future progress. All we would have to do would be to double everyone's wages and then, under this concept, we would all be twice as well off. But, unfortunately, even in theory it doesn't work out that way.

I suppose that this isn't precisely the way an economist would look at it, but I think of our national wealth as being stored in a gigantic warehouse. Packed inside are all the goods, services, foods and fiber we produce. The money we use is merely a receipt for what we produce and bring to this national warehouse.

At the other end—the shipping side—we bring our receipts, or money to exchange for other things we require. Now, if we double the amount of receipts and do nothing about the amount of goods, we have not added one bit to our national wealth. All that happens is that now we have twice as much money to buy the same amount of things. And, of course, in short order we pay twice as much as before.

Many Americans recognize and have experienced the truth of this very simple illustration. In labor's camp there are wise leaders today who understand perfectly that we cannot take out of our national warehouse more than we put in. They know, too, that it is what we can actually buy with our pay rather than the number of dollars we get that really counts.

Still, the consumer purchasing power theme is played, again and again, very cleverly and apparently very carefully timed in relation to forthcoming bargaining sessions. It is a beguiling as well as confusing melody and, I suppose, on the rank and file of labor it has the same lulling effect that the songs of sirens have on sailors. The results are the same, too.

Now, the minute anyone says something like this he is immediately accused of being against wage increases and the labor unions. I wish to make it very clear that I am not opposed to either. In fact, I am emphatically for both. As to unionism, I could hardly feel otherwise. My father held a union card; my brother held one, also. I signed the first Corporation-wide contract in the steel industry with the United Steelworkers of America. The late Phil Murray and I shook hands on it.

I do not now, nor have I ever been against wage gains. And when I say wage gains I mean ones that will buy more. I think everybody should get "more" as it becomes possible to create more. But increases in general wage rate levels to make real dollars and sense (spelled S-E-N-S-E) must bear a fair relationship to advances in national productivity. And, in the last 10 years they haven't! A 26% gain in industrial productivity has been more than absorbed by a 61% rise in wage rates.

Consumer purchasing power, reflecting the real income and the confidence of spenders, is one of the vital parts of a prosperous America. But it is a power that has to be earned to be effective. It cannot be assumed by attempting to take a share at the expense of somebody else. The difference between the 26% gain in output and the 61% in wages is illusion. It is a phoney as far as increasing consumer purchasing power because, of course, it represents inflation.

While it sounds perfectly delightful to stuff more money into pay envelopes, it must be understood that if new wealth or efficiency is not created, that money must come out of someone else's pocket, who is also a consumer. Total purchasing power in the market place is not raised by as much as a fraction in this way.

What any man earns in our system stems from the value of what he produces; and, therefore, a real increase in his earning power comes about as he increases his productive power. So the really puzzling question is how can a man become more productive?

Now, a human being is truly a marvel and at the same time something of a mess. He has the mind of a giant but the muscles of a pygmy. With his mind, his imagination and wondrous creative powers, he can write a book, paint a picture or sculpt a statue. He may search and find in science the secrets of the universe. But when he had to depend solely on his muscles for his basic needs

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*From an address by Mr. Fairless upon accepting the National Business Publications' 1957 Silver Quill Award from Vice-President Nixon, Washington, D. C.

Original or Replacement Charge for Depreciation

By VIRGIL S. TILLY
Managing Partner, W. O. Ligon & Company, Tulsa, Okla.

Oklahoma C. P. A. discusses problem of accounting for plants and other business property that represent capital expenditures which he finds will be accentuated by technological competition with Russia, and growing dynamic competitive forces. Mr. Tilly states accounting reports should be based solely on actual assets used and consumed in operations; accounting principles should not be confused with devices to secure increased utility rates or to obtain income tax deductions; and historical cost of assets is not fetish as some assert since it is basis for managerial planning and operation.

I
Background

The American economy has reached heights of productivity unsurpassed anywhere in any age primarily because of two things—freedom of enterprise and competition. For the most part, a person is free to start up in business most anywhere in the United States, and when he does, he knows that he will be competing with others, not only with others in a similar business, but in competition with all other businesses and services. Ours is a risk economy and because of competition and freedom of enterprise, rate of productivity has been steadily increasing. Research and technological advancement have been stimulated and accelerated with the result that the man in business is faced with the compulsion to find or develop a better product or a more effective way to do things.


Virgil S. Tilly

Even though research and technological advancement have moved head with great advances during the past 20 years, it is believed that technological competition with Russia will now further accelerate the growth of research. This means even larger investment opportunities over the next decade, a faster growth of productivity, a higher rate of obsolescence, and stronger sellers' markets. Dr. Sumner Slichter, Lamont University Professor at Harvard, recently gave his view of the long-range future, as follows:

"The long-range outlook for the economy is good, mainly because the economy in the last several decades has greatly increased its capacity both to raise the demand for goods and to raise the productivity of labor and capital. The basis for these is the rapidly growing new Industry of Discovery. . . . The enormous capacity that industry is gaining to develop new products and to make old products obsolete is a new phenomenon in economic history. Its consequences are far-reaching and not fully understood. It does mean, however, that the economy has far greater capacity to develop investment opportunities than it has ever possessed before."

In consequence, old plants and old machines become obsolete because they cannot compete on equal terms with the new. Furthermore, the new will be a much improved version of the old. It may or may not cost more than the old. In fact the new may likely be an entirely new facility or process unknown before them.

Also because of these developments, the businessman is careful to study many factors before he builds a new plant or buys new machines or starts an entirely new business. He knows there is no guarantee that will save him from losses or failure.

If he buys a comparatively short-lived asset, his risks are likely to be less than if his purchase is of a long-term asset that may require 20 to 50 years of profitable use in order to justify the investment. I repeat, he is in fact competing with everyone and everything. This situation applies without restriction to the major portion of our economy. It is only with respect to high-cost establishments such as steel, rails, and motors, or to monopolies such as utilities, where the full effect of the forces of freedom of enterprise and competition do not apply. However, these are not entirely free from the effects of these dynamic forces, because they too are subject to strenuous competition from businesses other than those similar to their own.

For one reason or another, many undertakings fail, many others get along in an average way, and a relatively few prosper. That is the background that we should keep in mind when we discuss the problem of accounting for plants and other business property that represent capital expenditures.

II
Discussion

First, we should define the nature of the expenditure.

For this discussion, we can classify all expenditures as either current because they are consumed within the year or deferred because none or only a portion is consumed in current operations and the balance will presumably be consumed over a period of years.

Then, we need to determine whether the amortization of the deferred or capital expenditure is to be related to the actual cost of the expenditure at the time it is acquired and placed in use or is to be based on its cost of replacement at the time that the property has been fully consumed.

In other words, is depreciation an expense that represents the amortization of the original cost of a capital asset?

Or

Is depreciation an expense that represents in the aggregate a sum sufficient to replace a capital asset after its extinguishment?

It is not likely that anyone could maintain for the second premise stated above, if it weren't for a desire to use a higher charge for rate making purposes or as an income tax deduction during a period of rising prices. In other words, except for rate making purposes or for income taxes, the net result would be the same to the business enterprise regardless of whether depreciation is recorded as a charge based on actual cost of the property or based on an estimate of the amount that will be required to replace the same property at the end of its useful life. That is for the reason that, except for monopolies, prices that business receives for its products and services are established, not by a depreciation policy, but by a combination of the effects of the workings of the forces of freedom of enterprise, and unrestricted competition and the concomitant increasing rate of productivity, research, technological advancements, and the law of supply and demand.

Yes, we should keep before us the nature of business enterprise and the risks inherent therein. Business in our market place economy is never static. Neither do all businesses prosper together when times are good generally nor do all businesses necessarily suffer together in bad times. Neither does any one business go on bigger and better in a straight line upward, but normally each business enterprise has its own peaks and valleys, its own ups and downs, separate and distinct from the experience of other businesses.

In consequence, when we depart from original cost of an asset in order to determine the current charge for depreciation, we would be confronted with so much distortion that income statements would be of little use except to reflect income and expenses other than depreciation. In one year, the steel business may be especially prosperous; but the textile and other industries may be in a depression and in another year, the level of prosperity can be just the reverse for these industries. Furthermore, deterioration of location or change in utility of a plant or piece of machinery may dictate that there will be no replacement of the facilities and the application of a price level factor in that kind of situation would admittedly be impractical.

Let us ask ourselves then, how can a price level factor be a fair and dependable base for the determination of depreciation? In answering this question we must assume that a "price level" factor is to be used whether it exceeds or is less than actual cost or whether for a particular business, it is in a period of rising prices or failing prices. We should remember too, that there are many other types of investors in our society, such as bondholders, landowners, etc. Should their investments also be upgraded by a price level factor in order to determine the allowance for cost for the computation of taxable profit in case of sale and would they be satisfied and happy with a principle that requires them to write down as well as to write up for the determination of their tax base?

Yes, we take our risks in this changing, dynamic economy of ours. That means we are obliged to be constantly alert for changes that may occur. Even so, some of our purchases turn out to be windfalls and many become white elephants. Mostly, however, the plant and machinery of today will be outmoded sooner than we may think. They will not be the same plants and machinery that we will be using tomorrow—in fact many plants and much machinery in use now will be abandoned before exhaustion from wear and tear, for obsolescence will send them to the junk pile. Many others will operate only as marginal properties, depending on the degree of frustration of competition and imbalance of supply and demand that may be occasioned by war, governmental restriction or other abnormalities.

III
Summary Statement

As accountants, our responsibility is to report on the trusteeship of management. Management in turn should not be charged with accountability for assets and liabilities or for the determination of income on a basis other than the basis of the actual assets that were placed in use and consumed in operations.

Furthermore, as accountants we should firmly resist efforts to confuse accounting principles with devices to secure increased rates for a utility or to obtain income tax deductions. An accounting principle is supposed to apply with equal fairness and reasonableness in all situations where applicable, whereas a device is simply an expediency for a special situation. Historical cost of assets is not a fetish as some assert, but it is the actual basis on which management does its planning and operates the enterprise.

Is not depreciation then the amortization of a capital expenditure that represents a charge to income of the actual cost of the expenditure over the useful life of the asset represented thereby? How can depreciation with fairness and reasonableness be anything else than that?

Dealer Relations Mgr. For Kidder, Peabody

Kidder, Peabody & Co., 17 Wall Street, New York City, members of the New York and American Stock Exchanges, has announced the appointment of David D. Lynch as manager of the dealer relations department. Mr. Lynch had been senior drug and chemical stocks analyst. Before joining Kidder, Peabody in 1951, he was associated with the Guaranty Trust Company.


David D. Lynch

Merrill Lynch Firm to Admit Three Partners

On March 1 Ned B. Ball, Edward N. McMillan and Robert N. Suydam will be admitted to partnership in Merrill Lynch, Pierce, Fenner & Smith, 70 Pine Street, New York City, members of the New York Stock Exchange. Mr. Ball will make his headquarters in the Portland, Oregon office, 811 Southwest Sixth Avenue, and Mr. McMillan will be located in Boston, 18 Milk Street.

On the same date Arthur L. Kerrigan and John H. Moller, general partners, will become both general and limited partners; Earl W. Huntley, John L. Julian and Cyrus H. King will cease to be general partners but will remain limited partners.

Taking a Fresh Look at Our National Defense Program

By NEIL H. JACOBY*

Dean of the Graduate School of Business Administration, University of California, Los Angeles

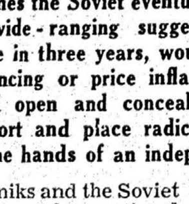
Former Member of Pres. Eisenhower's Council of Economic Advisers

Former U. S. Rep. to United Nations' Economic and Social Council

Author, "Can Prosperity Be Sustained?" (H. Holt & Co., 1956)

In arguing for, and outlining an, *optional* national security program instead of a *minimal* one, Dr. Jacoby contends university economists also bear a responsibility in trying to solve our national defense problems. The former presidential economist assumes the Soviet eventually aims to bury us, and holds that his wide-ranging suggestions, involving $10 billion defense rise in three years, would not entail additional taxes, deficit financing or price inflation. He would, among other things, end open and concealed subsidies to improve our defense effort and place radically new weapon-development in the hands of an independent civilian agency.

Orbiting Sputniks and the Soviet claim to possession of operational ballistic missiles of intercontinental range are causing Americans soberly to reassess our nation's security. There are at least four major aspects of national security that need to be considered; the definition of "national security" as a concept; the total magnitude of our security effort; the proportioning of various programs within the total; and the organization and management of the effort. I believe that the U. S. urgently needs a broader concept of national security; an enlarged security effort; greater emphasis on scientific education, research and economic development; and improved organization and management of security programs.



Neil H. Jacoby

Leading Issues

We need to decide what activities of government fall within the concept of national security. Should the concept embrace only the Department of Defense, atomic energy, foreign economic aid, stockpiling of critical materials, the merchant marine, defense mobilization, and civilian defense, as is the current practice? Or should it be extended to include, as well, education and research in science and technology, and other programs?

If $44 billion a year—the current rate of Federal spending for national security—is not enough, should the annual outlay be raised by 10% or 100%. Over what period of time? For how long? And is the U. S. economy strong enough to support a sustained effort of the necessary size?

What proportions of the total national security outlay should be spent for various purposes? We can buy national security by arming ourselves; by developing new arms; by "hardening" our defenses; by arming our allies; by extending economic assistance to friendly, or at least neutral, countries; and by strengthening international organizations. How should we apportion any total outlay among these competing purposes so as to buy the maximum security per dollar? Is the U. S. getting the maximum security out of the $44 billion a year budgeted for 1957-1958 by putting $38 billion (86%) into the armed services, $3½ billion (8%) into arms and economic aid to countries with which the U. S. has military alliances, $2 billion (4.5%) into atomic energy, $0.5 billion (1%) into stockpiles of critical materials, and less than $0.5 billion—or 1% of the total—into economic assistance to other countries?

Finally, how can the organization and management of our national security effort be improved? This involves much more than ending costly inter-service rivalries in the Department of Defense. Should research and development be under military control; or under civilian agencies and private enterprises? Do present government procurement policies facilitate or impede weapons development? Would the U. S. gain by channeling part of our economic aid through the United Nations?

These are questions of the greatest comlexity and the utmost gravity, and I cannot pretend to know the answers to all of them. It requires great temerity to tackle these questions, because no one can be expert in all aspects of national security. Yet, university economists have a responsibility to try to contribute to their solution. Hence, I make bold to offer some observations. They are backed by recent experiences in government service, at home and abroad,[1] involving underdeveloped countries and dealing with Soviet representatives, as well as stabilizing the growth of the U. S. economy.

Premises of Thinking About National Security

May I first state the premises of my thinking about our national security. I believe that, in the Soviet Union and its Communist allies and satellites, the U. S. faces an implacable enemy, now possessing formidable power, and growing in power. Many suppose that somehow the grip of Communism upon the Russian people will weaken as popular education spreads, and that internal revolution will change Soviet objectives. This is wishful thinking. The only safe assumption is that the Soviet Union seeks to destroy the United States, as the citadel of democratic capitalism and the antithesis to its own system of totalitarian state socialism. It will do so by miltary force whenever it believes it can succeed without itself suffering mortal wounds. Alternatively, it will seek gradually to dominate and subjugate the U. S., by making it an ever-smaller island in a growing sea of communist power. During this process, it will preach the doctrine of peaceful co-existence. Like Hitler, Khruschev made no secret of Soviet aims when he said, "We will bury you."

The second premise of my thinking is that the Soviet Union has an integrated long-range plan for achieving world domination. Many Americans who accept the first premise do not, I think, fully understand and accept the second premise. Americans generally do not comprehend the great range of Soviet central planning, and the close coordination of Soviet programs to reach their primary goal. The Kremlin has launched programs to achieve scientific and technological supremacy—some of the results of which we have already witnessed. It has correlated programs for military supremacy, built upon a scientific and technological base. It has bold goals for domestic economic growth, also utilizing advanced science and technology. It has plans for economic assistance to the many underdeveloped countries on its periphery, for their cultural penetration and for their ultimate "satellization."

The Kremlin has elevated the art and science of *total* national planning to a point seldom achieved in history. Every activity of the police state is forced to serve national ends. It is vitally necessary that Americans appreciate the remorselessness with which Soviet plans are being pursued. Only then will we be able to comprehend the full magnitude of U. S. efforts to meet the Soviet challenge.

The focus of the Cold War between the Soviet bloc and the West will change through time. Military rivalry may be succeeded in the spotlight of public attention by economic or scientific rivalry. Despite the U. S. lag in ICBM and space vehicle development, there may now be a recognition that all-out war would obliterate both adversaries. The Kremlin may be reconciled to the fact that the U. S. will soon achieve parity in ballistic missiles. If so, the Soviets will continue to talk peaceful co-existence, while its scientists try to effect another major breakthrough which will put them ahead in military power. The next major Soviet drive probably will be on economic development.

Are these premises of thinking about U. S. national security unduly pessimistic, because they dismiss the possibility of arms limitation under international agreement or of a relaxation of international tensions? I think not. The mounting pressures of population and nationalism in the world seem likely to keep political tensions strong. The chances of attaining a substantial limitation of armaments under international agreement are very dim. We must assume that the Cold War may continue for generations, and that it can erupt into a hot war at any time. The U. S. must base national security policies upon the most unfavorable assumptions regarding the objectives and the capabilities of its potential enemies. To do otherwise would be to place the whole Free World in jeopardy.

A Broader Concept of "National Security"

One of the requirements of the times is a broad and affirmative concept of national security. The National Security Act of 1947 was a milestone in the development of American thinking, because it recognized that the nation's security depends upon our economic strength and diplomatic position in the world, as well as upon military forces in being, and that continuous coordination of these factors is necessary.

Do we not now need a further integration? Recent events have made it clear that our national security depends ultimately upon the progress of science, and the advancement of industrial and military technology. The National Science Foundation and the Bureau of Standards, two major Federal agencies concerned with science and technology, surely have as large a claim to inclusion

Continued on page 30

*An address by Dr. Jacoby before the Personnel and Industrial Relations Association of Southern California, Jan. 30, 1958.

[1]From August 1953 to February 1955, the author served as a member of President Eisenhower's three-man Council of Economic Advisers. In the autumn of 1955, he undertook a mission to the Government of India, to advise on the Second Five Year Plan of that country. From June to December of 1957, he was U. S. Representative in the Economic and Social Council of the United Nations, in New York and at Geneva, Switzerland.

From Washington Ahead of the News

By CARLISLE BARGERON

Wonder Boy Harold Stassen, as he is referred to in Washington, has apparently selected as his gubernatorial campaign issue in Pennsylvania and places beyond, the relaxation of the Administration's rigid policy toward Russia. Stassen, after his months abroad as the President's peace secretary, is convinced that if we soften up a little the Russians will too and the end of the cold war will be in sight.

Carlisle Bargeron

The conflict between Stassen and Dulles has been brought into the open by one of Stassen's disciples and it is becoming quite controversial in the Washington salons and to a less extent in Congress. Anything to ease the cold war has its appeal. From the mail which Congressmen receive the people are tired of hearing on every news broadcast and from every headline that Bulganin has said this and Dulles has said this in return.

In view of the fact that there may develop a nationwide debate between Stassen and Dulles because the former is admittedly resourceful and his subject carries quite an appeal, it might be well to recall that the question of being soft with Russia is more than 30 years old and has now completed the cycle. Once again the alignments are fairly the same.

In the early '20's there was an agitation that we recognize Russia. It came increasingly from the so-called Progressives led by the late Senator Borah. They were the "liberals" of the day.

The "reactionary" Republicans steadily resisted. The Russians advanced so far as to set up in this country a trading agency called Amtorg and trade came to flourish between the two countries. But the jibes of the Progressives notwithstanding the Coolidge and Hoover administrations held out against recognition.

On one occasion the Hearst newspapers published a purported expose of several of the Progressives—Borah, the younger LaFollette and others—having received Russian gold. The Senate conducted an investigation in which it was proved conclusively that the Hearst published documents were fakes. Hearst himself, on the witness stand, said he had never had much faith in the story but in fairness to the Progressives he thought the story should be brought to light and disproven.

One of the first things Roosevelt did when he came in, something daring to show that the new order was upon us, was to recognize Russia. It has been published that the Russian foreign minister who came here to negotiate the recognition was asked when he left the White House by one of his entourage what about the agreement that the Russians would not propagandize in this country. He was quoted as saying cynically, we will pay no attention to that.

It is a fact that the Russians didn't. They cut a wide swath in the Washington cocktail circuit for several years. Their embassy parties came to be sought after. On one occasion the president of the Daughters of the American Revolution attended and commented on what gracious hosts the Russians were. In the meantime the Communists infiltrated every branch of our government, colleges, religious institutions and every other form of activity, including the labor movement. They conducted revolutions in our automobile and steel plants. Moscow became a mecca for American tourists who came back singing the praises of how the Russians did things. They had, what the tourists said happily, was a "planned" economy.

In 1939 Stalin signed up with Hitler thus setting off World War II. Then when Hitler turned on him we were so enamoured that we joined up with Russia as an ally.

After the war Russia ended up with Eastern Europe, Manchuria and China. Burned the second time we have been feeling silly these many years.

Now, under Stassen's proposition we admit Russia's claim to Poland, Hungary, Czechoslovakia, to Latvia, to Eastern Germany. We start off from there being friends again. There is no doubt that Dulles, Dulles, Dulles every day gets on the nerves and so does Bulganin. But it is strange to see the same forces, the so-called Liberals arguing again, after more than 30 years, for the soft approach.

Richard Reynolds Joins Wm. E. Pollock Co.

William E. Pollock & Co., Inc., 20 Pine Street, New York City, has announced that Richard Reynolds has become associated with them in the statistical department.

William J. Raber With Francis I. du Pont Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — William J. Raber has become associated with Francis I. du Pont & Co., 317 Montgomery Street, Mr. Raber, who has been in the investment business on the Pacific Coast for many years, was formerly with Hooker & Fay and Stewart, Eubanks, Meyerson & York.

Joins First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Paul R. Ferwerda has become connected with First California Company, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

With F. S. Smithers

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Raymond Hornby Jr. is now affiliated with F. S. Smithers & Co., Russ Building. He was formerly with Hooker & Fay and Dean Witter & Co.

McKay Opens Office

(Special to THE FINANCIAL CHRONICLE)

VAN NUYS, Calif.—William H. McKay is conducting a securities business from offices at 13715 Burbank Boulevard.

Conrad, Bruce Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Lewis Miller has become affiliated with Conrad, Bruce & Co., 235 Montgomery Street. He was previously with Supple, Griswold & Co.

There Is Room for Expansion in Commercial Finance Industry

By VINCENT CATOZELLA

Investment Analyst, Winchester, Virginia

This brief study showing commercial finance industry must expand stems from Mr. Catozella's extensive research study of the finance industry. The professional investment analyst notes growing needs and demands for new specialties uniquely developed in commercial finance; claims its annual volume exceeds more widely publicized consumer finance field; reviews basic principles, elements of strength and potential growth; and detects increased professional investor interest in their long-term obligations.

Retail instalment financing grew from $3.1 billion in 1939 to $22.5 billion in 1956. At the same time personal loan volume went from $1.1 billion to $7.2 billion. These credit services came into being to fill a gap in the nation's financial machinery and prospered accordingly. Now there is an obvious and rapidly growing need for improved credit facilities for four million business enterprises being met by a handful of commercial finance companies—present volume about $5 billion; in ten years it will be many times larger.

Vincent Catozella

Finance companies specialize in two major money supply services. They have more than $9 billion outstanding in Sales Installment Loans and Personal Loans, the consumer credit category (all commercial banks together report another $11 billion of consumer loans). Commercial finance companies have outstanding more than $5 billion of advances to business concerns. Commercial advances "turn" about five times a year, while consumer paper "turns" less than once, so that annual volume in the commercial category may be actually larger than in the more widely publicized consumer finance field.

Commercial finance includes the oldest of the finance specialties and presently the least dynamic: "old-line" factoring. This traditional service involves prior check of customers' credit, outright purchase of receivables as goods are shipped, assumption of the credit risk, and direct collection of the accounts. Factoring started early in the 19th century in conjunction with the use of commission merchants by "mills," usually textile, which had neither sales nor credit departments and were happy to limit their work, risk and investment to the manufacturing side of the shipping platform.

Meeting Growing Needs

Modern commercial finance has developed several new and dynamic finance specialties. Fitted exactly to modern business patterns, they are growing rapidly and for the same reason that consumer credit grew from the first "time sale" of an Encyclopedia Americana in Chicago in 1904 to a $20 billion business today. Today's manufacturing and distributing patterns have created a need and demand for credit facilities not available in existing financial institutions.

Millions of small and middle-size business concerns (with net worth under $5 million, as defined by the Federal Small Business Administration) are in need of operating funds not readily and steadily available from commercial banks, private lending institutions or the public securities markets. The simplest way to prove the importance of this tremendous credit requirement, and opportunity, is to define and demonstrate some representative "commercial finance" operations.

Commercial Finance Services

First some basic principles. The money need must be large enough to support an efficient routine. Second, the movement or process should have a reliable cycle or a built-in terminal facility. Third, security from excessive risk must be available without a checking or legal procedure that is too expensive or too elaborate. Fourth, the flow of advances and repayments should fit neatly into the client's proper operating pattern.

Accounts Receivable Financing. A client's sales volume is $300,000 monthly, for example, with collections averaging 45 days, thus requiring an investment of about $450,000 in receivables. He can borrow up to $300,000, with recourse, but without notification (of his customers), and with simple daily reports and periodic audits. He can keep this advance continuously. He can use it, for instance, to expand his sales by another $200,000 per month.

Note that the newly expanded receivables total would automatically increase the amount he could borrow. He probably would need the additional funds to finance his enlarged inventory requirements. Note also that a typical margin of 10% on the new sales would give him an extra $120,000 annual profit to offset the financing cost!

Accounts receivable financing helps a business whose bank provides only the routine short-term or seasonal credit and wants the loan "cleaned up" within the year. Commercial banks cannot be blamed for these limitations because they are working largely with demand deposits. But this does not help the client whose rate of capital formation out of earnings is slowed to a crawl by income taxes and who, until he can grow larger, is not eligible for Wall Street or institutional financing.

Factored Receivables. There is still and may always be a place for the traditional factoring transaction described previously, but the more flexible, newer commercial types now account for more than half of all commercial finance volume.

Rediscounts of Consumer Paper. Hundreds of small finance companies, specializing in personal loans or sales installment loans, pledge their loan contracts against advances from commercial finance companies. The typical advance is two-thirds of the aggregate receivables, with recourse. As collections proceed, new contracts are rediscounted, making a continuous and usually expanding employment of funds.

Commercial Installment Receivables. Demand for loans against time-payment contracts on income producing equipment is increasing at the rapid pace of automation itself. Vending machines, laundry machines, in fact all labor-saving or working equipment that will pay its own way in normal use, can and is brought to the user through commercial finance. Here, too, the advances are with recourse to the seller and average about two-thirds of the value of the chattel.

Equipment Leases. Advances are made against leases of income producing equipment, with recourse to the lessor and secured by a chattel mortgage on the equipment. Examples range from thousand-dollar electronic calculators to multi-million-dollar airplanes.

Ways and Means

Comparison of commercial finance operating characteristics with those of the more familiar consumer finance companies will reveal heretofore unsuspected or at least under-rated elements of strength and growth potential.

Rates and Costs. Commercial finance rates are lower because service costs are lower. The average new auto loan was $2,259 in 1956 (the personal loan average was $342). The average commercial advance was probably 50 times larger. To "set up" a personal loan probably cost $15 to $25. This expense, plus the monthly installment handling, plus branch office overhead, plus money cost, plus risk, must be recovered in the rate charged. The sales installment loan has almost exactly similar operating requirements.

Most important, when money costs and servicing costs rise, as they have in recent years, profit margins are squeezed because maximum rate limits are set by law in most states, and in any event, rates are held down by competition from banks, credit unions and such. One small loan company operating in 32 states reported a decline in average monthly rate charged from 1.70% in 1950 to 1.56% in 1956, down 8%, and a simultaneous increase in annual interest cost on money used from 2.65% to 3.69%, up 40% (for a combined squeeze of 48%). Reflecting similar pressures, sales installment companies, as a group, showed a decline in profit margin from 1.92% in 1950 to 1.37% in 1956. In both consumer fields, fortunately, the unit costs were favorably affected by a doubling of average transaction size. In the case of retail auto loans, the average term of loan increased 50%, also, thus spreading the "set up" cost.

In contrast, commercial finance rates are more flexible. They are adjusted usually to reflect directly the service, money and risk costs involved. Also, the volume gains came and will come from an increase in the area of usefulness rather than from probably nonrecurring increases in the size and term of individual risks.

Risks. Personal loans are based largely, of course, on regular employment, even though sometimes a co-signer or collateral is required. Auto loans have a down payment margin of one-fifth to one-third in addition to a chattel mortgage for security. Write-offs (final net bad debts) average between 1% and 2% in the consumer credit field (including auto repossession costs), compared with less than one-half of one percent in the commercial field. Commercial finance companies always have recourse to a going business (except in "old-line" factoring where rates reflect the difference) and always have a margin of negotiable collateral coverage or client balances over the amount of exposure.

Money Supply Sources

Money Sources. Commercial finance companies get their money supply from the same sources as consumer finance companies. Above equity capital (common and preferred stock and surplus) the larger finance companies all use subordinated long-term debt, senior long-term debt, bank loans and commercial paper. The commercial finance companies have not yet fully exploited the accepted ratios in subordinated and senior long-term debt and rely in greater degree on bank loans. There is some logic in their using more short-term bank money. Commercial financing operations liquidate four to six times a year. By the same token more long-term debt suits consumer financing, which now "turns" less than once a year. However, the improved size, diversity and know-how of the commercial finance specialists are generating an increasing professional investor interest in their long-term obligations.

It would seem logical, also, for commercial finance companies to make more use of the commercial paper market, in view of the closer relationship between the three to nine months' term of such paper and the faster turnover of commercial finance operations. As it is, almost all of finance company paper presently outstanding in the commercial paper market (more than $2.5 billion) is issued by the consumer credit specialists.

Altogether there are more than 4,000 companies engaged in one or more of the finance specialties. The eight largest all major in consumer credit, although some of them have subsidiaries or divisions handling the other specialties are shown in Table I.

TABLE I

Consumer Credit Companies—	Junior Debt & Capital—1956
General Motors Acceptance Corp.	$627,000,000
*C.I.T. Financial Corporation	457,000,000
*Commercial Credit Co.	283,000,000
*Associates Investment Co.	189,000,000
Household Finance Corporation	152,000,000
Beneficial Finance Co.	127,000,000
Seaboard Finance Co.	80,000,000
American Investment Co. of Illinois	75,000,000

*These companies have subsidiaries or divisions engaged in commercial finance but the predominant activity is consumer finance.

To isolate typical representatives of the commercial finance field not heavily involved in consumer credit and not specializing exclusively in "old-line" factoring, some of the largest are listed in Table II.

TABLE II

Commercial Finance Companies—	Junior Debt & Capital—1956
Walter E. Heller & Co.	$38,370,000
James Talcott, Inc.	21,561,000
Bankers Commercial Corp.	10,381,000
Standard Financial Corporation	7,672,000
The Finance Co. of America	7,005,000
Union Investment Co.	6,111,000
First Acceptance Corp.	4,634,000
Commercial Discount Corp.	4,415,000
Factors Corporation of America	3,386,000

Commercial Finance Company Obligations

What investment rating should be applied to the notes, senior bonds and junior bonds of commercial finance companies? A quick comparison with commercial bank ratios may add perspective. Both institutions lend "other peoples money"—borrowed funds in the first case and deposits (75% demand) in the second. (Table III.)

TABLE III

Ratios as of Dec. 31, 1956	—Three Largest Banks	Commercial— Finance Cos.
Deposits (Debt) to Capital Funds	13.2 times	5.3 times
Loans Outstanding to Capital Funds	*7.6 times	5.2 times

*Excluding investments in marketable and government bonds.

A. C. Beane to Join J. R. Williston & Co.

Alpheus C. Beane will become a principal partner in J. R. Williston & Co., 115 Broadway, New York City, it was announced by Harry E. Towle, senior partner of the 68 year old stock exchange firm. Effective April 1, the company will be known as J. R. Williston & Beane. These changes Mr. Towle said, are subject to approval by the various exchanges.

A. C. Beane

Mr. Beane, who retires Feb. 28 as a partner of Merrill, Lynch, Pierce, Fenner & Beane, will become the new senior partner of J. R. Williston & Beane. Mr. Towle, who first entered the securities business in Boston, will turn over executive responsibilities to Mr. Beane but will continue as an active general partner.

One of the oldest exchange firms in the country, the Williston company was founded in 1889 and has memberships in all major security and commodity exchanges. In addition to its main office at 115 Broadway, the firm has offices in midtown New York, Rye, N. Y., Plainfield, N. J., Miami Beach, Fla. and Paris, France.

"We are delighted at Mr. Beane's decision," Mr. Towle said, "and are looking forward to expanding our services. His broad background in commodities as well as securities and in branch office operations will supplement the reputation and experience of our company. This combination will make it possible for us to serve our present customers better and to attract new ones from all parts of the country."

Mr. Beane, who started in the securities and commodities business with Fenner & Beane after graduation from Yale in 1931, lives in Greenwich, Conn.

D. A. W. Bangs With Mitchell Hutchins Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—Donald A. W. Bangs has become associated with Mitchell, Hutchins & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Bangs was formerly with Nongard, Showers & Murray, Inc.

E. G. Phillips V.-P. Of Equitable Secs.

E. Gordon Phillips has been elected a Vice President of Equitable Securities Corporation it has been announced. He is sales manager of the firm's eastern division, with headquarters in the New York office, 2 Wall Street.

Chicago Analysts to Hear

CHICAGO, Ill. — R. E. Reimer, Vice-President of Dresser Industries, will be guest speaker at the luncheon meeting of the Investment Analysts Society of Chicago to be held Feb. 27th in the Adams Room of the Midland Hotel.

Reynolds Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Kent J. Helland has been added to the staff of Reynolds & Co., 425 Montgomery Street.

With Stephenson Firm

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Caroline S. Ericksen and Stuart L. McClure have joined the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

With First California

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Joseph M. O'Keefe is now with First California Company, Incorporated, 300 Montgomery Street, members of the Pacific Coast Stock Exchange.

Mr. Khrushchev's Trade Challenge—Will We Meet It?

By HON. C. DOUGLAS DILLON*

Deputy Under Secretary of State for Economic Affairs
Former Board Chairman, Dillon, Read & Co., New York City
Former Ambassador to France

Former investment banker, turned State Department diplomat and economic expert, strongly advises continued reduction of trade barriers in order to contract the Soviet Union's economic attack. Turning to Russian aid programs, particularly in Asia and Near East, Mr. Dillon warns they are designed to lay the basis for Soviet trade expansion and political penetration. To withstand this, the Under Secretary recommends free world countries expand their trade and capital development. Adds that Congress shortly will decide the fate of world trade and our defense position by the action it takes with regard to economic interdependence of our partners and allies.

Foreign trade policy and the national security of the United States would be another way of saying the same thing. Last November Mr. Khrushchev, in a conversation with a well-known American publisher, who, incidentally, owns one of Detroit's local newspapers, made the following statement:

Douglas Dillon

"We declare war upon you — excuse me for using such an expression—in the peaceful field of trade. We declare a war we will win over the United States. The threat to the United States is not the ICBM, but in the field of peaceful production. We are relentless in this and it will prove the superiority of our system."

It is interesting but not surprising to note that in the official Soviet version of this statement published for the edification of the Russian people, all references to war were eliminated. Even so, the message comes through clear enough.

Now if such a statement had been made by a Soviet leader 10—or even five—years ago, I suspect that most of us would have shrugged it off, much as we would a claim that the automobile had been invented by Ivan Fordovitch. Today, however, the signals are flying that the Russians can cause rough weather in international economic waters. The hurricane warnings are not up yet, but it is time to trim the ship.

We in the United States—and in other free world countries — have been so preoccupied since World War II with the Soviet military menace that we have only recently grasped the growing threat presented by Soviet economic power.

So far I have not said one word about the Sputniks. I will say one, and then be through. It is that the lasting significance of the Sputniks, in my judgment, lies in the fact that a nation with the industrial capacity to launch the earth satellites is also a nation capable of sustaining a powerful economic offensive against the free world.

Failed to Perceive Economic Threat

We have realized for a long time that the Soviet Union is a great world military power. But, as a people, we have failed to understand that it is also in process of becoming a great world economic power. We seem to understand the need to meet the military threat. It is not so certain that we will prepare ourselves to meet the economic threat.

The Sino-Soviet economic offensive against the free world is now well under way. There is every reason to believe that it will be intensified.

In order to see more clearly the problem we face, let us look at a few figures:

The world of 1958 consists of 2.75 billion people. Approximately one billion are living under the Sino-Soviet Communist dictatorship. 1.75 billion are not under this dictatorship, and these are the people of the free world. There are nearly 175 million people in the United States. The rest, possessing varied skills and aptitudes, ranging from the most primitive and illiterate to the most highly cultured and economically proficient, with centuries of scientific and technical tradition behind them, represent the balance of power in our world today.

These simple facts of population have destroyed forever the notion of a "Fortress America." Our free society will be preserved in a world which as a whole remains largely non-Communist or it will not be preserved at all.

The gross national product of the Soviet Union is greater than that of any country other than the United States. It is only one-third of ours. But it is growing faster—about 50% faster.

We do not know whether, given the larger population that they have, coupled with Soviet methods of forced investment, Soviet economic output will increase to an absolute level higher than our own at some future time. We do not know the limits of human endurance under the Communist system of suppression of the individual, which thus far has made possible the high growth rates in the Soviet Union. But we do know — and Mr. Khrushchev knows — that the Communist world, no matter how sternly regimented, can never hope to outproduce the free world **if the free world stays together.** Soviet success is therefore dependent upon dividing the free world and moving some of it under their control.

Their Exports Are Still Small

The total exports of the Sino-Soviet Communist bloc to the free world amounted in 1957 to some $3.1 billion. This is still relatively small in comparison with our own exports or with those, say, of the United Kingdom or of Western Germany. But it is an increase of over 70% in four years. And we know that there is no technical or economic reason why the Communist bloc could not double or triple this volume within a very few years more. The bloc is now in a position to export a wide variety of manufactured goods, including capital equipment, which are needed in many parts of the free world. It is also able to absorb, and, more important, apparently willing to absorb, increased imports of foodstuffs, raw materials and consumers goods in payment. If the bloc were to accomplish a trade objective of this magnitude, which now appears to be within its capacity, it could exercise a substantial influence on world trade as a whole and a very great influence in selected target countries where Soviet penetration is an immediate objective.

For a reason which I shall now mention, it appears probable that this is the course which the Soviet Communist leaders have set for themselves.

U. S. S. R. Aid Program

Most of you no doubt have read of the new program of large-scale Communist aid to the less developed countries. In the last three years the bloc has agreed to provide assistance to these countries totaling over $1.9 billion. Most of this is economic aid for development purposes—steel mills, irrigation works, power dams, cement plants, and the like. Most of it is concentrated in Asia and the Near East, where the popular insistence on economic development is an overriding political fact of life. And all of it is on seemingly favorable terms — long-term loans, repayable in commodities or local currencies, no obvious "strings," and interest rates of 2 and 2½%.

These Soviet aid programs of today are meant to lay the basis for Soviet trade expansion tomorrow. The steps are simple and clear. First, a Soviet credit is extended to country X for development purposes. Provision is made in the agreement that country X will use the credit for purchasing Soviet goods, and that the Soviet Union will accept repayment of the credit by importing the goods of country X. Second, as country X draws down the credit, its imports from the Soviet Union increase. And third, when country X eventually repays the credit, its exports to the Soviet Union increase.

In short, Soviet aid and trade are tightly linked together. The aid program opens the market, and the trade program secures it. With tempting offers of aid on the one hand, and on the other, a willingness to take surplus products in payment, the Communist bloc is constructing a powerful weapon for economic penetration. The effect could be to create economic dependence on the bloc, which would enable it to exert the acquired economic power for political purposes.

The Soviet sale of arms to Egypt in exchange for cotton; the Soviet willingness to buy fish from Iceland, where there is a NATO military base; the relatively huge credits to Syria, in the Middle East; the economic probing that is going on in Latin America; the loans to India, the largest and strongest underdeveloped country in the free world—these are not the random effects of a foreign economic policy whose object is to promote general economic well-being in a community of independent nations. They are, unhappily, only the most obvious evidences that Mr. Khrushchev meant what he said—in the version which was not published inside Russia.

Two Recommendations

What can the non-Communist world do to withstand this Soviet drive which uses economic penetration as a prelude to political domination? Two things are needed. I do not mention them in any order of priority because both are essential. First, all of the countries of the free world need expanded markets for their exports, so that they can pay for the imports they require for economic health. This means the continued reduction of governmental barriers to trade. And, second, the

Continued on page 31

*An address by Mr. Dillon before the Economic Club of Detroit, Detroit, Mich., Jan. 27, 1958.

Canadian Uranium Outlook

By HOWARD STEVEN STROUTH

President, Stanleigh Uranium Mining Corporation Limited

Uranium mining head succinctly explains why he believes Canadian uranium producers are bullish about the future. Mr. Strouth finds adverse publicity has no basis in fact and is responsible for bringing common stock of most uranium producers down to an all-time low. Author describes a typical Blind River uranium producer and reasons why it should have an optimistic future.

As head of a corporation which is presently producing 3,000 tons of uranium ore per day, I feel that I have certain qualifications to discuss the Canadian uranium industry from an expert's viewpoint, though I will readily admit being prejudiced in favor of the industry.

Howard S. Strouth

During the last half year, uranium production per se and the Canadian uranium producers in particular have suffered from a great deal of adverse publicity not directed against them individually, but based upon half-digested newspaper reports, vague government statements and the pseudo-scientific information so generously handed out by the writers of Sunday supplements.

De facto these statements have weakened and destroyed the public interest in uranium mining as an industry by raising doubts as to the stability of the industry, its future potential, its ability to survive against the imaginary competition of thorium, hydrogen, fusion, etc., and, incidentally, brought the common stock of most of these producers down to an all-time low. In the United States the effect has been even worse by bringing exploration for uranium virtually to a standstill.

Typical Blind River Producer

Looking realistically at a typical Blind River uranium producer, nothing could be sounder than these well-financed, expertly-run enterprises which have the greatest built-in safety factor ever devised for a new industry. Take as an example a 3,000 ton per day unit with 4,000,000 common shares outstanding and a government sales contract over a 5-year period for $100,000,000—representing roughly 5,000,000 tons of mined ore. Such an operation could afford to hire the foremost experts in its field, would be located within a 25-mile radius of 10 other units, operating on an identical basis, with whom it can share all production and mining experience, thereby eliminating the greatest possible number of mistakes which could be made by a relatively new industry.

Shares of a company as above described would probably in today's market, be worth in the neighborhood of $2.50, the public thereby ascribing a value of only $10,000,000 to such an enterprise, after total repayment out of profits of their senior indebtedness of $25-$30,000,000 during the next five-year period.

Rearms for Optimistic Future

Examining this figure, it becomes obvious that the present value of these shares cannot be based upon actual evaluation of their earnings' potential.

(1) Normally, the minimum net profit per share for the contract period, after repayment of all senior obligations, would be at least $3.50 per share, representing only about $14,000,000 out of $100,000,000 sales contract.

(2) Assuming that $30,000,000 have been spent on the property and repaid at the end of a 5-year period, the surviving value of the mill and mining installations alone would represent $7.50 per share to be added to the above return.

(3) Purely as a matter of speculative interest. Mining costs in these estimates have been set at between $4 and $5 per ton. Similar operations within the United States, working underground with the same mining width, but in better-known minerals such as zinc and copper, find that they can mine with a certain amount of mechanization at between $1.50 and $2.50 per ton. There is no reason to assume that these methods cannot be successfully used in Blind River also. Assuming only $1 saving on the projected mining cost per ton, this would be equivalent to $5,000,000 over the contract period or $1.25 additional earnings per share.

(4) The grade of the ore in Blind River has been estimated to be 20% to 25% higher than projected in the original estimates on which profit calculations were based. Proof of this can be found in the operating statements of Algom and Consolidated Denison. As a minimum benefit, this would mean a 20% reduction in mining, milling and labor cost, equivalent to at least another $1 per ton, $5,000,000 per contract or $1.25 per share.

(5) The mills have a built-in higher capacity factor of 10% to 15%, to which should be added the possible higher grade of ore, and this suggests two possibilities:

(a) Full delivery under the government contract within 4 years instead of 5, with the resulting minimum saving to the company of $3,000,000 or 75c per share additional profit to shareholders, or

(b) The possibility of simultaneous commercial or industrial sales of the excess uranium concentrates which could also add appreciably to income.

Advantage in a Recession

In addition, most uranium producers found out through negotiations that subject to government approval, it will be possible for them to arrange now for certain commercial sales contracts for the late 1950s or early 1960s. Mines such as Stanleigh have an established reserve of 15,000,000 tons of ore and a possible reserve of 60,000,000 tons of ore, sufficient to work their mine at full capacity for 15 to 60 years. No monetary value has been assigned to these reserves. Should the recession continue, the mines will be able to pick up their own bonds for sinking fund purposes at a 10% discount, as most of them are doing at present, adding thereby a possible $3,000,000 to their shareholders' profits and will benefit from lower labor and material costs while working under an assured government contract for 5 years.

I have not mentioned at this point that leaders in our industry for good and sufficient reasons consider uranium in short supply, particularly after 1960, and are looking forward to a sellers' market.

The above figures and facts seem to indicate a justifiable optimism on our part for the future of the Blind River uranium industry.

UNION CARBIDE

UNION CARBIDE CORPORATION

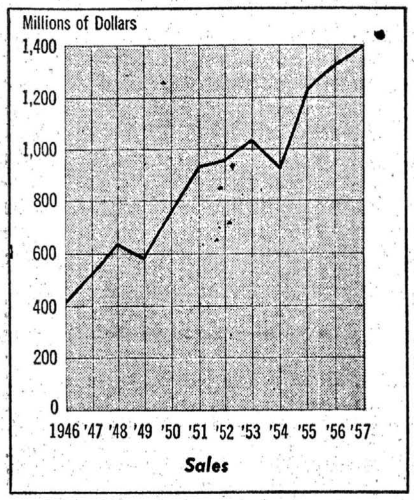
1957 Annual Report Summary

	1957	1956
Sales	$1,395,032,817	$1,324,506,774
Net Income	133,740,818	146,233,444
Per Share	4.45	4.86
Dividends Paid	108,307,512	91,956,493
Per Share	3.60	3.15
Earned Surplus	605,530,309	580,097,003
Current Assets	$ 639,190,691	$ 715,406,189
Current Liabilities	216,302,892	237,656,800
Total Assets	1,456,353,350	1,459,748,536
Shares Outstanding	30,067,123	30,088,510
Number of Stockholders	123,943	118,391
Number of Employees	77,000	79,000

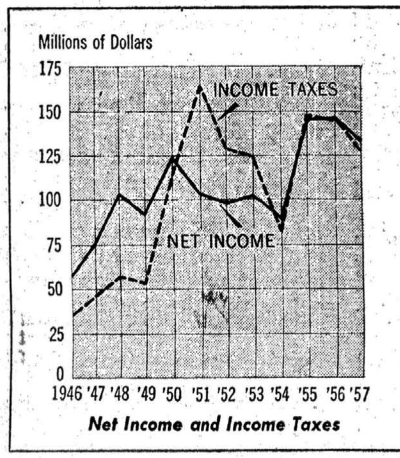
Copies of the complete 1957 Annual Report of Union Carbide Corporation will be furnished on request. An illustrated booklet describing the products and processes of Union Carbide also is available. If you wish copies of these booklets, please write to the Secretary, Union Carbide Corporation, 30 East 42nd Street, New York 17, N. Y.

UCC's Trade-marked Products include

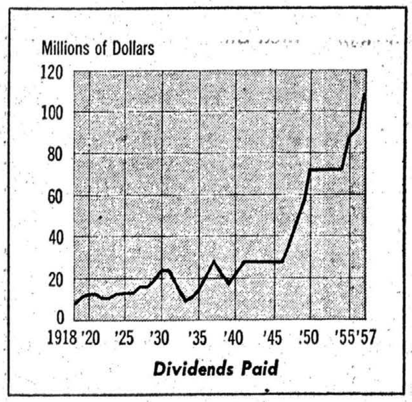
Bakelite, Vinylite, and Krene Plastics • Visking Food Casings • Prestone Anti-Freeze Pyrofax Gas • Union Calcium Carbide • National Carbons • Synthetic Organic Chemicals • Haynes Stellite Alloys • Eveready Flashlights and Batteries • Linde Oxygen Prest-O-Lite Acetylene • Visqueen Plastic Film • Union Carbide Silicones • Acheson Electrodes • Electromet Alloys and Metals



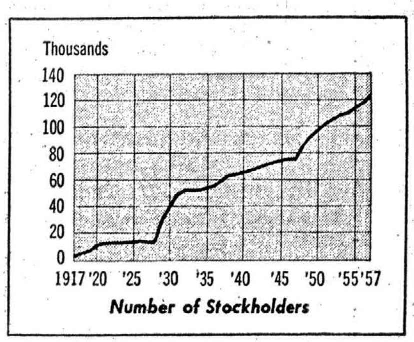
Sales



Net Income and Income Taxes



Dividends Paid



Number of Stockholders

THE MARKET . . . AND YOU

By WALLACE STREETE

Stocks continued to sag quietly with trading interest at a new low ebb for three months this week while the business background was definitely dour and only slight traces of a pickup were shown in steel operations.

Auto shutdowns continued to offset what good minority news was around and dividend news was anything but cheerful, with American Ship jeopardizing a 40-year uninterrupted string when it deferred action. The company could still keep the string going at subsequent dividend meetings before the year is out but it was an action hardly cheering to the general market.

Relatively Steady Market

One of the brighter facets of the market was its holding so relatively steady in the face of bad news, and technically it still remained in its trading range without making any determined effort to test any of the recent lows including those of November and October last year.

The traditionally defensive sections of the list—including utilities and gold shares—were able to do the superior work, but this was more or less in line with custom and not overly indicative of what the general market will do in the future. Market sentiment continues sharply divided between the school of calamity and the constructive side that was impressed by the ability to hold at a relatively high level.

The Sagging Blue Chips

There wasn't much hint of bargain hunting, some of the blue chips sagging to new lows with persistence, but not by excessive margins and with only light offerings coming in to be absorbed.

A few large blocks were trundled into the off-board market, including 100,000 Douglas aircraft on the heels of a recent $9 million bundle of General Motors. More important in keeping market sentiment subdued were tales of many more blocks coming along in weeks to come. Few of these were more than rumors, but they did pinpoint on a dozen top grade items and made the already cautious traders that much more aloof.

As for individual issues where the sentiment was hopeful, it was concentrated mostly in the defensive-type issues that were already at or near technical support levels and included some of the aircraft-missile items such as General Tire. United Aircraft and Chance Vought.

Canada Dry, which has been rather ignored in investor preference for a long time, was an item that several market analysts were watching both because of its satisfactory 6% yield and its good earnings results. The prop for this company was the large proportional increase in the teen age population which is by far the largest user of its wares. Earnings were respectably higher last year than in 1956 and projections indicate a further gain this year with the dividend well sheltered.

Much of the same thinking favored Wrigley which, in addition, was considered a candidate for restoration of its dividend to the $5 level and thus boost its yield to the 6% level. The company traditionally is recession-resistant and while it doesn't loom importantly as in position to expand profits vastly this year, results are expected to hold steady.

Despite the rather widespread forecasts of an increase in building activity this year, the normal building stocks have been skeptically regarded. The favoritism has been directed toward such as Ruberoid which looms prominently in the maintenance and repair market. In fact nearly two-thirds of sales are derived from this continuing market. The stock also offers something of a depressed aspect, having reached its peak in 1954 and then sliding nearly halfway back into the early part of last year. Lately it has been showing signs of contrary performance when the market was sick. The company showed a good increase in earnings last year and expects to continue the trend.

In the defensive utilities, Houston Lighting appears unconcerned with all the fears around and is expanding to where its capacity would nearly double in three years. The company is both a candidate for better earnings this year and for a moderate increase in its payment in the face of the rapid growth of the area it serves.

Drugs Out-Performing Market

Drug shares had their various champions and have been able to out-perform the general market, the anticipated good earnings bolstering the issues with no signs yet that they are coming to the end of their run. An interesting issue is Vick Chemical, which once was seriously dependent on one product whose demand could suffer drastically if any effective cold cure showed up. As a result the company has been capitalized much more conservatively than others in the drug section. The company has made good progress in ending this dependence without the market paying too much attention yet. Added to its lines and accounting for about half of its sales currently are non-cold items such as plastics, chemicals and cosmetics and its "cold" dependence is down below 40% of gross. The company reported record profits and sales in its last fiscal year and is projected to still higher results in the current year.

Electronics Perk Up

Electronics items have shown mild but encouraging action at times as it dawns on investors that their participation in missile-rocket work is a large one because of the complicated controls. Some estimates place their military work at around half of the total, with the investment emphasis on General Electric, Thompson Products and Westinghouse.

A different phase of the electronic business looms importantly for Hoffman Electronics — its heavy participation in standard aerial navigation systems and in radar. This field is becoming more and more important as airways get crowded. Hoffman also makes components that are important to missile work and, like other makers, has an important but profitless television division that, more importantly, is not unimportant in the one rapidly growing field — high fidelity equipment. The company has shown a good profit margin history and results for this year indicate higher sales and better earnings with its dividend well sheltered as the company busily expands with new products to keep it abreast of the field.

Oils offered a drab picture as the ability to hold the line on crude oil prices came under scrutiny. As some of the more expert oil analysts pointed out, the argument over crude was a bit of misplaced emphasis since a cut in crude prices would, if anything, accelerate the weakness in product prices and not cure the basic ailment which is an inventory glut. Woodley Petroleum, however, was favored by some of the oil followers both because it was able to up net profit by nearly half last year and because the trend has been sharply upward for the last couple of years. In addition, the reported figures haven't been aided importantly by results of some of its affiliated companies which will, in time, become available to the parent company. While the talk elsewhere in the industry is for curtailed production, Woodley is busily stepping up its activities which makes it a bit unusual in its sphere.

[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.]

The Crisis in American Unionism

By EDWIN E. WITTE*

Distinguished Visiting Professor of Economics and Industrial Relations, Michigan State University, East Lansing, Mich.

After recalling lucky prediction of Taft-Hartley Act's effect upon labor, one of America's top economists ventures conditional forecast that conservative American political swing may be reversed if labor takes umbrage at Congressional attempts to limit its existence, or effectiveness, and suffers stinging defeats in coming negotiations while unemployment mounts and farm prices continue depressed. Dr. Witte observes: (1) recession makes 1958 a bad year for wage increases and may induce more strikes; (2) public will support management's resistance to labor demands; (3) more legislative restrictions on labor can be expected; and (4) AFL-CIO merger, jurisdictional disputes agreement, and ethical practices code have not solved labor's problems. Author discusses economic and social factors adversely affecting union membership gains, and factors dictating politically-oriented unionism.

That there is developing a crisis in labor unionism in this country is known to everyone. All that I shall attempt to do is call attention to some aspects of this crisis and to do some speculating as to what may be ahead. I am not a prophet or the son of a prophet and make no claim to being an expert on the subject.

Some Manifestations of the Crisis In American Unionism

With this brief statement acknowledging my inadequacies, I shall proceed at once with my subject; and, first, let me direct attention to some manifestations that all is not well in the house of labor.

In January the AFL-CIO—the national federation — announced the layoff of 100 organizers, a reduction of one-third in its staff of organizers. This has been ascribed, and is no doubt in part due, to the decline in the Federation's revenues as a result of the expulsion of the Teamsters, the Bakers, the Textile Workers and the Distillery Workers — unions which had about one-eighth of its total membership. Beyond that it seems to reflect a belief or a fear that the present is not a propitious time for major organizing drives.

Membership Growth Disappointment

The high hopes for gains in union membership which were entertained when the merger of the federations was effected have vanished. One—if not the major—expressed purpose of the merger was an intensification of union organizing. Plans were announced to organize still unorganized manufacturing industries, particularly the chemical industry. There was also talk of organizing the white collar and technical workers and of reinvigorating the stalled drive of the forties to organize the South.

Figures of the U. S. Bureau of Labor Statistics suggest that some gains in total union membership have occurred since the merger. In these two years the total membership of American unions is reported to have increased by approximately 500,000. Interestingly, among the unions which have made the largest gains have been the Teamsters. The next largest international, the United Automobile Workers, sustained a slight loss in total membership; while the third, the Steelworkers, had only a small growth. Until the great increase in layoffs which began in October and November, organized labor, as a whole, did make modest gains—about 3%—in a two-year period. But these gains were far smaller than labor hoped for and many prophets forecast.

The recession has lessened the prospects for union growth. The upswing in union membership early in the Roosevelt Administration began when the American labor movement was at its lowest point in more than 15 years. But this occurred after three years of the worst depression of all time. In all other depressions since American labor first began to organize in the early 19th century, union membership has declined—often drastically. There are no statistics as to what has happened to union membership in these last months, but there is every reason to believe that, with declining employment, union membership has also decreased.

Adverse Growth Factors

There are many economic and social factors which adversely affect the prospects for union growth in the near future. Perhaps the most basic among these are the changes which have been occurring in the American labor force.

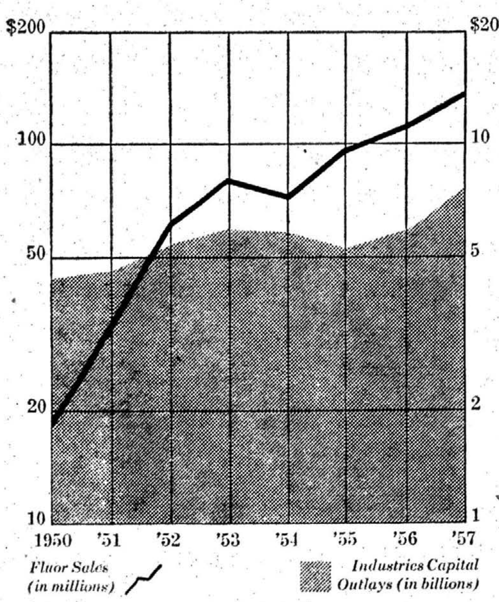
Among these is the remarkable growth in the number of women workers. At the turn of the century, about one-sixth of the labor force of the United States consisted of women, most of them in domestic service, agriculture, teaching and a limited number of manufacturing industries, such as clothing manufacture and textiles. Today the percentage of the women workers in our labor force is approaching two-fifths. Most of the old women's employments have declined, but there has occurred a phenomenal growth of women employees in clerical and sales positions plus sizable increases among the production workers in many lines of manufacture and most other industries. There has also occurred a pronounced change in the women who are in industry. When I was a boy the women in industry were principally young girls, prior to marriage, and older immigrant or Negro women. Today, as Dr. Henry David, Executive Director of the National Manpower Council of Columbia University, has put it: "It is no longer the young woman chiefly of immigrant origin or extraction, or the Negro woman, who is the characteristic woman wage earner. Nor is it the woman who has to work out of sheer economic necessity." Sixty per cent of present-day women workers are married and nearly half of all of them are over 40 years of age.

The remarkable increase in the number of women workers has confronted labor unions with a new problem, which they have met only imperfectly. The outlook of many women workers continues to be that of short-time employees who see little need for organization. Women, moreover, are predominantly intermittent workers, only one-third of them working full time in indus-

Continued on page 36

*An address by Mr. Witte before the Annual Meeting of the National Academy of Arbitrators, St. Louis, Mo., Jan. 31, 1958.

Report on the Progress of The Fluor Corporation, Ltd.



Fluor's engineering-construction sales to the petroleum, chemical and electrical utility industries have increased dramatically in the past eight years. Since 1950, Fluor sales to these three dynamic industries have shown a 562% gain. In that same period, capital expenditures by these industries have grown 67%.

Record fiscal year produces highest sales and net earnings in the history of this international engineering-construction firm

Fluor's remarkable growth during the past eight years culminated in new records, both for consolidated sales and net earnings, during the fiscal year ended October 31, 1957. The company's year-end backlog of uncompleted work also was the highest in its experience. Shareholders' equity in the company reached an all-time high, showing a one-year increase of $2,763,334, or $2.67 a share, after the payment of $768,118 in dividends. Net earnings represented a return of 16.6% on shareholders' equity. (The company has earned an average of 16.4% on shareholders' equity since 1942.) You can secure a copy of Fluor's 1957 Annual Report by writing to Department B, The Fluor Corporation, Ltd., 2500 South Atlantic Boulevard, Los Angeles 22, California.

Highlights from Fluor's 1957 Annual Report *(Fiscal years ended October 31)*

	1957	1956
Sales	$152,432,935	$120,850,525
Net earnings	2,632,672	736,550
Per share*	3.46	1.03
Dividends—per share*	1.05	1.00
Net working capital	9,069,304	6,931,181
Shareholders' equity	15,861,243	13,097,909
Backlog, October 31	150,000,000	121,000,000

**Adjusted for 20% stock dividend in 1957. Current annual dividend rate, $1.20 per share.*

A Trustman Looks at Common Stocks and Consequences

By BURTON A. MILLER*
Vice-President in Charge of Trust Investments
The National City Bank of Cleveland, Cleveland, Ohio

Cleveland banker doubly emphasizes that "what specific stocks our customers own is far more important than whether they have a few percentage points more or less in stocks as a class." After exploring the "imperfect correlation" between performance of equities and the changing purchasing value of money, Mr. Miller proceeds to the trustman's perennial question of how to invest prudently so as to retain advantages of common stocks and avoid their worst weaknesses.

I propose to submit a brief, factual survey of some of the highlights of common stock performance. We shall look at stocks both in relation to trends in consumer prices and in relation to our graduated Federal income tax structure which poses such baffling problems for many investors. Perhaps this translation of general concepts into specific arithmetic will sharpen just a bit our judgment on the extent to which common stocks may fill the particular needs of the many types of accounts found in any trust operation.

Burton A. Miller

Consumer Prices vs. Stock Prices

We have been reminded of the imperfect correlation between common stock performance and the changing value of money. We need not look far for illustrations of the accuracy of that statement.

In the 11 years following World War II, the Bureau of Labor Statistics Consumer Price Index increased 44%. In the 10 years following World War I, the index fluctuated but ended the period almost precisely where it began. Yet there was a substantial and roughly comparable increase in stock prices during each of these periods—between 2½ and 3 times as measured by comparison of changes in annual median prices of the Dow Jones Industrials. We obviously cannot explain those particular 2 stock market moves by any correlation with consumer price behavior. But why even try? Why look further than the usual profit opportunities for industry in the satisfaction of pent-up demands and the exploitation of new technical progress which major wars unleash?

Conversely, the 1929-1932 debacle was accompanied by a 25% decline in the consumer price index, whereas the index declined only about 1 point between 1937 and 1938 when the Dow Jones Industrial Stock Index approximately halved from its high in the first year to its low in the second. Let us look for our answer, again not in consumer price trends, but rather in the speculative excesses in the stock market and the imbalances in the economy which were common to both periods. They can be costly to investors whether or not the cost of the goods and services they buy is changing appreciably.

One problem with statistical comparisons is that they can frequently lead to differing conclusions depending on the starting and ending points. I realize I am being arbitrary in the following example. I believe, however, that it is selected on a fair basis. What I wanted was to take a closer look at a period recent enough to be within the adult memory of most of us here, yet long enough in duration to include a typically wide range of financial and political experience. Let us go back to 1936. Let us assume that an investor has recovered his poise after the big depression, hears the early drumbeats of approaching war and, knowing that wars are always inflationary, decides to cast his lot with stocks for the protection of his capital and income. How has he fared to date?

He has lived through a doubling of the consumer price index, and he has seen the market value and dividend income of his investments, as measured by the Dow Jones Industrials, approximately triple. Certainly no cause for complaint in these figures! But he has also had to live through 1937 and 1938 when his new philosophy produced disquieting capital shrinkage and when, against an approximately stable cost of living, his dividend income shrank almost 30%. In fact, it was not until 1940 that dividends were back to the 1936 level. It was not until after World War II that gains in dividend income were of any consequence. Certainly there were times in that experience when a more balanced investment philosophy would have been a source of both comfort and potential profit to him.

Diverse Performance Among Stocks

In using a selective index like the Dow Jones Industrials as a measure of common stock performance, let us always be aware that we are assuming investment in large, strong, well managed, and progressive companies. We know that many, many companies —all of which some one owns, though hopefully not our customers — fall far short of such standards. As one check, I went through the book of stock price charts prepared by M. C. Horsey & Co. to see how this broad range of companies had fared during the postwar period when the Dow Jones Industrial Index more than doubled its 1946 high. Close to 700 of these charts go back at least as far as 1946. Of this group, almost exactly one-half are selling below 1946 highs, many by a substantial margin.

As a further check, I reviewed another useful reference tool, the stock price indexes compiled by Standard and Poor's for some 70-odd separate industry groups. Of these, 27 are below their 1946 highs, 18 are above 1946 but by less than the 44% increase in consumer prices, and 28 ran ahead of the consumer price standard. It was this last group, a little over one-third of the total, that pulled up the composite index. Investors not well represented in this group of industries had little chance of winning. The problem is even more challenging because we all know that individual company performance within an industry can and does vary greatly.

A sizable proportion of poor market performers is chronic. This, however, is no argument against the liberal use of common stocks as such. On the contrary, it is an excellent sales argument for investment departments able to identify investment quality, to select stocks intelligently, and to keep to a minimum the industries and companies that are falling behind. But when I reflect on the many possible pitfalls in the wide variety of stocks that come into a trust department, and on the necessity in many cases of securing approval from others with strong and differing opinions of their own, I conclude that we must be not only intelligent analysts but artists, diplomats, and salesmen as well if we are to do a good job across the board.

The Additional Problem of Taxes

The effort to protect the economic position of our customers must cope not only with the hazards and opportunities of the securities markets but also with a graduated income tax. I should like to go back for a moment to our 1936 investor who, after early disappointment, finally accomplishes his objective of keeping security values and dividends ahead of the consumer price index. Through this period he has had a partner—a partner sharing the fruits of his investment sagacity, a partner whose financial appetite has grown about like the physical appetite of a teen-ager. Assuming, for simplicity's sake, an income all from stocks, with one exemption, and a 10% deduction from income for charities and the like. Such a taxpayer kept after taxes 95% of a $10,000 gross income in 1936 but only 82% in 1957; he kept 92% of a $20,000 gross income in 1936 but only 74% in 1957; and he still kept as much as 84% of a $50,000 gross income in 1936 but only 58% in 1957.

We recall that over this period the consumer price index about doubled and the Dow Jones Industrial dividends about tripled. Our investor's $10,000 dividend income in 1936 has thus become $30,000 in 1957, but his income after taxes has barely kept pace with the consumer price index—up 104% versus 102%. Only the more modest incomes would have a relative gain after taxes. Investors of more substantial means have been like the frog trying to jump out of the well. A $20,000 dividend income, now $60,000, is up only 77% after taxes; a $50,000 income, now $150,000, is up only 36%; and a $100,000 income, now $300,000, is up only 22% after taxes. But the cost of living doubled!

Here is where I made my mistake. I should have followed the famous maxim of Ol' Satch Paige: "Never look behind. Somethin' might be gainin' on you." But having looked behind, let us steel ourselves for a look ahead. Where would this tax structure lead us with the continuing inflation that so many people take for granted?

Suppose "X" years in the future the consumer price index advances another 50%, with the present tax structure unchanged. On a single return, an investor with taxable income in the $20,000 zone would have to increase his income flow on the order of 80% in order to keep pace, after taxes, with the 50% rise in consumer prices. In the $50,000 zone, the income flow would have to increase on the order of 135%. The treadmill goes faster and faster.

The import of the foregoing figures was driven home more forcefully to me when I reviewed the experience of a specific estate established in the middle 1930's. It had a value then of $700,000, produced a gross income upwards of $26,000 including a moderate proportion of tax-exempt income, and a net income after taxes of over $24,000. Last year, with no capital additions or withdrawals meanwhile, the value of this estate was $2¼ million versus $700,000, the gross income in excess of $75,000 versus $26,000 plus, the income after taxes a little over $40,000 versus $24,000 plus. The figures, particularly the three-fold increase in gross income and market value, became gratifyingly larger; but the roughly two-thirds increase in net spendable income had to compete with the doubling of the consumer price index. With no right of invasion, the beneficiary has been fighting a losing battle. The beneficiary could more than make herself whole as to purchasing power by heavily increasing the proportion of tax-exempt bonds. However, she dislikes paying large capital gains taxes and prefers to weight the decision of life tenant versus remaindermen in favor of the latter as a deliberate sacrifice to herself.

This problem of who takes the pinch or the risk is always with us. With small accounts and minimum tax brackets, it is largely a question of the degree of market risk it is prudent to assume. With high-tax-bracket accounts, it is a question as well of the amount of tax-sheltered income through municipal bonds, which would benefit the life tenant, as against the hoped-for increase in capital values for the remaindermen through the use of heavily taxed common stocks. The implications of further substantial inflation, should it occur over a period, would confront us with a most formidable investment task and with Solomon-like decisions as to the needs and rights of the various parties at interest. I cannot leave this subject without urging that as citizens we owe it to ourselves, our customers, and our country at large to support to the utmost the people and policies battling to keep this country of ours on an even fiscal keel. We cannot be complacent, and we must not be defeatist about inflation!

Conclusion

What can we conclude from this brief survey of common stock behavior? We can conclude, certainly that the market provides no investment or class of investment that can be accurately named "purchasing power protection." It does include common stocks of good quality, growing companies that should do well for their owners whether or not consumer prices are rising. It includes, as well, many stocks that will do badly even when the consumer price index may be rising strongly. The market can also be expected to have recurrent periods when most stocks misbehave. I am one of the many who do not visualize another 1929-1932 type of crash, even though I am old enough to know from first-hand experience that that bitter period was no illusion. However, I would by no means belittle the chances at some point, at some point beyond 1958 let me venture to presume, of another 1937-1938 type of jolt—which was bad enough.

How can we as trustmen, prudently investing other people's money, turn the advantages of common stocks to the benefit of our customers and avoid their worst weaknesses? For one thing, recognizing the tax consequences of the inflationary period we have been in, we must increasingly coordinate our investment work with our estate planning work in its effort to set up programs that will minimize tax attrition. For another thing, we must continuously evaluate our investment policy in the light of the circumstances of each account. Only in this way can we make sure we have exercised good judgment as to the degree of risk it is prudent to assume and as to the needs and objectives of the life tenant versus the remaindermen. Finally, in setting up whatever common stock program is appropriate, we must be ever conscious of the clear evidence that selection is what makes the difference. What specific stocks our customers own is far more important than whether they have a few percentage points more or less in stocks as a class. As an investment man I put double emphasis on this last point.

*An address by Mr. Miller before American Bankers Association's Mid-Winter Trust Conference, New York City, Feb. 11, 1958.

Chase Manhattan Group Offers $44.5 Million New York City Bonds

An underwriting group headed by The Chase Manhattan Bank on Feb. 25 offered $44,500,000 New York City 2.90% bonds due 1959-1973, inclusive, at prices to yield 1.25% to 3%. The group was awarded the issue on that day on a bid of 100.389%, a net interest cost of 2.85% to the city. Net proceeds from the sale of the bonds will be applied to school construction and various other purposes.

Included in the underwriting group are:

Chemical Corn Exchange Bank; Manufacturers Trust Company; J. P. Morgan & Co., Inc.; Lehman Brothers; Lazard Freres & Co.; Barr Brothers & Co.; R. W. Pressprich & Co.; Merrill Lynch, Pierce, Fenner & Beane; Goldman, Sachs & Co.

Bear, Stearns & Co.; The Northern Trust Company; Harris Trust and Savings Bank; Equitable Securities Corporation; Drexel & Co.; The Philadelphia National Bank; Hornblower & Weeks; Ladenburg, Thalmann & Co.; Hallgarten & Co.; Carl M. Loeb, Rhoades & Co.

Blair & Co., Incorporated; Hemphill, Noyes & Co.; The Marine Trust Company of Western New York; Paine, Webber, Jackson & Curtis; Schoellkopf, Hutton & Pomeroy, Inc.; Swiss American Corporation; B. J. Van Ingen & Co., Inc.; Baxter & Company; A. G. Becker & Co., Incorporated; American Securities Corporation; Federation Bank and Trust Company; First National Bank in Dallas; Gregory & Sons; Hirsch & Co.

J. A. Hogle & Co.; E. F. Hutton & Company; Wm. E. Pollock & Co., Inc.; Reynolds & Co.; City National Bank & Trust Co., Kansas City; Goodbody & Co.; Green, Ellis & Anderson; Hayden, Miller & Co.; The Illinois Company, Incorporated; The Robinson-Humphrey Company, Inc.; Sterling National Bank & Trust Company of New York; Stroud & Company; Trust Company of Georgia; R. D. White & Co.

Robert W. Baird & Co.; Blunt, Ellis & Simmons; Burns, Corbett & Pickard, Inc.; Citizens & Southern National Bank; Courts & Co.; Fahey, Clark & Co.; First National Bank of Memphis; Mason-Hagen, Inc.; Newhard, Cook & Co.; Pacific Northwest Company; Peoples National Bank of Charlottesville.

Piper, Jaffray & Hopwood; Ryan, Sutherland & Co.; Schaffer, Necker & Co.; Schmidt, Poole, Roberts & Parke; Schwabacher & Co.; Singer, Deane & Scribner; John Small & Co.; Stein Bros. & Boyce; Wachovia Bank & Trust Company.

Wood, Gundy & Co., Inc.; Yarnall, Biddle & Co.; Continental Bank & Trust Co., Salt Lake; First of Iowa Corporation; First Security Bank of Utah; Granbery, Marache & Co.; Prescott & Co.; Stone & Youngberg.

S. S. Rexroat Opens

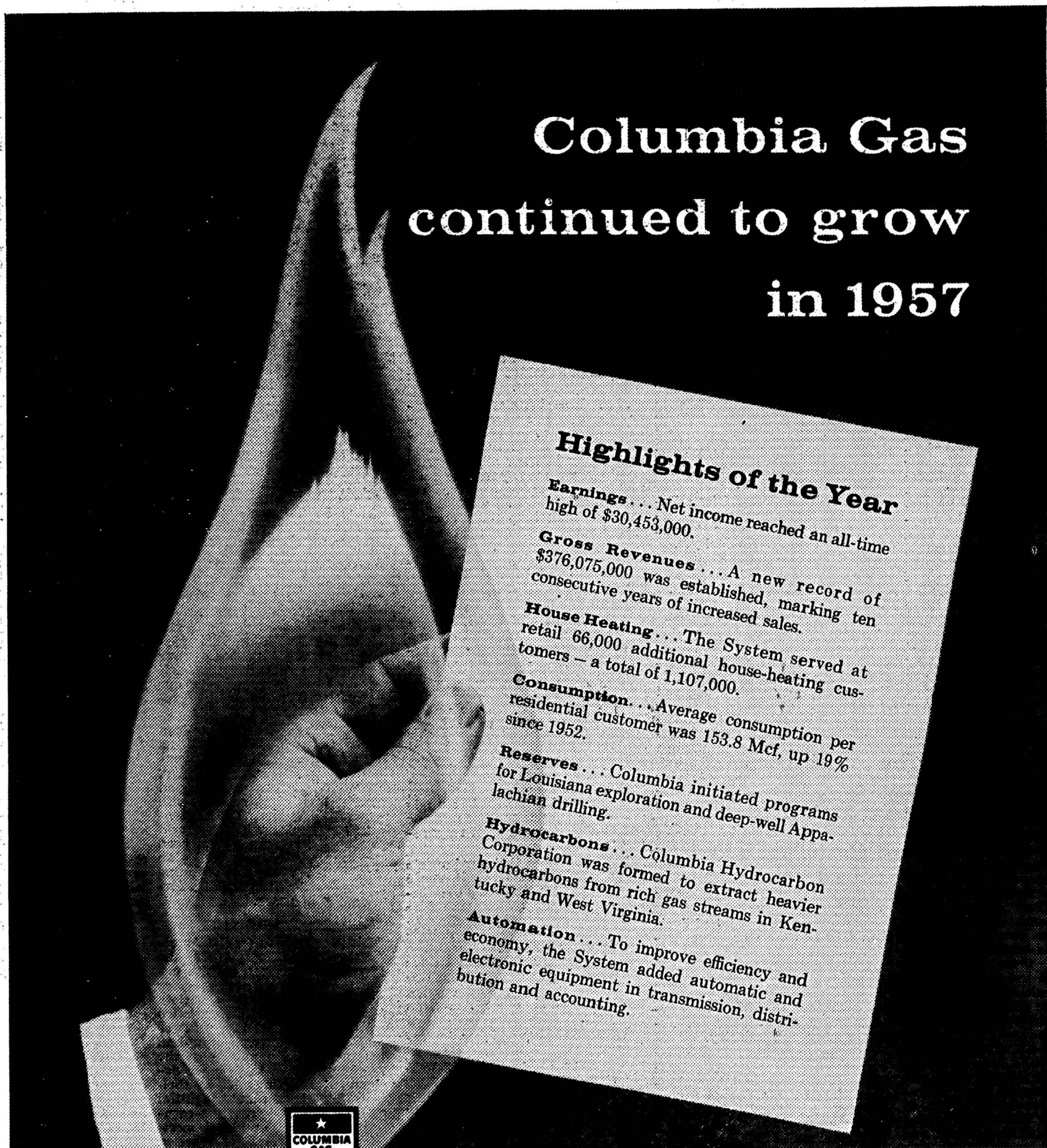
MITCHELL, S. Dak.—Silas S. Rexroat is engaging in a securities business from offices at 410 East 6th Street.

Rosen Opens Office

David Rosen has opened offices at 50 Broad Street, New York City, to engage in a securities business.

L. Z. Watson Opens

VERNON, Tex.—Leon Z. Watson is conducting a securities business from offices at 4215 Maple Street.



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America at the Crossroads

By HARVEY WILLIAMS*
President, Philco International Corporation

Not inaction, but enlightened, vigorous cooperation by implementation of a long-term public and private program to counteract and overcome the economic trade and aid type of warfare being waged by the Soviet Union in underdeveloped countries is urged by Mr. Williams who finds that it has been undramatic but effective. He warns that by 1968, at present growth rates, there will be a 450 million larger world population and that "this fantastic growth, accompanied by fervent nationalism, can be a greater threat . . . than hydrogen bombs or inter-continental missiles." Suggests what action Congress and private overseas investment should take in his exigently recommended two-part program.

American agriculture, labor and industry have before them an unprecedented opportunity for high employment, good wages, sales and profits during the next two decades. This requires the prompt, intelligent, long-range evaluation by the Congress of the world-wide economic and political situation, followed by immediate preparation of a courageous, adequate, cooperative program to meet the aspirations and needs of the world's growing population.

Harvey Williams

At present growth rates, there will be at least 450,000,000 more people in the world by 1968—seeking food, clothing, shelter and other facilities for a better way of life. This increment is greater than the present population of North and South America combined.

Poses Greater Threat

This fantastic growth, accompanied by fervent nationalism, can be a greater threat to the safety of the United States and the Free World than hydrogen bombs or inter-continental missiles. Alternatively, it can be the basis of a new spiritual freedom and material prosperity. People throughout the world realize that poverty and hunger are no longer inevitable. They have become more and more demanding in seeking higher standards of living. The world-wide political implications of these basic facts combined with the startling technological "break-throughs" of the past decade are shaking traditional economic and political concepts to their foundations.

In this fluid situation, the "cold war" has taken a new **offensive** pattern. Russia is using trade and aid as new weapons in an undramatic but effective program to erode the Free World and extend the borders of the Communist empire.

Let us look at examples:

Syria — A Russian loan to finance $100,000,000 of railway construction; two dams at Restin and Raqqa; hydro-electric stations to supply Damascus and Aleppo; a mineral survey and fertilizer factory. Repayment to be made in Syrian agricultural products.

Egypt — Russian purchases of cotton increased from 5% to 50% of the Egyptian crop. Lack of dollar and sterling exchange forcing Nasser to buy arms, vehicles and machinery from Russia.

Syria again — $168,000,000 loan from Czechoslovakia reported in the Dec. 30, 1957 issue of the London "Times," to equip factories to make nylon, cardboard, steel and other products.

Indonesia—$100,000,000 Russian loan recently accepted just when Indonesia is short of cash in its disagreement with the Dutch.

Ceylon — Dependent on Red China for rice paid for with Ceylonese rubber, recently offered a long-term Russian development loan at 2½% — the same terms which have been given to Syria and Egypt.

Iceland—When commercial fishing lobbies in Britain brought to an end British imports of fish from Iceland — and the United States did nothing—Russia took Icelandic fish for automobiles and petroleum products—now controls Iceland's supply of oil.

Ghana—This new African Republic has a standing offer to exchange its cocoa crop for Russian goods of all kinds. No deal yet.

India—Russia delivering $90,000,000 of steel mill machinery largely for spices, jute and tea.

Underestimation

To some extent, we are responsible for this situation. We underestimated the agility and competence of our adversaries. We have poured money into developed and undeveloped countries but somehow we have failed to find the touchstone by which those countries have become our staunch supporters and our happy allies. Maybe this is because we have usually operated on a government-to-government basis rather than under a program planned to utilize the experience, intelligence and vigor of American private enterprise in partnership with private enterprise in other countries and with the financial resources of our government.

Now we are at a point of decision. The next two or three decades can be outstandingly promising and successful for American foreign relations, world trade and international investments. This can bring with it high employment and prosperity for our domestic labor and industry.

Or, the next decade can see further weakening of the Free World, further loss of international prestige by the United States, added gains by the Communists in this new economic warfare, and the evolution of an increasingly vulnerable position for the United States and its allies.

We are at the crossroads indeed—at a moment when time and circumstances will force us to take one route or the other.

The Congress which reassembled yesterday will make the choice. The unavoidable necessity of choosing which course the United States is to take makes this Session one of the most important since the days of the American Revolution. On the decisions of the new Congress—and on the understanding by the American people of the significance of the choice involved—can well hinge the future safety of the Free World and of the United States.

Two Alternatives

The crossroads ahead offer two alternatives:

(a) **The route of inaction**—too little and too late—lack of understanding of the motivations of other peoples—further deterioration of the strength of the Free World; or

(b) **The route of enlightened, vigorous cooperation** by implementation of a long-term program which will soundly develop and protect the nations of the Free World and re-establish unity of purpose and leadership within it.

The "cold war" will not be won by missiles and armaments, much as we may need them now for our protection and as deterrents to our adversaries. This "cold war" is based on a battle for men's minds and loyalties—utilizing the emotions and circumstances created by the wide-spread desire for independence and a better way of life, combined with accelerated population growth.

Our adversaries are showing themselves most adept at taking advantage of these conditions to create economic ties with added nations — ties and obligations which divert trade from the Free World and, almost certainly, will lead to political as well as economic associations.

If the United States is to counter this economic warfare successfully—if we are to have allies who are both economically strong and also happy in their alliance with us—then we must persuade such nations, **by our actions**, that we are interested in their welfare and that we shall help them cherish and improve it, even at some sacrifice to ourselves.

Benefits of Liberal Trade

We should move toward much more liberal import trade policies. The President might well recommend to the Congress a program to eliminate tariffs and import restrictions in a gradual and orderly fashion over a five-year period. Such a plan will be fought by protectionist groups, tooth and nail. Nevertheless, our total imports amount to only 3% of our Gross National Product. Included are substantial quantities of necessary foods and raw materials; coffee, bauxite for aluminum, iron ore, uranium, and other similar products of which we produce none or not enough for our own requirements.

Let us suppose that our imports grew to 5% of our Gross National Product. This would be a 67% increase. Certainly, there would be some dislocations of domestic employment. However, the dollars which go abroad to buy those added imports will return to our country to purchase more machine tools, automobiles, road-making machinery and other American products.

Will we not have higher domestic employment and a higher level of domestic business activity with prosperous free nations as friends, buying more freely from us, shipping their goods more freely to us, and thereby better able to continue their own industrialization and the improvement of their own standards of living? In my opinion, this will be the case.

Two-Fold Program

Much more liberal import policy is the first half of our program. The second half involves enlargement and liberalization of our overseas investment activities.

As living standards improve in the less-developed countries, external capital is required for **three categories** of activities and facilities.

First, there are many **non-profit activities** rightfully and normally financed by Government. Health surveys and campaigns to exterminate disease; irrigation; harbor improvements; installation of sanitary facilities and water purification; better utilization or improvement of the soil; construction of public buildings, schools and hospitals. These are projects which only can be financed by government - to - government grants-in-aid or long-term loans at low interest rates. This is government-to-government technical assistance at its best. The United States has agreed to give the United Nations Technical Assistance program an added $30,000,000 for studies and surveys of this nature.

Second are the **basic services**—electric power; water; transportation and communication. Here are income-producing activities, sometimes operated privately and sometimes by government. Such basic services can be financed by loans from public, semi-public or private institutions—the principal amount, the interest rate, and the maturities being co-ordinated with the earning potential of each particular project.

But these first two categories, essential as they are, are only a portion of the full development of an economy.

Private Enterprise Support

The third category embraces the undertakings created and run by private enterprise in all their variations of size and character. In a free economy, this third category supports the first two. This third category is the part of a full program of economic development which creates jobs with regular wages;—which offers profit possibilities to local investors;—which brings with it practical training in the commercial arts and sciences;—which increases the "know-how" of the people of the host country; and the one which adapts itself best and most quickly to the changing needs of a population. Its establishment, its growth and its prosperity are essential to the welfare of the countries of the Free World. Its productivity creates purchasing power and improves living standards. It is a required ingredient in our constructive, forward-looking program.

In a "crash program," American private enterprise mobilized its genius for organization, its inventiveness, its experience in design, production and transportation, and through this combination, with financing provided by government, assisted in winning World War II. There is an urgent need for a large-scale, integrated plan for utilization of this winning combination in the present international emergency.

No Hand-Outs

This is not a plea for the American Government to place at the disposal of American private enterprise huge sums of money for investment abroad in a variety of warranted and unwarranted projects. Rather, it is a plea for a well-thought-out, well-organized plan to assist the nations of the Free World with the proper development and financing of their nonprofit government facilities and activities, their revenue-earning basic services and local, meritorious commercial enterprises, preferably sponsored by Americans and local nationals acting jointly and providing at least some small portion of the capital which is to be at risk. Such a plan, bringing to the people of the host country mutual business relationships with Americans in commercial projects which improve local standards of living, may well be a touchstone with which to re-establish American prestige and leadership.

While the outstanding factors in the future of American foreign trade and international investment seem to me to be the recent change in the relative position of the United States on the world scene, and the success of Russia's aggressive program of economic infiltration, you will wish a more specific forecast of near term trends in imports and exports. Their importance to the American economy should be appraised, also.

The National Foreign Trade Council's preliminary estimate of exports for 1957 is $19.5 billion—up 13% over 1956. Nineteen hundred fifty-seven imports are estimated at $13.0 billion—up 3% over 1956.

It is anticipated that 1958 imports will approximate or be slightly larger than those of 1957. Much will depend on the trend of activity of our own economy and its need for imported raw materials. There appears to be an increasing public liking for imported consumer goods. Some decline in raw material imports may be offset by some increase in consumer goods imports because consumer spending power in the United States continues high.

For 1958, a decline in exports is anticipated, probably to $17.5 billion—or a decrease of about 10%. There are several reasons for this.

Money continues to be tight and expensive in substantially all countries overseas. This has tended to slow down the rate of business expansion.

Commodity prices have fallen materially compared with a year ago. It is estimated these price drops will reduce the purchasing power of countries depending on such exports for earnings of foreign exchange by perhaps $4.0 billion.

In 1957, both foreign aid and military expenditures overseas were reduced, also.

Our Dollars Must Come Back

It should be remembered that every dollar we send abroad to buy an import, as an investment, as a military expenditure or for any other purpose **ultimately comes back to buy American goods or investments.** Therefore, a reduction in our dollar expenditures overseas means less purchases from us by other nations. Similarly, larger American expenditures abroad for imports, etcetera, will mean larger purchases from the United States by foreign buyers.

The Department of Commerce estimates that 4.5 million American workers, or about 7% of our labor force, gain their livelihood from foreign trade. If we increase our exports by enlarging our expenditures for imports, the beneficial effect in producing jobs is evident. Here is a factor which needs emphasis when the opponents of liberal import policies complain about the prospective reduction in jobs which might be caused by the reduction or elimination of tariffs and other import controls. In a recent editorial "Life" magazine estimated the maximum number of jobs which might be eliminated in American manufacturing industries **by abolition of all tariffs** at not over 100,000. A 2½% increase in American employment in foreign trade can create that many new jobs.

Conclusion

In conclusion, the basic premise which I submit as the controlling one in forecasting the future of American economic activity abroad is whether the United States Congress will take an enlightened view of the exceedingly dangerous situation in which the United States and the Free World finds itself today.

Will Congress support and implement an effective, long-range program to enable friendly nations to trade freely with the United States, the economic Colossus of the Free World?

Will Congress conceive and define a plan for assisting the development of friendly nations recognizing the three kinds of economic activity outlined to you above, and emphasizing the im-

***An address by Mr. Williams before the Eleventh Annual Forecasting Conference, Chamber of Commerce of Greater Philadelphia, Philadelphia, Pa.**

portance of the private enterprise sector in such a program.

And finally, will Congress set up, as was done in the Reconstruction Finance Corporation and the War Production Board, a group of men experienced in international trade and economics, finance, management, labor administration and the successful development of private enterprise abroad with responsibility for activating such a program rapidly, effectively and constructively.

If Congress will support and authorize these two programs, the future of American foreign investment and trade is optimistic, indeed. So are the prospects for prosperity at home and for the safety of the Nation and the Free World.

Amott, Baker & Co., 25th Anniversary

Twenty-five years ago on March 1, 1933, Amott, Baker & Co., Incorporated began business as an over-the-counter investment firm at 150 Broadway, New York City. Looking back, it is quite probable that a less favorable period in the nation's business and economic history could not possibly have been selected. The "Bank Holiday" had just ended and the country was deep in the throes of its worst major depression.

Harry R. Amott

Nothwithstanding these adverse conditions, the founders recognized an urgent need for the organization of an investment firm qualified to develop an active and orderly market for the billions of dollars of real estate securities then outstanding with the public.

The firm's headquarters office is still at 150 Broadway. The firm now performs all the functions of a complete investment banking organization in addition to such specialized services as its savings and loan business, real estate brokerage and appraisals, and a Mutual Fund department.

Present officers and directors are Harry R. Amott, President, John Hawkins, Vice President and Secretary, William J. Baroni, Vice President and member of the New York Stock Exchange, Wilbur J. Janssen, Treasurer, and Allan Levian, Assistant Secretary. Ralph C. Baker, who retired in 1954 as a stockholder and an officer and director, has continued with the firm as a Registered Representative in New England where he maintains his home in Springfield, Vermont.

With Metropolitan St. Louis

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Keith F. Stocker has become associated with Metropolitan St. Louis Company, 315 North Seventh Street, members of the Midwest Stock Exchange.

With Robert Schweser

(Special to THE FINANCIAL CHRONICLE)

OMAHA, Neb.—William March is now with Robert E. Schweser Company, 208 South 19th Street.

D. E. Beattie Opens

SEATTLE, Wash. — Dwight E. Beattie is engaging in a securities business from offices at 6541 29th Avenue, North East under the firm name of D. E. Beattie Co. He was formerly with John R. Lewis, Inc.

Pennsylvania Electric 4% Bonds Offered

Equitable Securities Corporation and associates offered publicly on Feb. 25 $29,000,000 of Pennsylvania Electric Co. first mortgage bonds, 4% series, due March 1, 1988, at 100.874% to yield 3.95% to maturity. The group was awarded the issue at competitive sale Feb. 24 on a bid of 100.11% for the indicated coupon.

From the proceeds, $7,000,000 will be used in the prepayment of short-term bank loans, approximately $20,500,000 will be applied to the cost of the company's 1958 construction program, and the balance will be used to reimburse the company's treasury for a small part of construction expenditures made prior to 1958.

The new bonds are redeemable at regular redemption prices ranging from 104.88% to 100% and at special redemption prices ranging from 100.88% to 100%.

Pennsylvania Electric, a subsidiary of General Public Utilities Corp., is principally in the business of supplying electric power in a territory located in western, northern and south central Pennsylvania, aggregating approximately 17,450 square miles.

Total operating revenues in 1957 amounted to $72,337,566 and net income to $14,844,172, compared with total operating revenues of $69,251,892 and net income of $13,544,467 in 1956.

Rejoins A. G. Edwards

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—John A. Ladd, Jr. has rejoined A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges. He has recently been with Dean Witter & Co.

Eastman Dillon to Admit Leroy & Roberts

Eastman Dillon, Union Securities & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will admit Charles V. Leroy and Willis L. Roberts to partnership on March 6th. Mr. Roberts will make his headquarters in the firm's Chicago office, 135 South La Salle Street, where he is manager of the investment department.

Conventional Home Loans And Home Building Outlook

By W. FRANKLIN MORRISON*

President, National Savings and Loan League
Executive Vice-President, First Federal Savings & Loan Ass'n, Washington, D. C.

Ample mortgage money supply to accommodate about 1,100,000 new dwellings in 1958 is expected by Mr. Morrison who urges housing promotion rather than output reduction "to parlay the current business lull into a bigger volume of business in 1958." With increased credit and tax liberalization, National Savings Loan head opines mortgage financing may become even more readily available than expected. Author advocates less reliance on Federal assistance and more on conventional home financing which, he declares, is the backbone of savings and loan associations.

In reviewing recent developments, I believe that the mainstay of the housing industry is the conventional home loan because it is the one financing vehicle that never fails.

W. F. Morrison

I would hate to think what might have happened to the housing industry in 1957 if there had been no conventional home financing. With FHA and VA programs bogged down in the political cross-fire of tight money, conventional home financing showed beyond doubt that it is the only reliable lifeline of credit for the housing industry.

Take a piece of paper and draw a square and then draw a straight black line across the square near the top. Now draw a wavy line under the straight line. That will give you a pretty good picture of home financing since 1950.

The nearly straight line at the top represents the rate of conventional financing during the past eight years. It has consistently followed a narrow range between 600,000 and 700,000 new dwellings a year. I think you will concede that is a tremendous amount of home construction. The wavy line shows the ups and downs of total housing output under the FHA-VA programs. The line is wavy—and sharply so—because construction volume has ranged from a high of 686,000 units in 1950 to a low of something like 300,000 last year. And this contrast illustrates, I think, the vital role played by conventional lending in the housing economy.

But there is more to the story than a simple chart. The importance of conventional financing is underlined by the fact that five out of every ten new homes in 1955 were financed conventionally. In 1956, six out of ten were in the conventional column and last year, the percentage rose to seven out of 10—a postwar record.

The dominance of conventionals was never more apparent than it was last August when fully 80% of all home financing—both new and existing — was handled by conventional lending.

S. & L. Associations Partial to Conventionals

Savings and loan associations—which, incidentally, were the first institutions founded in this country a century and a quarter ago to provide home financing — are the arch-advocates of conventional financing. We invented it as it is known today. We are partial to conventional financing and we are proud of it. Last year, we put 89% of our funds into conventional home loans and we will continue to emphasize conventional lending simply because we feel that there is no better, more efficient, easier, or more intelligent way to do the job.

I am sure that many are aware of the standing of savings and loans in home financing. We are the chief source of mortgage funds, accounting for about four out of every ten transactions in the nation. The $30 billion in mortgage loans we hold equals the total holdings of life insurance companies and commercial banks combined. And our mortgages outstanding today alone exceed by a wide margin the $30 billion in loans insured by FHA since it was inaugurated in 1934.

* * *

As already stated the principal investment of Savings and Loans is the conventional loan. This past year they made home loans for a total of $10.3 billion and in spite of the changing economy, tight money, etc., that was only $300 million less than in 1956.

By and large, these associations are never out of the market but are always making loans.

Recent Changes

Several very important aids have been extended to them by the Federal Home Loan Bank Board in recent months. The most important of which is the authorization which permits insured savings associations to invest part of their mortgage funds in home financing operations by other insured associations outside their normal 50-mile lending area. This is important because if your local savings associations are not able to get sufficient funds locally, they can now get money from areas where it is more plentiful.

Rely Less on Federal Assistance

As we have seen, government assisted housing programs slowed to a walk in 1957 for no other reason than the simple lethargy of the government itself in failing to apply realistic interest rates to FHA-VA home financing. Who is to say that we have seen the last of this problem? Rather, it seems that this is a problem that will continue indefinitely.

And it may intensify. Look at the statements made by President Eisenhower in recent weeks concerning the role of government in business operations. Not only does the President want to conserve government dollars for defense spending by cutting down civilian-type operations but he also wants to pull government out of business enterprises. Already we have seen proposals from the White House to curb Federal subsidies to farmers and to cities projecting urban renewal programs.

It is not entirely impossible that at some future time the government may drastically alter its participation in the housing economy. And since this is a possibility, it is all the more reason why builders increasingly should rely on conventional financing. They should investigate the opportunities and advantages of conventional financing as opposed to that supported by the government and make maximum use of savings and loan associations.

I would therefore urge most seriously to plan your operations in a manner that would involve less dependence on Federal assistance and more reliance on the private enterprise system free of government restriction and control.

Looks at Present Economic Situation

At this point, I would like to digress for a moment and comment on the present economic situation. As I see it, there is no room for pessimism in the housing economy today. In looking over the past performance and the present condition of the housing industry, the only conclusion that can be logically drawn is that from here on out housing construction ought to be on the upswing.

Among the many signs portending a rise in housing operations are the reports we are receiving from all sections of the country that mortgage money is rapidly loosening. There is absolutely no question that more money will be available for home financing than has been the case for many months.

We can expect a supply of mortgage money that will be ample to handle construction of about 1,100,000 new dwellings in 1958. And, if government action is taken to increase money in circulation—either by further credit relaxation or by a tax cut—mortgage financing may become more readily available than many people now realize.

With this in prospect, now is the time to promote housing rather than reduce output. With skillful construction and energetic salesmanship of the homes that Americans want, you can parlay the current business lull into a bigger volume of business in 1958.

*From an address by Mr. Morrison before Annual Convention of the National Association of Home Builders, Chicago, Ill., Jan. 22, 1958.

Arthur Sohl Chairman of Queens, N. Y. Council of Big Brothers, Inc.

Arthur W. Sohl, who resides at 91-47 110th Street in Richmond Hill, New York, was installed Feb. 19 as Chairman of the Queens (Long Island) Council of Big Brothers, Inc. by Henry J. Benisch, organization President, at the Forest Hills Inn, 1 Station Square.

Mr. Sohl is an editor for Fitch Publications. He served 4½ years as a Sgt. Major in the Corps of Engineers in Africa, Germany and Austria during World War II. A graduate of the New York School of Finance, Mr. Sohl is active in Lutheran circles. He is President of the Men's Club of the St. Paul's Evangelical Lutheran Church, where he also serves as a Sunday School teacher and a Committeeman for the church scout troop. Mr. Sohl has been active in the Big Brothers for the last ten years and has served as counsellor for six "little brothers." He has been on the Queens Council since 1955 and has held the position of Vice-Chairman for the last six months.

Twin City Women's Club To Hear Bond Attorney

Twin City Investment Women's Club will hold its next meeting March 19th at the Town and Country Club, St. Paul, Minnesota. Speaker will be DeForest Spencer, of the firm of Dorsey, Owen, Barker, Scott and Barber, who will address the group on Legal Aspect of Municipal Bonds.

Joins A. C. Allyn Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Timothy P. O'Neil has joined the staff of A. C. Allyn and Company, Incorporated, 101 West 11th Street. He was formerly with Barret, Fitch, North & Co.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

The appointments of Stanley P. Bahr as a vice president, Franklin E. Freeman as a Trust Officer, and Philip J. Chetta as an Assistant Vice President of **Manufacturers Trust Company, N. Y.** are announced by Horace C. Flanigan, Chairman of the Board.

Mr. Bahr joined Manufacturers Trust Company in 1930. He was appointed an Assistant Trust Officer in 1942 and a Trust Officer in 1947.

Mr. Freeman began his banking career with the **Brooklyn Trust Company, N. Y.** in 1930 and joined Manufacturers Trust Company when the two merged in 1950. He was appointed an Assistant Trust Officer in 1952.

Both Messrs. Bahr and Freeman continue their assignments with the personal trust department at the Bank's head office, 55 Broad Street.

Mr. Chetta joined Manufacturers Trust Company in 1956 and was appointed an Assistant Secretary the same year. At present Mr. Chetta is assigned to the bank's Empire State office, Fifth Avenue at 34th Street.

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William C. Miller and Hans U. Wydler have been appointed Assistant Treasurer and Assistant Secretary, respectively, of the **Chemical Corn Exchange Bank, New York,** it was announced on Feb. 25 by Harold H. Helm, Chairman. Mr. Miller is with the Bank's Operations Division at 770 Broadway and Mr. Wydler is located at 30 Broad Street office in the Loan Review Division.

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Adrian M. Massie, Chairman of the Board and Hulbert S. Aldrich, President of **The New York Trust Company, New York,** have announced the following promotions and appointments made at a recent meeting of the Board of Directors:

George R. Macalister, Jr., formerly Assistant Vice President has been promoted to Vice President. He is in charge of the Bank's branch office at 205 East 42nd Street. Harold P. Spurr, formerly Assistant Treasurer has been promoted to Assistant Vice President in the Banking Division. Bernard F. Dunigan has been appointed an Assistant Trust Officer at the Bank's branch at 10 Rockefeller Plaza. John A. Mears has been appointed an Assistant Secretary in the Trust Accounting Department of the Personal Trust Division.

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Willis H. Booth, 84, retired Vice-President of the **Guaranty Trust Co. of New York,** died Feb. 21. Mr. Booth began his banking career in 1905 with **Equitable Savings Bank of Los Angeles.** When the institution merged with the **Security Trust and Savings Bank,** he continued as Vice President. He held similar posts with the **Southern Trust Company** and the **Security National Bank.**

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Donald M. Elliman, President and Trustee of **The Bank of New York,** has been elected a Trustee of **Union Dime Savings Bank, New York,** it was announced Feb. 19.

Mr. Elliman joined The Bank of New York in 1956 as a Vice President, and in 1957 became, successively, Executive Vice President and President. His previous banking experience was with the **Corn Exchange Bank, New York** and **The County Trust Company, White Plains, N. Y.** in both of which he served as Vice President.

The First National City Bank of New York, on Feb. 25 announced the appointment of two Assistant Vice-Presidents in its Operating Division.

They are Waldron J. Hennessy who will be associated with the supervision of the Check Processing Department and John G. McDowell of the Domestic Collection and Mail Departments.

Both were formerly Assistant Cashiers.

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The Trade Bank and Trust Company, New York appointed Samuel C. Sander a Vice-President. John A. Murphy and Louis Schiff were also made Vice-Presidents.

Mr. Murphy joined the bank as an Assistant Vice-President in 1950 after 20 years at the old **Corn Exchange Bank, New York.** Mr. Schiff began with the bank as a messenger and worked successively as note teller, manager of the loan department, Assistant Secretary and Assistant Vice-President.

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Leo F. Kelly, Vice-President of the **Chase Manhattan Bank, New York,** died on Feb. 23 at the age of 56.

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The Quarter-Century Club of **The Dime Savings Bank of Brooklyn** has 34 new members, who, during the past year, have completed 25 years of service with the Bank. This brings to 109 the membership of the Club with service totaling 3,175 years.

Mr. Johnson paid tribute to Seymour B. Wurzler, the oldest employee who has been on the Bank's payroll for 72 years.

Roy H. Shepherd, retiring President of the club, presided at the meeting during which the following officers were elected to serve for the coming year: George Harned, President; Frank Boakes, Vice President; George W. Stewart, Treasurer, and Ernest Taylor, Secretary.

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Arthur T. Roth, President of the **Franklin National Bank of Long Island, Franklin Square, L. I.,** announced the promotion of John Sadlik from Assistant Vice President to Comptroller.

Before joining Franklin National in 1951, Sadlik was Branch Supervisor of the **Manufacturers Trust Company of New York.**

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Ruskin M. Van Cott, Vice President of the **Nassau Trust Company, Long Island,** died Feb. 17 at the age of 63. Mr. Van Cott had been with the Bank for 46 years.

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A plan providing for the merger of **National Bank and Trust Company of Skaneateles** into **First Trust & Deposit Company** under the title "First Trust & Deposit Company", has been filed with the New York State Banking Department.

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The First National Bank of Whitney Point, New York, with common capital stock of $100,000 has gone into voluntary liquidation by a resolution of its shareholders, effective Feb. 7. The liquidating agent is The Trust Department of First-City National Bank of Binghamton, N. Y., and the Bank was absorbed by **First-City National Bank of Binghamton, N. Y.**

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Middlesex County National Bank, Everett, Massachusetts increased its common capital stock from $1,800,000 to $2,000,000 by a stock dividend effective Feb. 10. (Number of shares outstanding—200,000 shares, par value $10).

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Stockholders of the **Fairfield County Trust Co., Conn.**, approved the merger with the **First National Bank & Trust Co. of New Canaan, Conn.** The merger effective Feb. 28, was voted by stockholders of the New Canaan Bank on Jan. 14.

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By the sale of new stock, the common capital stock of **The Home National Bank and Trust Company of Meriden, Connecticut** was increased from $500,000 to $600,000 effective Feb. 10. (Number of shares outstanding—60,000 shares, par value $10).

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The Ansonia National Bank, Ansonia, Connecticut, with common stock of $200,000, was merged with and into **The Union and New Haven Trust Company, New Haven, Conn.**, under the charter and title of the latter Bank, effective Feb. 10.

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George J. Sokel, President of **The Home National Bank and Trust Company of Meriden, Conn.** died on Feb. 13.

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By a stock dividend, the common capital stock of the **Hudson County National Bank, Jersey City, New Jersey** was increased from $2,500,000 to $3,000,000 effective Feb. 14. (Number of shares outstanding—120,000 shares, par value $25).

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By a stock dividend, the **Haddonfield National Bank, Haddonfield, New Jersey** increased its common capital stock from $300,000 to $400,000 effective Feb. 15. (Number of shares outstanding—40,000 shares, par value $10).

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By a stock dividend, the **Continental Illinois National Bank and Trust Company of Chicago, Illinois** increased its common capital stock from $90,000,000 to $100,000,000 effective Feb. 11. (Number of shares outstanding—3,000,000 shares, par value $33 1/3).

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The Drovers National Bank of Chicago, Illinois increased its common capital stock from $1,800,000 to $2,000,000 by a stock dividend effective Feb. 12. (Number of shares outstanding—200,000 shares, par value $10).

* * *

Don R. Armacost and Paul Hamilton, Jr., have been elected to the Board of Directors of **Central Bank of Kansas City, Mo.**

Two new Assistant Cashiers were also named: Charles J. Maybrier and Hugh G. Patchin, Jr.

Mr. Maybrier began his banking career with the **Bank of America in Vallejo, Calif.**, and later was associated with the **Community State Bank and Park National Bank in Kansas City.**

Mr. Patchin comes to Central Bank from **City National Bank & Trust Co.**, where he has been on the staff for 11 years.

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Leo A. Fisher, Vice-President and Director of the **Bank of Bloomfield, Mo.**, was elected a Director of the **Bank of St. Louis, Missouri.**

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Albert M. Brinkly, Jr., former President of the **First National Bank of Kingsport, Tenn.**, has been made Executive Vice-President of the **Union Planters National Bank, Memphis, Tenn.**

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The common capital stock of **The First National Bank of Gainesville, Florida** was increased from $400,000 to $500,000 by the sale of new stock effective Feb. 11. (Number of shares outstanding—50,000 shares, par value $10).

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By a stock dividend, the common capital stock of **The First National Bank of Dothan, Alabama** was increased from $650,000 to $750,000 effective Feb. 11. (Number of shares outstanding—30,000 shares, par value $25).

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"**The First-Liberty National Bank", Liberty, Texas** changed its title to "**The First Liberty National Bank**" effective Feb. 15.

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Frank L. King, President of **California Bank, Los Angeles, Calif.**, has announced plans for the construction of an 18-story Head Office building on the southeast corner of Sixth and Spring Streets in downtown Los Angeles, Calif.

Cost of the project is estimated at $13,000,000. The skyscraper type structure will rest on the site of a former Los Angeles landmark, the old Grosse Building, and tower 267 feet above ground level. It will be the first building of more than 13 stories to be erected in downtown Los Angeles since repeal of the height limit restriction in 1956.

The bank expects to occupy approximately three-fourths of the building and the fourth basement level which will contain the safe deposit and securities vaults.

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Chappell to Aid Drive For N. Y. Public Library

William B. Chappell will help the New York Public Library in its 1958 appeal for funds, it has been announced by Irving S. Olds, Chairman of the drive. Mr. Chappell, who is Vice-President of the First Boston Corporation, will seek to enlist the aid of investment bankers and brokers in the campaign to raise a half-million dollars for the Central Reference Library at Fifth Avenue and 42nd Street. He is one of a group of business and civic leaders working to help the Library balance its budget.

William B. Chappell

Although the Fifth Avenue Library is generally thought to be a publicly supported institution, Mr. Chappell pointed out that the only help it receives from the city is for the physical support of the building. Books, salaries, and all other expenses must be met by private funds. Income from endowments was sufficient for the Reference Library's needs until after the last war, when spiralling expenses necessitated an annual appeal to the public.

Mr. Chappell compared the $400,000 sum with which John Jacob Astor built, stocked, and serviced the original Astor Library, which formed the core of the New York Public Library's Reference Department, with the more than $3,500,000 now required to maintain the Fifth Avenue Library for one year. He went on to point out, however, that the Astor Library, with its 90,000-book collection, served fifty people a day in 1854. In 1957, about 8,000 New Yorkers a day used the 3,750,000-volume reference library.

Two With J. C. Roberts

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, Mass.—Edward F. Alexik and Newton C. Burnett have joined the staff of Jay C. Roberts & Co., 18 Vernon Street.

With Schirmer, Atherton

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Newton C. Burnett is now with Schirmer, Atherton & Co., 50 Congress St., members of the New York and Boston Stock Exchanges.

British Views on Inflation Policies in the United States

By PAUL EINZIG

America's recent shift to a "reflation" policy is found to have a disheartening effect on battle against inflation in Britain by Dr. Einzig who poses the question whether changed American policy means "abandonment of the hope that creeping inflation would ever be resisted seriously." The author proudly notes there has been no replacement of deflation by reflation in Britain, so far, and hopes the Government will not weaken in its fight against inflation.

LONDON, Eng.—The reduction of reserve requirements in the United States, following as it did on the lowering of Federal Reserve bank rates, is regarded in London as an indication that, under the influence of recession fears, the American authorities have now abandoned their efforts to resist inflation and are embarking on a policy of reflation. This change of policy is welcomed by the "soft money school" in Britain, even though the view of most British inflationists is that it has not gone nearly far enough to be effective. In British inflationist circles it is hoped that the softening of monetary policy in the United States would strengthen sterling, both through inducing transfers of "hot money" to London and through causing a rise in the American price level, thereby stimulating British exports. Optimists are expecting the British authorities to follow the American lead in the not too distant future, and to relax the credit squeeze.

Paul Einzig

Beyond doubt a strengthening of sterling through the effect of the American reflationary measures would greatly increase pressure for a lowering of the bank rate. On the other hand, the hard money school in Britain views with dismay the abandonment of resistance to inflation in the United States. It is readily admitted that the recent increase in American unemployment, together with other symptoms pointing towards the possibility of a major recession, has made it appear expedient for the United States authorities to reconsider their policy.

Have the Inflationists Won?

Nevertheless, it is widely felt that those in favor of resisting inflation have lost a major battle—possible a decisive battle. It may well be asked whether this change of American monetary policy does not mean the abandonment of the hope that creeping inflation would ever be resisted seriously. If it is felt that resistance to inflation can not be made effective without incurring the risk of a slump then political opinion, expert opinion, and public opinion is liable to consider non-stop inflation as the lesser of the two evils.

The battle was lost in the United States because the Government is more afraid of a slump than the trade unions. This in spite of the increase in unemployment, which should have induced the trade unions to suspend their wage demands, and to agree to a wage freeze. Instead, they decided to continue pressure for higher wages, on the assumption that the Government could not possibly afford to allow a major recession to develop, especially in election year. Unfortunately that assumption has proved to be only too well justified. The American authorities did not dare to risk to call the bluff of the trade unions by relying on the weakening of the bargaining power of organized labor as a result of the increase in unemployment. Before that stage was reached they decided to reverse their disinflationary policies.

Inflationists' Efforts in Britain

It is not for a British observer to criticize this change of policy, deplorable as it is from the point of view of the prospects of resisting inflation in Britain. The fact that in the contest between the American trade unions and the American authorities the latter felt impelled to give way is bound to encourage British trade unions to remain adamant. Fortunately, fears of a slump are not clearly as pronounced in Britain as in the United States. British unemployment is still quite negligible, and the efforts of inflationists to create a slump scare have not met with very much success so far. At the time of writing the British official policy continues to favor resistance to inflation. There are no indications of a softening of the British monetary policy.

This is all the more remarkable as inflationists in Britain are incomparably more vocal than their opponents. A large number of well-known economists have publicly advocated the abandonment of resistance to inflation, while most of those who are against such a change of policy are reluctant to commit themselves in public. The whole of the Socialist Opposition in Parliament and in the country have thrown their weight into the balance on the side of inflationists. A large section of the British Press is either neutral or is inclined to flirt with inflationism. Even among Treasury officials there are many who would prefer to take the line of least resistance. As and when the gold reserve will increase during the next few months pressure on the Government in favor of adopting a more popular monetary policy is bound to gain in strength.

Yet whatever the balance of arguments may be in the United States, there is no case for replacing disinflation by reflation in Britain. An increase in productive activity in the United States is liable to reverse the downward trend of world commodity prices. On the other hand, the extent to which a relaxation of the credit squeeze in Britain would increase world demand for commodities would have to be much more moderate to be a decisive factor in the world trend.

No Weakening Yet

It would indeed be a great pity if Britain were to abandon the fight against wage inflation. For that fight has not been altogether without results. There have been no major wage increases since last summer, and major wage demands are pressed very half-heartedly by the trade unions. They are beginning to believe that the Government really means business this time, and most trade union leaders are reluctant to precipitate a major showdown. The moment the Government were to show signs of weakening in its determination to fight the battle to a finish, the trade unions would feel encouraged to press their claims with vigor and determination.

It may well be asked why the trade unions refused to agree to a wage freeze six months ago, seeing that wages have remained stable during that period. Had the unions consented to a six months' wage freeze in August there would have been no need for an increase in the bank rate to 7%. If, having learnt their lesson, they were to consent now to a six months' wage freeze, it would be possible to lower the bank rate and relax the credit squeeze. But British trade unions, like their counterparts in the United States, are too much under the influence of their "Fools' Paradise Economics" favoring a non-stop rise in money wages to be willing to consider such a course.

To Spearhead Irish Industrial Development Authority Drive

Cyril Count McCormack is to spearhead an intensified long-term drive by the Industrial Development Authority on behalf of the Irish Government to attract American manufacturers to Ireland, John M. Conway, Consul General of Ireland, has announced. Following his arrival in this country, Mr. McCormack will immediately begin operations from his New York office. By personal approach, he will bring to the notice of American manufacturers the unique advantages which Ireland can offer foreign investors interested in manufacturing for export to Continental Europe and the sterling area.

Considerable interest has been shown by American manufacturers in the discussions at present proceeding regarding the formation of a European Free Trade Area. The creation of a Free Trade Area would present many problems to American firms, many of whom might well find it necessary to set up new manufacturing industries within the area itself in order to preserve their markets.

Ireland has special advantages as a location for new industries, including an ample supply of intelligent, adaptable workers, remission of taxes on profits derived from exports, grants towards the cost of setting up new industries and an ideal geographic position from which to supply European markets. Count McCormack will explain these and other advantages in detail to American industrialists.

Count McCormack is the son of the late John Count McCormack. An engineer by profession he served five years in the Irish Army, with the rank of Captain. Count McCormack lived in the United States for several years and received part of his education there. Since then he has traveled widely in this country and is well known in business circles. As well as lecturing in several cities in the United States, Count McCormack has broadcast many times there and has also appeared on television.

An attractive new brochure has been prepared by the Irish Industrial Development Authority setting out the advantages Ireland offers to industrialists. It will be circulated widely in the United States.

Empire Underwriters

ATLANTA, Ga. — Empire Underwriters Corporation, Inc. is engaging in a securities business from offices in the Mortgage Guarantee Building. Officers are Thomas Thompson, Sr., President and Treasurer; Harry R. Churchwell, First Vice-President; Thos. Thompson, Jr., Second Vice-President; S. E. Cannon, Secretary and Roscoe Pickett, Chairman of the board.

Continued from first page

Interest Rate Trend And the Bond Market

sound barrier, creating a noisy political explosion. Last summer several regular 91-day bill issues went around a $3\frac{5}{8}\%$ yield level and may have flirted with the idea—prematurely—of setting out for 4%. One special Treasury bill issue went at a 4.17% average and traded briefly in the market at 4.30%. And the Treasury used 4% on two certificate offerings, two note issues, and one bond issue. It looked as though the "infallible" system was going to fail. But the Senate Finance Committee hearings on the Financial Condition of the United States provided a forum for sounding off on the evils of high money rates. The tide was turned. Treasury bill yields have relapsed, indeed below 2%. The rule proved inviolate that 91-day Treasury bills are not due to pass 4% until 1960.

Of course we are entering the "space age" where time tends to be collapsed. So what is due in 1960 could appear in 1959 but I should not think in 1958.

Some people will say that tight money is gone for good: that political leaders will insist on easy money from now on. We have heard this before—for example in 1944 and 1954—and been disillusioned. The ultimate fact is that, little as political leaders like higher rates, they like political responsibility for price inflation even less.

Why were Treasury bill yields allowed to pass above 1% in 1948, 2% in 1952 and 3% in 1956? These were all Presidential election years. The rates rose because people do not like rising prices. And cheap money is identified with rising prices.

This Presidential year forecasting system would not have worked if political leaders had not fought so hard against the natural rising tendency of money rates. If restrictive credit policies could have been applied with more energy, and with less reluctance, earlier in the postwar period, we could have avoided a good deal of the continuing erosion of the dollar. And it is the erosion of the dollar that is the most fundamental force making for higher interest rates.

"Real" Interest Rates Are Zero

As a matter of fact, when one takes into account not only erosion of the dollar but also income taxation, interest rates in the real sense have been running at or below a zero level. This creates an inequitable and unstable condition. For as bondholders and savers discover what is being done to them they feel an impulse to put more of their money in equity forms. For example, one of the aspects of the demand for real estate investments has been the desire of people to put resources in *real* forms. We have the predilection of pension fund trustees for proportions of common stock equity investments even though the basic nature of the funds would normally dictate limitation of the funds to bond investment. We have the popularity of mutual funds, the controversy over variable annuities. Life insurance experts point to a tendency of people to buy cheaper forms of policies and to turn away from purchases of fixed annuities. All these things are symptomatic of widespread reservations with respect to the future value of the dollar. By subtracting something from the supply of money available for lending, they give an upward bias to interest rate levels.

We have a heavy supply of savings for loan at interest—$5 billion or more a year each for life insurance companies, savings and loan associations, and savings accounts with mutual savings and commercial banks. This supply has been supported by improving rates but it could have been larger if it were not for the preoccupation of many with finding inflation hedges in real assets and equities.

Perhaps the strongest influence of inflation on money rates is through enlarging demand for borrowed money. Capital projects cost more and hence make heavier demands. Furthermore, with costs of materials and labor rising year after year, businessmen find it only sensible to carry out planned projects as soon as possible. Also, shrewd speculators seek maximum use of credit as opportunities arise to realize capital gains out of inflation.

I offer these fundamental thoughts because we seem to be in an age of inflation where borrowed money, out of the nature of things, is chronically in scarce supply. The same answer emerges on the assumption of a growing economy where, taxes being what they are, people rely on borrowed money in considerable measure to raise their living standards. The same answer again emerges on the assumption that the government is going to pursue costly experiments to explore and "conquer" the solar system and outer space. Heavier taxes and bigger public spending, as a broad rule, bring higher interest rates.

The only way I can visualize lower rates, as a lasting matter, is by hypothesizing lower taxes within a balanced budget and a stable dollar. Not many people today would accept these hypotheses. So I would put the question in the form: how long will the present stage of declining rates last?

Decline in Interest Rates

First, let us look at what has happened to rates. The only word to describe what has happened to short-term open market money rates is "collapse." These rates are down $1\frac{1}{2}$ to 2 points from their peaks of last fall and generally are back within their 1955 ranges of fluctuation. We haven't had anything like this speed of drop since the reopening of the banks after the banking holiday in 1933. Unless bank reserve requirements are reduced, I would assume that these rates have overshot the mark. But of course the big question is the bond market. Here changes also have been spectacular.

An average we compute of offered yields on new corporate bond issues, triple-A basis, rose from 3.07% in February, 1956, all the way to 4.81% in June, 1957. With allowance for month-to-month irregularities, the curve then ran a flat course, around $4\frac{3}{4}\%$, until November when the discount rate cut touched off a precipitous decline to $3\frac{5}{8}\%$ in January. The Treasury's decision to saturate the market for long Treasuries at $3\frac{1}{2}\%$ on its February refunding has tempered the bull market in bonds for the time being.

The 1 point plus drop in the new corporate bond issue rate has been accompanied by some shrinkage in the volume of new offerings, which hit a record $\$9\frac{1}{2}$ billion in 1957. It has strengthened the appetite for mortgage investments by life insurance companies and savings banks, a fact that firms the basis for forecasts of a million or more housing starts in 1958.

Yields on high grade state and municipal bonds, despite an increased volume of new issues, have declined to about 3% from a high above $3\frac{1}{2}\%$ last August and September. We have an inviting market for financing school, road and other public projects, as well as to clear the backlog of deferred financing. We should have a record year for tax exempt financing, surpassing 1957's $7 billion.

U. S. government bonds, at their highs of a month ago, had rallied as much as 8 points from their lows of last summer and fall and permitted the Treasury to include two bond issues—a 6-year three and a 32-year three and a half—along with the customary one-year certificate in the refunding consummated yesterday of $16.8 billion February, March and April maturities. Holders outside the Federal Reserve System exchanged half of their holdings for one or the other of the two bond issues. The debt was extended and the Treasury in the bargain cut its calculated annual interest cost nearly $100 million a year.

The Treasury bond offerings have been criticized for depriving the economy of liquidity by substituting bonds due in 6 or 32 years for debt due within 1 year. This is said to be the wrong thing to do in a period of business recession. I am not inclined to take this argument too seriously. So long as the business recession continues or deepens bonds naturally will have a buoyant tone which means you can sell them at a profit. Thus the holder has liquidity plus a profit which, you must admit, is even better than money in the bank. The bondholder gets locked into his investment — or suffers a loss on a sale — only if bonds decline but this is unlikely to happen unless business improves and credit policy turns restrictive. That is when you want to lock up some loan funds; that is when debt lengthening bears its fruit of enforcing credit restraint.

While we are talking about the Treasury we should perhaps recognize the likelihood of a cash deficit during this current fiscal year. The President's official projections indicate a practical balance but the general feeling which I share is that revenues will be less, and expenditures more, than the projections would indicate. The Treasury's cash position is currently weak and I should think we will have more Treasury borrowing in the second half of 1958 (when revenues are seasonally weak) than we have had since World War II. I assume that efforts will be made to revive business through deficit-increasing means of enlarged expenditures and decreased taxes.

This raises the old familiar question whether the Federal Reserve will attempt to keep money in easy supply to accommodate Treasury borrowing requirements. I should say the monetary authorities will be bound to let credit tighten if commodity prices and the cost of living resume their rise. If Federal expenditures are held in reasonable check, business recovery can improve the revenues, swing the budget back into balance, and permit Federal Reserve policy to turn restrictive without imposing serious problems on the Treasury. This is easier said than done but that is the general way we have prevented more rapid erosion of the dollar since the end of the war in 1945.

The business situation is vital to any bond market appraisal. It affects the market directly and it affects Federal Reserve policy which can redouble the direct impact. Looking back, it first became clearly apparent in October that credit demands from business were weakening. This confirmed indications that we were moving toward a period of business recession. The first glimmer of expectation then arose that the Federal Reserve authorities might adopt a somewhat easier course of policy and, through open market operations, ease back a bit on the pressure. With each week's crop of disappointing business news the expectation spread that something stronger than open market operations might be required, such as some reduction in the cash reserve requirements of the member banks of the Federal Reserve System. Action of a different, though equally dramatic sort was chosen — the cut in the Federal Reserve Bank discount rate from $3\frac{1}{2}\%$ to 3% effective Nov. 15. The discount rate cut, while cheapening the cost to banks of covering their deficiencies of reserves, left them short of money to lend. But the banking and financial community interpreted the move as a way of saying that substantial additional funds would be released into the market, one way or another, in the weeks and months to come.

The most acute strain on the banks had already passed when the discount rate cut was announced but the relief had not come from Federal Reserve operations but rather from a policy among the banks of encouraging borrowers to cover their needs for capital funds in the long term market and, beginning in October, from the weakening of credit demands associated with business efforts to curtail inventory and cut expenditures on plant and equipment programs.

As you know, Federal Reserve discount rates have been further reduced beginning Jan. 22. Many bankers have been a little bewildered by interpretations of the successive discount rate reductions as actions designed to increase the supply of credit and thus to support business. The authorities have been conspicuously slow about implementing the discount rate reductions and increasing the supply of loan funds. Nevertheless, the markets, and most particularly the bond market, live in confident expectation that affirmative actions to release additional funds for lending will be taken very soon. [*Ed. note:* One-half percentage point reduction in bank reserve requirements was made four days after this was written.]

Reluctant Loanable Funds' Increase

One can assemble several cogent reasons why the authorities have been reluctant suppliers of additional funds.

First, and most frequently advanced, is the thought that the authorities do not wish to repeat the error of 1954 when — it is rather widely agreed — an easy money policy was carried too far with the result of helping to set in motion an inflationary boom that proved difficult to control. The fact that three of the Federal Reserve Banks delayed in voting the second discount rate cut to $2\frac{3}{4}\%$ may be taken as a support for this point of view.

In the second place, the authorities can observe that weakening credit demands associated with business recession have somewhat eased the position of lenders and made it necessary for them to accept lower rates. In this respect credit policy has been one of letting nature take her course.

Thirdly, there is the aspect of what has happened to rates under the twin influences of easing credit demands and discount rate reductions. Both have been strong forces. And I can see a good case for deferring further action to implement the discount rate reductions when such further action presumably would have created even more disorderly markets than we have had.

Supplying additional funds can be saved for periods when help is needed, either to support a strong demand for mortgages and bonds or more specifically to provide a receptive market for major Treasury new money offerings. The Treasury will have to do more than $10 billon cash financing during the second half of 1958, and could use perhaps $5 billion before that to finance April-May deficits, replenish cash balances, and take care of attrition.

I said something a while back about credit policy allowing nature to take her course, letting contraction of credit demands ease the position of the banks. The use of discount rate reduction as a positive instrument of credit policy, of course, does not fit this book. It comes under the heading of interesting experiments. It encouraged a tendency to build a bull market in bonds on the stilts of expectations—that is to say on expectations of a larger supply of credit. At the moment, no one I know is worried about the stilts collapsing. The bond market is proceeding securely in the belief that business will continue to decline and certainly will not turn upward with any vigor for many months to come; and that the Federal Reserve System is standing ready to supply additional funds whenever they may be needed to maintain a marginal oversupply of money looking for investment outlets.

Federal Reserve open market operations are being employed on a modest scale to relieve the pressure on banks. But to observe how far credit policy is from putting banks in a really easy position, one has only to note the eager quest in the weeks past of the New York banks for foreign time deposits at rates of $2\frac{1}{2}$ and 3%. Or one can note the still contracting course of "money supply"—of adjusted demand deposits and currency outside banks. The point I would stress is that, unless an easier credit policy is implemented in a more solid way, the bond market could deteriorate rather rapidly when signs appear that business is bottoming out or tending to recover. On the other hand, it would be my expectation—as it is the bond market's—that a reduction in member bank reserve requirements will soon build a foundation to support the "stilts."

Business Outlook

Now what about this business situation? The most common expectation, I know, is that the dip will be minor—as in 1949 and 1954. But there are some who warn that we may be in something longer or deeper. They can cite historical parallels. A decade or so after each great war, people's wants get saturated and we find that we have enough homes and cars and factories for the time being. Capital spending shrinks and we go into a more or less serious readjustment until we get squared away on a new basis of stability.

Just to keep us on our toes history never repeats itself exactly. The government has many ways at its command to support spending power and to stimulate activity. But I do think we have reached a rather critical point where the highest type of economic statesmanship will be required if we are to make the most of what the American economy can do.

This is true of industry in setting prices and of organized labor in making demands for more wages and fringe benefits; it is true of public spending and tax policies. What help can we expect from organized labor in a year when business is off and profits declining? As a distinguished Canadian banker said a few weeks ago: "Profits fall and unions might well at this point temper the wind to the shorn lamb." There have been some encouraging signs from the building trades of needs to put a moratorium on wage advances and to cut our wasteful featherbedding practices. But this point of view is neither accepted by the AFL-CIO nor by the pacesetter among trade union leaders, Mr. Walter Reuther, president of the United Auto Workers. It is really quite fantastic that he should choose this occasion to make demands on the automotive industry to shoulder heavier labor costs. The automobile business is slow. There is some quiet price-cutting going on at the expense of profits to help support sagging sales — and incidentally employment opportunities in the industry. Far from offering any thanks — or acknowledging the difficulties —Mr. Reuther wants "the biggest package ever."

The most whimsical touch in his plan to divide up profits is the omission of any mention of the International Revenue Service which has a greater stake than anyone else in this total.

The attack on profits is deeply disturbing to business in a year when possibilities of passing on higher costs to the consumer seem slim. It will be a negative factor in the business outlook until Mr. Reuther moderates his demands or the consumer reconciles himself to higher prices. If we are not reasonable and forward-looking in broad wage and tax policies, it is possible that we could emerge into something one of my friends would describe as high-level stagnation.

I would place emphasis upon this point because I think we have reached a stage where the economy will need to be handled with greater understanding and finesse than has been true since 1945.

There is the critical area of Federal expenditures and tax policies. I believe that some time this summer inventory liquidation will have run its course. The wage negotiations with the automobile workers will have been settled. Conditions should be ripening for recovery. The shape of this incipient recovery, its strength and durability, will be determined as much as anything by the decisions taken on Federal expenditures or taxes. The Administration and Congress are eagerly desirous of doing something. We can expect increased Federal expenditures, beyond the President's $74 billion projection. We hear a good deal about enlarging public works and indeed outlays on almost every front. But policy is not yet committed to unrestrained increase in Federal expenditures. And there is widening acceptance of the fact that tax reduction offers a more potent and desirable form of stimulation.

Whether Congress is ready to face up to the needs to reform the warped and leaking personal income tax structure remains to be seen. But the opportunity is presented, by shrewdly calculated income tax concessions—including the corporate tax rate—to stimulate the economy and raise the capabilities of private enterprise to move ahead. This has been the successful formula for regenerating dynamic progress in Canada, Australia, and Germany.

I wish I could tell you how this is coming out. But I think it likely that fiscal policy will give support to a degree of business recovery later in the year. Recovery will be accompanied by upward pressures on prices unless organized labor moderates its demands and corporate tax rates are cut. In the equation of credit demand and supply increased government borrowings seem likely to counterbalance reduced business borrowings for the year as a whole. But, while money rates may rule higher at the year-end than now, I should not expect any real stringency to redevelop in the money and capital markets within this year.

New York Stock Exch. Weekly Firm Changes

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

J. Woodward Redmond will retire from partnership in Mackall & Co., Washington, D. C., on March 1st.

Robert Sealy, Jr. will withdraw from partnership in Moore & Schley, New York City, Feb. 28th.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The long awaited decrease in reserve requirements of the member banks took place last week when the Federal Reserve Board, reduced these requirements by ½ of 1% across the board. This cut in the amount of money which the member banks will have to keep with the Federal Reserve Banks is not considered by most money market followers to be overwhelmingly on the liberal side. It seems as though the powers that be, are not putting to maximum use the various powers they have at their disposal to fight the current forces of deflation. A decrease of not less than 1% in reserve requirements was being looked for in the financial district.

With the decrease in reserve requirements and the increase in the debt limit (the latter came along this week), the Treasury lost no time in announcing new money borrowings of $1,250 million. The surprise new intermediate term bond, bearing 3% interest and maturing Aug. 15, 1966, is expected to appeal to the deposit banks, since these institutions now have the funds which can be put to work in such security.

First Addition to Money Supply

The $500 million which was released from the required reserves of the deposit institutions of the system could be used as a basis for an expansion of credit in the amount of approximately $3 billion. This was the first move by the monetary authorities to put real money into the banking system. The reductions in the discount rate made it cheaper to borrow but it did not add to the supply of credit. Also, open market operations in recent weeks have taken out just about all the credit which was pumped into the system by the Central Banks in order to help the financing of the Christmas business.

The cut in reserve requirements provides more than enough to wipe out the indebtedness of the member banks with the Federal Reserve Banks. In addition, the money which will be available to the member institutions from the ½ of 1% reduction in reserves which they have kept with the Federal Reserve Banks will give the commercial banks funds which could be used to finance a seasonable increase in loans, which usually come in March as a result of income tax payment borrowings.

Treasury's New Money Borrowings Sizable

The Treasury will have to be in the market again soon in order to raise money, and the bulk if not all of the securities which will be sold for new money purposes will be taken by the deposit institutions. The member banks, as a whole, were in no position to readily absorb sizable new offerings of Treasury issues, and in order to make this possible the Federal Reserve Board made a modest cut in required reserves.

It is believed that the next new money raising operation of the Treasury will come in the near future, probably by April at the latest. And, the $500 million of funds which will be fully available by then to the deposit banks should and will be very important in absorbing a great deal of the new money issues, which are expected to raise between $3 billion and $4 billion.

"Fastest and Most Effective" Procedure

Even though a change in reserve requirements is one of the most rigid ways in which to put funds into the money market, it is the fastest and the most effective way in which it can be done. The Treasury in its current operation and by refunding part of its recent maturities into longer-term issues has been able to limit the supply of short dated issues and at the same time bring the yield down. As a result, the Central Banks are now in a position to meet this near-term demand by selling Treasury bills to the commercial banks that will be putting part of the released reserves into the most liquid obligations available. This will also give the Federal Reserve Banks continued control over the money market because the sale of securities by the Central Banks to the member banks will mop up some of the excess credit which may be around through the decrease in reserve requirements.

Martin's Views on Reserve Requirements

Federal Reserve Board Chairman Martin last week told the Senate Banking Committee, that legislation to change the way in which reserve requirements of member banks of the system are determined might be introduced before this session of Congress is over. There is considerable controversy on this subject and not a few money market specialists are very adament in their opinions that reserve requirements are still too high and further reductions will have to be made in the future. They point out that the economy has grown very rapidly in late years, and this means that more money and credit will have to be at the disposal of the banks in the system in order to operate in an efficient and effective manner. They believe that reserve requirements will continue to be lowered even after there is a reversal in the trend of business.

Joins Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, Calif. — Fred E. Herz has joined the staff of Shearson, Hammill & Co., 1006 Anacapa Street.

Two With Mountain States

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Orell P. Lovejoy and Robert J. Overcash have become associated with Mountain States Securities Corporation, Denver Club Building. Mr. Lovejoy was formerly with Rogers & Co.

With First International

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Irving J. Niemuth has become connected with First International Corp., Denham Building. In the past he was in the investment business in Dallas.

With Investment Service

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Wilson B. Lee has become affiliated with Investment Service Co., First National Bank Building.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Insurance Stocks

Random notes on insurance stocks, should, certainly, include any 1957 operating results at this stage of company reporting:

United States Fidelity & Guaranty reported a statutory underwriting loss of some $20,200,000. A partial offset will be a recovery from 1955 income taxes of $3,000,000, but the remaining red ink is a formidable setback. Perhaps it can be said to foretoken the things that are ahead in the way of highly unsatisfactory reports for 1957.

One must go back to the early depression years to find a matching year so far as underwriting results are concerned. Alfred M. Best Company's annual review comments on the insurance business being in a rolling adjustment, and then adds that many in the insurance business feel that they are being "rolled."

Continental Casualty, normally an excellent producer of underwriting profits, shows on a consolidated basis a statutory loss of $1,840,000 versus a gain of $7,347,000 in 1956. One would indeed have to go a long way back to uncover a comparable picture.

Fidelity & Deposit of Baltimore is one of the few of the more actively traded units that will show an underwriting profit, one of $1,984,000. However, F. & D. is a specialty company and it writes only a few lines. Indeed, three of the coverages—fidelity, surety and burglary and theft—account for about 88% of total volume.

Then, **Great American Insurance** (consolidated) come up with an underwriting loss of slightly over $13,000,000. About $1,120,000 will be recovered on the tax carry-back, and while this alleviates some of the pain, it is a poor substitute for profits.

Even **St. Paul Fire & Marine** showed a statutory underwriting loss in 1957, one of $5,665,000, versus a gain of about half a million in 1956. St. Paul is normally a stellar performer; and for a unit of its caliber to register such a large statutory loss brings out the low estate into which the fire casualty business has fallen.

Aetna Insurance shows a statutory loss of $6,154,000 (company only). This is on top of 1956's loss of $5,470,000.

Then the **America Fore Loyalty** group of 10 companies report a statutory loss of $56,000,000. It is a large fleet, with 1957 writings at $460,000,000; but the loss is a large one by any measuring rod.

Some companies are pointing to their investment income as an offset to statutory underwriting results. Well, this is true; but if investment income is brought into the picture why may not the change in investment valuation for 1957? **Great America's** was a shrinkage of over $16,500,000; **St. Paul's** $2,700,000 (and this company is heavily concentrated in state and municipal bonds); **Aetna Insurance** another shrinkage, $2,900,000.

What the results in portfolio valuation will be for companies that are, proportionately, heavily committed to equities in their investments, we will leave to our readers' imagination. We have in mind particularly the America Fore and the North America fleets although others could be included.

Insurance Company of North America, for example, has very large holdings of oil stocks, and this industrial group has suffered greatly in the stock market.

* * *

Fire losses in 1957 ran up to $1,023,000,000 according to the National Board of Fire Underwriters. This compared with $989,290,000 a year earlier, so that 1957's total was about 3½% above 1956. It is to be emphasized that these figures give no effect to losses in other lines of the business. The troubles of the companies at this time are in the motor vehicle lines. The fire lines did somewhat better than they had in 1956; and if we are to go into an economic recession, as now seems certain, it is reasonable to expect the inflationary trend to be halted, if not reversed. If this can be done the costs to the companies of meeting loss claims could well be pared.

One contrary factor, however, is the severe winter we are experiencing. By-and-large, the winter months ring up the greatest monthly fire losses in the 12 months; but when we experience a particularly severe period losses usually increase. This is logical for in the warm months no furnaces are in operation, but severe cold causes the heating plant to work overtime. Therefore, we may expect a sizable increase in losses in both January and February over the like months of 1957.

R. L. Patterson With G. H. Walker & Co.

CLAYTON, Mo.—Roy W. Jordan, resident partner of G. H. Walker & Co., 8224 Forsyth Boulevard, announces that Raymond L. Patterson has joined the organization as a registered representative.

Mr. Patterson has had wide industrial experience, having been President of Patterson Products Company, Executive Vice President of Powder Metals & Alloys, Inc., and Executive Vice President of Hardey Metallurgical Company. Mr. Patterson holds over 20 patents in the metallurgical and chemical field.

George Nelson Co.

George Nelson Company is engaging in a securities business from offices at 42 Broadway, New York City.

Potomac Elec. Power Preferred Stk. Offered

Dillon, Read & Co. Inc. and Johnston, Lemon & Co. head an investment banking group which offered yesterday (Feb. 26) 300,000 shares of serial preferred stock, $2.46 series of 1958, of Potomac Electric Power Co. at par ($50 per share).

Of the net proceeds from the sale of these shares, the company will use $7,400,000 to repay an outstanding bank loan and the balance will be used in connection with its construction program. It is estimated that gross property additions for the year 1958 will aggregate about $60,000,000.

The company furnishes electric power to an area of approximately 643 square miles, having a population of about 1,490,000, comprising the entire District of Columbia and portions of adjoining counties in Maryland and Virginia.

The new preferred stock is redeemable at the option of the company at prices ranging from $53.75 if redeemed on or before March 1, 1963, to $51 after March 1, 1973, in each case, plus accrued unpaid dividends.

For the year ended Dec. 31, 1957, operating revenues of the company were $68,639,760 and net income $10,054,308, compared with operating revenues of $63,756,332 and net income of $9,521,261 for the year ended Dec. 31, 1956.

W. J. Hartigan With Shearson, Hammill

HARTFORD, Conn.—William J. Hartigan, former newspaperman here with the "Times" and the "Courant," has joined the local office, 37 Lewis Street, of Shearson, Hammill & Co. as a registered representative. Shearson, Hammill, members of principal securities and commodities exchanges, operates a coast-to-coast network of 23 offices.

Mr. Hartigan has been in the securities business as an account executive since 1949, most recently with Schirmer, Atherton & Co. and before that with Cooley & Co. He began in the newspaper business with the Hartford "Courant" in 1929 and did general editorial work until 1939. He was financial editor of the Hartford "Times," 1941-49. In the intervening years he was with United Aircraft Corp. where he established a monthly employe publication which, during his tenure, reached a circulation of 30,000.

Mr. Hartigan has also been an advertising and public relations consultant and has written for leading financial publications. He was formerly public relations director for the Hartford College of Law.

Public Utility Securities

By OWEN ELY

Pacific Lighting Corporation

The Pacific Lighting System serves a population of 7,400,000—over half the population of the state—in a completely-integrated area in southern California, including Los Angeles. The territory comprises rich farm areas and important oil-producing districts. Most of the homes in the region use gas heat, with almost complete space heating saturation. Domestic and commercial sales provide about 69% of revenues.

All natural gas is purchased, El Paso Natural Gas supplying about 70% of system requirements and California producers 30%. Gas purchase costs averaged 22.63c per Mcf in 1956. The peak-load of Jan. 29, 1957 was 1,977 million cf and the company estimated that its peakload in 1957-58 period would be 2,251 million cf, compared with a navailable supply of 2,630 million cf.

Pacific Lighting in August, 1957, announced an agreement with El Paso to obtain an additional 200 million cubic feet from Canada, via Pacific Northwest Pipeline Co. (subsidiary of El Paso). Half the additional gas was expected to become available in September, 1959, and the balance about a year later, assuming approval by U. S. and Canadian authorities (however, the degree of gas availability in Canada has been thrown somewhat in doubt by the appointment of a Royal Commission to study the question of all exports of gas.) The gas would be delivered at the California border southwest of Las Vegas. A 500-mile pipeline connecting this point with Pacific Northwest at Twin Falls, Idaho will be built by El Paso, and Pacific Lighting will build additional pipeline facilities in California. El Paso already has an application before the FPC to supply Pacific Lighting with an additional 75 million cf. If both applications are approved, Pacific will obtain a total supply of over 1,233 million cf daily within three years. Pacific Lighting through a subsidiary has recently signed an agreement with Transwestern Pipeline Co. of Texas which provides (subject to regulatory approval and construction of $200 million facilities) for purchase of 350 million cf. of gas daily beginning late in 1959. Presumably this is to take care of uncertainties in the Canadian supply picture.

The company has been actively developing four underground storage projects, one of which will be completed this summer. It will then be able to withdraw 1,190 million cf per day from storage facilities; the storage "cycle" will be 28 billion cf.

In terms of meters the Pacific Lighting System is the largest in the United States. It includes the parent company; two distributing subsidiaries, Southern California Gas Company and Southern Counties Gas Company; and one transmission and storage subsidiary, Pacific Lighting Gas Supply Company. Subsidiaries are wholly owned except for approximately 15% minority interest in Southern California Gas. The latter has about 1,582,000 customers and Southern Counties 614,000.

The rapid rate of growth is indicated by the fact that some 930,000 active meters were added to the System in the decade ending 1956. Economic growth in the 14 southern counties and the "Los Angeles Metropolitan Area" served by Pacific Lighting has been as rapid and explosive as the population growth of the state.

Included in the area served are the following industries: aircraft, electronics, sportswear apparel, canned sea food, structural clay products, heating and plumbing equipment, pumps and compressors, refrigeration machinery and equipment, motion picture and television production, oil field machinery tools, automobile assembly, tires, wearing apparel, concrete and plaster products, non-ferrous casting, furniture, dairy products, canning and preserving, newspaper and periodical publication, tractors and farm machinery, and bakery products.

Pacific Lighting's equity ratio as of Sept. 30, 1957 was about 35%, slightly below the postwar average, and comparing with the high of 42% at the end of 1955. Book value of the common stock at the end of 1956 approximated $31 compared with $15 in 1946.

The dip in 1957 earnings to $2.42 as compared with $2.84 in 1956 was due largely to unseasonably warm weather during the heating season together with the higher cost of gas. The rate of return on invested capital dropped from 8% in 1946 to 4.5% as of Sept. 30, 1957 (Standard & Poor's calculations) and as a result share earnings were exactly the same in 1957 as in 1946, with nothing to show for the company's extremely rapid growth. However, Pacific Lighting subsidiaries received rate increases last September and October sufficient to produce $24.7 million annually. Southern Counties Gas Co. had asked for new rates to produce $7,112,000 and was granted increases of $6.5 million, which the commission said should yield the company a 6½% rate of return on investment after attrition. Southern California Gas Co. had requested additional revenues of $19,987,000 and was granted $18,240,000, which the Commission estimated would bring the company a 6¾% return after attrition.

After allowance for taxes it is estimated that the combined rate increases would be equivalent to about $1.97 per share on the six million shares of Pacific Lighting common stock. However, some of the increase was reflected in the 1957 share earnings. Allowing for the continued uptrend in costs and the attrition factor, it has been estimated that share earnings might approximate $3.50 a share on the new basis, with some allowance for possible future equity financing. Pacific Lighting does not seem to have benefited by cold weather during the current heating season, California not having suffered from the cold wave which affected most of the nation.

Pacific Lighting has been selling recently around 43 to yield 4.7% based on the $2 dividend paid since 1954. The 1957-58 price range has been 43-33⅝. If normal future earnings can be estimated around $3.50, the price-earnings ratio on that basis would be 12.3; on the basis of actual 1957 earnings, it would be 17.8.

Years	Revenues (Mill.)	—Common Stock Record— Earnings	Dividends	Approx. Range
1957	$240	$2.42	$2.00	40-34
1956	224	2.84	2.00	40-35
1955	208	2.71	2.00	42-37
1954	183	2.38	2.00	38-34
1953	162	2.00	1.63	34-27
1952	139	2.48	1.50	29-25
1951	124	1.68	1.50	27-25
1950	115	2.94	1.50	28-24
1949	103	1.43	1.50	27-25
1948	95	1.98	1.50	28-24
1947	77	2.43	1.50	31-25
1946	68	2.42	1.50	34-27

Continued from page 9

1958: A Year of Decision in Atomic Power World Leadership

ing nuclear power plants. The 1954 Act first authorized construction of privately-owned nuclear plants. In so doing, it stated: "It is therefore declared to be the policy of the United States that . . . the development use, and control of atomic energy shall be directed so as to promote world peace, improve the general welfare, increase the standard of living, and strengthen free competition in private enterprise."

In the intervening three and a half years the investor-owned utility industry has worked in close partnership with equipment manufacturers, other segments of industry, and the Atomic Energy Commission. There has been brought into being an all-inclusive program of research, development, and construction of nuclear power plants.

Today there are five atomic power plants in the United States turning out electricity. Two are at AEC installations. The other three are delivering kilowatts to the customers of investor-owned utility systems, although the reactors are government-owned.

One of these three, located at Shippingport, Pa., is owned by the AEC but operated by Duquesne Light Company. It is the world's first large-scale atomic plant built exclusively for the production of electric power. It is usually overlooked that Britain's much-publicized Calder Hall plant is primarily for the production of weapons material, and that generation of electricity there is a by-product.

Two other American atomic plants presently serving customers of investor-owned utilities are the General Electric-Pacific Gas and Electric plant near Pleasanton, Calif., whose reactor is owned by General Electric Company; and the AEC — owned sodium graphite reactor at Santa Susana, Calif., on the Southern California Edison Company system.

These are only the beginning. Five additional large-scale nuclear plants for the production of civilian power are either under construction, in the ground-breaking stages, or in the immediate pre-construction phase. These are: the Enrico Fermi fast breeder plant of 100,000 kilowatts being built near Monroe, Mich. by a group of utilities known as the Power Reactor Development Corporation; Commonwealth Edison's dual stage boiling water plant of 180,000 kilowatts located southwest of Chicago; Consolidated Edison's pressurized water 275,000 kilowatt plant being built at Indian Point, N. Y.; the Yankee Atomic Power Company pressurized water reactor plant of 134,000 kilowatts being built by a group of New England companies at Rowe, Mass.; and the Pathfinder single region boiling water reactor project of 66,000 kilowatts being built by the Northern States Power Company on their system.

In all five of these plants the electric utilities concerned own and operate the nuclear reactors as well as the rest of the generating facilities. Two of them will be financed entirely by private industry, and the other three are receiving some AEC assistance. When they are all operating, in 1962, they will bring this country's total output of atomic power for civilian use to over 800,000 kilowatts.

Five more electric utility industry projects are in the longer-range phases of planning and development.

One, being undertaken by the Carolinas-Virginia Nuclear Power Associates group, is directed toward a 17,000 kilowatt heavy water moderated reactor in South Carolina.

The East Central Nuclear Group, of which the Cleveland Electric Illuminating Company is a member, has undertaken research and development on a 50,000 kilowatt heavy water moderated high-temperature gas-cooled pressure tube reactor which will be built on the west coast of Florida by another group, the Florida West Coast Nuclear Power Group.

Pennsylvania Power and Light Company and Westinghouse Electric Corporation are continuing research and development of an aqueous homogeneous slurry reactor, looking toward construction of a 70,000-to-150,000 kilowatt plant by late 1963.

Pacific Gas and Electric Company has announced that, either alone or in partnership with other California investor-owned utilities, it plans to propose construction of a large-scale nuclear plant to the AEC. The type of reactor under consideration is a large scale, single region boiling water type.

And the New England Electric System contemplates adding a large scale nuclear power plant to its system by 1964.

Research and Development Are Vital

Although this record of plant building and planning is impressive, I should point out that the real strength of America's atomic power program does not lie in the number of electric kilowatts we can produce. America will stay ahead in atomic power basically through intensive research and development. And in this field, the independent power companies are embarked on an all-out program.

Atomic power is immensely more expensive, and technologically vastly more difficult, than was foreseen even just a few years ago. This applies not only to the building of plants, but to the carrying out of research and development activities. Therefore, to spread costs and avoid needless duplication of effort, it is the practice of power companies to form into groups of anywhere up to a dozen or even more utilities and undertake nuclear projects cooperatively.

At the moment, more than 100 companies in this country are participating in one or more of 23 different projects concerned with research, development, planning, or construction of nuclear plants. These companies serve more than half of the electric power customers in the nation. Their total expenditures on nuclear projects as presently planned will ultimately run to an estimated $500 million, and the total capacity of the nuclear plants on which they are working is about 1,300,000 kilowatts. Undoubtedly these expenditures will be increased as the program continues to grow.

The Illuminating Company is itself a member of two of these groups. One, Atomic Power Development Associates, primarily engaged in research work for the Enrico Fermi fast breeder atomic plant now under construction near Monroe, Michigan. The other, the East Central Nuclear Group, is working on development of an advanced type of high-temperature, gas-cooled, heavy water, natural uranium reactor rated at 50,000 kilowatts. This is the one I referred to a few moments ago, which would be built in Florida by two utility companies there and would be in operation by 1963.

From such research and development activity will ultimately come the advanced, less costly, more efficient atomic power plants of the future; and it's the only way we'll get them.

The Foreign Situation

Now, what about other countries? What is the situation in Britain? In Russia? In the other nations interested in developing and using atomic power?

These countries are busy, to be sure. But their programs are not being conducted on anything like as broad a scale as this country's program. They are critically short of conventional fuels. Hence, they are more concerned with constructing workable plants today than they are in developing better plants for tomorrow.

The United States alone, among the world's industrialized nations, has a large supply of relatively cheap coal. We are by no means desperate for nuclear power. It will be many years before we can generate it as cheaply as coal-produced power, or will have any need to do so. Thus, our program is focused on bringing down ultimate costs. Because time is on our side, we can put our dollars to best use.

That is by no means true of countries like Britain. There, coal reserves are nearing exhaustion. Coal is costly, and imports of oil from overseas sources are both expensive and uncertain, as was graphically demonstrated during the Suez crisis.

It is only logical, therefore, for the British to concentrate their efforts on getting plants into operation as soon as possible. Time is working against them. Efficiency and cost are minor factors in their situation; their over-riding need is for kilowatts. They are not at all happy about spending vast amounts of money on costly reactors which are obsolete when built, but in the circumstances they have little choice.

It is much the same story in the other European countries, including Russia, where the major coal reserves are thousands of miles away from the industrial centers.

Other countries need atomic power now, at almost any cost. We do not. They don't have time for the research and development on a wide range of types that will reduce costs. We do. Therefore, their atomic programs are time-oriented. Ours can be dollar-oriented. The result, for us, will be vastly more efficient plants in the long run.

There is in being today in this country a far-reaching program of research and experimentation, plus a wide variety of pilot and large-scale plants to provide us with practical operating experience. On this foundation, which no other country possesses, we will continue to build an atomic technology which will make today's achievements seem feeable by comparison. We have chosen our course wisely, and the future lies in our hands.

Will We Accelerate?

This is the background against which the question is raised today: Will the Congress decide to accelerate our atomic energy program by ordering the construction of a number of large scale government-owned plants? Or will they not?

My guess is that they will not order the building of these plants, notwithstanding strong efforts by a militant group to persuade them to do so. But it is by no means certain.

In my belief, the Congress will recognize that this country has a program in being that has given us our commanding lead in world nuclear technology. And further, that our lead can best be maintained and increased by a continuation of that program. Any program, of course, needs to be adjusted from time to time to our constantly increasing knowledge and experience. But the emphasis should stay on research and development.

Not everyone in this country will agree with that conclusion. There are loud voices raised to assert that we have fallen behind in their hypothetical kilowatt race, and that only a crash program involving construction of large government-owned reactors will enable us to catch up.

As to whether we have fallen behind, the facts themselves refute that contention. And if they are not enough, there is the recent statement from the leaders of Euratom, the international organization which is coordinating the nuclear power programs of six European countries. These European experts asserted, "An impressive amount of research and development done both through the AEC and private industry has provided America with the most complete nuclear foundation in the world."

More large-scale government-owned reactors in this country would achieve little, and would soak up millions of dollars of taxpayers' money needlessly. Worse, they would divert our energies and resources away from the vital research and development work on which our atomic future depends.

The Threat of Socialization

In view of that, it may well be asked who advocates such a program of large government reactors, and why.

Prominent among the advocates of large government-owned nuclear power plants are many of the same people who for years have been urging the government farther and farther into the electric utility business. In nuclear power, they see a once-in-a-lifetime opportunity to ensure the eventual complete socialization of America's electric power industry.

This process of socializing power has already gone so far as to be a matter of grave concern to thoughtful Americans. Twenty percent of the electric power generating capacity in America today is government owned, and for years the trend has been toward an increasing proportion.

Those four out of five Americans who today receive their electric service from the investor-owned segment of the utility industry are discriminated against in favor of the 20% minority who do not. The discrimination against the 80% extends into the preferential disposal of power generated, the granting of licenses for new generating facilities, and the amount of taxes they pay into the government treasury through their electric bills. These taxes are largely avoided by the 20% minority.

We are today engaged in a frightfully costly and bitter cold war with Russia over the conflicting philosophies of totalitarian versus democratic government. If we as a nation should allow ourselves to be betrayed into voluntarily abandoning along the way the very principles of free enterprise we are fighting to preserve, we shall indeed have defeated our own objectives by surrendering to the enemy.

What Americans Can Do

There are a few things that every American can do to help ensure that this country maintains its world lead in nuclear power and does not become trapped in the pitfalls of government ownership.

First, we can keep ourselves informed. In the final analysis, the judgment of the American people will determine the course of our nuclear power program. It is absolutely essential that that judgment be an informed one, based on a full knowledge of the facts.

Second, we can learn to recognize the pitfalls along the way—the pitfalls that never fail to appear when government becomes involved in business enterprises. Socialized power already has a formidable foothold in this country. And it has quite a few adherents who will use any means that comes to hand to strengthen and extend it.

Third, we can be alert to the fallacies inherent in such catchphrases as "cheap government power" or "public power." So-called public power is preferentially subsidized government power, and is the private domain of a privileged tax-exempt 20% segment of the American public.

Fourth, we should consistently oppose any suggestion that this country's supremacy in atomic power cannot be maintained and extended within the framework of our free enterprise system. Our present supremacy was attained within that framework. We can only maintain it on the same basis. The effort will be great, and it will require a great deal of assistance, financial and otherwise, from the government. But it can be done.

The wisdom of our course has already been proven. Continuation of it will ensure our continued world leadership in atomic power, while preserving the basic principle of freedom to which our way of life is anchored.

With Stephenson Leydecker

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—William W. Gamble has been added to the staff of Stephenson, Leydecker & Co., 1404 Franklin Street.

David Bullen Rejoins Brush, Slocumb & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — David Bullen has rejoined the staff of Brush, Slocumb & Co., 485 California Street, members of the New York and Pacific Coast Stock Exchanges. Mr. Bullen has recently been with Skaife & Co. and in the past was sales manager for Walter C. Gorey Co.

Robert L. Mayer has also become associated with Brush, Slocumb & Co., Inc.

Charles C. Wells

Charles C. Wells, member of the Philadelphia-Baltimore Stock Exchange, passed away Feb. 14th. Mr. Wells had been a member of the Exchange since 1926.

The Plight of Small Business

By ROGER W. BABSON

Well known business-financial commentator calls attention to plight of small business and, though in favor of *laissez-faire*, believes that so long as Government aid is being rendered we "would be justified in guaranteeing reasonable loans to small businessmen. . . ." Mr. Babson wants both small and big business to be prosperous, and wishes small businesses had the money to exploit the inventions they produce.

I very seldom refer to political matters in this column, but I do wish there were some way I could interest readers in writing to the White House in Washington, how serious the situation is for many worthy businessmen.

Roger W. Babson

When money is tight, as it has been during the past year, the small businessmen are the greatest sufferers. Bankers are human and loan money first to their largest depositors. Those, naturally are "big businesses." Furthermore the majority of failures are among small businessmen, rather than large concerns. Hence, your local banker prefers to loan to the big companies and you cannot blame him.

I am not much for more government aid. I believe that the country would be better off in the end to cut it all out—to farmers, contractors, home owners, and veterans. For a good many years our country prospered on a **laissez-faire system.** I fear that the present aid to pressure groups will continue until there is one grand collapse, when we must all start over again without government aid. However, that time has not come yet. The contractor and small home owner, because of increased costs, are aided by government guarantee of a portion of their loan when they build a new house. In the same way, the government would be justified in guaranteeing reasonable loans to small businessmen to cover needed inventories, improvements to stores or factories. Washington is responsible for inflation and should protect worthy business against its evil results.

Prices Which You Pay

In addition to urging your Senators and Representatives to help small worthy businessmen, every reader can help by patronizing them. I would strongly oppose boycotting "big business." Both big business and small business have their usefulness. Each group keeps the other on its toes and provides real competition. The hope of the consumer is to keep both big business and small business alive and prosperous. This means we should divide our trade between them.

The lawyers and lobbyists who are paid to represent "big business" claim that the new inventions come from the big concerns. They point to the large amounts of money which big business is spending on research. Much work may be charged to research for tax purposes. I personally have been very close to the Patent Office in Washington and believe that a larger percentage of new inventions come to the Patent Office from small business than through big business. A man will naturally work harder to invent something for his own little business than he will as an employee of a large concern. Actually, big business watches the new inventions and buys the good patents that small businessmen have taken out. Furthermore, many patents are bought up by big business in order to smother them. We consumers would be better off if the small businessmen, who invented them, had the money to exploit them.

For Whom Will Your Son Work?

Big business can afford to pay a young man more to start than can small business. Big business goes to a college and hires three young men at $400 a month, with the idea of keeping one and letting the other two go. Small business cannot afford to do this. College graduates should be very careful not to be misled in this respect. Young people who lack the ambition to ever become independent businessmen will be happier working for big business. But the young man with initiative, courage, and independence is far better off working for the small businessmen and ultimately becoming owner of a business.

I believe there is a place for both big business and small business. I am merely urging that our government and we, ourselves, do what we can to keep both groups prosperous. Trying to run a country without small business is like trying to run a Church without a Sunday School. Let me further say that if big business becomes too big, it will lead to socialism; while, without big business, the small businessman will go to sleep. Finally, all Trustees should be required to put 10% of their funds in "risk" investments, both for insurance to the beneficiaries and for the good of the nation.

Cinn. Mun. Dealers To Hold Field Day

CINCINNATI, Ohio — The Municipal Bond Dealers Group of Cincinnati will hold its Annual Outing September 18th and 19th; Cocktail and Dinner Party on Thursday at the Queen City Club; Field Day on Friday at the Maketewah Country Club. All are invited.

CORRECTION

In the "Financial Chronicle" of Feb. 20 it was reported that the Bamm Corporation had been formed to engage in a securities business. This is in error. The Bamm Corporation is engaged in the business of manufacturing and renting to commercial eating establishments its "Koffeemyser" coffee brewing machines.

The firm of Willis E. Burnside & Co. Inc., 42 Broadway, New York City, are the underwriters for a $300,000 6% 5-year convertible sinking fund debenture (subordinated), due Jan. 1, 1963, and 30,000 shares of common stock par value $.01 per share.

Scannell With Swift

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Joseph B. Scannell has become connected with Henry F. Swift & Co., 490 California Street, members of the Pacific Coast Stock Exchange. He was formerly with Hooker & Fay and E. F. Hutton & Company.

Two With H. L. Jamieson

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Carl L. Davis and Nelden J. Van Winkle are now with H. L. Jamieson Co., Inc., 1419 Broadway.

Continued from first page

As We See It

we pin our faith upon the inventiveness, the resourcefulness, the initiative of every one of us. That can not fail us if we keep the faith in ourselves and our future, and in the constant growth of our intelligence and ability to cooperate with one another.

"The memory of Americans who glory in Valley Forge even as they glory in Yorktown tells us the truth which echoes from this soil of blood and tears (Valley Forge where the President was speaking) that the way to the nation's greatness is the path to self-reliance, independence, and steadfastness in time of trial and stress."

Last week at Washington's birthday ceremonies at Valley Forge the now ex-President Hoover repeated these words verbatim, adding that "you may recollect that 27 years ago the world was in the depths of the greatest economic depression in our history. It was an inheritance from mistakes in the peace and the aftermath of destruction from the First World War. Again today we inherit the mistakes of the peace and the aftermaths of destruction from the Second World War. Our people are today again confused and some are discouraged."

Cause of 1929 Depression

The great depression beginning in 1929 was a consequence in large part of the mistakes made after the conflict and of the destruction of that great war. It was also in part a consequence of the economic mistakes made during that conflict. We are today not in the midst of any such depression. Something—we know not what—has so far saved us from such a fate. We have, however, made tragic mistakes in the years that have followed World War II, and we made very serious mistakes during that conflict—more serious than in the earlier one. But that is not by far the whole story. Our economic sins now include many of those "panaceas and easy ways to imagined security" that President Hoover said were so alluring in 1931. We entered World War II with an adverse economic diathesis as a result of the vain pursuit of economic will-o'-the-wisps during the years immediately preceding. The Second World War was, of course, a much larger conflict and our part in it was much greater. Our economic and financial mistakes were also greater. We emerged from the conflict convinced that a postwar depression was all but inevitable—and proceeded to commit capital economic crimes in the hope of warding off such an untoward turn of events. We have many sins to expiate at some time or other—many more and worse ones than the last time.

Still at It

Nor have we as a people shown much evidence of contrition, or for that matter even awareness that we have so gravely transgressed the economic laws of nature. We might add that government, which presumably represents the people, has shown none. There have been protestations from various spokesmen of the present Washington Administration. There have been avowals of reform and change. But by and large the stamp of the New Deal and the Fair Deal are plainly to be seen on all its work. Even now such remedies for the current recession as have been adopted or are under consideration are all taken from the notebooks of Roosevelt and Truman or their economic advisers. The cure is to be the application of a hair of the dog that did the biting.

And what would the opposition do? Or, perhaps, better what will it do? It has control of Congress and proclaims great confidence that it will continue to hold that control in the elections this fall, and even apparently feels quite confident of re-entering the White House in 1961. For answers to such questions we may turn to a recent utterance by the other living ex-President, Mr. Truman. On Washington's birthday he said:

"The Democratic party must believe in, and work for, a constant economic growth and a rising standard of living. Progress is an article of faith with us. We believe that our economy can continue to grow steadily year after year, producing more and more goods and services for more and more people—and that there is no inevitable law of nature that requires periodic downturns where everyone is 'put through the wringer.'

"Moreover, we believe the government has a considerable measure of responsibility for creating conditions in which steady economic growth will take place. The Democratic party must be prepared to fulfill that responsibility completely and should constantly develop plans and programs to that end."

More of the Same

If anyone has any doubt about what these words mean let him study these other sentences from this same address.

"While men and factories are idle, school programs are neglected, colleges are short of funds, hospitals are overcrowded while half of the people of the country cannot afford to pay doctor and hospital bills, highways need rebuilding, and slum clearance is lagging.

"Our great New Deal and Fair Deal programs of security—for the aged, for the unemployed, for broken families have been allowed to stagnate until the level of benefits in this rich land of ours is a national scandal."

Who can doubt that in this instance Mr. Truman speaks authentically if unofficially for the Democratic party?

Of course, upon such an occasion one must expect from this speaker rather more than a trace of the "give-em-Hell" spirit. There is obvious exaggeration in what he has to say about the "Republicans." A great pity it is that there is not more truth in some of the accusations he makes! But one needs no more than one guess as to what the Democratic party's idea is of dealing with current problems.

Continued from page 3

The Treasury's View Of the Economy

panding needs of the American economy?

To answer that question, we have only to look around us. Our population is growing at the rate of approximately three million a year—the equivalent of adding a state the size of Kentucky to our consumer population every 12 months. We have constantly increasing demands for new products and materials from American business, as the result of scientific and technological advances taking place in almost every area of activity throughout the economy. We have a constant desire on the part of all of our people to improve their standards of living and to expand the opportunities available to their children.

Turning now to our capacity for meeting these needs—America has demonstrated that we have in this country an industrial mechanism capable of meeting any reasonable demands that may be made upon it, both military and civilian. The urgencies of World War II unlocked many new productive powers in the American industrial machine. Nevertheless, in the period since the end of World War II, American industry has made an unprecedented investment in plant and equipment. From 1946 through 1957 such investment totaled over $300 billion—a total outlay equal to United State military expenditures during World War II, 1941-45. And this investment is continuing. Business plans for fixed investment in the calendar year 1958 exceed actual spending in any previous year except 1956 and 1957.

Along with our expanding plant and equipment, our labor force is growing by three-quarters of a million workers a year—a part of our growth in population. Yet we are constantly making more efficient use of the contribution of American workers to output. Output per man hour in the private nonfarm sector of the economy has been increasing at an average rate of more than 3% a year for the postwar period, reflecting again the tremendous expansion of plant and equipment and improved techniques and working conditions. Moreover, agricultural productivity has been increasing even more rapidly than that of industry.

A further—and very important—factor in the long-term situation is the willingness of our people and our government to use the mechanisms at our command so as to employ our economic strength in a way which will help assure sustainable growth.

Short-Term Considerations

In the short-term area, a number of favorable factors can be discerned. First of all, 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 highway building, and from a number of state and local projects having to do with community facilities. Increased defense spending and contract placement will also have a stimulating effect on the economy.

Perhaps one of the most important considerations, however—either long-term or short-term—is the fact that the confidence of the American people in the basic strength of our economy has remained strong. There is evidence that this confidence is increasing. The American people are recognizing that the period of adjustment we are now going through is in part the consequence of our rapid expansion during the past several years. Our power for growth remains unimpaired, and justifies a belief that we have the elements needed for a continuing healthy economy, capable of expanding and adapting itself to any new demands which it may be called upon to fulfill.

You are familiar with the contents of the Budget Message and its recommendations for a continuation of existing tax rates on corporation income and excises on liquor, tobacco and automobiles for another year.

Assumptions Made

The economic assumptions underlying our revenue estimates in the 1959 budget, which you requested in your letter of Jan. 20, are as follows:

Personal income was assumed to be $343 billion in the calendar year 1957 and $352 billion in the calendar year 1958.

Corporate profits were assumed to be $42 billion in each of the two years.

We do not assume any change in prices from the present.

I should now like to discuss for a moment some of the problems involved in making the basic assumptions which we must make in estimating the Government's income from taxes.

The problem of projecting our revenue receipts, which is a part of the budgetary process, is always difficult. In the months of November and December it becomes necessary, as a part of this operation, to arrive at certain determinations with reference to income tax receipts for a period 18 months in advance.

This task would be much simpler if we could be content with a range of estimates. However, the budget-making process does not permit such a procedure. We are required to use a degree of preciseness which involves a number of specific judgments made with the help of the best evidence and the best experts available.

The difficulties inherent in making precise determinations of future tax income are clearly evident in the historical records. These show that various relationships between tax receipts and major economic indicators which might be expected to be fairly constant over the years do not in fact remain constant. They change considerably from one year to the next. The individual income tax and the corporate tax provide the bulk of our revenues; and personal income and corporate profits are the two most important bases for estimating receipts from these two tax sources. Corporate profits, however, are not uniformly related to any single indicator or combination of economic indicators. There is even a lack of correspondence as to the **direction** of change between corporate profits and the gross national product.

In 1952, for example, there was a large decrease in corporate profits in spite of a substantial increase in the gross national product.

I might add in passing that the best current data on corporate profits are themselves estimates which are subject to substantial revision, after taxes are collected and tax returns tabulated in **Statistics of Income**. Again referring to 1952, estimated corporate profits were reported at the end of the year as $40.8 billion. This figure was finally revised to $35.9 billion, long after the end of the year.

Estimated Corporate and Individual Income Data

Our estimate of $42 billion for corporate profits in both 1957 and 1958 is based on our own best appraisal and on advice which we have sought from staff experts in the Department of Commerce, the Council of Economic Advisers, and the Federal Reserve Board. The estimate is, of course, subject to the same hazards as have been manifest in the past but it represents our best judgment.

With respect to the individual income tax, we have estimated increases in receipts from this source, although these expected increases are substantially less than those which occurred in recent years. Our estimate took into account current economic conditions, as well as our judgment that growth would be resumed during the year 1958 and continued on into 1959. Specifically, the increase estimated for the individual income tax estimated for fiscal 1958 over fiscal 1957 is

$1.6 billion; and the increase for 1959 over 1958 is $1.3 billion. Individual income tax receipts increased $3.4 billion in each of the fiscal years 1956 and 1957. Thus the total increase for the **two** years 1958 and 1959 of $2.9 billion in individual income taxes is substantially less than the increase in this category which took place in either **one** of the years 1956 and 1957.

The personal income level for the calendar year 1958 underlying the budget estimate assumes a rise of $9 billion over the personal income of the preceding calendar year. This is about one-half of the annual rate of increase of preceding years.

As in the case of corporate tax estimates and the economic indicators on which they are based, the historical record shows that there have been substantial variations in the relationship between individual income tax receipts and their major determinant, personal income.

These variations reflect changes in the distribution of personal income at different income levels, including varying proportions in the taxable and nontaxable categories, and in the realization of capital gains which affect tax receipts but are not included in the statistical concept of personal income. They indicate the difficulty of attempting to project tax receipts with complete accuracy, even if the underlying figure for personal income could be estimated accurately.

Tax versus Monetary Policy

With reference to the question as to the proper division of labor between tax policy and monetary policy as instruments of economic stabilization during the current year, I should like to suggest the following:

The power of taxation should always first be critically examined as an instrument to provide revenue for the government upon the most equitable basis possible. Tax changes should be utilized for purposes of economic stimulation only when economic conditions are sufficiently adverse to warrant it.

I have heretofore stated that I can conceive of situations where tax reductions might appropriately be brought into play in order to help the resumption of economic growth. It is our judgment that the present condition of the economy does not warrant such action now. We continue to believe that growth in our economic system will reassert itself. We continue to be concerned that we should avoid if possible adding to our already burdensome debt during periods of high production. However, we must continue to examine developments as they progress from month to month with a willingness to use this or other methods of stimulation if conditions should require them.

Monetary and credit policy can be used more appropriately during periods of economic change such as we are now experiencing. The recent sharp reduction in interest rates, plus an increase in availability of credit, provides easier financing of business and local government capital projects and projects in other areas of growth, such as residential housing.

Tax Changes

With reference to the second question concerning recommendations for general or structural revisions in tax policy at this time, I should like to advise that we are following closely the material which is being developed in the hearings of the House Committee on Ways and Means and our staff is currently reviewing the hearings with the staffs of the House and Joint Committees. These cooperative efforts will continue.

We have recently reaffirmed the recommendation of the Budget Message for a continuation of the existing corporation income tax rates and the excises on liquor, tobacco and automobiles for another year. There is about $3 billion in revenue involved. We have also recommended that H.R. 8381 to make certain technical revisions and eliminate some unintended benefits and hardships be enacted with some modifications. This bill has now passed the House and is before the Senate Finance Committee.

We have also suggested to the House Committee on Ways and Means that the question of tax simplification is in our judgment exceedingly important. I have asked the staffs of the Treasury and the Internal Revenue Service to work closely with the staffs of the Joint Committee on Internal Revenue Taxation and the Committee on Ways and Means to determine the most effective way of dealing with this problem. It seems to me to go to the very heart of our voluntary tax system. I hope that we will be able to develop a mechanism for giving effective consideration to this important matter in the near future.

Stimulating Capital Flow and Consumer Demand

On a third question as to the relative importance of encouragement of investment and encouragement of consumption, let me be frank to point out that our system of competitive enterprise should be such as to encourage increased investment and to provide the generation through savings of adequate capital to finance both replacement and expansion. At the same time, the utilization of the products of our enterprise is dependent upon effective demand which, of course, is the basis for consumption. It would seem, therefore, that any consideration of tax policy should give weight to both the development of effective capital and the stimulation of effective demand. Here again, in order to maintain our voluntary tax system we must be concerned not only with the objectives of economic stimulation, but at the same time so act as to insure fairness to all taxpayers and the development of a system of tax forms and calculations which can be fully understood and prepared without undue complications.

Continued from page 5

An Executive Looks at the Courts

frequently judges are called upon to rule on difficult technical, scientific and other specialized issues. Increasingly they simply defer to the judgment of the administrators, on the ground that the agency in question was created to deal expertly with problems in its field.

I do not question the necessity of easing the strain on our overburdened judicial machine by resort to administrative process, nor the right of a court to circumscribe that which it will consent to hear. But I suggest that the rising tide of judicial reluctance to review administrative decisions may have serious and far-reaching implications for business and the public.

The administrative agencies deal with great issues and have great power. Already many key industries—railroads, communications, public utilities, to mention a few—are subject to the decisions of such agencies. Not all of the Commissioners wielding this crucial power possess special expertise at the time of their appointment and relatively few remain in office long enough to acquire it. Yet the effects of their rulings are sometimes as far-reaching as some Supreme Court decisions and to the business enterprises involved they can be matters of life or death.

I know of no simple solution to this important problem. But I suggest for consideration the desirability of making available to the courts, both at the trial and appellate levels, qualified and impartial experts for purposes of consultation. In the economic field, for example, such experts could help Judges dealing with complex economic issues in large antitrust suits. They could be useful in the patent field, where the courts so often face recondite technical problems. Moreover, on agency decisions the court would have specialized guidance to determine in a given matter the extent to which the expertise of a particular agency should be reviewed.

Summarizes Three Suggestions

Let me, before turning to other matters, recapitulate the three main points on which business executives, in my humble opinion, would welcome some measures of relief:

(1) A larger degree of clarity on the legal rules of the game in business, particularly as they apply to antitrust action; and to make available to business, advice and opinion of a government agency before business embarks on a course of conduct.

(2) Reasonable controls and limitations on "discovery" procedures which today sap so much of the energies and finances of successful business organizations.

(3) Firmer guarantees of adequate review of major decisions by administrative agencies.

A businessman, quite naturally, sees such measures primarily in terms of reducing the burden on his own shoulders. But in nearly every case the effect would also be to lighten the burden of litigation under which the courts are staggering.

I assure you that no executive in private enterprise would tolerate a work-load as unreasonable as the majority of Judges now carry. In the interests of efficiency, if nothing else, his corporation would act to solve the problem. It seems to me clear that the courts, with the active collaboration of lawyers and laymen, can do no less. In their case the "corporation" is the entire citizenry.

The suggestions I have made are, of course, intended simply to point a direction of thought. Other and better ones will no doubt occur to those more knowledgeable than I am.

What Laymen Can Do for Justice

That everyone has a stake in the law, is self-evident. Therefore, it behooves laymen, as well as professionals, to do what they can to help improve the administration of justice. I fear that some of the matters I have discussed so far may have invaded professional territory. I should like now to move into safer territory and direct the attention of my fellow-laymen to several points on which their interest and support could prove very helpful. My recommendations are:

(1) **There is pressing need for more judges.** Not long ago the Judicial Conference of the United States and the Executive Committee of the Attorney General's Conference on Court Congestion and Delay in Litigation, of which Attorney General Rogers was Chairman, recommended the appointment of 45 additional Federal judges. The Director of the Administrative Office of the United States Courts has said, "It is of the greatest importance that these recommendations receive prompt consideration from Congress."

It seems to me incumbent upon every public-spirited layman to urge favorable action without delay upon his Senators and Congressmen. It is a truism that "justice delayed is justice denied." Legal relief, like medical relief, is not much use if the patient dies before it arrives. The basic answer to the evil of delay is enough judges on every level of the judicial process.

(2) **Judges must be given more adequate assistance.** There is no doubt that judges lack such professional, clerical and mechanical assistance as would be supplied as a matter of course to a business executive having comparable responsibilities.

In examining the late Chief Justice Vanderbilt's fine book, *The Challenge of Law Reform*, I came upon the following illuminating facts:

"The number of reported American decisions today has been estimated at 2,100,000, a number to be compared with the 5,000 cases available to Coke and Bacon in 1600, and the 10,000 decisions to be found in the books at the time of Mansfield and Blackstone 150 years later. What is more, the number of American decisions is increasing at the rate of 22,000 a month."

Even a layman can recogize the problems posed by such proliferation of the Common Law. In addition there is the ever expanding flood of laws enacted by Congress and State Legislatures. It is easy to grasp Chief Justice Vanderbilt's statement that "It takes two or three times longer today to uncover the law on a given point than it did 25 years ago." If anything is obvious it is that the courts must have more assistance.

Other types of work rationalization also deserve consideration. For instance, why should not the courts make larger use of the mechanical aids now in common use in business? I refer to such things as microfilm for preservation of records; automatic business machinery for statistical purposes; tape-recorders and other modern devices for taking down dictation and oral testimony.

(3) **Expert technical personnel should be placed at the disposal of the courts.** The character of litigation of necessity reflects the changing character of a society. Ours is continually becoming more technical. It is unreasonable to expect every judge to be his own expert on the manifold complexities brought to his bench.

(4) **The physical facilities of our courts must be enlarged and improved.** The crowded courtroom, the antiquated courthouse, the musty atmosphere in many a judicial chamber accord with neither the dignity nor the efficiency of the administration of justice. Only a bare beginning has been made, for example, in air-conditioning courthouses — something that the smallest business plant is likely to provide nowadays.

A nationwide program for new courthouses may be too ambitious. But some new construction and essential modernization should no longer be postponed. And let us be clear on one point: Proper housing for the Goddess of Justice is just as important to the litigants, the jurymen, the witnesses and the public as it is to the judges.

The improvement of physical facilities clearly is an area where the understanding and support of the ordinary citizen is indispensable, where his active cooperation can make a genuine contribution to better administration of justice.

(5) **Judicial salaries must be brought into line with today's economic facts of life.** This is a delicate subject, but as realists we cannot evade it. It is my considered opinion, based on long personal observation of the work and responsibilities of judges, that their compensation compares unfavorabiy with t at of business executives of comparable status. The same applies to the compensation of their staffs.

I am aware, of course, that judicial salaries have been somewhat increased in recent years. But the increases have kept pace neither with the rise of living costs nor the colossal growth of the judicial work-load. It is obviously of paramount importance that the high calling continue to attract the kind of superior men whom we all wish to see on the bench. The honor attached to a judgeship is a tremendous incentive, but honor, alas, is not legal tender in paying rent, buying groceries and meeting other obligations to one's family.

Here, therefore, are five basic jobs—all vital and urgent in improving the administration of justice—in which laymen can play a significant role. To put the matter in practical terms, laymen are in a position to help create the proper climate of public opinion for legislative action where such action is necessary.

The District of Columbia is justly proud of the recent reorganization of its court. The Chairman of the Committee that spearheaded the effort, the distinguished Chief Judge Bolitha J. Laws, whom I am glad to see here today, has attributed its success in large part to the fact that a majority of its members were men and women from every walk of life. Among them were representatives of banks, insurance companies, members of the Board of Trade, the press, public utilities, labor unions, schools, universities and the medical profession.

In the book which I have already cited, Chief Justice Vanderbilt strongly urged the inclusion of laymen in committees of this kind in every American community. He followed his own sound advice in the reorganization of the courts of his own State, New Jersey. In other jurisdictions as well, the degree of achievement in court reorganization movements has usually been in direct ratio to the degree of public interest and participation. The reorganization of the judicial system of the State of Florida by a Constitutional amendment is illustrative.

In my own State, New York, an active movement is developing under the leadership of a Temporary Commission on the Courts, to rescue the judicial setup from the multiplicity of confusing and overlapping courts, most of which have existed for over a century.

Understandably, the inertia of habit is involved and tends to retard progress. The more forthright intervention of dedicated laymen can help immeasurably to remove misunderstandings and break down obstructions.

While I feel that I have merely delivered a few coals to Newcastle, it is a stimulating and encouraging sign of the times that learned and distinguished leaders of the Bench and Bar are willing to listen to a layman discuss the administration of justice.

George Goldenson Opens

DES MOINES, Iowa — George Goldenson is engaging in a securities business from offices at 615 Locust Street. He was formerly with Max Wittenstein Co. and First of Iowa Corporation.

Earl Scanlan Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Robert D. Watson is now with Earl M. Scanlan & Co., Colorado National Bank Building, members of the Midwest Stock Exchange.

George M. Forrest

George M. Forrest, partner in Paine, Webber, Jackson & Curtis, passed away Feb. 15. Mr. Forrest, a member of the Pacific Coast Stock Exchange, made his headquarters in Los Angeles.

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Taking a Fresh Look at Our National Defense Program

in the "national security" budget as the Merchant Marine. The proposed Federal program of aid to education in mathematics and science belongs in the same category. Federal activities which are of prime importance to the nation's security are likely to get from Congress the more favorable consideration they deserve, if presented under the rubric of "national security," rather than non-defense expenditures.

Even more fundamental is our need for an affirmative projection of what we now call "national security." This phrase is defensive, protective, and negative. It reflects a belief that we must "secure" ourselves from our enemies. Yet, we know that the best defense is a strong offense. The U. S. position in the world would be strengthened by undertaking under a positive banner the activities now embraced in "national security." We have yet to find the right label for this affirmative concept. What we seek, basically, is world progress under freedom. **As the leading power of the Free World, the U. S. must recapture the initiative from the Soviet Union. We must stop being defensive, acting only in reaction to Soviet moves, being caught off-balance. We need to proclaim to the world positive objectives of our own, in which other peoples can believe and around which they will rally. This problem deserves much penetrating thought.**

The Magnitude of Our National Security Effort

The U. S. needs to enlarge its national security effort considerably above the current level of $44 billion a year and probably above the $46 billion level the President has projected for 1958-1959. Our fixed objective should be, not merely to stay abreast of Soviet military and diplomatic power, but to maintain clear and indisputable superiority at all times. We need an *optimal* program of national security instead of a minimal program.

How much is involved in moving from the current national security effort to the optimum? I do not have a precise answer to this question, nor do I know any person who does. The celebrated Gaither Report, not yet released to the public, is reported to contain a recommendation that annual defense expenditures be increased by $8 billion, and that, in addition, an outlay of $5 billion a year be made for the construction of civilian shelters against radio-active fallout. It is impossible for a layman to judge the reliability of these estimates. Yet, it is obvious to any layman that some of the major new programs which it is essential to initiate immediately and to prosecute continually include the following:

(1) A vast enlargement of basic scientific research in all fields. The present $1.4 billion a year spent by the Department of Defense for research and development could well be doubled or tripled.

(2) A supply of operational ICBM's and IRBM's at widely dispersed launching bases.

(3) A fleet of nuclear-powered submarines, capable of acting as launching platforms for IRBM's.

(4) A long-range radar system capable of instantaneous warning of missile attack on the U. S.

(5) An effective anti-missile system to intercept and destroy enemy ICBM's before they reach their targets.

(6) Development of manned space vehicles in order to prevent potential enemies from dominating outer space.

The price tags that have been put on these incredible new weapons of offense and defense make the reported Gaither Committee conclusions seem entirely plausible.

Of course, some will argue that these costly new programs will replace present outlays for conventional weapons. This is true only to a minor extent. In the main, present military forces and types of weapons will have to be maintained in order that the United States will be ready to fight limited wars with conventional weapons at any point of potential danger on the globe. When both the U. S. and the Soviet Union are capable of obliterating each other, that power which has the military capability to act in any kind of situation puts to great disadvantabe an opponent capable of fighting only a thermonuclear war, because it can force its opponent to choose whether loss of a certain position is worth suicide. Soviet strategy is to fill every vacuum, to foment revolution in every region around its 20,000-mile periphery, to push the U. S. out of Eurasia, step by step. Hence, the U. S. must be capable of fighting a limited war in every area of potential Soviet aggression, as well as the ultimate war, in order that the Soviets may not paralyze us into inaction with the realization that our intervention in any local conflict will automatically lead to a hydrogen holocaust. It is doubtful that any material reduction should be made during the next three or four years in the present personnel of our armed forces (whose pay and maintenance take up 52% of the present Defense budget), or whether any large reduction can wisely be made in procurement of conventional arms, such as manned aircraft, ships, and tanks. We know that Soviet production of manned aircraft is continuing, apparently at a rate several times our own. Only as we develop high-precision operational missiles in quantity will it be prudent materially to reduced manned aircraft procurement.

I accept the reputed conclusion of the Gaither Report—that the necessary addition to Defense expenditures by 1960-61 is of the order of $8 billion a year. I feel less certain about the need for a vast civilian shelters building program; but, for lack of knowledge, I make no provision for them in present calculations.

Apart from expansion in the budget of the Department of Defense, an optimal national security program requires an enlargement of our atomic energy and foreign economic development programs. While our current scientific and technological position in atomic energy appears to be reasonably good, we have not launched a nuclear-powered merchant vessel—as has Russia—nor have we developed nuclear-powered airplanes or land vehicles. An additional $1 billion per annum for nuclear research and atomic energy development in all fields—a 50% increase—is probably necessary. And, for reasons which I shall present later, an additional $1 billion per year of foreign economic development expenditures is advisable. Adding these $2 billion to the $8 billion addition to the annual spending of the Department of Defense yields an optimal national security budget for 1960-61 of $54 billion. This means a step-up during each of the next three years of about $3⅓ billion from the current annual rate of $44 billion.

Can the U. S. Economy Support an Optimal National Security Effort?

How would such an optimal national security effort affect the U. S. economy? Would it mean retrogression of our level of living? Deficit financing? Heavier taxes? More price inflation? On this aspect of national security, an economist can speak with more assurance. In my opinion, the U. S. economy can take an optimal national security program in stride.

Those who have asserted that larger Federal expenditures would ruin the U. S. economy have propagated a dangerous error. There are now no *economic* barriers to an optimal national security effort. During 1957 national security expenditures formed a *smaller* fraction of gross national production than in any year during the past eight years! During the period 1951-1954—years of satisfactory economic growth and price stability — national security expenditures ran between 11 and 14% of national production. In 1957, they were 10%. An optimal security effort would now require 12 to 13% of real production. *It is possible to raise the annual rate of national security spending by at least $10 billion over the next three years without higher taxes, without deficit financing, and without price inflation, and still improve our living standards.*

The reason for this bold assertion is that the normal growth of the U. S. economy will expand Federal revenues sufficiently to finance a higher level of national security expenditure. Recent history has shown that the U. S. economy can have a sustained increase in *real* production of 3½% per year. With gross national production currently at an annual rate of about $440 billion, this means that an annual increase in real output of over $15 billion is feasible. The present Federal tax system captures more than 25% of any increment in the national production. If the economy grows steadily, it should yield an annual increment in revenues of around $3½ billion—sufficient to finance a $10 billion rise in the level of national security expenditure over a 3-year period, without deficit financing (although the present limit on the national debt should be lifted), increased taxation, or inflation. And there will remain enough additional production, over and above that taken for national security, to make possible an increase in *per capita* consumption. In other words, we *can* have both ICBM's and two-tone convertibles. The U. S. can show the world that its competitive, free-market economy is so much more productive than the Soviet socialist economy that it can maintain clear military superiority *while* continuing to improve living conditions of its people. The world already knows that the rulers of the Kremlin have been able to build a powerful military machine only by holding down the living conditions of the Russian masses.

Nevertheless, an optimal program of national security will challenge the productive capacity of the U. S. economy. It banishes fears of long depression for lack of adequate demand. It raises again the spectre of price inflation. It puts aside hope for tax reduction. It shelves Mr. Reuther's dreams of a 30-hour week for industrial workers.

Open and Concealed Subsidies

It should also cause us to get rid of the subsidies and inefficiencies which have invaded many sectors of the economy, and to require all industries to become lean and efficient through competition, both foreign and domestic. This is the time drastically to reduce wasteful Federal subsidies of agriculture, of the veterans, and of users of the mail. The $5 billion a year we are spending in buying up unneeded farm crops or in paying landowners not to grow crops are funds badly needed to pay for expanded national security. These expenditures prevent those shifts of resources out of agriculture which are alone a cure to the farm problem. They create major foreign policy problems for us—which diminish our national security—when we dump farm surpluses abroad. Our cotton dumping has helped turn Egypt against the U. S.; our wheat dumping is straining our relations with Canada. A large part of an optimal program of national security could be financed by present Federal expenditures which are not only wasted but are creating negative values! President Eisenhower's budget proposals for 1958-59 do not go far enough toward reducing subsidies.

Concealed subsidies, which do not appear in the budget but which are also costing the U. S. dearly in national security, are our tariffs and quotas on imported goods. As the world's leading capitalist nation, we are the protagonist of private enterprise and competition in open markets. Yet, we do not consistently practice these principles. We compromise our position in the eyes of other countries by refusing to compete with them. We deny ourselves the advantages of cheaper petroleum and textile goods by putting quotas on imports. We put up tariff barriers. Thus we restrict the foreign market for those commodities the U. S. produces with comparative advantage. No amount of foreign economic aid would build U. S prestige in the Free World as rapidly as a bold move toward freer trade. Few measures would help as much in preventing price inflation at home. Nothing would more powerfully foster efficiency in production and in investment throughout the Free World.

The times urgently require us to rationalize our economic policies in order to meet the Soviet challenge. This requires lucid thinking and courageous political leadership. It calls for a slaughter of political "sacred cows" which we can no longer afford to tolerate.

Economic Development in Our National Security Effort

World economic development requires much more emphasis in our national security effort. Next only to peace, people everywhere in the world want most to improve their material conditions of life. The fact that two-thirds of the human beings outside the Iron Curtain live in economically backward areas, and that most of them have acquired political independence since World War II, makes economic development the most urgent political problem of our times. This new force in world affairs offers a great opportunity to the United States. It also poses threat that the Soviets will take leadership in fostering the development of backward countries, with the aim of cultural penetration and ultimate "satellization."

The Soviet Union now has in operation an active, growing, and efficient program of technical aid and economic assistance, involving around $¾ billion per annum. Soviet aid takes the form of gifts of technical assistance, and loans of rubles for long-term development at low interest rates, used to purchase Soviet machinery and equipment. The Soviet Union has launched a major economic development drive, the scope of which will be increased. The Soviet Union has also strongly supported the establishment of an Economic Development Fund in the United Nations, a measure supported by all other member countries in the Economic and Social Council of the United Nations excepting the U. S., the U. K., and Canada. Thus, the Soviet Union has gained the credit for sponsoring multilateral economic development aid, without putting up a dollar of hard currency in support of its promises.

Most of the $3.5 billion spent annually by the U. S. on mutual security goes for arms and economic assistance to countries with which the U. S. has military agreements. These expenditures should be treated as part of our military budget rather than as economic assistance. Economic aid and technical assistance to other countries amounted only to $450 million last year.

We cannot deal here with all of the complex problems that surround the amount, form, and administration of U. S. economic assistance to other countries. I offer simply a few conclusions arising out of my studies and personal experiences. The U. S. should approach the problem of world economic development as a free economy. Our efforts should be bent toward fostering private savings, private investment, and private enterprise in every country that permits private economic activity. At the same time, we must recognize the need for governmental investment in certain basic social assets, such as schools, roads, and community facilities. And we must also recognize the need for technical assistance of all kinds, which means teaching people how to use capital efficiently. Technical assistance, public investment, and private investment *complement* each other in the development of a country. Therefore, U. S. policy should be to foster all three aspects of economic development in proper balance. We should do this through aid extended unilaterally by the ICA. We should also sponsor such an integrated program of economic development aid to be administered multilaterally through the United Nations. Thus the U. S. can recapture the initiative from the Soviet Union in the United Nations on the economic front. An additional $1 billion per year of technical asssistance and government investment, plus stimulated private investment, would make a real difference in the rate of progress of the under-developed countries.

Organization and Management of the National Security Effort

Some of the basic policies underlying the organization and management of the national security effort need to be changed, if we are to get the maximum security per dollar spent. The obvious wastes of inter-service rivalry in missile development have received much attention. They are in process of correction by placing advanced weapons development directly under a staff answerable to the Secretary of Defense. Yet, even more fundamental problems do not appear to have been raised. For example: Is the National Security Council adequately staffed to correlate swiftly all of the changing scientific, military, economic, and psychological factors involved in our national security plans and actions? Is the Department of Defense the most efficient agency to have the responsibility for developing radically new weapons? Do present military procurement policies fully utilize the creative capacities of our private enterprise system, by stimulating competition, providing adequate incentives, and conferring sufficient authority upon military suppliers to maximize the rate of weapons development?

Such information as I have leads me to support the conclusions reached by Professor J. Sterling Livingston in the January "Harvard Business Review." In order that the U. S. may regain undisputed weapons superiority, he concludes, the responsibility for development of radically new weapons should be transferred to an independent civilian agency such as the war-time Office of Scientific Research and Development. In addition, the procurement system of the Department of Defense should adequately reward research and development as well as production work, and should eliminate present wastes in the use of scarce scientific and engineering manpower. The Department of Defense should foster vigorous competition in the aircraft, missile, and electronics industries. It should use more incentive-type contracts and fewer cost-plus-a-fixed-fee or percentage contracts. Its contract negotiation and renegotiation standards should provide supplying firms with strong profit incentive to carry on active research and development activities, and sufficient earning power to enable them to finance these activities. Only thus will the U. S. realize the full potential of a private enterprise system, and get the most defense per dollar.

Long Run Economic Effects of an Optimal National Security Effort

The great expansion of scientific research and development activities, which is part of an enlarged national security effort, will accelerate the pace of industrial progress and change in the U. S. economy. It cannot be assumed that all national security expenditure is wasted—money down the drain. A growing fraction of defense expenditures is productive of values for the civilian economy. We are coming to rely more and more upon military research and development for the new materials, processes, methods, and products of civilian life. The comparatively limited research and development activities undertaken during World War II have been the germ from which whole new industries have developed within the past 15 years. Examples are nuclear power, medical isotopes, synthetic rubber, commercial radar, and titanium. Wartime research also sparked a startling expansion in the aluminum, air transportation, electronics, and other industries. The transformation of scientific discoveries into industrial innovations has enormously raised the demand for capital. A very high rate of capital investment, in turn, has been a major factor in the long-sustained postwar prosperity.

Who can now predict what new industries will arise to exploit the ever more numerous discoveries made in scientific laboratories? One thing is certain. The rate of obsolescence of existing capital goods will rise, and the demand for capital will continue to be high. A long-term decline in interest rates is improbable. The problems of excessive demand and inflationary pressure will far more frequently plague our economic managers than those of depression and unemployment. All these consequences have a bearing upon the performance of the U. S. economy in the years ahead. We are engaged in a race for survival of our way of life. It is far more than an arms race. We can—we must win that race. In so doing, we can—and we must begin now—strengthen our society and extend its benefits to other peoples of the world.

With Kirchner, Ormsbee

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Ronald L. Moore has become connected with Kirchner, Ormsbee & Wiesner, Inc., First National Bank Building.

With Bosworth, Sullivan

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Dorothy O. Mulvey has joined the staff of Bosworth, Sullivan & Company, Inc., 660 Seventeenth Street.

Birch O. Mahaffey

Birch O. Mahaffey, member of the New York Stock Exchange, passed away on Feb. 14.

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Mr. Khrushchev's Trade Challenge—Will We Meet It?

less developed countries need, in addition, larger amounts of developmental capital.

Unless the countries of the free world cooperate together in providing these two essentials—expanded trade and increased development — there is the danger that the Communists may achieve gains in their economic offensive so striking as to fatally wound our free economic system.

I will limit my remarks to what we as a nation should, and must, do in the field of international trade.

We have had a successful trade-agreements program in operation for some 24 years. That program has been supported by the American people because it is economically sound and because it has brought great benefits to our country. But what some may not fully realize is that this program, originally conceived of as a means of easing the barriers to American exports and imports, has now literally become the instrument through which most of the important trading nations of the free world cooperate with one another. Our Presidents have used the power to reduce our tariff, which the Congress has given them, as a means of enlisting the cooperation of the larger part of the free world in a program of trade-barrier reduction and mutually beneficial trade. Thus, through our trade agreements, notably the 37-nation General Agreement on Tariffs and Trade, we have been able to set in motion a worldwide movement for the reduction of trade barriers among the free nations.

Fate in Hands of Congress

It is the future of this entire movement toward expanded trade within the free world which will be at stake this year when Congress considers the renewal of the trade-agreements legislation which the President has called for. The continuation of this movement for trade liberalization has become an essential element in the maintenance of the economic independence of our partners and allies, and hence of our own national security.

Let me recapitulate briefly at this point, because I want to be very clear about the vital bearing which our trade-agreements program has on our national security:

The free nations, of which we are the strongest member, are faced with the threat of a powerful Soviet trade drive aimed at dividing us, weakening us, and eventually subverting as many of us as possible. Because of the growing economic potential of the Soviet Union, this trade offensive could succeed. If it does, the security of our Nation would be placed in the gravest jeopardy. An essential element of the economic defense of the free nations against the Soviet economic offensive lies in the expansion of trade among themselves. Such an expansion requires the continued reduction of trade barriers among the free nations. The other free countries will not be able to continue the reduction of trade barriers unless the United States — which is at once the largest market for their exports and the largest source of supply for their imports — also continues to reduce its barriers to trade. And this cannot be done unless the Congress extends the trade-agreements legislation, on an effective basis, as has been requested by the President.

Cites Facts

These are the facts.

In his State of the Union message the President requested that the trade-agreements legislation be extended for a period of five years from June 30, 1958, accompanied by broadened authority to negotiate individual tariff rates.

As you know, the usual period for an extension of the Trade Agreements Act has been three years, and the question has been asked why the longer period is proposed.

The request for an extension of five years is not a whim, nor a matter of bargaining tactics with the Congress. The Administration is not asking for five years with the thought of settling for three. It is asking for five years because five years are needed in order to carry through an effective program of trade barrier reduction in the period ahead.

Let me explain:

European Common Market

Since the last extension of the Trade Agreements Act in 1955 a new, important, and I may say welcome, trading entity has entered on the scene. This is the European Common Market. On Jan. 1 of this year the Treaty Establishing the European Economic Community entered into force among France, West Germany, Italy, Belgium, the Netherlands and Luxembourg. The Treaty provides that over a period of 12 to 15 years all tariffs and other trade barriers among the six nations will be completely eliminated. It provides for the application of a common uniform tariff to imports into the common market from other countries with the first step in approaching the common tariff to be taken at the end of 1961.

The Government of the United States — the Congress as well as the executive branch — has supported the project of the European common market. It has done so because, if the common market is successfully established, it promises to call a halt to the age-old political rivalries which have torn Europe in the past and because it is likely to expand trade both within Europe and with the rest of the free world. Economically and politically, therefore, the common market should bring strength to the free world as a whole.

The common market comprises a community of some 160,000,000 people with a total foreign trade somewhat larger than that of the United States. The tariff level to be established by the new economic community will, therefore, be of great importance to other countries, including the United States.

It has already been agreed, as a result of the rules of the General Agreement on Tariffs and Trade, to which all of the common market countries belong, that the new tariff of the common market will not be higher on the whole than the average of the separate tariffs of the six countries which were in effect prior to the establishment of the common market. Yet it is important, if free world trade is not to be unnecessarily damaged by the economic adjustments which the formation of the common market will entail, that this tariff be made as low as possible through reciprocal tariff negotiations with the United States and with other free-world countries which are dependent on exports to Western Europe. It is also highly important to United States business, agriculture and labor that the individual rates on our chief exports to the common market be set as low as possible.

These are the reasons why the Administration is asking for a five-year extension of the Trade Agreements Act. The best judgment we have is that it will take no less than five years to prepare for and carry through an effective tariff negotiation with the common market countries during the period when their new tariff schedule is in the process of being established.

The trade-agreements legislation this year will no doubt encounter colorful opposition. It always has. There have always been those who have preferred to place their short-range special interests above the interests of the nation as a whole. But we have never before faced the economic threat to our way of life that we face today. And never before has our trade-agreements program been so vital to our national security. I am confident that once the people of the United States understand what is at stake, there can be no doubt of their response. They will be overwhelmingly in favor of the continuation of this program.

With State Bond & Mtg.

(Special to THE FINANCIAL CHRONICLE)

NEW ULM, Minn. — Floyd E. Bolin has become affiliated with State Bond & Mortgage Co., 28 North Minnesota Street.

Geo. Friedman Opens

FOREST HILLS, N. Y.—George Friedman is conducting a securities business from offices at 63-60 98th Street.

Orvis Bros. Branch

LITTLE ROCK, Ark. — Orvis Brothers & Co. has opened a branch office at 219 West Fourth Street under the management of Gordon G. Brown.

Cleveland Analysts to Hear W. W. Amos

CLEVELAND, Ohio—The Cleveland Society of Security Analysts will have as speaker for their meeting March 13th William W. Amos, First Boston Corporation, who will address the group on bank stocks.

Other speakers scheduled for the group's meetings are—

March 5: Thurston P. Blodgett, Tri-Continental Corporation.

March 19: David C. Bevan, Pennsylvania Railroad.

March 25: Donald B. Macurda, F. S. Smithers & Co.

March 26: Kelly Y. Siddall, Procter & Gamble.

April 2: Mortimer J. Fox, Jr., Schering Corp.

April 10: William A. Hanway, International Paper Co.

April 16: L. B. Meaders, Halliburton Oil Well Cementing.

April 23: Economic Forum.

April 30: H. Supplee, Jr., Atlantic Refining Co.

May 7: Dr. H. H. Hopkins, E. I. du Pont de Nemours.

May 15: Bengt Kjellgram, Brush Beryllium.

May 21: R. L. Milligan, Pure Oil Company.

May 28: Floyd B. Odlum, Atlas Corporation.

Arthur Fels Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo.—Clifford R. Trenton has been added to the staff of Arthur Fels Company, 935 Walnut Street. He was formerly with Bache & Co.

A. M. Baumgarten Opens

Arthur M. Baumgarten is engaging in a securities business from offices at 107 William Street, New York City.

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The World "Dollar Gap" —Its Credit Implications

reserves. Actually nearly half of the official gold and dollar holdings outside of the United States are held by six countries; Germany, Canada, Switzerland, Venezuela, Belgium, and Italy. The reserves of many countries, including several important trading nations, remain inadequate.

So much for the status of the world's dollar supply. The appearance of a business recession in this country makes this "dollar problem" seem more formidable. No matter how mild and short-lived, it is expected to reduce the flow of dollars overseas, which could produce hardships all over the world—for the raw material producing countries whose earning power has already been reduced by price declines, for the countries which borrowed heavily to carry out their development programs and for those countries which must strengthen their weakened reserves.

With this background, I would like to discuss the forward prospects for the world's four major sources of dollars.

Four Sources of U. S. Dollars

The most important of these has continued to be our merchandise imports, which in 1957 are estimated to have supplied about $12½ billion, or 47 per cent of the total dollar supply. Since the bulk of our imports consists of raw materials and foodstuffs, and some prices have fallen to pre-Korean levels, imports in general should cost us less this year. However, we have become increasingly dependent on imports of iron ore, bauxite, uranium ore, and manganese as well as other ferroalloys; and in 1957, the rise in value of these raw material imports together with increased petroleum imports more than offset the decline in the value of imports of coffee, rubber, copper, wool, hides, diamonds, and forest products. This pattern may very well continue into 1958. We are also continuing to buy more manufactured goods. For example, we are importing small and economical European cars at the rate of 200,000 a year despite a 9% tariff.

The world's second major source of dollars—about 4½ billion last year—is our "invisible" imports. These include American tourist spending, royalty payments to foreigners, shipping charges, and emigrant remittances. Increasing travel should offset any possible decrease in dollar outlays in other parts of this group.

The world's third source of dollars—under $6 billion in 1957 —is U. S. Government spending abroad. About half of this amount represented the cost of maintaining overseas defense establishments and spending by U. S. troops. The balance represented economic aid given to foreign countries, plus lending by the Export-Import Bank, which came to almost $1 billion in 1957, principally because of the special loan to Great Britain. In his annual Budget Message, President Eisenhower asked Congress to increase the Eximbank's present lending authority by $2 billion. I think the Soviet scientific breakthrough will probably result in increased U. S. Government disbursements for military and economic aid.

The fourth source of dollars is private capital outflow. During the first half of 1957, private capital flowed abroad at a rate higher than $4 billion a year, reflecting large investments made in Canada and Venezuela, but contracted sharply during the record half. In view of surplus capacity now appearing in many basic industries, it would not be at all surprising if the private capital flow abroad next year declines from last year's record rate. On the other hand, investments in the development of such natural resources as petroleum and ores are made largely on the basis of the long range demand and not influenced too much by short term economic factors. The potential benefits of manufacturing inside the Common Market in Western Europe will also increase private capital outflow to that area on a long range basis.

Sees Smaller Dollar Supply Available

Although, as I have shown, a substantial proportion of dollar payments abroad is not affected by business fluctuations in this country, one may assume that the supply of dollars likely to be available to foreign countries in 1958 will be less than in the record year 1957, but will still compare favorably with any other year. At the same time, the world may need fewer dollars. Coal and petroleum shipments have already declined to the pre-Suez level. Credit tightening measures taken by Western European Central Banks and balance of payments difficulties in some countries have checked the investment boom and resulted in some decline in U. S. exports of capital goods. As to the farm surplus disposal program, the U. S. Government has promised to adjust its sales so as to create minimum disturbances in international trade and, in any case, cotton shipments should be lower.

Plight of Commodity Exporting Countries

It may be impossible to avoid some difficulties, particularly in raw material producing countries whose earning power has already been cut severely by price declines, and in countries with weakened reserves. Although there are no signs yet that industrial activity in Western Europe is on the decline, the raw material producing countries may not receive the same kind of support from that quarter that they did in the 1953-54 recession. With surplus raw material and industrial capacity becoming more of a problem, the worldwide demand for goods and services is lessening, temporarily at least. On the other hand, it would be a mistake to underrate the forces that are likely to be mobilized to maintain the international exchange of goods.

Washington certainly will be asked to help those friendly countries, where sharp price declines have added to balance of payments difficulties. I have already mentioned that the lending power of the Eximbank will probably be increased. Suggestions have also been made to increase the resources of the International Monetary Fund, chiefly through increased contributions on the part of the United States and Germany. The World Bank which loaned around $500 million in 1957, still had some $300 million uncommitted at the end of the year, and has just raised an additional $150 million in the New York money market.

Increased use of credit and other deferred payment arrangements should also help to maintain the flow of international trade. In this country, the primary foreign credits are, of course, concerned with financing the two-way flow of American foreign trade. In the case of my own bank, with branches in 24 different countries, we are also financing an important share of trade between foreign countries, such as between Europe and South America, and Japan and Southeast Asia. In addition, we are, together with other banks, under constant pressure to increase credit lines both to foreign countries and to foreign government, semi-government, and private concerns.

These credit requests fall mainly into four categories.

Four Types of Credit Extension

The first category includes loans for purposes which are mainly dollar-producing, thus generating their own means of repayment, such as loans to foreign airlines to purchase equipment, loans to finance ships chartered under dollar contracts, and loans for the development of exportable products to increase the dollar and hard currency earning capacity of the borrower. American banks, the World Bank, and the Export-Import Bank have all made substantial extensions of credit in this category.

The second major group includes loans which might indirectly improve the borrower's balance of payments position, such as loans to finance local production of essential products now being imported. Because it is often difficult to tie these loans into their source of dollar payment, the participation of private banks in this loan category has been limited. This type of expansion has been financed more generally by foreign investment of American concerns or by local currency loans sometimes supported by guarantees of American concerns or by credits of the World Bank or Export-Import Bank with private banks often participating in the early maturities.

The third category of requests for dollar loans includes for foreign currency required for essential expansion of internal facilities such as transportation and power. Private financing channels have generally not participated in this category, except in association with the World Bank or Export-Import Bank.

The fourth category of dollar requests for loans in this market are for short term or seasonal facilities to bolster central bank foreign currency reserves in anticipation of seasonal or other alleviating factors or pending the effectiveness of retrenchment steps. American banks have participated substantially in this category of foreign dollar loans.

Most exporters are likewise receiving requests for credit, both short and long term. In addition, various government and semi-government agencies in Western Europe and Japan are attempting to stimulate the flow of international trade by extending more credit. By doing so, they are obliging many of our exporters to grant more generous terms in some foreign markets.

The demand for capital at home has slowed down foreign investment activity on the part of some traditional world capital suppliers like Great Britain. Germany, on the other hand, is moving rapidly into the foreign lending business. German capital exports, in addition to funds placed at the disposal of the World Bank and the European Payments Union, are now running at an annual rate of several hundred million dollars, concentrated largely in Brazil, Canada, and, most recently, India.

* * *

Expects Pick-Up After Readjustment

From the foregoing you will see that the problem is not that dollars are scarce but rather that the demand for them has been excessive, reflecting international crises and the desire to do too much too fast. Plainly a period of readjustment is ahead during which the whole world will have to buckle down and straighten out some of the problems that were bound to arise as a result of these recent years of unprecedented growth and prosperity. Once the necessary adjustments are made, technical progress, economic expansion and international trade will again go forward.

Our own self-interest in this "dollar problem" is involved for at least two reasons:

Our Interest in "Dollar Problem"

First, world population is not only increasing more rapidly than ever, but people are demanding higher living standards. We must do what we can to help them fill their needs as fast as possible. There is a definite relationship between economic well being and peace. We cannot be safe in a world that is poor and unstable economically. On the other hand, all must understand that there is a very definite limit to our resources, vast as they may seem. We cannot pick up the check for all of our needy friends, much as we might like to.

Second, our foreign trade makes a very important contribution to our domestic economic welfare. This may not be fully appreciated across our country. While foreign trade is not as important to us relatively as to Great Britain or many European countries, it is substantial. In 1957 our exports were probably about $20 billion, or around 5% of gross product. Those analyzing our domestic economic welfare seem to place great importance on even minor variations on the outlook for automobile production or housing starts. I wonder if it is generally appreciated that the dollar value of our 1957 exports exceeded the entire output of the automobile industry or of the housing industry; that it provided 4½ million jobs in 1957; that our farmers have an important stake too, through the export of 25% of our wheat crop and 20% of our cotton crop, etc.

U. S. Contribution

Our country can provide leadership and help to the world in this "dollar problem" in the following ways:

(1) By continuing our economic aid in reasonable amounts and in the most effective way possible.

(2) By a realistic trade policy. This is always a controversial subject, especially now, and is before the Congress this year because of the expiration of the Trade Agreements Act on July 1 of this year.

(3) By encouraging American investment abroad. I believe that an increasing number of American concerns are realizing the need to establish manufacturing facilities abroad to reach the expanding markets which cannot be covered through the export of American manufactured products. This flow of capital will increase the supply of dollars these countries need to support their own essential growth. It cannot be said that our present policy toward investment of U. S. private capital encourages this outflow. Quite the contrary, our present tax laws actually discourage it.

For example, when a foreign branch of an American company shows a profit for a particular year, our present law requires the parent company or head office in the United States to pay United States income taxes on that profit for that year—if remittable, regardless of whether or not the United States company left that profit in the foreign area for purposes of expansion or for some other sound business reason. Some of these profits left abroad may actually never be received by the company in the United States because they remain subject to the potential losses inherent in the foreign field, including currency devaluation or exchange and transfer limitations. This frequently results in imposing upon overseas operations what amounts to a heavier tax burden than is borne by domestic operations. We feel sure that this has never been the actual intent of Congress.

Supports Nixon's Views

Many legislative and business leaders recognize this problem. Vice President Nixon's recommendations, which he outlined at the recent San Francisco International Industrial Development Conference, would cover this situation satisfactorily. It is to be hoped that these recommendations will become law in the forthcoming Congress. They were as follows:

(a) That profits or dividends earned by overseas branches or subsidiaries not be taxed in the U. S. A. until remitted to the U. S. parent company or head office. They are, of course, subject to local taxation in the countries in which they operate.

(b) That branches of American business abroad receive the same tax consideration as subsidiaries thereof.

(c) That the 14-point tax rate differential accruing to Western Hemisphere Trade corporations be extended and made applicable to all foreign branches or subsidiaries of American business throughout the world.

(4) Finally, we can provide leadership by encouraging moderation in pacing our programs to our capabilities and in suppressing inflation—the cancer of democracy — through following sound fiscal policies ourselves.

I am not as pessimistic as many whose comments I read in the press. I realize that democracy is not as efficient as totalitarianism in some ways, but I think we have already seen evidence in two world wars that the free play of forces which democracy permits, invariably generates the will and the strength to get the job done when the mission is defined. I am confident that in the present economic and ideological war, the result will be the same.

Women Are the Flowers Of the Earth!

In the opinion of the writer there are no words in the English Language which profane Womanhood and degrade the Mothers of the Race more than the statement in Greek mythology by Meander who was reputed to have said **"There is nothing worse than a Woman—even a good Woman."**

In answer to such an estimate every Father, Husband, Brother and every woman's Sweetheart will declare that **women are the flowers of the Earth, God's angels of Love — Mercy — Sympathy — Understanding — Compassion — Peace —Romance and Life itself!**

For love of womankind is encompassing; it is like the Sputnik revolving in outer space, it has no boundaries, which is the kind of love the writer advocated in his recent "Chronicle" article entitled "Love for All Mankind."

It needs no idealist to tell us that Love will yet transform the Universe into a better, livable world — a veritable heaven on earth, and these sentiments will first be born in the hearts of our Women.

With Leavitt, Spooner

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—David Weisman has become associated with Leavitt, Spooner & Co., 585 Boylston Street. He was previously with Laidlaw & Co.

Walston Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Edgar T. Lindner is now affiliated with Walston & Co., Inc., 265 Montgomery Street. He was formerly with E. F. Hutton & Company.

Railroad Securities

Northern Pacific Railway Co.

Northern Pacific Railway in 1958 probably will have a fairly good year in comparison with most of the nation's railroads, despite a drop in shipments of manufactures and miscellaneous freight. The latter classification provides about 40% of revenues and will be off due to the slowdown in general business activity.

Northern Pacific has one advantage in its large "Other Income" received from its oil and gas operations. The rate of drilling for new wells this year is expected to be maintained at the same pace as last. This consequently should produce more revenues from this source. Such revenues last year topped $6 million and were only a little over $3 million in 1956. This year it seems likely this income will expand to around the $8 million level. Gas operations probably will be an increasing revenue source in coming years. Other sources of income outside of railroad operations, include timber cutting rights and royalties from iron ore.

From an operating point of view the road is increasing its efficiency of operations despite a drop in revenues. Northern Pacific's budget for 1958 is expected to total around $32 million. The road gradually has been dieselizing its operations and this year will add an additional 58 diesels. This is part of a long range program of eliminating steam power and cutting costs. A normal rail laying program is anticipated unless traffic should decline to a great extent.

Revenues from the shipment of lumber have played a large part is expanding gross revenues, contributing about 26% of income in 1956. A drop, of course, was experienced in 1957 due to the sharp decline in building activity and so far this year revenues have been at lower levels. In this case again, much depends on general business conditions. If there is a pickup in business and building activity, these revenues should start upward in good volume. Agricultural revenues, which contribute about one-fourth of revenues, are not expected to be much changed this year from last. This should impart a degree of stability to revenues in this respect. Production of fruit and vegetables are increasing and reclamation and irrigation projects have brought substantially more acreage into production. This traffic has long term growth prospects.

Earnings last year amounting to $4.25 a share as compared with $4.23 a share in the previous year, covered the $2 annual dividend comfortably. This is one of the few roads concerning which there is little worry about a possible cut in the dividend rate at the present time.

The Northern Pacific is in a good financial position. At the end of November, cash items amounted to $51,466,000, while current liabilities were $40,714,000. Net working capital at November, 1956 totaled $50,100,000 as compared with $51,239,000 in November, 1957. Most of the purchase of new equipment this year, including the diesels and some 1,000 freight cars, probably will be accomplished through the issuance of equipment trust certificates and will not hurt the cash position to any extent.

There still is the possibility of a merger of the Northern Pacific with the Great Northern Railway and the jointly controlled Chicago, Burlington & Quincy and Spokane, Portland & Seattle. It is believed the study of the merger from an operating point of view has been completed and large savings are indicated. However, it probably will be some time before this has been approved by the Interstate Commerce Commission and undoubtedly the proposed merger will meet the opposition of other railroads, the labor unions and many local communities.

With Bacon, Whipple Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—William C. B. Magoun has become associated with Bacon, Whipple & Co., 135 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Magoun was formerly with Goldman, Sachs & Co. and Dean Witter & Co.

Joins Keller & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — George C. Munzert is now with Keller & Co., 31 State Street.

NOT SO

Continued from first page

Why the GNP Failed to Warn of 1957 Recession

ments: government, business, consumer, and international. It treats "the economy" as if it were managed by government, which accounts for the total of all money income, public and private, and turns out a "Gross National Product" in terms of dollars. But, because (1) the nation is not organized as a business or for business purposes, (2) no single "economy" exists in reality and (3) government, business, and consumers are overlapping, this approach obviously has certain weaknesses in practice, as follows:

A. **As a whole,** neither the national income nor the GNP has any value in forecasting **business.** The record of the forecasts made by those who rely on GNP is very poor. The GNP is a mere accounting statement. It is always late; and efforts to speed it up lead to extremely inaccurate estimates and to extreme revisions. That it has little relation to "business" is shown by its steady rise, without appreciable setbacks, throughout 1957.

B. It has done great harm. (1) It has misled businessmen and labor by **concealing maladjustments** both between their own businesses and others, and within their own businesses. It deceives them as to the general condition, until finally their own industries or employments are hit. It distracts attention from realities. (2) It misleads by **confusing spending with production**—spending for inventory, spending for consumption. (3) It **encourages inflation,** as I will show later.

C. It is very expensive. Many millions of dollars, and thousands of man-hours, go into the government's collection, manipulation, and publication of these figures, and into the further private manipulation, printing, mailing, reading, and discussion of them.

The Particular Weaknesses

The particular weaknesses and errors of the national-income approach, including the GNP, seem to me to be as follows:

(1) It shows only **dollar** figures, and can not do otherwise (because of the heterogeneous, non-standard, and overlapping things it attempts to cover). So changes in prices, or in the purchasing power of dollars, affect the figures greatly. "Farm income" may rise while "farm parity" declines; and labor income go up less than cost of living.

And there is no way to "deflate" income, or "allow for" changes in purchasing power of dollars, with any reasonable accuracy. The Administration's proposal to increase government spending for GNP figures (partly to cover up defects by "deflating") is not well advised.

(2) "Income" (consumer, business, or government) is not the same as "spending," any more than water in troughs is the same as drinking by horses. The assumption that "consumers" will spend all (or any fixed part) of their incomes is unsound. It should be discarded, as some other parts of Keynes' economic doctrines have been. (What about repaying debts? What about "consumer resistance?" What about saving?) Or, if it be argued that the GNP **is** spending, the same weakness appears, since conversely "spending" is not the same as "income." The two can't be the same in time. More than that, much spending is non-productive or is of borrowed money.

(3) No particular single business or industry can count on benefitting by **"total consumer spending"** of income. Movie houses and textile manufacturers have known it for a long while, and auto dealers more recently.

(4) As a total, **"national income" is unreal.** It is nobody's income. What its effect will be on anybody in particular is unknown and unknowable. This is illustrated by the fact that, when the "personal income" total is put on a per capita basis, it does not show the rise that appars in the overall figures. And if an attempt to allow for change in prices is made, there seems to have been **no rise at all in "per capita disposable personal income at 1956 prices"** for well over a year.

This is very important. The **individual** buyer's sentiment and his attitude toward spending are affected much more by this individual income than by either the total "national income" or total "personal income." This results from the fact that no individual gets any fixed fraction of the national income. **What the customer is concerned with is his own income.** Any market research man will tell you that to sum up a market's prospects you don't take the total income, but the classes of different individual incomes.

(5) Accordingly, a distinct weakness is the failure to allow for the "dispersion" within the total of (a) different incomes and (b) different conditions limiting spending. The same overall totals may conceal important changes in the proportion of low incomes, in the relative amount of debt carried by the low-income receivers, and other important differences.

A political party chairman would hardly be interested in the total number of voters unless he could figure how many are Democrats, Republicans, independents, etc.

(6) As an overall total, national income or consumer income conceals the fact that **what is income to some is expense to others.** The employees' wages are the employers' expense. When the businessman is asked to rejoice in rising "personal income," he should remember this. The rise, indeed, has been most marked in "services" which represent mostly labor and the high cost of labor. And the item "personal interest income," by rising, shows in part how the cost of money and of capital funds has increased.

(7) In an important sense, the **figures for national income are not "net."** They involve an inevitable element of debt and taxes; also an element of inadequate allowance for what the recipients of one kind of income have to pay to others. It is true that the category, "disposable personal income," is estimated in an attempt to allow for taxes, but this fails woefully to allow for the fact that the bulk of the direct taxes are paid by people with large incomes, while the bulk of the taxes paid by people with low incomes are in the shape of high prices for the things they buy. And no allowance at all is made for the drain on incomes caused by consumer debt and mortgage debt, both in interest and in repayments. Particularly notable at this time is the fact that while farm income is estimated to have increased in 1956 and to have held up in the second quarter of 1957, the prices paid by farmers together with interest, taxes and wages have risen so much that the farmers' "parity ratio" has shown no improvement. In the last quarter of 1957 it was below where it was in the last quarter of 1956. **Net farm income shows no gain.**

(8) A fundamental weakness is that neither income nor spending, as used in the national-income approach, has any necessary **relation to production.** (a) Much of the spending is not for productive purposes. (b) There are great differences in the time periods in which the expenditures are made and the production occurs. As the GNP is spending, this point is especially important.

(9) There is **too much government** in the national income figures to make it possible to hope for a close relation to production in any economic or business sense. The element of "transfer payments" is a large one, estimated in December 1957, to amount to $22.7 billion annually. This consists of all sorts of benefits from social insurance funds, payment to veterans, direct relief, etc., many of which have little relation to business conditions or prospects. A considerable part comes out of taxes. Surely it is nothing to be optimistic about that these transfer payments are making such a good "showing" in their size. Incidentally, an appreciable slice of farm income comes from soil-bank payments made by the government as a sort of subsidy. The importance of the government is emphasized by the growing government civilian wage payments which in the third quarter of 1957 amounted to an estimated $30.6 billion. To this must be added a military item of $9.8 billion. It would be difficult to establish any correlation between these items and real production.

It's a Totalitarian Accounting System

(10) The whole idea of the national-income approach may be summed up by saying that it represents **an attempt at a sort of totalitarian social accounting system.** After the fashion of accounting, the aim is to make total outgo equal total income, by crediting what goes out and debiting what comes in. This balancing is regardless of the volume of production. It is a balancing without ragard to market values. It does not make much difference what kind of dollars, or how they are got, so long as the spending of them equals the income. And it is attained by estimates and a "statistical discrepancy" of from $2 to $3 billion.

This is neither economics nor business. Such items as the following illustrate the difference: The national income figures include hypothetical rental received by the owners who occupy their own buildings and the rental value of farm houses. The farm income includes not only cash receipts from farm marketings, but also "value of farm products consumed in farm households, gross rental value of farm buildings, and government payments to farmers." To cap the climax, inventory changes, which are treated as "investment" in the GNP figures, are treated as part of national income.

Only Some Parts Useful

Aside from its record of government spending and receipts, the usefulness of the national income and the GNP lies only in such of their parts as are accurate and up-to-date. In the writer's shop, only the following parts have been found of regular practical use in forecasting:

(1) The "disposable income." The total may be significant in relation to retail trade. Particularly the derived "per capita disposable income," **adjusted for changes in consumer prices,** has some forecasting value.

(2) The change in inventory is to be noted. But the most significant inventory figure is the manufacturers' inventory (especially the inventory of finished goods and its relation to other inventories) and this is not available in the GNP figures.

(3) Possibly the estimate of "personal saving" is of interest for comparison with other estimates such as that of the SEC.

(4) If regarded, not as production, but as total spending, the GNP may be compared with the total spendable money supply (deposits and money in circulation) in a way that may have some broad significance.

But these scraps of use merely emphasize the futility and error of the whole—the Gargantuan compilation of "overall" estimates called National Income or Gross National Product. We need a super Federal Trade Commission to bring appropriate action to prevent the false and misleading use of the term "Gross National Product." It is not production in any sense of the word. It is spending, and should be labeled Gross National Spending. But even so, it is not spending which, as a whole, can be either controlled or predicted, at least in a free economy.

Open Inv. Office

CUMBERLAND, Md. — Martha L. Blaul is engaging in a securities business from offices at 309 Greene Street.

Thomas Conrad Opens

ROCKVILLE, Md. — Thomas D. Conrad, Jr. is conducting a securities business from offices at 4609 Iris Street.

Two With Robert Ferman

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Edward H. Guettel and Palmer D. Tedesco are now affiliated with Robert L. Ferman & Company, Ainsley Building.

Two With Sills

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—Robert R. Siska and John H. Stelling have joined the staff of Sills and Company, Ingraham Building.

Bache Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, Fla.—Theodore Madell has been added to the staff of Bache & Co., 1 Lincoln Road Building.

Two With Wulff, Hansen

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Bart A. Supple and James P. Woollomes, Jr. have become affiliated with Wulff, Hansen & Co., Russ Building.

With H. Carroll

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Harold J. Bell is now affiliated with H. Carroll & Co., Equitable Building.

Joins Columbine Secs.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — T. Aubrey Rutherford has joined the staff of Columbine Securities Corp., 1575 Sherman.

Internat'l-American

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—International-American Investments, Inc. has been formed with offices in the Majestic Building to engage in a securities business. Officers are H. K. Johnston, President and Melvin C. Snyder, Vice-President and Treasurer. Both were formerly officers of Columbine Securities Corp.

Continued from page 4

The State of Trade and Industry

minute is tough for both producers and consumers and a lot of it is being done. It could be another indication that the bottom has been reached, this trade paper commented.

Meanwhile, some of the larger mills have other troubles, "The Iron Age" reported. An unfavorable court decision of last November has knocked the props out from under the linepipe market, once one of the mainstays of the steel business. Steel men estimated that the so called Memphis Decision will cost them one million tons in linepipe shipments this year. The case has been appealed to the United States Supreme Court. If or when it reaches a favorable decision later this year the industry would get a shot in the arm with linepipe orders just when help is needed.

The metalworking magazine noted that some company managers are taking a close, hard look at their labor relations this year. With business volume off, they are in no mood to give in to labor demands without a struggle. The emphasis has switched from "production at any price" to "cost reductions, or else."

For instance, at a labor relations conference in Chicago last week, one company negotiator commented: "We have 78 contracts. Only 20 of these have cost-of-living escalators. We are going to weed out escalators as swiftly as we are able. They are a luxury we can no longer afford."

Another industrial relations executive stated: "We have closed nine contracts in recent months, all without pay increases. We had two minor strikes, but our labor force is back to work. We are better off than if the strikes had not happened."

No change was reported in personal income in January from that of December, according to the United States Department of Commerce. The agency added, however, that the high level of dividend payments prevented a drop.

Seasonally adjusted, personal income was at an annual rate in January of $343,500,000,000 the same as December. Excluding dividends, the above source noted, the figure would have declined by an annual rate of $2,000,000,000 from December to January.

Wages and salaries, the major portion of personal income, showed a further drop from December to January as a result of the continuing production decline, the Commerce Department declared. This was only partly offset by an increase in so-called transfer payments, mostly unemployment benefits.

Total wage and salary payments were at an annual rate in January of $236,500,000,000, off about $2,000,000,000 from the previous month and a full $5,000,000,000 below the high of last August. The December-January decline was concentrated in manufacturing, mainly the durable goods industries. This is the category which has reflected the business decline most deeply.

In the automotive industry last week United States automotive production dipped to its lowest level of 1958, "Ward's" Automotive Reports" stated on Friday last.

The week's schedule of 112,049 units, including 94,573 passenger cars and 17,476 trucks, represented the smallest volume since the week of Dec. 30-Jan. 4, when holiday programs were in effect. Output of 120,365 vehicles last week comprised 101,656 cars and 18,709 trucks. The corresponding week a year ago yielded 162,280 units, including 138,938 cars and 23,342 trucks.

"Ward's" noted that every company except American Motors, which worked five days, reported closedowns last week. The sharpest reductions in output were felt by Chevrolet and Ford divisions.

However, "Ward's" emphasized that all factory closedowns were not the result of production cutbacks. Severe snow storms and below zero temperatures in the East and Midwest boosted absenteeism early the past week, while Chrysler Corp. operations in Detroit were spotted by labor eruptions.

"Ward's" added that the one millionth vehicle of calendar year 1958 will be produced in a United States assembly plant this week. Through last week the total stood at 933,023 units, including 794,669 cars and 138,354 trucks.

A record 2,971,800 workers were drawing Federal-state unemployment insurance in the week ended Feb. 8, the United States Department of Labor reported.

However, an official claimed the percentage of insured workers unemployed, 7.1% was not as high as the previous record of 7.3% in 1950, when about 2,400,000 were out of work. Because of changes in the law, about 7,000,000 more workers come under the jobless insurance program than were covered in 1950 he stated.

The current figure compares with 1,743,700 for the corresponding week in 1957, which was 4.4% of the insured work force, the agency added.

New claims for unemployment compensation declined by 31,500 to 425,300 for the week ended Feb. 15, the department reported. This was 183,700 below the 1958 high, 609,000 new claims in the week ended Jan. 11. But the new figure is 188,300 above the total of new claims in the corresponding week a year ago.

A total of 13,080 new stock corporations were chartered during January, Dun & Bradstreet, Inc., reports. Although this was 23.7% higher than the 10,575 of December, the level was 2.3% below the 13,387 formations in January 1957.

The January 1958 count was the highest since the comparable year ago month, which was the second highest on record. Charters this January were 2.5% less than the record 13,417 of March 1955.

Business Failures Edged Lower in Latest Week

Commercial and industrial failures dipped slightly to 317 in the week ended Feb. 20 from 319 in the preceding week, Dun & Bradstreet, Inc., reports. Casualties were moderately higher than a year ago, however, when 300 occurred or in the like period of 1956 when the total was 230. Continuing above the prewar level, 19% more businesses succumbed than the 267 in the comparable week of 1939.

Failures with liabilities of $5,000 or more decreased to 270 from 279 last week, but exceeded the 252 of this size a year ago. In contrast, small casualties under $5,000 rose to 47 from 40 in the previous week, although they did not equal the 48 of last year. Thirty concerns failed with liabilities in excess of $100,000 as against 25 in the preceding week.

Manufacturing casualties dipped to 51 from 53, construction to 40 from 47 and commercial service to 18 from 25. On the other hand, failures among retailers increased to 170 from 161 and among wholesalers to 38 from 33. More manufacturing and trade concerns failed than last year, but neither construction or service businesses suffered as many casualties as in the similar week of 1957.

The week's slight decrease was centered in four of the nine major geographic regions, including the Middle Atlantic States, down to 84 from 105, the New England States, off to 26 from 30 and the Pacific States, dipping to 74 from 75. In contrast, five regions reported heavier casualties, with the most marked climb in the South Atlantic States to 44 from 23. Mortality equalled or exceeded last year's level in five regions, while four had lower totals than in the corresponding week of 1957.

January Failures Climbed to Highest Level Since March 1957

Increases in all industry and trade groups except commercial service lifted business failures 18% in January to 1,279, a total exceeded only once (March 1957) in the postwar period. The rate of failure rose moderately to 53 per 10,000 listed enterprises. While this casualty rate was less severe than in several months of last year, it reached the highest level for January since 1940.

Wholesaling failures, after holding relatively steady for the last six months, climbed sharply in January. The apparel and automotive trades accounted for most of this upsurge. More retailers succumbed than in any other month of the postwar period. The rise was general, prevailing in all lines except drugs. Among manufacturers, month-to-month trends were mixed, but their over-all total increased slightly. Likewise, in contracting a rise in general building failures was partially offset by dips in subcontracting and heavy construction.

Fewer construction businesses failed than in January a year ago. In other functions, however, increases from 1957 persisted, with manufacturing, retailing and service casualties up 10% to 11% from the previous January. Wholesaling surged 43% above a year ago. The retail rise occurred entirely in the building materials and automotive trades and in eating and drinking places.

Liabilities involved in the month's casualties bulked 42% larger than in December. At $64,400,000, they were the heaviest in 11 months and 19% above January, 1957. Concerns failing with liabilities in excess of $1,000,000 were primarily responsible for the higher losses, although increases prevailed in all size groups.

All except two of the nine major geographic regions reported rising failures between December and January. Increases amounted to some 25% in the Middle Atlantic and East North Central States and exceeded 50% in the South Atlantic. In contrast, the Mountain and Pacific States suffered fewer casualties than in the preceding month. Failures exceeded 1957 levels in most regions. The only declines appeared in the East and West South Central States and the Mountain States.

Steel Output Expected to Rise to 54.3% of Ingot Capacity the Current Week

Steel production has hit the bottom of its decline and will start inching up, "Steel" magazine stated on Monday of the current week.

Strong evidence of bettering conditions has prompted some companies to call men back to work, the metalworking weekly added and further reported that some slight improvement is noted in orders for delivery next month.

A gradual upturn will start in March because of seasonal improvements in the big steel consuming industries such as construction and automaking and because customers' inventories are approaching rock bottom. Stock reductions would have been completed long ago, say the producers, if consumption hadn't lagged.

Stymied by the winter's worst weather, structural fabricators will soon have easier sledding. Bridge construction will pick up as the Federal highway program gains momentum. Producers of highway reinforcing material such as as rods and welded fabrics expect a fair increase in orders for March and April delivery.

Steelmakers have few illusions about recouping production lost during the first two months. It is conceded that December's forecast for 1958 of 111,000,000 tons was a little too optimistic.

Last week, the operating rate dropped another point to 52.5% of capacity. Production was about 1,420,000 net tons of steel for ingots and castings as against 2,504,000 tons a year ago.

Reversing the bullish trend of recent weeks, "Steel's" price composite on No. 1 heavy melting grade dropped 50 cents to $37.17 a gross ton.

One market analyst compares current conditions with those of August, 1954. After steelmaking operations dropped to 62.5% of capacity during the last week of August, 1954, improvement was noted in warehouse buying. Then automotive orders picked up. In four months, the operating rate rose 20 points to a year-end reading of 82.5%.

The publication said both American and foreign automakers are set for stiff competition in the economy car market.

At least 32 foreign economy cars are vying for a slice of this year's 300,000-unit import market. Volkswagen is shooting for 100,000. Ford hopes to sell 40,000 of its seven English-built autos and General Motors is aiming at 20,000 units with its Vauxhall Victor and Opel Rekord. By 1962, economy imports will account for 500,000 sales annually.

American Motors is throwing the Rambler American into the fray. Studebaker-Packard Corp. is pushing its low priced Scotsman and the Big Three stand ready to pick up anything they can with Fords, Chevrolets and Plymouths.

The American Iron and Steel Institute announced that the operating rate of steel companies, having 96.1% of the steel-making capacity for the entire industry, will be an average of *91.4% of capacity for the week beginning Feb. 24, 1958, equivalent to 1,468,000 tons of ingot and steel for castings (based on average weekly production for 1947-1949) as compared with an actual rate of *85.5% of capacity, and 1,373,000 tons a week ago.

Output for the week beginning Feb. 24, 1958 is equal to about

54.3% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 50.9% the week before.

For the like week a month ago the rate was *90.8% and production 1,459,000 tons. A year ago, the actual weekly production was placed at 2,456,000 tons, or *152.9%.

*Index of production is based on average weekly production for 1947-1949.

Electric Output Turned Lower in Holiday Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Feb. 22, 1958, was estimated at 12,338,000,000 kwh., according to the Edison Electric Institute.

For the week ended Feb. 22, 1958, output decreased 79,000,000 kwh. under that of the previous week, but increased 418,000,000 kwh. or 3.5% above that of the comparable 1957 week and by 1,061,000,000 kwh. above that of the week ended Feb. 25, 1956.

Car Loadings Registered Declines From Year Ago Levels for 27th Straight Week

Loadings of revenue freight for the week ended Feb. 15, 1958, were 948 cars or 0.2% above the preceding week, the Association of American Railroads reports. However, compared with the similar week of 1957 declines were registered for the 27th straight week.

Loadings for the week ended Feb. 15, 1958, totaled 533,237 cars, a decrease of 142,729 cars, or 21.1% below the corresponding 1957 week and a decrease of 165,082 cars, or 23.6% below the corresponding week in 1956.

Automotive Output Records Lowest Level of Year The Past Week

Automotive production for the week ended Feb. 21, 1958, according to "Ward's Automotive Reports," declined to its lowest level of 1958 as a result of production cutbacks, severe snow storms and below zero temperatures which stepped up absenteeism early in the week.

Last week's car output totaled 94,573 units and compared with 101,656 (revised) in the previous week. The past week's production total of cars and trucks amounted to 112,049 units, or a decrease of 8,316 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 7,083 cars, while truck output declined by 1,233 vehicles during the week. In the corresponding week last year 138,938 cars and 23,342 trucks were assembled.

Last week the agency reported there were 17,476 trucks made in the United States. This compared with 18,709 in the previous week and 23,342 a year ago.

Canadian output last week was placed at 6,500 cars and 1,155 trucks. In the previous week Dominion plants built 7,185 cars and 1,201 trucks and for the comparable 1957 week 5,168 cars and 1,635 trucks.

Lumber Shipments Fell 2.4% Below Output in Week Ended Feb. 15, 1958

Lumber shipments of 489 reporting mills in the week ended Feb. 15, 1958, were 2.4% below production, according to the National Lumber Trade Barometer. In the same period new orders were 4.2% below production. Unfilled orders amounted to 29% of stocks. Production was 0.2% below; shipments 2.0% above and new orders were 5.6% below the previous week and 11.7% below the like week in 1957.

Wholesale Food Price Index Records New High For 1958 and Since March 1, 1955

The wholesale food price index compiled by Dun & Bradstreet, Inc., for the week ended Feb. 18 jumped 1.1% over the previous week to $6.59, for a new high in 1958. It was also the highest figure reached since March 1, 1955. Compared to the like week a year ago this represents a gain of 7.7%.

Corn, rye, oats, wheat, barley, flour, sugar, cocoa, raisins, eggs, potatoes, lard, coffee, rice, steers, hogs, hams and lambs were all higher in price the past week, while cottonseed oil and butter were lower.

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 Edged Upward Last Week

Reflecting slight price increases on most grains, livestock, steel scrap and lard, the general commodity price level moved up somewhat the past week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose fractionally to 280.17 on Feb. 10 from 279.08 a week earlier. It was noticeably below the 290.93 of the comparable date last year.

Reports of large stocks of grains in commercial positions curtailed trading at the beginning of the period, but increased export business at the end of the week resulting in price rises. The most noticeable price advances occurred in wheat and rye. The wholesale cost of corn and oats fractionally exceeded that of a week earlier, while soybean prices dipped somewhat.

Although domestic trading was unchanged and export transactions were sluggish, flour prices rose somewhat during the week. Flour receipts at New York railroad terminals amounted to 32,570 sacks with 14,945 for export and 17,625 for domestic use.

Increased domestic buying moderately boosted rice prices during the week. Orders from Cuba slackened somewhat. While coffee transactions fell noticeably at the beginning of the week, trading picked up at the end of the period. Both cash and futures prices remained close to those of the preceding week. Roasters stocks declined moderately and imports were down from a week earlier.

There was an appreciable rise in cocoa futures prices, although trading was close to that of the prior week. Officials estimated that cocoa production for the 1957-58 season would amount to 747,000 metric tons, down 154,000 tons from last season. Cocoa consumption may total 813,000 tons compared with 882,000 in the preceding season. Trading in sugar futures improved and prices on raw sugar advanced slightly.

Chicago wholesalers reported a noticeable rise in lard futures prices as trading climbed. There was a slight rise in hog prices, but purchases lagged. Hog receipts were somewhat below those of both the prior week and the similar 1957 period. Steer prices were unchanged and buying held close to that of a week earlier. Cattle receipts in Chicago were moderately above the preceding week, but were substantially less than a year ago. Wholesalers reported an appreciable rise in lamb buying and prices advanced fractionally. There was a slight week-to-week increase in sheep receipts.

Although reports of sluggish business in textile markets somewhat discouraged trade, cotton futures prices rose slightly at the end of the week. This was attributed to doubts that any new farm legislation would be enacted in time to affect the 1958 crop. As of the end of January cotton growers had offered to put about 3,361,000 acres into the acreage reserve portion of the soil bank this year.

Prices on carpet wool advanced somewhat, but bookings remained close to those of the prior week. There was another slight rise in trading in woolens, but interest in worsteds was sluggish. Except for some scattered trading in print cloths, over-all transactions in cotton gray goods were unchanged from a week earlier.

Trade Volume in Latest Week Continued Moderate Declines of Preceding Period

More cold weather and heavy snowstorms in many regions curtailed consumer buying again the past week with total retail trade showing moderate declines from a year ago. Sales of household goods recorded the most noticeable year-to-year decreases and volume in apparel held close to that of the similar 1957 period. Volume in new and used passenger cars fell moderately below that of both the prior week and a year ago.

The total dollar volume of retail trade in the period ended on Wednesday was 6% to 2% below that of a year ago, spot estimates collected by Dun & Bradstreet, Inc., reveal. Regional estimates varied from the comparable 1957 levels by the following percentages: Mountain States —2 to +2%; West South Central and Pacific Coast —4 to 0; New England and Middle Atlantic —5 to —1; East North Central —6 to —2; South Atlantic —7 to —3; West North Central and East South Central States —8 to —4%.

There was a considerable decline in sales of upholstered chairs, case goods and bedroom suites last week. Over-all furniture volume was noticeably below that of a year ago. While appreciable year-to-year decreases occurred in consumer purchases of laundry equipment and refrigerators, sales of hi-fi sets and radios slightly exceeded those of the corresponding week last year. Interest in linens, draperies and floor coverings slackened and volume fell moderately from a year ago.

Although Valentine's Day sales promotions stimulated the buying of women's fashion accessories and men's furnishings, volume slipped below that of last year. The call for women's Spring merchandise failed to get underway and slight year-to-year declines prevailed in sales of Winter coats and suits.

While purchases of candy, baked goods and canned goods climbed from the preceding week, volume in fresh meat, poultry and dairy products faltered. The call for fresh produce and frozen foods was close to that of a week earlier.

Contrary to the national trend, sales of major appliances exceeded those of last year in Seattle and Portland, Oregon. More layoffs in the aircrafts industry in Los Angeles discouraged consumer buying during the week.

Women's summer apparel continued to sell well the past week in wholesale markets in Los Angeles and New York, despite unfavorable weather. A seasonal peak in orders for sportswear, accessories and clothing was reported by most manufacturers. Purchases were close to those of a year ago. Reorders for women's spring merchandise were sustained at high levels. Moderate improvement was noted in men's lightweight suits and sportswear.

While over-all furniture orders in the Dallas market fell somewhat below a year ago, volume equalled or slightly exceeded that of last year in Minneapolis. Bookings in housewares climbed moderately. Heightened interest was noted in draperies, china, glassware and gifts. Wholesale volume in paint and some building materials slackened, reflecting adverse weather conditions.

Except for some slight gains from a week earlier in trading in print cloths, volume in cotton gray goods lagged. Transactions in man-made fibers, rayons & acetates and industrial fabrics were sluggish again. Many mills curtailed output. Although bookings in woolens improved in Boston, sales of worsteds declined somewhat. There was another dip in orders for carpet wool. Over-all business at Mid-Atlantic dyeing and finishing plants was close to that of a week earlier.

Wholesale food buyers stepped up their purchases last week, showing marked interest in canned goods and frozen foods. Stocks were appreciably lighter than a year ago.

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended Feb. 15, 1958, declined 6% below the like period last year. In the preceding week Feb. 8, 1958, a decrease of 8% was reported. For the four weeks ended Feb. 15, 1958 a decrease of 5% was reported. For the period Jan. 1, 1958 to Feb. 15, 1958 a decrease of 2% was recorded below that of 1957.

Retail trade sales volume in New York City the past week declined 20 to 30% below the corresponding period a year ago, trade observers estimate.

Important factors affecting trade during the week were heavy snows and the Washington's Birthday holiday, which occurred on Saturday this year.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended Feb. 15, 1958 decreased 1% below that of the like period last year. In the preceding week, Feb. 8, 1958 a decrease of 1% was reported. For the four weeks ended Feb. 15, 1958, an increase of 2% was registered. For the period Jan. 1, 1958 to Feb. 15, 1958 an increase of 2% was registered above that of the corresponding period in 1957.

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The Current Business Outlook and the State Of Stock Prices

example, 25.4 million automobiles were produced in the 1954-57 period.

(2) The Russian advances in the missile field have not been conducive to the feeling of security which stimulates free spending.

(3) The over-capacity of industry precludes, for some time, rapidly rising prices which lead to the consumer stocking of goods, as was evident at the outbreak of the Korean War.

(4) Rising unemployment in the manufacturing industries reduces the feeling of job security.

(5) The consumer is borrowing more heavily by instalment credit. Thus instalment credit outstanding at the end of the fourth quarter of 1957 was 11% of disposable income, whereas it amounted to only 8% at the end of the first quarter of 1953.

(6) Accelerated government spending on defense, 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.

(7) One method of estimating the severity of a recession is to keep close watch on the speed of decline in business. A fast speed indicates a chain reaction is occurring which will make for a deep decline. The current decline so far has been more rapid since August than the corresponding four months of 1953 and not so rapid as 1937 and 1929.

Conclusion

No two periods are alike, but it would appear that the 1953-54 situation was more conducive to early recovery than the present one. In the earlier period, money was easier, residential building increased, and the level of capital investment, although reduced somewhat, was maintained by long range planning. Consumer incomes were increased by a tax cut instituted early in 1954. Western Europe was just beginning a recovery boom, whereas today there is some evidence of a softening in its economy. One difference favorable to the present readjustment period is increased government expenditures due to the missile program as against a decline in 1953-54. However, the effect of this program is not expected to be felt for several months.

Since business in the 1953-54 period required seven months of stabilization after the sharp decline had terminated, one would expect business activity to remain on a lower level at least as long or probably longer after the decline terminates, which it has not yet done. Hence a lower level of business may well extend into 1959. As a result of these considerations, I plan to gauge investment policy on the hypothesis that the business decline will be more severe and prolonged than 1953 but that a 1937 or 1929 depression is unlikely.

A final point about stock prices! They are higher in relation to earnings, book value, and at a lower yield in relation to bond prices than they were at the 1953 low. The following figures show these relationships:

	1953 Low	Current
Dow Industrials	254	450
P/E Ratio Dow	10.8	12.3
Book Value S. S.	1.14	1.65
Yield—Dow	6.06	4.51
Bonds/Stock Yield	1.95	1.21

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The Crisis in American Unionism

try throughout the year. Even when in the labor market, their main interest is in the home. Work by married women normally means at least two wage earners in the home and a family income which is more adequate than the husband's income alone. The "little lady" can be pretty stubborn when she makes up her mind and many become very determined unionists. But most unions continue to be run by men and not along lines which appeal to the women. Women workers are not unorganizable, but labor has not solved the problems which confront it by reason of the increase in womanpower in industry and the changing character of the women workers.

White Collar Increase

Also a still largely unsolved problem has been the great growth in the white collar, production, and technical workers. Our unions have been predominantly organizations of the manual workers. The production workers in industry are not increasing, while the white collar workers are growing phenomenally in numbers. As automation progresses further, this trend can be expected to continue. Unions have not been completely unaware of the problems confronting them in this respect. They have made attempts to organize the engineers and a few other professional or semi-professional employees. They have sought to convince the office workers that their interests lie with the production workers. Alternately, they have permitted the office workers to have their own internationals. But these remain but small organizations and the total percentage of white collar workers who have been "corralled" by the unions is disappointingly small to the labor people. The trend toward more professional, technical, clerical and other white collar workers is one the unions are up against today and which may call for quite fundamental changes in the labor movement for its solution.

The only slightly less strong trend toward more skilled workers in industry has disturbed labor somewhat less but also is a factor affecting its growth and development. Our unions formerly were basically organizations of skilled workers. Most skilled workers are members of unions today. Not so long ago, the skilled workers had their own unions. Today they are, mainly, in the same international unions and, often, in the same locals. There are few craft unions which do not admit semi-skilled and unskilled workers. Industrial unions, in theory at least, ignore craft lines. Many unions are historical products, being industrial unions in part of their jurisdiction and craft organizations in other fields. Craft and industrial unions are now in the same tent but not too happy with each other's company. Very troublesome jurisdictional disputes have developed between building trades unions and some of the industrial unions in the mass production industries; also, disputes over representation involving attempts to carve separate bargaining units out of industrial unions. The problem of the conflict between skilled and semi-skilled and unskilled workers still troubles organized labor, although in new forms. Not the problem which most hinders the growth of union organization, the industrial versus craft union issue remains a perplexing one, which can never be completely lost sight of.

Labor Mobility

Also a problem faced by organized labor today is the increasing mobility of the American workers and of our entire society. This is not merely a matter of more Americans leaving their states of origin during their lifetime than earlier in our history, but of the dispersion of the plant workers through the automobile over a vast region extending many miles in every direction. This operates to make organizing other than on the premises extremely difficult and interferes greatly with union meetings and good attendance at such meetings. A problem for the unions also has developed from the dispersion of upper and middle income people from the central region of our cities to the suburbs. This movement has been shared in by our better-paid workers, and today most workers can buy homes in the suburbs or the country, if they so desire. Once a worker moves to the suburbs he tends to take on something of the complexion and mental attitude of the suburbanites—perhaps the most anti-group of any large distinguishable group in our population.

Something of the same situation has been created by the rise in workers' incomes. Not all wants of American workers are being satisfied and there remains a good deal of discontent among them. But appeals addressed to the starving and oppressed are not very effective when the workers are not starving and do not feel oppressed. Prolonged, widespread unemployment has not been all to the good for the union growth. Business recession, however, is likely to shrink union membership, at least initially.

Labor's Reputation

Besides sharp business decline, organized labor at this time is up against disfavor or at least low repute with the public. Organized labor is a minority group in our society and but seldom has been approved by the general public. In much of American thinking, organized labor is still associated with the people who were born on the wrong side of the tracks and with the more recent immigrants and their descendants. This is less true than at an earlier date, but remains the picture many Americans have of the labor movement. To this has been added the impression of a labor leader who is a roughneck and often a crook. Many Americans have long believed that the typical labor leader is a racketeer and not infrequently a goon. To them, labor leaders and union officers seem to be men who are interested only in the dues they can collect from members and the boodle they can exact from employers. This impression of the labor leader held by many Americans has been confirmed and strengthened by the labor scandals which have had such large space in the daily press. There have been investigations after investigations, with several, at times, going on simultaneously.

Dealing only with the investigations since World War II there was first the investigation of Un-American Activities by the Senate Committee on Expenditures in Executive Departments, popularly known as the McCarthy Investigation. This committee is still in existence, headed by Senator Eastland, and has held a few hearings within the last year. There was for a time a parallel committee in the House of Representatives, which gave the present Vice-President his start to fame. The McCarthy Committee devoted some attention to communism in the ranks of labor and its proceedings made headline publicity for years. I think it is a fair statement that it discovered no Communists in labor ranks who had not previously been known to be Communists. But it gave additional publicity to the fact that Communists at one time controlled quite a few unions affiliated with the Congress of Industrial Organizations. In 1949, well before the McCarthy Committee came into existence and before the Vice-President was more than an obscure Congressman from Southern California, the CIO expelled these Communist - dominated unions. Since then some obscure local union official or representative has on occasions "pled the Fifth Amendment" when questioned about his Communist connections. Labor, much more than the Congressional investigators, has gotten rid of Communists in positions of power in its ranks; but many Americans still believe the unions or many of them to be Moscow directed.

Then followed the investigations of a sub-committee of the Senate Committee on Labor and Public Welfare of the management or mismanagement of union health, welfare, and pension funds. This sub-committee was headed in the 83rd Congress by Senator Ives; in the 84th Congress by Senator Douglas; and in the present, 85th Congress by Senator Kennedy. A parallel investigation was conducted by the House Committee on Education and Labor. The Senate Committee soon struck pay dirt and until this year has brought up a large quantity of muck. The disclosures have concerned such matters as excessive salaries paid to union officials running the health and welfare funds, the splitting of commissions by insurance agents with the union trustees of such funds, the organization of brokerage businesses by trustees to increase their take, some direct stealing of trust monies, and associating with notorious criminals. Relative to the total number of union-managed health, welfare, and pension funds, proof of gross mismanagement has been presented only as to but a small percentage of all such funds. No similar investigations or disclosures have been made as to company - managed or jointly-managed health, welfare and pension funds. The investigations in their entirety have confirmed the earlier impressions of many people that labor leaders are often crooks and thieves, stealing from their members and growing rich on the boodle. No legislation by Congress has resulted from the disclosures, but five states have provided for public disclosure of the financial operations of union health, welfare and pension funds.

McClellan Committee

Most unfavorable has been the publicity organized labor has received from the investigations during the past year by the select committee of the Senate generally referred to as the "McClellan Committee," technically the "Select Committee to Investigate Unethical Practices of Labor and Management." This committee consists of four Democratic and four Republican Senators, with Senator McClellan of Arkansas as Chairman. Three of the Republican members (Goldwater, Mundt and Curtis) have anti-labor records and Chairman McClellan, also, was opposed by organized labor when he was last reelected. One member (McNamara) is a union member; and the other three have acceptable labor records. The chief counsel, head of the Committee's staff, is Robert Kennedy, a younger brother of Senator Kennedy, but the Republican members have had their own staff, headed by John McGovern, who has been sharply criticized by Senator McNamara, for statements indicating, as claimed by the Senator, anti-labor bias. The committee has conducted public hearings, intermittently, for more than a year and the Chairman has stated that they may go on for five more years.

The most extensive hearings to date have concerned the Teamsters union; others, the Bakers, the Laundry Workers, the Distillery Workers, and the Operating Engineers. There has also been one series of hearings concerning the operations of a management consultant, Nathan Shefferman, of Chicago, doing business as the Labor Relations Associates. The Committee's staff, particularly the minority staff, has also investigated the United Automobile Workers and hearings relating to the Kohler strike, encouragement of violence, and the political activities of this union have been forecast. The great majority of unions have neither been subpoenaed to appear nor have they been in any way implicated in testimony before the Committee. Other than Shefferman and the management of the Sears, Roebuck store in Boston, management has not, to date, been brought before the Committee, in spite of the fact that Shefferman testified to having served several of the largest of retailing companies and some sizable manufacturers. Until recently, organized labor indicated its support of the Committee's investigations, but within this month it has charged that at least some members are out to get labor. No recommendations for legislation have come from the McClellan Committee, and none are expected in the present session.

The testimony given before the McClellan Committee has often made the headlines. Most sensational was that concerning Dave Beck, retiring President, and Jimmy Hoffa, incoming President, of the International Brotherhood of Teamsters. The charges against them included diversion of large amounts of union funds for personal use, autocratic control of the union, and, in the case of Hoffa, consort with notorious criminals. Both Beck and Hoffa have been tried for violation of criminal statutes, and Beck has been convicted. The charges against James Cross, President of the Bakers' Union — a socialist — are quite similar. There has also been testimony of resort to violence by the Teamsters and some of the lesser unions investigated. Little has been added to previously disclosed facts about the mismanagement of union health, welfare and pension funds. Surprisingly, there has been little testimony of the attempted exaction of money from employers by union officers for any purpose whatsoever. Very little, also, has been disclosed as to the rigging of union elections or the lack of democracy in unions. Less than ten of the several hundred international unions have been disclosed to be, in any sense, corrupt or as having corrupt officers. Aside from the men mentioned, no top - name union officials have been implicated. The operations of Nathan Shefferman have been revealed as being essentially union busting by methods of corruption, and his list of clients represents a pretty good start toward a blue - book of American merchandising. But there has been no testimony as to extent of similar practices in manufacturing or even a mention of the very largest corporations.

Praises Labor's Reaction

Labor's reactions to the disclosures of corruption and other festering evils in union ranks, to my way of thinking, has been wholesome. More than a year before the McCellan Committee was organized, the AFL-CIO in its first constitution set forth as one of its principal objectives:

"To protect the labor movement from any and all corrupt influences and from the undermining efforts of communist agencies and all others who are opposed to the basic principles of our democracy and free and democratic unionism." (Article II, Section 10.)

In this same first convention (November, 1956) the AFL-CIO provided for an Ethical Practices Committee, headed by Al Hayes of the Machinists' Union, to implement this constitutional provision, through investigations on complaint or on its own initiative of all suspected corruption or communism. It set forth a procedure for the suspension until the next convention of unions found, upon investigation, to be under corrupt domination, with the further power of making recommendations for the correction of the evil conditions. It also set forth that the convention, after hearing both the accuser and the accused, was to determine whether the accused union should be expelled from the federation or allowed to resume its membership, and under what conditions.

When the investigations of the sub-committee on union health, welfare, and pension funds of the Senate Committee on Labor and Public Welfare disclosed corruption in the handling of trust funds by the Allied Industrial Workers, the Distillery Workers, and the Laundry Workers, and by scattered local unions, the Ethical Practices Committee promptly investigated and recommended suspension of these unions, setting forth the conditions which would have to be met for reinstatement. The Executive Committee, by a well-nigh unanimous vote, sustained the recommendations and the suspensions remained in effect until the recent second AFL-CIO convention. By that time the Allied Industrial Workers had gotten rid of their officers accused of corruption and this union was reinstated to full membership.

The other unions were expelled and are today outside the Federation. The two international unions not previously so labelled which were revealed through the investigations of the McClellan Committee to have corrupt officers, the Teamsters and the Bakers, were proceeded against similarly. The Ethical Practices Committee recommended their suspension to the Executive Council; the Executive Council sustained this recommendation; and the Convention, by a five to one vote in the case of the Teamsters, changed this into expulsion from the Federation. A new Bakers' Union has been chartered, which is reported to have gained the adherence of one-third of the locals of the old union. No new Teamsters International has been organized but city centrals and state federations have been directed to expel Teamsters' locals. This is a record which seems to me to show labor's good faith in its oft-repeated expression of desire to clean its own house.

On this point, note must also be taken of the creation by two international unions, the Upholsterers and the United Automobile Workers, of appeal boards, composed of prominent people not connected with these unions, with authority to review and correct undemocratic actions against union members. But it remains doubtful how much the public has been impressed. Beyond question, the labor scandals have hurt the standing of organized labor in public opinion.

Possible Legislative Reaction

What will be the final outcome is in the realm of speculation. Many see the most likely result to be legislation hostile to labor in Congress and the state legislatures. Quite a few bills are pending in the Congress which labor views with alarm. These range from requirements for the registration of health, welfare, and pension funds, to vague proposals to make the unions subject to the anti-trust laws and a more definite measure for a national right-to-work law, making it unlawful for employers and unions to contract for any form of union security. In between are the recommendations which President Eisenhower transmitted to the Congress a week ago. Many of the proposals go beyond the correction of the evils publicized through the Congressional investigations and have already drawn fire from organized labor and its supporters. What will become of them, in an election year, is pretty much anybody's guess. What seems certain is that labor this year will get nowhere in its long campaign to lighten the restrictions imposed upon it by the Taft-Hartley Act, and, particularly has little chance of getting its bill enacted which would prohibit states imposing more drastic limitations on union security agreements than those included in the national law. Further legislation placing additional restrictions upon the activities of organized labor in contests with management is more than a possibility. But I doubt whether 1958 will prove another 1947.

1958 Wage Contracts

There is also a possibility that the labor scandals will have adverse repercussions upon labor in its contests this year over new contract provisions in many major agreements. The business recession makes 1958 a bad one for wage increases and other labor gains. The public is more than half convinced that the major cause of rising prices is the increase in wages and is in a mood to support management in resisting further increases in rates of pay or fringe benefits. There are many indications that many managements this time have their backs up and seem disposed not to yield an inch. More than ever the battle is being waged in the forum of public opinion. The labor scandals have further weakened labor in this forum. At present the prospects seem to be for more and greater strikes than we have had for years, with labor in a position in which the majority of the public will regard it as a sort of "Peck's Bad Boy" or worse, a goon responsible for just about everything that is wrong.

Public opinion is not always, perhaps but seldom, decisive in labor disputes but does count. At this time, so it seems to me, it is likely to support management in stubbornly resisting union demands. This is not predicting that Labor will get nothing this year; and, of course, it will not be all that Labor asks for in its first demands. Only a prophet can forecast the final outcome of the 1958 contract negotiations and the strikes in which they may culminate. I am not a prophet; only an academic student of labor-management problems of limited vision.

Political Repercussions

What I shall say from this point on is a conditional forecast which I believe to be warranted on the basis of experience in this and other countries. It is my expectation that the major repercussions of the labor scandals may well be in the political field. Even more do I expect such a result if Congress should enact legislation which Labor interprets as an attack upon its existence or effectiveness. This may also be the result of a stinging defeat of Labor in the contract negotiations and following strikes in the spring and summer. Holding the line against wage increases, particularly if unemployment continues to mount and farm prices do not improve, may well give us the most radical Congress we have had in two decades.

Interviewed, along with other public Members of the former National War Labor Board after the passage of the Taft-Hartley Act, I ventured the prediction that the principal effect of this legislation crammed down Labor's throat by the anti-Labor Eightieth Congress, was likely to be increased political activity on the part of organized Labor, rather than any pronounced change in economic strength in labor-management relations. As I look back upon that forecast, it seems to me that I was a very lucky prophet. The Taft-Hartley Act hurt Labor less than it screamed and also benefited anti-union employees less than they had hoped. But the passage of the Taft-Hartley Act put Labor into politics to an extent not known for many years preceding. The surprising reelection of President Truman was ascribed by political commentators principally to a sizable switch in the farm vote, but the defeat of nearly a third of the members of the 80th Congress who had voted for the Taft-Hartley occurred almost entirely in industrial districts.

Organized labor has always been interested in what government is doing and to some extent engages in some political activities. But it is most active politically when it believes that its operations in the economic sphere are being hampered or likely to be hampered. Dyed-in-the-wool unionists follow the advice of their leaders in politics when they believe their unions to be in danger. Workingmen generally react most violently politically when they have sustained personal loss or fear such a loss. Among situations producing such a result are unemployment, wage cuts, and defeats in strikes. It seems to me to be probable that the more of the factors enumerated coincide, the more certain and the greater will be the political reaction.

Labor's Warning

There is considerable likelihood that quite a number of these factors will coincide by the elections of 1958. A heretofore little commented upon concomitant of the labor scandals has been a growing belief among ardent unionists that the investigations and exposures of the McClellan Committee have gone far enough and are motivated by a desire to weaken organized labor. There is little doubt that a majority of the Teamsters are sticking with Jimmy Hoffa. Top AFL-CIO leaders recently met with Senator McClellan and others from his Committee to warn them not to play the game of Walter Reuther's opponents. There is a distinct possibility that as the contract negotiations draw closer, investigations of the unions involved will strengthen this feeling among ardent unionists and, if the negotiations prove disappointing, politicians will be blamed. Prolonged strikes resulting in defeats for Labor would increase the political repercussions. These will be particularly strong should Congress enact legislation which Labor deems to be designed to weaken its economic position. Every practical minded person also knows that a continued high level of unemployment and, still more, increased unemployment will be hard on the "ins" in politics. It is my expectation, also, that the political reaction will not stop with party labels. It may well come to pass that the long conservative swing in American politics, manifest now for twenty years, may be reversed.

AFL-CIO Merger Leaves Problems Unsolved

All this is in the realm of speculation, with many "ifs" about which no one can be certain. What seems clear is that the AFL-CIO merger, the jurisdictional disputes agreement, and the ethical practices codes have not solved all problems of the American unions or, more accurately, any of them. Organized labor is in a difficult situation today. Many of the factors in this difficult situation go beyond the present labor scandals and the contract negotiations, which are now in the stage of preliminary jousts in the public arena. Ours is not a laboristic society, in the sense that the unions are dominant. Rather, the unions represent a minority element, which is in the doghouse with public opinion and getting in deeper.

What this may lead to, I leave to you. I merely direct attention to the fact that not only recent developments but many others of the last quarter century have tended to make our unions far more political organizations than they were at an earlier date. American unions have always been interested in politics, but at most times not vitally so, while one labor federation was dominant and the principle was pretty well adhered to that each union has a defined jurisdiction which must be observed by employers and all other unions. At that time, labor-management disputes were fought out in the economic realm and public opinion mattered but little.

Today, the labor situation is very different. We again have one dominant federation, but a good many unions are outside the federation and within it there are bitter rivalries and controversies. The principle of defined jurisdiction has not been abandoned, but in many fields there are overlapping jurisdictions. More basic is the inherent conflict between defined jurisdictions and the workers' free choice of the union, if any, they wish to have represent them, which is incorporated in our national labor policy.

Labor Political Orientation

It may be that this policy of itself is operating to make our unions more of political organizations along European lines. In no free European country has the situation ever prevailed that one and only one national union has jurisdiction within a defined field, which goes along with the concept that all workers should belong to unions but that there is but one union to which a given worker may belong. With choice allowed between unions, politics or religion tend to become the only unifying forces in labor federations. There has been no significant trend toward making religion a dominant factor in American unionism, but our policy of worker free choice inevitably, I believe, has some tendency toward making the unions more of political organizations. It is my thesis that this is also a likely effect of the recent developments I have noted. It is futile to talk about keeping government out of labor-management relations so long as the parties are forever turning to government for help. When they do this, not only should they expect retaliation when the almost inevitable pendular swing occurs, but they thereby tend to make the unions more political in their objectives. Being old fashioned, I prefer our traditional American type of unionism, but can see politically-oriented unionism as a consequence of the increasing role we assign to government in labor-management relations.

Continued from page 10

"We Shall Stand Together"

—his clothing, food, shelter and comforts—he was a sorry specimen and lived a primitive life.

Of course, he no longer has to depend on his muscles. Over the years we have developed a great army of inanimate slaves which add productive power to each workingman. These are the machines and tools which, in our national warehouse, are the "capital goods," the product of savings invested. They permit each man to turn out many times more than he could if he depended only on his muscles.

Profits and Production

So the next question is, then, how do we get more of these aids to productive power? And the answer, is bluntly, from profits. Profits under our free system are not something we need apologize for because with profits we have the real key to more productive power and thus earning power and thus progress.

The new machinery and tools which enable a workingman to increase his output and which equip the new workers joining the labor force each year would not be available without profits. Whether they are used directly by being ploughed back into the business or indirectly as an incentive to investors, profits start our forward motion in providing rising living standards.

The corollary argument to the consumer purchasing power theme is that wage increases can be subtracted from profits without price increases. In answer to this notion, the "Saturday Evening Post" recently carried a pertinent editorial using the steel industry as an example:

"Suppose the 1946 level of steel prices had been maintained through 1956. And suppose the industry had shipped what it actually did ship during that decade. Assume further that wage rates and other costs rose as they actually did during this 10-year period. Where would the steel industry stand today?

"Well, on the basis of official, published figures, it would be more than $21,000,000,000 in the red!

"The steel industry would have operated in the red in nine out of the 10 years. Its losses in 1955 and 1956, taken together, would have been at least equal to the entire sum spent by the industry for its postwar expansion.

"Of course, none of this could have actually happened, since the whole industry would have been bankrupt long before it could have accumulated a deficit of this size. The shipments could never have been made since the plants which made the shipments possible could never have been built. Failure to recover costs would have prevented expansion.

"Steel prices, like any other prices, must reflect increases in the cost of doing business including wages—or you go out of business."

To show up the absurdity of any significant wage increase coming out of profits you need only compare the size of a 5% increase in wages with total corporate profits. In the highest profit year on record, 1950, such a wage increase would take about 20% of all corporate profits before taxes.

A squeeze like that on profits would have three inevitable effects: it would stop investment cold, lower productivity and increase unemployment. And that, I submit, is hardly the pattern of progress or the way to strengthen our economy.

The mystery is why anyone would think wages should come out of profits in the first place. The result is to pinch off a principal source of additions to productive power. And, since the only way we can hope to live better is if we produce more for our national warehouse, then the minute we take from profits we are, in effect subtracting from living standards.

So, I think it is time we replace confusion with understanding of the real source of our economic strength. And the time is over-ripe for us to end the squabble over dividing what we have and get on about the business of multiplying more for the greatest number of our people.

They Go Together

For one thing, we can cease trying to get more by taking it from someone else. In particular, I mean trying to take from profits to put into wage envelopes. No one really gains in that attempt—least of all the workingman—as unemployment increases, production drops and progress halts. Instead of raising costs, prices and the cost of living; let us rather raise productivity, progress and the standard of living.

That is what we all want. A balanced overall movement forward with wages, profits nad productivity going up in and not out of step. And, I am confident that this is well within our abilities despite the marking time we may have to do this year as inventories are pared down.

Ahead of us is a new era—a space age as some call it. It will be a time of tremendous technological change. In my opinion we are just now at the doorstep of a new warehouse for America. One that can be filled with greater wealth, more new things from more new processes in the next five years than we have ever seen before in our history.

As the result of research and development financed by American industry, because profits made it possible to do so, there is a great backlog of new ideas, theories and principles building up in our nation's laboratories. To translate them into new jobs, factories, machines and finished products will require tremendous new investments.

Profit Incentive

Those investments, however, will not be forthcoming unless a real incentive—a prospect of profit—entices investment. And, unless those investments are made we will, indeed, slip behind the Russians. Not just in single, spectacular scientific achievements, but in the real race we are running and in which our free system far excels their slave system. I mean our success in providing better living standards and an opportunity for a better life for more people.

Let us admit and have done with it that the Russians have impressed the world. But, let us also recognize that they have done so with a policy of fear and an instrument of terror. I think we would much rather be what we are, the encouragement of a world yearning for freedom and for a better life in peace to enjoy useful progress.

Lincoln said it for us a long time ago. Speaking on Washington's birthday in 1861 at Independence Hall, he referred to the inner meaning of the Declaration of Independence as "giving liberty not alone to the people of this country but hope to the world for all future time."

That hope was never needed more than in the year 1958. We provide it as we stand together, adhere to and apply those economic principles which can make America stronger than ever in a greater age of progress than any so far known. For that goal and to keep alive that hope of all men for a free, undivided world at peace, we stand together—or fail.

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.

★ **Air-Shields Inc.**
Feb. 19 (letter of notification) 4,650 shares of common stock (par $1). **Price**—$21.50 per share. **Proceeds**—To selling stockholder. **Office**—330 Jacksonville Rd., Hatboro, Pa. **Underwriter** — W. H. Newbold's Son & Co., Philadelphia, Pa.

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 Fund, Inc., Los Angeles, Calif.**
Feb. 19 filed (by amendment) 2,000,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

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 Savings Life Insurance Co.**
Feb. 13 (letter of notification) 166,666 shares of common stock (par 10 cents), to be offered on the basis of 200 shares per $1,000 insurance to policyholders and 200 shares per $1,000 insurance to agents. **Price**—60 cents per share. **Proceeds**—To build up paid in surplus for portection of policyholders. **Office**—3336 N. 7th Street, Phoenix, Ariz. **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.

★ **Ampex Corp.**
Feb. 10 (letter of notification) an undetermined number of shares of common stock (par 50 cents) to be offered under the company's Employees Profit Sharing & Investment Trust. **Price**—At market. **Proceeds**—To reimburse the Fargo Bank for the purchase of stock. **Office**—934 Charter Street, Redwood City, Calif. **Underwriter**—None.

Anderson Electric Corp.
Dec. 23 (letter of notification) 14,700 shares of class B common stock (par $1). **Price**—$12 per share. **Proceeds**—To go to selling stockholders. **Office** — 700 N. 44th Street, Birmingham, Ala. **Underwriters** — 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. 28, 1958; rights to expire about March 10. **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. (3/6)**
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**—To be received up to 11:30 a.m. (EST) on March 3 at Baltimore, Md.

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.

★ **Beowawe Farms Inc.**
Feb. 14 (letter of notification) 30,000 shares of common stock. **Price**—At par ($10 per share). **Proceeds**—For expenses in production of registered and certified seed and livestock. **Office**—Beowawe, Nev. **Underwriter**—None.

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.

★ **Bullock Fund Ltd., New York, N. Y.**
Feb. 20 filed (by amendment) 500,000 shares of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

● **Butler Brothers, Chicago, Ill. (3/4)**
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 up to 11 a.m. (EST) on March 18.

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.**
Jan. 29 filed 20,833 shares of common stock (par $20) to be offered for subscription by common stockholders of record Jan. 30, 1958 on basis of one new share for each 5.28 shares held; rights to expire about March 10. **Price**—$24 per share. **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 filed 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 filed 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.

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.

★ **Commonwealth Investment Co., San Francisco, Calif.**
Feb. 24 filed (by amendment) 2,000,000 shares common stock (par $1). **Price**—At market. **Proceeds**—For investment.

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.

★ **Consumers Investment Fund, Inc., Washington, D. C.**
Feb. 21 field 978,780 common shares. **Price**—At market. **Proceeds**—For investment.

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.

★ **Eaton & Howard Stock Fund, Boston, Mass.**
Feb. 24 filed (by amendment) 1,500,000 trust shares (par $1). **Price**—At market. **Proceeds**—For investment.

★ **Ethodont Laboratories, Berkeley, Calif.**
Feb. 20 filed 300,000 shares of common stock. **Price**—At par ($5 per share). **Proceeds**—To cover operating expense during the development period of the corporation. **Underwriter**—None.

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.

★ **Farmers & Business Men's Life Insurance Co.**
Feb. 13 (letter of notification) 120,000 shares of common stock (par $1) to be offered to policyholders of Farmers & Business Men's Insurance Co. and to officers and directors of life insurance company. **Price** — $2.50 per share. May be paid by assignment of policy dividends. **Proceeds**—For capital and surplus. **Office**—1517 E. McDowell Rd., Phoenix, Ariz. **Underwriter**—None.

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.

● **Forest Laboratories, Inc.**
Aug. 28 filed 200,000 shares of capital stock (par 10 cents). **Price**—$2.50 per share. **Proceeds**—For sales promotion of company's products, working capital, additional inventory and accounts receivable, for research and development and for other general corporate purposes. **Office**—Brooklyn, N. Y. **Underwriters**—Alfred L. Powell Co., New York; and H. Carroll & Co., Denver, Colo. **Offering**—Not expected for 4 to 6 weeks.

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 Electronics Distributors Inc.**
Feb. 10 (letter of notification) 2,090 shares of common stock (par $25) to be offered to stockholders until May, 1958, then to the public. **Price**—$42 per share. **Proceeds**—For loans payable to bank, inventory and working capital. **Office**—735 Main Street, Wheeling, W. Va. **Underwriter**—None.

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.

★ **Georgia Power Co. (3/20)**
Feb. 21 filed $24,000,000 first mortgage bonds due March 1, 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 March 20 at office of Southern Services, Inc., Room 1600, 250 Park Avenue, New York 17, N. Y.

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.

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.

● **Hawaiian Airlines Ltd., Honolulu, Hawaii**
Feb. 18 filed $1,250,000 of convertible subordinated debentures due April 1, 1973, of which $1,000,000 principal amount will be offered for subscription by stockholders at the rate of 100 of debentures for each 35 shares held; $100,000 of debentures will 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

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NEW ISSUE CALENDAR

February 27 (Thursday)
California Electric Power Co. .... Bonds
(Bids 9 a.m. PST) $12,000,000

February 28 (Friday)
L-R Heat Treating Co. .... Common
(Charles Plohn & Co.) $300,000
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
Matheson Co., Inc. .... Debentures
(Mohawk Valley Investing Co., Inc. and Security & Bond Co.) $299,000

March 4 (Tuesday)
Butler Brothers .... Common
(Offering to Ben Franklin franchise holders—no underwriting) 50,000 shares
Ohio Edison Co. .... Bonds
(Bids 11 a.m. EST) $40,000,000

March 5 (Wednesday)
Iowa Illinois Gas & Electric Co. .... Debentures
(Bids 10:30 a.m. CST) $9,000,000
Olin Mathieson Chemical Corp. .... Debentures
(Dillon Read & Co. and Eastman Dillon, Union Securities & Co.) $40,000,000
Public Service Electric & Gas Co. .... Preferred
(Merrill Lynch, Pierce, Fenner & Beane) $25,000,000
Union Electric Co. .... Bonds
(Bids 11 a.m. EST) $35,000,000

March 6 (Thursday)
Atlas Sewing Centers, Inc. .... Debentures
(Van Alstyne, Noel & Co.) $1,500,000
Columbia Gas System, Inc. .... 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
Saxon Paper Corp. .... Common
(Milton D. Blauner & Co., Inc.) $450,000

March 11 (Tuesday)
Bankers Management Corp. .... Common
(McDonald, Holman & Co., Inc.) $400,000
Indianapolis Power & Light Co. .... Bonds
(Bids 11 a.m. EST) $8,000,000
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
Mangel Stores Corp. .... Debentures
(Lee Higginson Corp.) $3,000,000
Mississippi River Fuel Corp. .... Debentures
(Eastman Dillon, Union Securities & Co.) $30,000,000

March 18 (Tuesday)
Carolina Power & Light Co. .... Bonds
(Bids 11 a.m. EST) $20,000,000

March 20 (Thursday)
Georgia Power Co. .... Bonds
(Bids 11 a.m. EST) $24,000,000

March 21 (Friday)
Bishop Oil Co. .... Common
(Offering to stockholders—underwritten by Hooker & Fay) 112,565 shares

March 24 (Monday)
Florida Power & Light Co. .... Bonds
(Bids 11:30 a.m. EST) $20,000,000

March 25 (Tuesday)
New Jersey Bell Telephone Co. .... Debentures
(Bids to be invited) $30,000,000

March 27 (Thursday)
Northwest Bancorporation .... Preferred
(The First Boston Corp. and Blyth & Co., Inc.) $10,643,000

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 14 (Monday)
New England Telephone & Telegraph Co. .... Debens.
(Bids to be invited) $45,000,000

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 Power & Light Co. .... Bonds
(Bids to be invited) $30,000,000

April 29 (Tuesday)
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

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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.

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 to be received up to 11 A.M. (EST) on March 11 at Room 3250, 120 Broadway, New York, N. Y.

★ **Insurance Investors Fund, Inc., San Francisco, Calif.**
Feb. 17 filed (by amendment) 50,000 shares of common capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

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 at Room 3020, 61 Broadway, New York 6, N. Y.

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.

★ **Kaar Engineering Corp.**
Feb. 12 (letter of notification) $250,000 of 6½% convertible 15-year sinking fund debentures, due Jan. 1, 1973, to be offered for subscription by preferred stockholders at the rate of $3 of debentures for each preferred share (par $10) held. **Price**—At par (in denominations of $1,000 and $500), plus accrued interest from Jan. 1, 1958. **Office**—2995 Middlefield Road, Palo Alto, Calif. **Underwriter**—None.

★ **Keystone Beryllium Corp.**
Feb. 14 (letter of notification) 270,700 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—Suite 525, University Building, Denver 2, Colo. **Underwriter**—Mountain States Securities Corp., Denver, Colo.

★ **Keystone Custodian Funds Inc., Boston, Mass.**
Feb. 17 filed (by amendment) 500,000 Keystone Fund certificates of participation—series K-2. **Price**—At market. **Proceeds**—For investment.

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) being offered for subscription by common stockholders at the rate of one new share for each 62.52 shares held as of Feb. 25, 1958; rights to expire on May 1, 1958. **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. (2/28)**
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. (3/12)**
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. (3/3)**
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.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane, and Eastman Dillon Union Securities & Co. (jointly). **Bids**—To be received 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. (3/12)**
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.

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.

★ **Nucleonics Chemistry & Electronic Shares, Inc.**
Feb. 17 filed (by amendment) $1,000,000 of monthly investment plan certificates. **Price**—At market. **Proceeds**—For investment. **Office**—Englewood, N. J.

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.

★ **Olin Mathieson Chemical Corp., New York (3/5-6)**
Feb. 21 filed $40,000,000 of convertible subordinate debentures due March 1, 1983. **Price**—To be supplied by amendment. **Proceeds** — To be used for redemption of $17,682,600 of 4¼% series A and 4⅜% series B subordinate debentures and $20,871,000 par value of convertible preferred stock, representing all of such debentures and preferred stock outstanding at Feb. 1, 1958; and for other corporate purposes. **Underwriters**—Dillon Read & Co., Inc., and Eastman Dillon, Union Securities & Co., both of New York.

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 Consolidation Coal Co.**
Feb. 25 filed $3,000,000 of participations in its investment plan for salaried employees, together with 90,000 common shares which may be acquired pursuant to said plan.

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.

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. (3/5)**
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.

★ **Puritan Fund Inc., Boston, Mass.**
Feb. 17 filed (by amendment) 2,000,000 of capital stock (par $1). **Price**—At market. **Proceeds**—For investment.

★ **Redding-Miller Inc.**
Feb. 18 (letter of notification) $50,000 of 7% debentures. **Price**—At par (in denominations of $100 each). **Proceeds**—For general corporate purposes and construction program. **Office**—931 E. 6th Ave., Denver, Colo. **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 (3/10-14)**
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.**
Feb. 4 filed 369,694 additional shares of common stock (par $4.50) being 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**—$21.50 per share. **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.

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.

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.

★ **Super Valu Stores Inc., Hopkins, Minn.**
Feb. 21 filed voting trust certificates for 213,188 common shares (par $5).

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.

★ **Texas Co., New York, N. Y.**
Feb. 25 filed $18,055,200 of participations in company's employees savings plan, together with 320,625 shares of its capital stock which may be acquired pursuant thereto.

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.

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 at Room 1900, 60 Broadway, New York 4, 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.

★ **United States Telemail Service, Inc.**
Feb. 17 filed 375,000 shares of common stock (par $1). **Price**—$4 per share. **Proceeds**—To purchase equipment and supplies and for working capital and other corporate purposes. **Office**—Salt Lake City, Utah. **Underwriter**—Amos Treat & Co., Inc., of New York.

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.

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.

★ **Wood (Alan) Steel Co., Conshohoken, Pa.**
Feb. 10 (letter of notification) an undetermined number of shares of common stock (par $10) to be offered to salaried employees under a Stock Purchase Plan for 1958. **Price**—Not exceeding the lowest of the then current or last quoted offering price on the American Stock Exchange. **Proceeds**—To reimburse company for the purchase of the stock. **Underwriter**—None.

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.

★ **Worth Fund, Inc., New York**
Feb. 21 filed 400,000 shares of common stock. **Price**—$12.50 per share. **Proceeds**—For investment. **Underwriter**—Cherokee Securities Corp., 118 N. W. Broad St., Southern Pines, S. C.

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.

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).

★ **Bishop Oil Co., San Francisco, Calif. (3/21)**
Feb. 20 it was announced that company plans to offer to its common stockholders of record March 20, 1958 the right to subscribe on or before April 3, 1958 for 112,565 additional shares of common stock on the basis of one new share for each five shares held. **Price**—To be named later. **Proceeds**—For general corporate purposes. **Underwriter**—Hooker & Fay, San Francisco, Calif.

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 (CST) 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

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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. (3/24)
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 24. **Registration**—Expected Feb. 27.

★ Great Atlantic & Pacific Tea Co.
Feb. 19 it was reported a secondary offering of common voting stock is expected within a month. **Underwriters**—May include: Blyth & Co., Inc.; Carl M. Loeb, Rhoades & Co.; Hemphill, Noyes & Co.; Smith, Barney & Co.; and Merrill Lynch, Pierce, Fenner & Beane.

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 England Telephone & Telegraph Co. (4/14)
Feb. 19 it was announced company plans to issue and sell $45,000,000 of 35-year debentures. **Proceeds**—To redeem $35,000,000 of 4¾% debentures due 1986 and to repay advances from American Telephone & Telegraph Co. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp. **Bids**—Tentatively scheduled to be received on or about April 14. **Registration**—Planned for March 20.

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.

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).

★ Northwest Bancorporation, Minneapolis, Minn. (3/27)
Feb. 25 it was announced company plans to offer 103,430 shares of new convertible preferred stock (par $100) to its common stockholders at the rate of one new share for each 16 common shares held. **Proceeds**—Approximately $7,000,000 to be invested in three major affiliates and the balance for working capital and other corporate purposes. **Underwriters**—The First Boston Corp. and Blyth & Co., Inc., both of New York.

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).

Pacific National Bank, San Francisco, Calif.
Feb. 12 the Bank offered 44,708 additional shares of common stock (par $20) to stockholders at the rate of one new share for four shares held as of Feb. 11; rights to expire on March 4. **Price**—$37.50 per share. **Proceeds**—To increase capital and surplus. **Underwriters** — Elworthy & Co.; Schwabacher & Co.; Davis Skaggs & Co.; Pfluger & Baerwald; and J. Barth & Co., all of San Francisco, Calif.

Pacific Telephone & Telegraph Co.
Jan. 8 it was reported company plans $300,600,000 capital outlay program. **Proceeds**—For construction program in 1958 and 1959 ($137,000,000 in 1958). **Underwriter**—To be determined by competitive bidding. Probable bidders— Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

• Philadelphia Electric Co. (4/29)
Jan. 27 it was reported company plans to issue and sell in May, subject to market conditions, $40,000,000 of first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Morgan Stanley & Co. and Drexel & Co. (jointly). **Bids**—Expected to be received on April 29.

Public Service Co. of Oklahoma
Jan. 20 it was reported company plans to issue and sell in May $16,000,000 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); Blyth & Co., Inc.; Salomon Bros. & Hutzler; Kuhn, Loeb & Co. and Eastman Dillon, Union Securities & Co. (jointly); The First Boston Corp.; Glore, Forgan & Co.; Equitable Securities Co.

Puget Sound Power & 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.

★ Royal Bank of Canada (3/19)
Feb. 26 the Bank announced it plans to offer 1,008,000 shares of capital stock to stockholders of record March 5, 1958 at the rate of one new share for each five shares held; rights will expire on June 10, 1958. **Price**—$37.50 per share (in Canadian currency). **Proceeds**—To increase capital and surplus. **Underwriter**—None. This issue will not be registered with SEC.

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.

Our Reporter's Report

Institutional investors, quite obviously have their hackles up and are in no mood to be stampeded into buying new corporate obligations merely because of the shift in emphasis in the money market.

Passing of another week seemingly served to confirm the belief that yields must be more in keeping with the ideas of such buyers or they will place their funds elsewhere and wait the situation out.

Several top-rated utility offerings brought to market this week found buyers cool, to say the least, with the result that such issues were dragging their feet as this is written. And prospective buyers are not given, it appears, to allowing for too much of a differential as between Single A and Triple A ratings.

People with funds looking for employment are disposed to peer in other directions, as for example, toward the short-term government market and bankers' bills, figuring to keep money at work in these areas pending willingness on the part of corporate borrowers to afford better yields.

For bankers this was taken to mean, in some quarters, that unless they bid for new offerings more realistically, they are going to find themselves building a bit of inventory.

The Past Week

As a matter of fact that is just what has been going on over the past week. Prospective buyers have been reluctant to come into the market and consequently there has been some expansion in shelf-stocks of underwriters and dealers.

Even though Cleveland Electric Illuminating Co., was prevailed upon by bankers at the last minute to make its $30 million of new bonds non-callable for the first five years, this was not enough to offset what some termed as rather full-pricing.

The deal was reported moving slowly. And the same held true of Pennsylvania Electric's $29 million of 4s, brought out to yield 3.95%. Central Illinois Public Service Co.'s $15 million of new $4\frac{1}{8}$s offered to yield 4%, found a more receptive market, it was indicated.

Another Busy Calendar

The week ahead promises a busy and well-spaced roster of new issues with an indicated total of about $179 million of new corporate securities, including $25 million of preferred stock, due on the market.

The bulk of this, of course, will be up for bids in the early deals of the week. On Monday, Baltimore Gas & Electric has $30 million of bonds going on sale and Iowa Public Service Co. will market $10 million of fixed term debt.

The following day, Ohio Edison Co. will open bids for $40 million of bonds, while Public Service Electric & Gas, via negotiation with its bankers, will be offering $25 million of preferred stock.

Wednesday brings up for bids $9 million debentures of Iowa-Illinois Gas & Electric and $35 million bonds of Union Electric Co., while on Thursday, Columbia Gas System will look at bids for $30 million of debentures.

Amsterdam Bonds Due

The City of Amsterdam, Netherlands, $15 million of 15-year bonds, which had been scheduled for marketing on Tuesday, were put on the calendar for today, (Thursday).

The necessary agreements between the issuer and the bankers have been completed and a coupon rate of $5\frac{1}{4}$% fixed for the loan. It is to be offered publicly at a price of 99 to yield 5.34%.

Sponsoring bankers ascribed the repeated delay to a "technical" situation.

American Diversified

WASHINGTON, D. C.—American Diversified Mutual Securities has been formed with offices at 1101 Vermont Avenue to engage in a securities business. Sidney Haddad is a principal of the firm.

Form Fin. Planning

ROCKVILLE, Md. — Financial Planning Co. has been formed with offices at 4609 Iris Street to engage in a securities business. Thomas Davidson is a principal of the firm.

Now Hardy, Hardy Assoc.

SARASOTA, Fla. — The firm name of Hardy, McGauley & Co., Inc., 1278 North Palm Avenue, has been changed to Hardy, Hardy & Associates, Inc.

S. B. Chance With Merrick

(Special to The Financial Chronicle)

SAN MATEO, Calif. — Sydonia B. Chance has become associated with Merrick & Co., 222 East Fifth Avenue. She has recently been with Stewart, Eubanks, Meyerson & Co., Hannaford & Talbot and Dempsey-Tegeler & Company.

With First So. Corp.

(Special to The Financial Chronicle)

ATLANTA, Ga.—Louis Cambra, Jr. has become affiliated with First Southern Corp., 652 Peachtree Street, Northeast.

C. M. Hathaway adds

(Special to The Financial Chronicle)

DENVER, Colo. — Douglas D. Fuhr, Jerry Jump and Otis C. Madden have become affiliated with The C. M. Hathaway Company, 1575 Sherman.

With Hathaway Inv.

(Special to The Financial Chronicle)

DENVER, Colo. — Taylor F. Caudill, Jr., Harry S. Hughes, Jr. and Joseph E. Nigro are now with Hathaway Investment Corp., 900 South Pearl Street.

Joins Gallagher Roach

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Kenneth E. Carpenter, Sr. is now with Gallagher-Roach and Co., Lincoln-LeVeque Tower.

With Jensen Stromer

(Special to The Financial Chronicle)

MARYSVILLE, Calif. — Harold B. Corkin has become affiliated with Jensen and Stromer, 426 East Fifth Street.

Tower Secs. Adds

(Special to The Financial Chronicle)

DENVER, Colo.—Joe B. Meyer is now with Tower Securities Corporation, Boston Building.

With Stein Bros. & Boyce

(Special to The Financial Chronicle)

LOUISVILLE, Ky. — Phillip Flarsheim is with Stein Bros. & Boyce, Starks Building.

With du Pont, Homsey

(Special to The Financial Chronicle)

BOSTON, Mass. — Allen R. Thayer, Jr. is now with du Pont, Homsey & Company, 31 Milk St., members of the New York and Boston Stock Exchanges.

Joins Hill, Darlington

(Special to The Financial Chronicle)

BOSTON, Mass. — Robert H. DiComes has become affiliated with Hill, Darlington & Co., 31 Milk Street. He was formerly with Keller & Co. and Draper, Sears & Co.

Joins Wood Struthers

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Virginia F. Siegel has joined the staff of Wood, Struthers & Co., Russ Building.

Joins E. F. Hutton

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Allen A. Hill is now with E. F. Hutton & Company, 160 Montgomery Street.

With H. L. Jamieson Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Edward W. James has become affiliated with H. L. Jamieson Co., Inc., Russ Building.

With H. Carroll

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Sheldon Eichel has been added to the staff of H. Carroll & Co., 324 North Camden Drive.

Joins Harris, Upham

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif. — F. Vickers Ellis has become affiliated with Harris, Upham & Co., 9860 Wilshire Boulevard.

Barnett Co. Formed

Stanley Barnett has formed Barnett & Co., Inc., with offices at 40 Exchange Place, New York City, to engage in a securities business.

With Harris, Upham Co.

(Special to The Financial Chronicle)

LOS ANGELES, Calif. — John W. Hurst is now with Harris, Upham & Co. 523 West Sixth Street.

With Davis, Skaggs

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Robert M. Cronholm is now affiliated with Davis, Skaggs & Co., 111 Sutter Street, members of the Pacific Coast Stock Exchange.

With F. S. Moseley

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Marvin B. Schwals is now affiliated with F. S. Moseley & Co., 50 Congress Street, members of the New York and Boston Stock Exchanges.

Mutual Funds

By ROBERT R. RICH

Institutional Ownership of Mutual Fund Shares Up Sharply

A marked increase in the number of accounts of mutual funds held by institutions—from 61,494 to 89,559 in roughly one year—was reported by the National Association of Investment Companies.

The total value of such accounts increased from an estimated $550 million to $624 million in the same period.

"The growth in the number of institutional accounts," said Edward B. Burr, Executive Director of the Association, "reflects primarily an increasing interest in equity investment by institutions in their search for securities that offer both increased investment income and possible increase in capital values."

Current figures are based on the Association's latest study of the shareholder accounts of open-end investment companies representing 79.7% of the assets of all open-end member companies as of Sept. 30, 1957. The 1956 study was based on an analysis of the shareholder accounts of open-end companies representing 70.3% of the assets of all open-end member companies.

Fiduciaries—banks and individuals serving as trustees, guardians and administrators—continue to make up the largest institutional category. Between September 1956 and September 1957, when the surveys were made, the number of such accounts rose from 44,123 to 68,511. They now represent 76.5% of the institutional accounts of the reporting companies compared with 71.8% of the mutual funds reporting in September 1956.

Other significant increases in the number of open-end investment company accounts held by institutions took place in the following categories: business corporations, from 3,513 to 4,474; employee pension and profit sharing funds, from 1,514 to 2,111; churches and religious organizations, from 3,031 to 3,987; fraternal, welfare and other public associations, from 3,264 to 3,566; hospitals, sanitariums, orphanages, etc., from 1,396 to 1,727; and schools and colleges, which increased from 1,079 to 1,384.

The average value of institutional accounts was $6,973 in September 1957 in contrast to $8,941 in September 1956. Besides changes in value of investments, this current average size reflects the large number of newer and generally smaller investment accounts.

National Issues Atomic Report

Current progress in commercial uses of atomic energy is evaluated in the February issue of "Atomic Activities," published by National Securities & Research Corporation, sponsors and managers of National Securities Series of mutual funds.

According to Robert Colton, Manager of the investment company's Atomic and Electronics Division, "A rapidly growing, profitable isotope business is saving industry and commerce about one-half billion dollars annually." Uranium mining and milling is seen as a profitable phase of atomic energy when measured by its annual business volume now approaching one-quarter billion dollars. But Atomic Activities cautions:

"There is mounting concern that the commercial requirements for uranium may fall considerably short of planned uranium production rates because the large scale power reactor program is developing less rapidly than originally anticipated. Such concern inevitably would effect the mining and milling activities, principally by a minimized exploration program for new ore resources, now only about a 10-year supply at the uranium production rates planned for 1959."

The uranium question is linked to the fact that atomic energy cannot now compete on a cost basis with ordinary means of producing electricity with conventional fuels. "Atomic Activities" suggests that this log jam may be broken after experience is gained from building and operating a number of large scale reactor power plants.

Eaton & Howard Yearbook Out

Eaton & Howard, Incorporated, Boston, management organization for Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund, announces issuance of 1958 Yearbooks for each Fund.

The new attractively designed, informative Yearbooks provide complete detailed descriptions of the objectives, investment policies and management of the Funds, together with schedules and charts showing records and growth of the Funds during the past 10-year period.

In addition to thorough coverage of essential data, the Yearbooks include a number of illustrations of trustees, officers, and staff members, photographed while in the course of their activities relative to the Funds. The Books record that at close of business on Dec. 31, 1957, combined assets of Eaton & Howard Balanced Fund and Eaton & Howard Stock Fund exceeded $242,958,000, owned by 48,755 share owners.

TV Electronic Fund Assets At Record

Strong interest on the part of investors, particularly in recent missile developments, helped to push outstanding shares of Television-Electronics Fund, Inc. to a new record, Chester D. Tripp, President, told shareholders this week.

In the Fund's first report for fiscal 1958, the mutual fund executive said that shares in the hands of the investing public numbered 14,243,589, on Jan. 31, 1958, an increase of 19.5% over the total at the corresponding date a year ago.

Total net assets of the Fund, pioneer and largest mutual fund concentrating investments in the broad field of Electronics, reached $146,105,143 at the end of January, Mr. Tripp said, to show an increase of 8.1% over the $135,100,234 registered on Oct. 31, 1957. Net asset value per share of the Fund on Jan. 31 was $10.25, which when adjusted for a disbursement of 55.1 cents made in November, 1957, reflected a capital value increase of 4.4% in the first fiscal quarter. This compared with a rise of only 2.5% in the general market, as measured by the Dow-Jones Industrial Average, during the same period.

As of the end of the Fund's first 1958 quarter, Mr. Tripp stated that 84.7% of the Fund's assets were invested in common stocks and convertible securities in the Electronics field, compared with 86.9% at the end of last October. Cash, government bonds and short-term notes made up the balance of 15.3%, he said, compared with a 13.1% position in cash and equivalents three months earlier.

New additions to the portfolio included the common stocks of Hewlett-Packard Co. and Union Carbide Corp., and the convertible bonds of Chance-Vought Aircraft, Inc., Olin Mathieson Chemical Corp., Royal McBee Corp., and Smith-Corona, Inc. Principal increases in existing common stock holdings were effected in Storer Broadcasting Co., Sperry-Rand Corp., and Telecomputing Corp. Reductions were made in equities of American Broadcasting-Paramount Theatres, Inc., G. M. Giannini & Co., Inc., International Nickel Co., Radio Corp. of America, Square D Co., Columbia Broadcasting System, Inc., and Hazeltine Corp.

"There has been no basic policy change reflected in these and other portfolio activities during the past quarter," President Tripp told shareholders. "While short-term considerations, based on uncertainty in the general business picture, dictated a continuing cautious approach, the Fund's basic position is still pointed toward the upward growth trend which has particularly characterized its investment field in the past decade."

Referring to increased defense spending, with particular emphasis on missiles, the mutual fund official said: "Your Fund holds a salient position in this field." As of Jan. 31, the Fund had $66,748,988 invested in 60 companies "known to be involved in the U. S. missile program."

From a long-term viewpoint, Mr. Tripp concluded in the Fund's first quarter report, "I believe our present approach will be fully justified. In no way does it alter our estimate of the bright future of Electronics and its allied fields."

Three With J. Logan Co.

(Special to THE FINANCIAL CHRONICLE)

PASADENA, Calif.—Harold M. Crossman, Jr., James N. Ecklund and Wilfred L. Rogers have been added to the staff of J. Logan & Co.

Professional Investors Prefer Oil, Gas Stocks

"Professional investors prefer oil and gas," according to Distributors Group, Incorporated, managers of Group Securities, Inc., a $100,000,000 mutual fund.

The endowment funds of Harvard and M.I.T., as well as the entire $10 billion mutual fund industry are cited as representative institutions in which oil and gas shares constitute the largest holdings.

"Moreover," it is asserted, "four of the ten most popular stocks found in common trust funds (managed by banks and trust companies) are in the oil and gas industry."

Supporting the faith these institutions have placed in the oil and gas industry, reference is made to figures from the U. S. Bureau of Mines which indicate a continuation of the use of oil and gas over the next two decades at rates consistent with its past growth.

In the same report Distributors Group presents a record of Petroleum Shares which shows that had a person invested $10,000 on Dec. 1, 1947, he would find his investment worth $55,859 on Nov. 30, 1957—over 5½ times his initial investment. These figures reflect adjustment for securities profits as well as reinvested dividends.

Puritan Fund Assets Now $35 Million

Puritan Fund reports new highs in total assets, number of shareholders, and shares outstanding for quarter ended Jan. 31, 1958.

Total net assets of $35,011,002 show increase of 11.5% over the $30,416,446 reported Jan. 31, 1957. Number of shareholders increased to 15,400 from 12,500 a year ago, and number of shares outstanding increased to 6,165,526 from 4,648,208 in the same period.

On Jan. 31, 1958, net asset per share was $5.68 compared with $5.48 on Oct. 31, 1957. On Jan. 25, 1958, a dividend of nine cents per share was paid by the Fund from investment income. Same amount was paid last year.

As of Jan. 31, 1958, 26.8% of the assets of the Fund were invested in bonds and preferred stocks; 70.9% in common stocks and 2.3% in cash and receivables. A year ago 28.5% of the assets of the Fund were invested in bonds and preferred stock; 69.3% in common stocks and 2.2% in cash and receivables.

F. V. Nixon Joins Staff Of Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Francis V. Nixon has become associated with Fairman & Co., 210 West Seventh Street, members of the Pacific Coast Stock Exchange. Mr. Nixon has recently been with H. Hentz & Co., and Fewel & Co. In the past he conducted his own investment business in New York City.

First California Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Donald C. Como has been added to the staff of First California Company, Incorporated, 647 South Spring Street. He was previously with J. Logan & Co.

Joins Wm. R. Staats

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—William P. Sears has joined the staff of William R. Staats & Co., 640 South Spring Street, members of the New York and Pacific Coast Stock Exchanges.

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)	Mar. 2	§54.4	*50.9	54.1	96.0
Equivalent to—					
Steel ingots and castings (net tons)	Mar. 2	§1,468,000	*1,373,000	1,459,000	2,456,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Feb. 14	6,851,985	6,858,285	6,924,535	7,515,515
Crude runs to stills—daily average (bbls.)	Feb. 14	†7,520,000	7,325,000	7,675,000	7,976,000
Gasoline output (bbls.)	Feb. 14	26,559,000	26,047,000	26,724,000	26,327,000
Kerosene output (bbls.)	Feb. 14	2,619,000	2,587,000	2,712,000	2,610,000
Distillate fuel oil output (bbls.)	Feb. 14	11,961,000	12,045,000	13,733,000	14,685,000
Residual fuel oil output (bbls.)	Feb. 14	7,615,000	7,431,000	7,132,000	8,682,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Feb. 14	210,560,000	208,043,000	200,636,000	202,254,000
Kerosene (bbls.) at	Feb. 14	20,487,000	21,580,000	25,343,000	22,552,000
Distillate fuel oil (bbls.) at	Feb. 14	108,417,000	117,552,000	135,406,000	91,385,000
Residual fuel oil (bbls.) at	Feb. 14	57,134,000	57,627,000	57,952,000	35,812,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Feb. 15	533,237	532,289	572,353	675,966
Revenue freight received from connections (no. of cars)	Feb. 15	510,999	526,857	534,938	639,684
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Feb. 20	$333,506,000	$208,633,000	$218,880,000	$374,710,000
Private construction	Feb. 20	204,191,000	97,918,000	93,338,000	159,722,000
Public construction	Feb. 20	134,315,000	110,765,000	125,542,000	214,988,000
State and municipal	Feb. 20	96,966,000	83,929,000	97,497,000	162,856,000
Federal	Feb. 20	37,349,000	26,836,000	28,045,000	52,132,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Feb. 15	7,965,000	7,460,000	8,440,000	9,750,000
Pennsylvania anthracite (tons)	Feb. 15	379,000	413,000	556,000	421,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Feb. 15	96	93	102	102
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Feb. 22	12,338,000	12,417,000	12,399,000	11,920,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Feb. 20	317	319	333	300
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Feb. 18	5.967c	5.967c	5.967c	5.650c
Pig iron (per gross ton)	Feb. 18	$66.49	$66.42	$66.42	$62.90
Scrap steel (per gross ton)	Feb. 18	$37.33	$37.33	$34.33	$53.33
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Feb. 19	24.450c	24.500c	24.550c	31.575c
Export refinery at	Feb. 19	19.825c	19.575c	21.125c	30.450c
Lead (New York) at	Feb. 19	13.000c	13.000c	13.000c	16.000c
Lead (St. Louis) at	Feb. 19	12.800c	12.800c	12.800c	15.800c
‡Zinc (delivered) at	Feb. 19	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Feb. 19	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig, 99%) at	Feb. 19	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Feb. 19	94.375c	92.750c	90.875c	99.750c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Feb. 25	94.52	94.48	93.96	91.19
Average corporate	Feb. 25	96.07	96.07	96.07	96.38
Aaa	Feb. 25	102.63	102.80	103.30	101.64
Aa	Feb. 25	100.00	99.84	99.84	99.04
A	Feb. 25	95.92	96.23	96.85	96.23
Baa	Feb. 25	86.78	86.78	85.46	89.23
Railroad Group	Feb. 25	91.77	92.06	92.35	95.32
Public Utilities Group	Feb. 25	98.09	98.25	97.62	96.69
Industrials Group	Feb. 25	98.41	98.41	98.25	97.16
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S Government Bonds	Feb. 25	2.97	2.97	3.02	3.23
Average corporate	Feb. 25	4.00	4.00	4.00	3.98
Aaa	Feb. 25	3.59	3.58	3.55	3.65
Aa	Feb. 25	3.75	3.76	3.76	3.81
A	Feb. 25	4.01	3.99	3.95	3.99
Baa	Feb. 25	4.65	4.65	4.75	4.47
Railroad Group	Feb. 25	4.29	4.27	4.25	4.05
Public Utilities Group	Feb. 25	3.87	3.86	3.90	3.96
Industrials Group	Feb. 25	3.85	3.85	3.86	3.93
MOODY'S COMMODITY INDEX	Feb. 25	396.6	399.8	393.0	412.1
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Feb. 15	238,539	309,914	255,702	219,422
Production (tons)	Feb. 15	259,233	251,516	281,999	280,060
Percentage of activity	Feb. 15	86	83	90	94
Unfilled orders (tons) at end of period	Feb. 15	373,522	395,797	377,663	389,413
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100	Feb. 21	109.19	108.67	108.49	111.24
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 1	1,327,890	1,478,680	1,661,710	1,227,000
Short sales	Feb. 1	268,750	311,060	209,250	215,120
Other sales	Feb. 1	1,058,890	1,096,820	1,408,310	1,020,160
Total sales	Feb. 1	1,327,640	1,407,880	1,617,560	1,235,280
Other transactions initiated on the floor—					
Total purchases	Feb. 1	346,640	395,200	335,910	273,130
Short sales	Feb. 1	29,520	48,800	19,010	30,100
Other sales	Feb. 1	349,720	282,650	301,610	245,950
Total sales	Feb. 1	379,240	331,450	320,620	276,050
Other transactions initiated off the floor—					
Total purchases	Feb. 1	435,037	600,435	529,591	382,981
Short sales	Feb. 1	130,620	175,250	74,290	111,820
Other sales	Feb. 1	637,415	605,928	417,040	461,048
Total sales	Feb. 1	768,035	781,178	491,330	572,868
Total round-lot transactions for account of members—					
Total purchases	Feb. 1	2,109,567	2,474,315	2,527,211	1,883,111
Short sales	Feb. 1	428,890	535,110	302,550	357,040
Other sales	Feb. 1	2,046,025	1,985,398	2,126,960	1,727,158
Total sales	Feb. 1	2,474,915	2,520,508	2,429,510	2,084,198
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	Feb. 1	1,128,809	1,209,909	1,478,388	1,242,434
Dollar value	Feb. 1	$49,083,683	$50,423,753	$53,115,822	$59,541,934
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 1	879,804	917,854	1,332,090	877,489
Customers' short sales	Feb. 1	19,496	21,818	9,389	9,404
Customers' other sales	Feb. 1	860,308	896,036	1,322,701	868,085
Dollar value	Feb. 1	$37,945,510	$40,658,571	$45,181,849	$42,075,870
Round-lot sales by dealers—					
Number of shares—Total sales	Feb. 1	250,160	249,570	396,200	191,930
Short sales	Feb. 1	------	------	------	------
Other sales	Feb. 1	250,160	249,570	396,200	191,930
Round-lot purchases by dealers—					
Number of shares	Feb. 1	504,600	542,870	520,530	540,750
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	Feb. 1	774,230	956,310	457,890	530,600
Other sales	Feb. 1	10,684,080	11,296,480	13,026,630	8,978,060
Total sales	Feb. 1	11,458,310	12,252,790	13,484,520	9,508,660
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Feb. 18	119.1	118.8	118.8	116.9
Farm products	Feb. 18	96.8	*95.4	94.2	88.[illegible]
Processed foods	Feb. 18	109.5	108.9	109.1	103.7
Meats	Feb. 18	102.7	100.6	101.0	80.[illegible]
All commodities other than farm and foods	Feb. 18	125.8	125.8	126.0	125.4

*Revised figure. †Includes 931,000 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
CONSUMER CREDIT OUTSTANDING—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—REVISED SERIES—Estimated short and intermediate term credit in millions as of Dec. 31:			
Total consumer credit	$44,798	$43,530	$42,097
Instalment credit	34,127	33,596	31,827
Automobile	15,496	15,542	14,459
Other consumer goods	8,709	8,300	8,510
Repairs and modernization loans	1,984	1,996	1,895
Personal loans	7,938	7,758	6,963
Noninstalment credit	10,671	9,934	10,270
Single payment loans	3,502	3,458	3,253
Charge accounts	4,760	4,135	4,735
Service credit	2,409	2,341	2,282
CONSUMER PRICE INDEX — 1947-49=100— Month of December:			
All items	121.6	121.6	118.0
Food	116.1	116.0	112.9
Food at home	114.3	114.1	111.2
Cereals and bakery products	131.8	131.6	127.4
Meats, poultry and fish	106.0	104.6	98.0
Dairy products	114.6	114.5	111.3
Fruits and vegetables	113.9	114.6	117.4
Other foods at home	114.9	115.6	114.2
Housing	127.0	126.8	123.5
Rent	136.7	136.3	134.2
Gas and electricity	114.3	114.3	112.0
Solid fuels and fuel oil	138.3	138.0	136.1
Housefurnishings	104.9	104.5	104.1
Household operation	129.6	129.4	124.8
Apparel	107.6	107.9	107.0
Men's and boys'	109.5	109.4	108.6
Women's and girls'	100.1	100.8	100.3
Footwear	129.1	129.0	126.4
Other apparel	92.3	92.6	92.2
Transportation	138.9	140.0	133.1
Public	182.4	182.8	174.1
Private	128.6	129.7	123.3
Medical care	140.8	140.3	134.7
Personal care	127.0	126.7	121.8
Reading and recreation	114.6	114.4	109.3
Other goods and services	126.8	126.8	123.3
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on Dec. 28	21,075,000	21,103,000	21,553,000
Spinning spindles active on Dec. 28	18,144,000	18,133,000	18,730,000
Active spindle hours (000's omitted) Dec. 28	7,309,000	8,231,000	8,062,000
Active spindle hours per spindle in place Dec.	365.4	411.6	403.1
LIFE INSURANCE—BENEFIT PAYMENTS TO POLICYHOLDERS—INSTITUTE OF LIFE INSURANCE—Month of November:			
Death benefits	$222,400,000	$248,800,000	$197,500,000
Matured endowments	57,800,000	64,000,000	56,300,000
Disability payments	9,200,000	10,200,000	9,100,000
Annuity payments	44,800,000	47,600,000	44,100,000
Surrender values	101,700,000	118,300,000	86,000,000
Policy dividends	89,300,000	98,200,000	80,100,000
Total	$525,200,000	$587,100,000	$473,100,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of November (000,000's omitted):			
Ordinary	$3,823	$3,978	$3,408
Industrial	465	510	531
Group	1,181	1,244	866
Total	$5,469	$5,732	$4,805
MANUFACTURERS' INVENTORIES AND SALES (DEPT. OF COMMERCE) NEW SERIES—Month of November (millions of dollars):			
Inventories—			
Durables	$31,380	*$31,754	$30,647
Nondurables	22,417	*22,349	21,563
Total	$53,797	*$54,103	$52,210
Sales	27,386	*28,064	28,480
NEW CAPITAL ISSUES IN GREAT BRITAIN MIDLAND BANK LTD.—Month of January	£24,011,000	£52,680,000	£67,169,000
PRICES RECEIVED BY FARMERS — INDEX NUMBER — U. S. DEPT. OF AGRICULTURE—1910-1911=100—As of Dec. 15:			
All farm products	242	242	235
Crops	218	224	237
Commercial vegetables, fresh	240	241	263
Cotton	239	263	262
Feed, grains and hay	152	152	185
Food grains	221	221	234
Fruit	180	187	205
Oil-bearing crops	237	235	264
Potatoes	171	164	155
Tobacco	466	473	461
Livestock	264	258	233
Dairy products	275	279	274
Meat animals	294	278	239
Poultry and eggs	185	188	165
Wool	261	267	260
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S.— HOME LOAN BANK BOARD—Month of Nov. (000's omitted):			
Savings and loan associations	$686,033	$854,969	$716,793
Insurance companies	117,362	131,554	136,451
Bank and trust companies	333,134	394,803	408,478
Mutual savings banks	117,387	131,389	152,220
Individuals	271,032	321,176	292,704
Miscellaneous lending institutions	352,228	391,857	401,079
Total	$1,877,176	$2,225,748	$2,107,725
U. S. GOVT. STATUTORY DEBT LIMITATION —As of Jan. 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$278,000,000
Outstanding—			
Total gross public debt	274,554,825	274,897,784	276,228,743
Guaranteed obligations not owned by the Treasury	100,964	104,361	106,720
Total gross public debt and guaranteed obligations	$274,655,790	$275,002,145	$276,335,463
Deduct—other outstanding public debt obligations not subject to debt limitation	436,358	438,507	453,250
Grand total outstanding	$274,219,431	$274,563,638	$275,882,213
Balance face amount of obligations, issuable under above authority	780,568	436,361	2,117,786
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Jan. 31	$274,655,790	$275,002,145	$278,335,463
General funds balances	3,505,103	4,606,162	3,265,186
Net debt	$271,150,687	$270,395,983	$275,070,277
Computed annual rate	2.860%	2,889%	2.683%

Securities Salesman's Corner

By JOHN DUTTON

Letter Writing

The rules for successful sales-letter writing are: (1) Write to someone who has a need for your product and can buy it. (2) Be friendly and brief. (3) Use restrained urgency. Now let us go into these three facets of the art in more detail.

Compile Prospect List Carefully

In my neighborhood I know a good many people who are tired of receiving mail that is sent to them which advertises all sorts of goods and services for which they have no desire to purchase or use. I recently asked several of my neighbors about this and they agreed that the disposal problem of unwanted mail is annoying. When this mail is sent to your residence in such volume as many of us receive it today, our waste-paper baskets and our garbage cans are inadequate. I have received mail from financial services, small loan companies, and even some local merchants in such volume that I have politely asked by postal card to have my name removed from their list but to no avail. Obviously these companies have a mailing firm do the job for them and they believe that wholesale mailings will be productive. In my case, it is just a burden to dispose of the trash.

I mention this to illustrate the problem of getting your ideas across to your investment prospects in competition with this huge volume of mail solicitation that is now flowing out to people in the higher income residential areas of your city.

The compilation of your mailing list, if you are doing regular mails, is therefore a MUST if you are going to receive benefits in keeping with the expense and effort expended. And the way it looks, the cost of mail will go upward soon when postal rates will be increased. So, if you have not weeded out the worthless names on your list this is the time to do it.

Say It in a Few Words

People do not have the patience and time to read long, wordy, explanatory mailings, no matter how carefully they are prepared. If you can't say it in three short paragraphs then there is something wrong with your story. If it takes more than this you should arrange a personal appointment. If you wish to enclose a circular or an offering prospectus then certainly your letter should not be longer than three paragraphs.

Here's a Sample of a Spot-Shot Letter That Is Urgent and That Sold

Following is a letter actually used to obtain a substantial order for a particular tax exempt bond. How's this for brevity and urgency? The order came from a first time customer and opened a new account.

"Dear Mr. Conservative Investor:

"In going over the current bond offerings, I have run across an issue that is particularly attractive. Several of our large accounts, including some of the leading banks, have just gone into it. Because of this, I felt I should call it to your attention immediately.

"50,000—County, Florida, Special County Bldg. Certificates, 3⅜%, due Feb. 1, 1972, Callable 1963 at 104. (See attached circular)

Price	Yield	Moody's Rating
100	3⅜	"A"

"These bonds are particularly attractive because there is a mandatory two mills tax that must be collected each year, and the proceeds from this millage must be used to service and retire bonds. I estimate that at least 45% of the 1972 maturity will be called in 1963 at 104, and the remaining bonds will be called by 1967, which will increase your yield. (For example, if the bonds are called in 1963, the yield would be almost 4%.) The bank, by the way, purchased the 1972 maturity.

"This, in my opinion, makes the bond the cheapest short-term bond in the market today.

"You will appreciate that because of the expected future action of the Federal Reserve Board, that this offering is made subject to prior sale and change in price.

"I hope that you are feeling well, and I am looking forward to hearing from you.

"Cordially yours,"

— — —

"P. S. Please call me collect if you have any interest."

This letter produced a telephone call from the prospect who lived over 2,000 miles away from the writer. The letter was mailed air mail, special delivery.

Joins Murch Staff

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—James A. Pilcher has joined the staff of Murch & Co., Inc., Hanna Building, members of the New York Stock Exchange.

Now With Earle May

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, Oreg.—Joseph H. Starr has been added to the staff of Earle C. May, 811 Southwest Sixth Avenue.

Hall & Hall Add

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—Lucien W. Littick is now connected with Hall & Hall, Bank of America Building.

Joins E. F. Hutton

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif. — Harold R. Gardner has joined the staff of E. F. Hutton & Company, 1035 Van Ness Avenue.

Bankers Southern

LOUISVILLE, Ky. — Bankers Southern, Incorporated has been formed with offices in the Kentucky Home Life Building to engage in the securities business.

With Witherspoon Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — John B. MacFarlane has become connected with Witherspoon & Company, Inc., 215 West Seventh St.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert A. Hoskins has been added to the staff of Dean Witter & Co., 632 South Spring Street.

Joins Grant Fontaine

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—Leonard R. Hirschman has become affiliated with Grant, Fontaine & Co., 360 Twenty-first Street. He was formerly with Reynolds & Co.

DIVIDEND NOTICE

BRITISH-AMERICAN TOBACCO COMPANY LIMITED

NOTICE OF DIVIDENDS TO HOLDERS OF ORDINARY AND PREFERENCE STOCK WARRANTS TO BEARER

The first interim dividend on the Ordinary Stock for the year ending 30th September 1958 of sixpence for each 10/- of Ordinary Stock (free of United Kingdom Income Tax) will be payable on the 31st March 1958.

Holders of Bearer Stock, to obtain this dividend, must deposit Coupon No. 232 with the Guaranty Trust Company of New York, 32 Lombard Street, London, E. C. 3, for examination five clear business days (excluding Saturday) before payment is made.

The usual half-yearly dividend of 2½% on the 5% Preference Stock (less United Kingdom Income Tax) for the year ending 30th September next will also be payable on the 31st March 1958. Coupon No. 109 must be deposited with the National Provincial Bank, Limited, Savoy Court, Strand, London, W. C. 2, for examination five clear business days (excluding Saturday) before payment is made.

The Directors have recommended to the Stockholders the payment, on the 30th May 1958, of a final dividend on the issued Ordinary Stock for the year ended 30th September 1957 of eightpence for each 10/- of Ordinary Stock (free of United Kingdom Income Tax).

To obtain this dividend (subject to the same being sanctioned at the Annual General Meeting to be held on the 2nd April next) on or after the 30th May next holders of Ordinary Stock Warrants must deposit Coupon No. 233 with the Guaranty Trust Company of New York, 32 Lombard Street, London, E. C. 3, five clear business days (excluding Saturday) before payment can be made.

DATED the 22nd February, 1958.

BY ORDER OF THE BOARD
A. D. McCORMICK,
Secretary.

Westminster House
7 Millbank
London, S. W. 1.

Stockholders who may be entitled, by virtue of Article XIII (1) of the Double Taxation Treaty between the United States and the United Kingdom, to a tax credit under Section 901 of the United States Internal Revenue Code can by application to Guaranty Trust Company of New York obtain certificates giving particulars of rates of United Kingdom Income Tax appropriate to all the above mentioned dividends.

DIVIDEND NOTICES

CONTINENTAL BAKING COMPANY

Preferred Dividend No. 77

The Board of Directors has declared this day a quarterly dividend of $1.37½ per share on the outstanding $5.50 dividend Preferred Stock, payable April 1, 1958, to stockholders of record at the close of business March 7, 1958.

Common Dividend No. 52

The Board of Directors has declared this day a regular quarterly dividend, for the first quarter of the year 1958, of 50¢ per share on the outstanding Common Stock, payable April 1, 1958, to holders of record of such stock at the close of business March 7, 1958.

The stock transfer books will not be closed.

WILLIAM FISHER
Treasurer

February 19, 1958

QUALITY

The American Tobacco Company

214TH PREFERRED DIVIDEND

A quarterly dividend of 1½% ($1.50 a share) has been declared upon the Preferred Stock of THE AMERICAN TOBACCO COMPANY, payable in cash on April 1, 1958, to stockholders of record at the close of business March 10, 1958. Checks will be mailed.

HARRY L. HILYARD
Vice President and Treasurer

February 25, 1958

Two With H. Carroll

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Calif.—Bert Boyer and Albert R. Gulbin are now connected with H. Carroll & Co., 324 North Camden Drive.

Copley Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLORADO SPRINGS, Colo.—Robert B. Peck has been added to the staff of Copley and Company, Independence Building.

James F. Magurno Opens

(Special to THE FINANCIAL CHRONICLE)

CLEARWATER, Fla.—James F. Magurno is engaging in a securities business from offices at 601 Court Street.

Reynolds Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Donald J. Whalen has been added to the staff of Reynolds & Co., 39 South La Salle Street.

With Clayton Secs.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Daniel J. Colokathis is now with Clayton Securities Corporation, 79 Milk Street, members of the Midwest Stock Exchange.

Dean Witter Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Donald A. Cave has been added to the staff of Dean Witter & Co., 45 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

Forms Triad Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert B. Zusman is engaging in a securities business from offices at 1501 South Edris Drive under the firm name of Triad Investment Co. Mr. Zusman was previously with Daniel Reeves & Co.

Two With J. A. Hogle

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Wayne B. Clark and Mervin A. Page have been added to the staff of J. A. Hogle & Co., Equitable Building.

With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Homer R. P. Lytle is now connected with Dempsey-Tegeler & Co., 210 West Seventh Street.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Congress has been dilly-dallying around. Some committees have been working regularly, and others intermittently or not at all. Most legislative work is done in committees, rather than in the House and Senate chambers.

Thus far Congress has passed only one major bill since the law-makers reconvened Jan. 7 for the second and final session. However, this does not mean that it is bad for the country. For the most part the United States Congress is a slow-moving, deliberative body, which is good for the Nation. Some terrible, costly mistakes have been made in the past by hasty legislation.

While a legislative body for the most part is unpredictable, the fact that Congress has gotten off to a slower start than had been expected by some of the leaders themselves probably means some long and feverish sessions later in the year.

President Eisenhower signed into law the statute providing for special defense construction. However, another major proposal, raising the ceiling of the national debt, passed by the House on Jan. 23, has just received Senate approval. The President will sign it in short order.

Important Measures

Meantime, more than a score of important measures are pending before committees. Hearings have been held on some, and several have passed one branch, but passage for the most part came during the 1957 session. Because the life of each Congress is two years, a measure introduced last year is theoretically as alive at the 1958 session as though it was introduced this session.

Some of the important measures that have piled up for action this session include extending reciprocal trade, extending excise and corporation taxes for another year, increasing the postal rates, farm program, regulating labor, Alaska and Hawaii statehood bills, providing for expansion of TVA, mutual security program, removing natural gas production from federal utility-type regulation and several others.

It is safe to predict that several of the major pending bills, like the statehood measures, will wither on the vine and die with the end of the session. The fate of the labor union regulation bills and the farm program bills will be decided in due time. This is election year and the labor and farm votes are powerful. Of the two, labor of course is more potent.

Farm Strength Waning?

Because there are fewer farms, the farm vote is not as powerful as it was at one time, but it will remain a powerful influence for years to come because more food and fibre are going to be needed to feed and clothe the 231,000,000 people that the Bureau of Census now predicts for 1975. However, authorities are predicting that as the agricultural states become more industralized in the future, the so-called "farm-bloc" vote will become less important in the overall political picture.

With the farm families of this country earning about one-third of their incomes off the farm, some economists are predicting that there will be less division in political thinking between farm people and the industrial workers.

Pending Bills

Just what form the farm legislation will ultimately take is not quite clear at this time. A Senate Agriculture subcommittee has approved bills to extend the current dairy programs that are scheduled to expire June 30. The subcommittee has also approved extension for three years of an annual $75,000,000 authorization for the purchase of milk for the school lunch program. The subcommittee has also approved a three-year extension of a program to provide surplus dairy products to the armed forces and Veterans Administration installation.

Higher Postal Rate Due

Last August the House passed a bill raising the postal rates, and the Senate will get around to passage of a bill this session. Increased postal rates will mean higher costs for a business or an individual to conduct his business or professional activities. These additional expenses will of course be deducted at income tax reporting time. The increased rates may eliminate much of the "junk mail" that is now so annoying to housewives. Tons of this mail advertising is delivered each day to "Occupant" at such and such an address at a big expense to the Post Office Department.

While taking into consideration that a Congress is unpredictable, it does seem that President Eisenhower's $2 billion program to modernize the physical plants of the post offices over the country during the next five years has been favorably received on Capitol Hill. It would affect every section of the country.

The White House plan would include the rehabilitation, enlarging and replacing of some 2,500 Government-owned post office buildings; remodeling 12,000 leased buildings. The program calls for modern mail handling facilities for all post offices. By terms of the program proposed funds from private investors for building new post offices and federal buildings under lease-purchase program would amount to $1.5 billion.

Like the highway construction program, the post office building program would be a marked stimulant for the construction industry in this country.

Highway Program Increased

Although Congress had expected the 1958 estimate in connection with the Interstate Highway building program to show a marked increase, it seems that the figures presented by the Department of Commerce came as a surprise. The revised estimate raised the federal share of the cost of building the 41,000 miles of divided, multi-laned stoplight free highways from $27.6 billion to $37.6 billion. The various states put up 10 per cent of the total cost, plus the subsequent maintenance which is a tremendous item. Actually, the cost to the states may be more than some can afford to pay. Maintenance will be a big item.

The Department of Commerce will present its next estimates on cost of completing the program in Jan. 1962. When the program was passed by Congress in 1956, it was expected that it would be completed in 13 years. It is a pay-as-you-go program, a provision that Virginia Senator Harry F. Byrd insisted upon.

There is a possibility, in the event of a further big dip in economic conditions, the program could be stepped up in an effort to take up some unemployment slack.

More Traffic Lanes

One of the reasons for the increased cost in the Interstate program, from the time the estimate was made on which the 1956 act was passed, is because more traffic lanes for the Interstate System are going to be needed. The nationwide traffic surveys for 1975 estimate that 100,000,000 motor vehicles will be on the streets and highways. This is a 15 per cent increase over the estimates made prior to the 1956 bill which President Eisenhower signed into law.

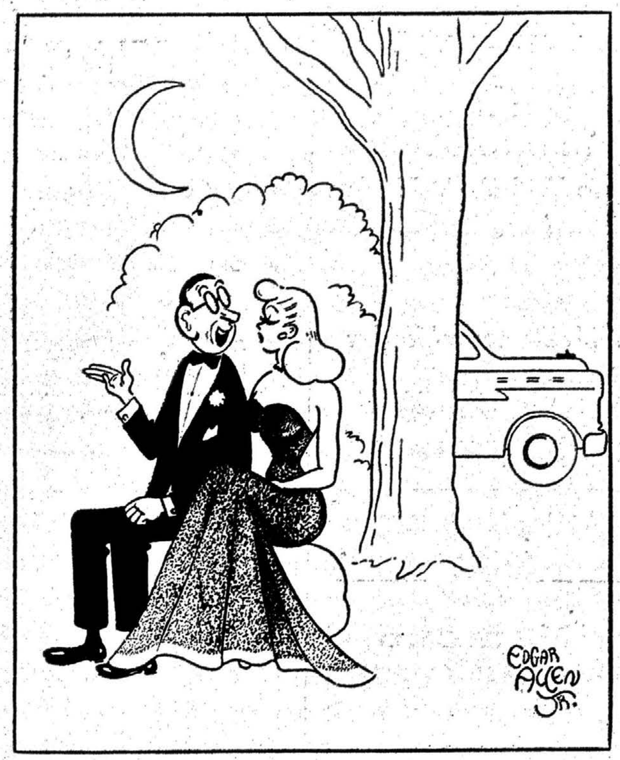
Reciprocal Trade Extension

Predictions are that Congress will eventually pass a bill extending the Trade Agreements Act for three years instead of five recommended by President Eisenhower. Even before the House Ways and Means Committee inaugurated hearings on the Trade Agreements Act, most of the 25 members of the Committee probably knew how they stood fundamentally on the subject.

Nevertheless, the hearings were of importance because they serve as a sounding board for the people to know and learn about world trade. This country last year exported about $1 billion more goods and products of various kinds than it imported. Canada and Latin America remain our biggest customers by far.

[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



"—and in a normal day at the Stock Exchange, about 2,500,000 shares change hands, that's approximately 100 transactions a minute, and then—"

J. A. Graham Opens

(Special to THE FINANCIAL CHRONICLE)

MENLO PARK, Calif. — James A. Graham is engaging in a securities business from offices at 734 Menlo Ave. under the firm name of Palo Alto Financial Services. Mr. Graham was formerly with Irving Lundborg & Co.

C. H. Antrim Opens

(Special to THE FINANCIAL CHRONICLE)

FRESNO, Calif.—C. H. Antrim Co. has been formed with offices at 1157 Fulton Street to engage in a securities business. Partners are Calvin H. Antrim and Calvin R. Antrim.

Business Man's Bookshelf

Agricultural Surpluses and Export Policy—Raymond F. Mikesell—American Enterprise Association, 1012 14th St., N. W., Washington 5, D. C. (paper), $1.00. (Quantity prices on request).

Audio Visual Aids for Management Development Programs—An annotated bibliography—Research Service, 353 W. 57th Street, New York 19, N. Y., $3.

Be My Guest—Conrad Hilton—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. (cloth), $4.95.

British Government Publications—December, 1957—British Information Services, 45 Rockefeller Plaza, New York 20, N. Y. (paper), 50¢.

Consumer Credit: Proceedings of the Syracuse University Conference—New York State Consumer Finance Association, Woolworth Building, New York 7, N. Y. (paper), on request.

Estate Planning and Education—150 national and Southern California charitable organizations—Pomona College, Allen F. Hawley, Claremont, Calif. (on request).

Flow of Coal in Bins—F. D. Cooper and J. R. Garvey—Bituminous Coal Research, Inc., 121 Meyran Avenue, at Forbes, Pittsburgh 13, Pa. (paper), 25c.

Growth of Life Insurance in the Commonwealth of Massachusetts 1940-1956—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper).

Growth of Life Insurance in the Commonwealth of Pennsylvania 1940-1956—Institute of Life Insurance, 488 Madison Avenue, New York 22, N. Y. (paper).

How to Use Your Head to Get Ahead—H. K. Dugdale—Kirkley Press, Towson 4, Md.—10 copies (minimum order) $2.50 (prices on larger quantities on request).

Income Trends in the United States Through 1975—Bonnar Brown and Janet Hansen Tate—Stanword Research Institute, Menlo Park, Calif. (paper) $2.

International Economic Statistics—A Memorandum prepared for the Subcommittee on Economic Statistics of the Joint Economic Committee—U. S. Government Printing Office, Washington, D. C. (paper).

Labor Movement in the United States—Public Affairs Committee, 22 East 38th Street, New York 16, N. Y. (paper), 25 cents.

Labor Union Monopoly—Donald R. Richberg—Constitution and Free Enterprise Foundation, 210 East 43rd Street, New York 17, N. Y.

MEMBERS OF

THE BOSTON SECURITIES TRADERS ASSOCIATION

34th ANNUAL DINNER

At The Sheraton Plaza Hotel February 14, 1958

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Alexander W. Moore
New York Hanseatic Corporation

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Leo F. Newman
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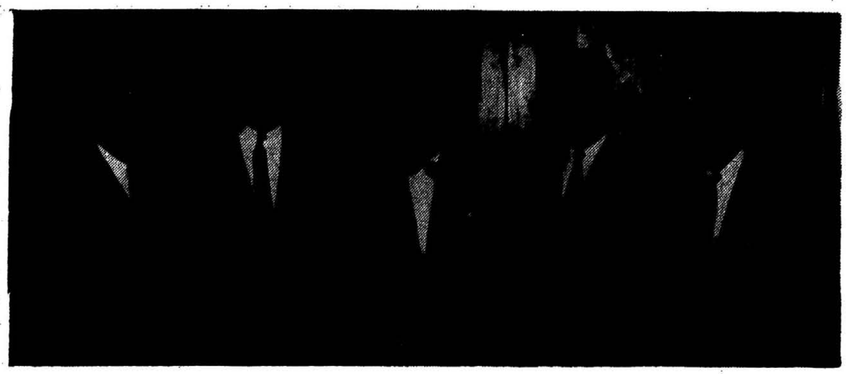
Edward J. Opper
J. B. Maguire & Co., Incorporated

Daniel L. Quinn
Schirmer, Atherton & Co.



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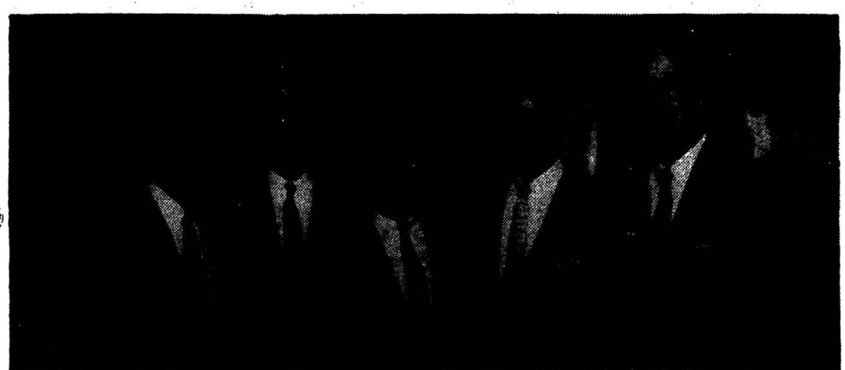

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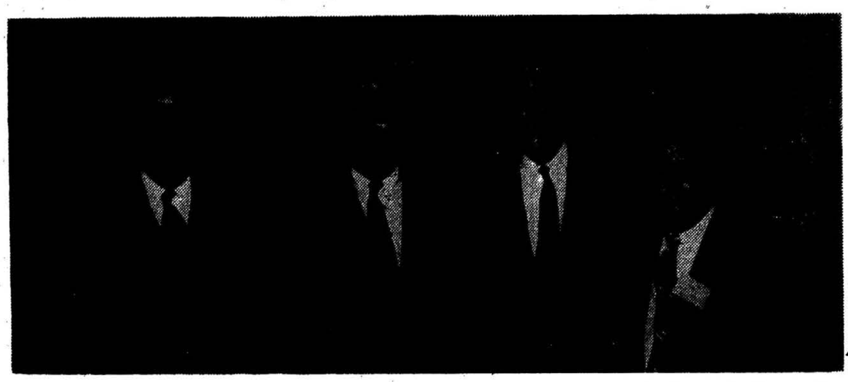

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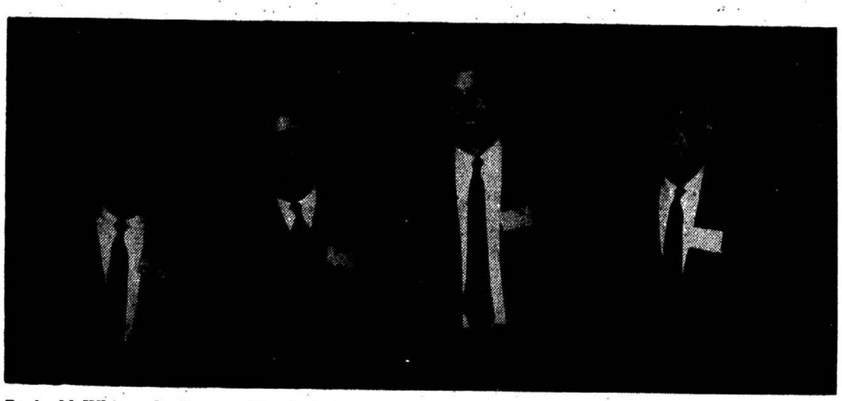

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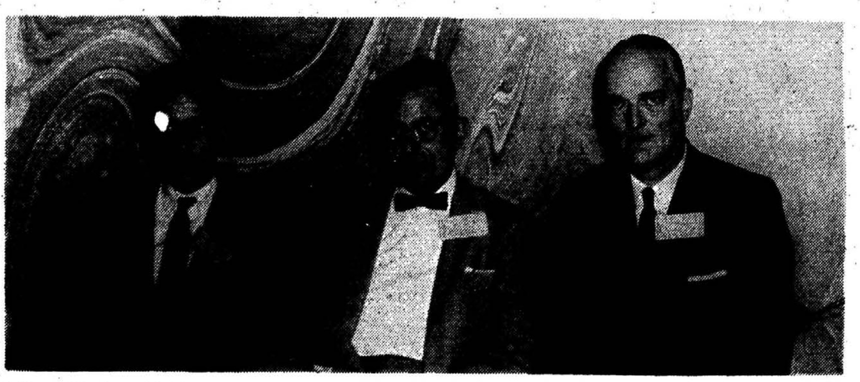

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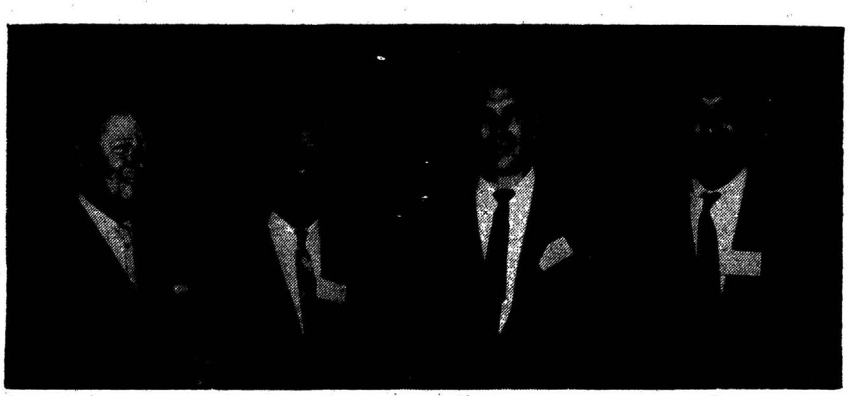

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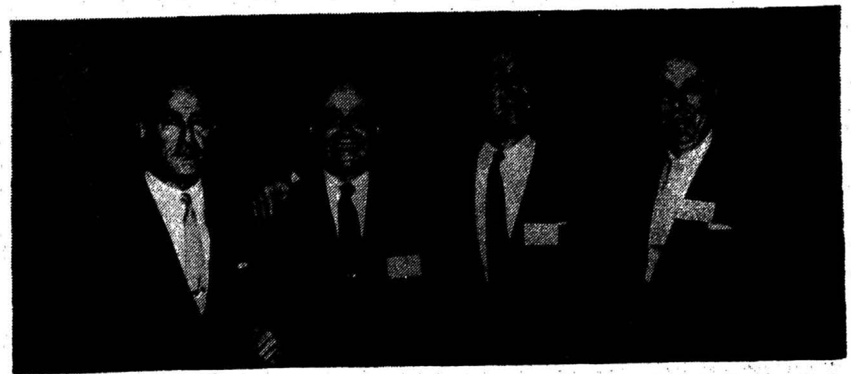

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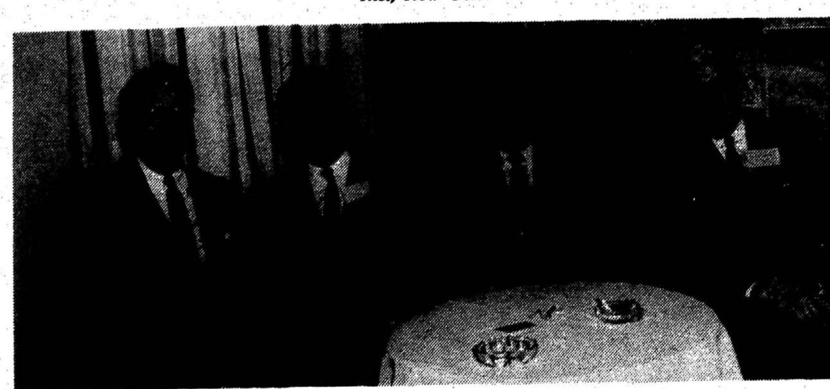

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