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EDITORIAL

As We See It

"Sweet are the uses of adversity;
Which, like the toad, ugly and venomous,
Wears yet a precious jewel in his head."

These lines, in more poetical language than economists are wont to use, express in general terms what was once an orthodox view of economic depressions. They were ugly and venomous to be sure, but it was through their good offices that unhealthy conditions which had grown up in the business structure were eliminated and the basis laid for further genuine progress. The cost of essential adjustments made in response to such conditions was admittedly high, and if a better way could be found for inducing them or if some one could devise a workable system for preventing the rise of conditions which made them necessary, so much the better, but meanwhile these adjustments could not be neglected if depressions were to be brought to an end and real progress resumed. The view that maladjustments and various other unsound factors that develop in boom times must somehow be eliminated seems to us to be just as sound today as it ever was.

But how vastly different are present day popular notions, the political concept of the needs of the situation, and—with deep regret be it said—the arguments of many economists, may be seen from current discussions in many quarters about what should be done in Washington to end the current recession. One experienced and extraordinarily astute student of the current scene was recently led to remark that "there is no one

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Bank Investment Policy In a Cyclical Economy

By ALFRED J. CASAZZA*

Exec. Vice-President, Savings Banks Trust Company, New York City

New York banker analyzes impact of current recession and outlook for investment yields, among other things, in advising commercial and savings bankers on profitable portfolio policies to pursue. Mr. Casazza stresses present advantages of governmentally underwritten amortizing mortgages, suggests commercial banks tie savings deposits to long-term assets, cautions more thought be given to staggering—rather than stretching—maturities to achieve advantageous poised reinvestment position with recovery, and doubts Treasury will preempt for itself a large part of available long-term funds.

The current business recession presents a serious challenge to bank investment officers. A downturn in business inevitably is accompanied by a decline in interest rates and a rise in bond prices. Reduced business and consumer spending curtail private borrowing. At the same time, commercial banks become aggressive buyers of securities as their loans decline, and the Federal Reserve authorities apply easy money measures to check the drop in business.


Alfred J. Casazza

The rise in bond prices produced by a recession at first brings plaudits from bank investment officers because of portfolio appreciation. Capital gains in the bond account are welcome after several dreary years of capital losses. But declining bond yields soon create a serious earnings problem for banks, especially at this time when operating costs have risen

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*An address by Mr. Casazza before the Savings and Mortgage Conference, The American Bankers Association, New York City, March 11, 1958.

Bank Stocks Today

By WILLIAM W. AMOS*

Assistant Vice-President, The First Boston Corporation New York City

Convinced that rarely "has the outlook for banks and bank stocks been better than it is today," Mr. Amos enucleates why they have acquitted themselves so well, outperformed D-J industrial averages this year, still sell at historical low in terms of price-earnings ratios and yields, and offer good prospects for income-safety and steadily appreciating value over the years. First Boston Corporation executive compares outlook for New York, interior and West Coast banks generally, and provides table specifically comparing 12 New York City banks and 17 non-New York City banks.

Not too many years ago the amount of statistical information relating to banks was so limited and the scope of their activities was so restricted by low money rates, that investment interest in this important group of securities was at a low ebb. Even a year ago, when many glamourous industrial "growth" stocks were receiving most of the attention, bank stocks were definitely not in the limelight.


William W. Amos

While it is not suggested that bank stocks occupy the center of the financial stage, their position with respect to the rest of the equity market has been improving and, as will be pointed out, there are reasons for believing that further recognition is in prospect.

Before elaborating on these reasons, it may be well to review briefly some of the background with respect to the recent history of the banks and bank stock markets. Bank stocks have for many years been regarded as quality investments. Long earnings and dividend records have contributed to this reputation. In the boom of the 1920's, however, specula-

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*An address by Mr. Amos before the Cleveland Society of Security Analysts, March 13, 1958.

PICTURES IN THIS ISSUE—Candid photos taken at the 32nd Annual Dinner of the New York Security Dealers 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

HARRY E. BOWER

Hallgarten & Co., New York
Members, New York Stock Exchange

Western Natural Gas

The security I like best, from a long range capital gains point of view, is Western Natural Gas, a producer affiliate of El Paso Natural Gas, traded in the Over-the-Counter Market at around $12 a share. This common stock, preceded by almost $14 million of long-term debt and $11.4 million of convertible preferred, provides a leveraged participation in large proven reserves and an excellent exploration and development potential in the U. S., Canada and Venezuela.

Harry E. Bower

Western has nine major natural gas contracts, mostly with interstate transmission companies, of which four, accounting for more than 50% of volume, either expire or are subject to redetermination between Jan. 1, 1959, and April 1, 1960. Just one of these contracts accounts for about 50% of the volume involved. Since the present price on this contract of only 6¢ per MCF is substantially below going rates on new contracts, it seems reasonable to expect important over-all increases on redetermination. Thus, a substantial rise in total gas revenues is in prospect without any increase in production.

Gas production, which has been trending downward since 1953, probably has turned around and, in any event, should rise in 1958. El Paso's gas pipeline to the West Coast and completion of the Pacific Northwest Pipeline will provide for increased deliverability of Western's reserves in the San Juan Basin and the Uinta-Piceance Creek areas and, in addition, should accelerate development of proven but undrilled acreage. In Southeastern Utah a 50% interest is owned in an 11,000-acre block covering most of the Boundary Butte field. Substantial delivery from the shut-in gas reserves in this field to a new El Paso pipeline is expected to begin in early 1959, at an initial rate of 15 million cubic feet daily. The company completed an oil discovery on the flanks of this same structure in late 1956 and prospects for development of a sizable reserve are good.

At the end of 1956 land holdings totalled 2,644,396 net acres (inclu ing 1,722,339 net acres in Western Canada), of which 246,852 net acres were proven for production. The greatest concentration of producing acreage is in the Permian Basin area of New Mexico followed by the Texas Gulf Coast, the Hugoton area of Kansas and the San Juan Basin of New Mexico. In 1957, interests totalling 4,070 net acres were obtained in three exploitation concessions of 24,710 acres each awarded to the Phillips Petroleum Group in Venezuela.

The last official estimate of reserves, in November, 1955, indicated gas reserves of 1,678 billion cubic feet and crude and condensate reserves of 10,750,000 barrels. A conservative appraisal f these and other net assets in-icates value in excess of $20 a common share. There is little question but what proven reserves have increased importantly since 1955.

In Terrell County, West Texas, along the Southern edge of the Permian Basin, Western and partner Magnolia Petroleum have completed what has the appearance of a major gas discovery on a 33,600-acre block. The well, completed in the Silurian, proved highly productive in the Ellenburger formation as well. Subsequent wells will be dually completed. There has been no official announcement regarding the size of this field but, judging from well information and the stated intention of El Paso to construct a large diameter pipeline into the field immediately upon receipt of FPC approval, one may be reasonably certain that it is large. According to a recent issue of "Petroleum Week," some oil men regard it as the most important discovery of the year in the Permian Basin.

In the Gulf of Mexico off the Louisiana Coast, the company holds a 6.25% interest in 11 blocks covering 37,000 acres. On two of these blocks the Group has developed substantial oil reserves, which will be placed on production early this year. Drilling is now underway on two other blocks both of which are in close proximity to proven acreage.

Western has large spreads of acreage in the Williston Basin of North Dakota and Montana, the Piceance Creek and Uinta areas of Colorado and Utah and in the Paradox and San Juan Basins. All of these areas are under active exploration and wildcat successes are increasing.

In Canada, wholly owned subsidiary, Gulf States Oil, has a net interest of approximately 1,722,33[illegible] acres in the Peace River area of British Columbia. This includes a 20.5% interest in the 396,854 acre Blueberry permits, on which there are now four gas fields and one oil field, and a one-half interest in the 39,200-acre Gundy Creek permit, on which there are now three gas fields. Gulf States and partners have contracts to deliver up to 60 MMCF daily at 10 cents per MCF from these fields to the Westcoast Transmission Company when the pipeline extension is completed about mid-year. In addition, the wildcat potential on these permits and other substantial holdings farther North in the Fort Nelson area are considered excellent.

In Lake Maracaibo, Venezuela, the company as a member of the Phillips group, has a 10% interest in the 24,710-acre Block 10 concession, on which a major discovery was announced in February, 1958. Some sources believe that drilling in Block 10 along with Block 17 in the Lake and Block 9 in Southern Monogas may ultimately triple Western's crude and condensate reserves.

Since year-end 1956, long-term debt has been increased by over $6 million and, in view of a narrow working capital position and a heavy drilling program, estimated at $3-$4 million in 1958, additional outside financing seems likely. Cash flow is increasing, however, and, beyond 1958, capital requirements may be met from internally generated funds. One indication of this was the acquisition of the Cameron Parish Corporation in early 1957, which is expected to provide annual cash flow in excess of $1.3 million over the next 10 years.

In the 12 months ended Sept. 30, 1957, the company had revenues of $8.6 million, cash flow of $4.5 million and earnings of $0.31 per common share. This represents substantial growth over revenues of $7.1 million, cash flow of $3.6 million and earnings of $0.25 per common share in the previous 12 months. Western does not pay dividends.

Forecasting can be hazardous, particularly when it involves a small gas and oil company. Nevertheless, as indicated above, one can point with confidence to a number of substantial increments in Western's income over the next few years. Off-shore oil will be marketed in the relatively near future. Marketing of gas from Boundary Buttes and Blueberry-Gundy Creek could add as much as $1 million to revenues in 1959, and redetermination of gas contracts is a solid plus over the next three or four years. In addition, the Terrell County discovery and Venezuelan properties should begin producing revenues in 1959. Over-all, there seems every reason to expect earnings to improve rapidly over the next few years.

HENRY J. LOW

Manager, Institutional Research Dept.
Gude, Winmill & Co., New York City
Members, New York Stock Exchange

Electronic Specialty Company

Electronic Specialty Company, one of the top 10% West Coast electronics producers, was incorporated in 1948 with a net worth of $10,000 succeeding a proprietorship founded in 1940. The company, a leading manufacturer of airborne electronic equipment, is engaged in the production of timing, sensing, warning and safety devices used primarily for commercial and military aircraft and guided missiles.

Henry J. Low

Electronic Specialty's activities are conducted through the following four divisions:

(1) Avionics Division, manufacturer of precision electronic timers and sequencing controls for military and commercial aircraft and guided missiles.

(2) Miniature Aircraft Relay Division, producer of high shock, high temperature and contamination free electronic and airborne relays which are principally used as components of systems made by the Avionics Division. Introduction of a new complete line of subminiature relays is scheduled for some time this year.

(3) Radiating Systems and Components Division, which specializes in the development of antennas, micro wave components, communications and countermeasures equipment and search radar systems.

(4) Systems Division, developer of advanced proximity fuses and a complete radiating system for installation of IFF Tacan and UHF Data Link Communications. After complete adaptation by the Air Force and Civil Aeronautics

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National Economic Policy for Expansion and Price Stability

By DR. GROVER W. ENSLEY*

Exec. Vice-President, Nat'l Ass'n of Mutual Savings Banks

Mutual Savings Association's executive offers six-point program to achieve economic expansion and stability after analyzing economic trends and policies since inception of Employment Act of 1946. Dr. Ensley calls attention to: accomplishments, under the Act, of Congress and Joint Economic Committee; inability to forestall dollar's purchasing power decline; difficulties in amending the Employment Act; and compatibility of economic growth and price stability. Would improve national economic policy in interest of interrelated objectives of growth and price stability by improving: economic information, resource-mobilization; savings-flow; monetary-fiscal flexibility; and our understanding of policies and reasons for honest differences in philosophy.

The Employment Act of 1946, it will be recalled, was legislated in 1945 and early 1946 in an atmosphere of uncertainty and apprehension. The general thinking of the time was that the post-war era would probably be marked by re-emergence of persistent unemployment and economic stagnation. These fears had their origins in the great depression of the 1930's and the failure, first of the free market and later of uncoordinated, experimental and emergency public and private programs to restore real prosperity. At the outbreak of World War II there were still nearly 10 million unemployed persons in the United States. Substantial idle industrial capacity still haunted business management after 10 years of virtually no replacement or expansion of plant and equipment.

Grover W. Ensley

In view of this pessimistic environment at the close of World War II, perhaps it is surprising that consideration of the Employment Act legislation brought forth as high a degree of economic sophistication on the part of the Congress as actually emerged. You will recall the original bill talked in terms of the Government "assuring continuing full employment"; it oversimplified the character and effectiveness of public action; and it was naively mechanistic in its approach to the formulation of Federal policy. Although the wording of the Act's declaration of policy, as passed, was a compromise of great minds, in retrospect, it was well that the Congress generalized the objectives and procedures as it did.

Record of the National Economy Under the Employment Act

I believe historians will view the approval of the Employment Act on Feb. 20, 1946, as a major milestone in our national life. The implicit objectives which have evolved are almost universally accepted. Furthermore, for the first time offices in the Executive and Legislative branches of the Federal Government, in cooperation with private agencies and the universities, are making continuing studies of ways and means of coordinating public and private efforts for achieving these objectives.

A review of the record — the economic trends and economic policies—of the last 12 years suggests four significant facts which have a bearing on any appraisal of the economic outlook:

First, the nation has avoided depression and mass unemployment—the chief fear of the Act's sponsors. We have had no depression of the type that has always followed major wars of the past. There, of course, have been fluctuations in the economy. Unemployment, for example, has been as low as 1.2 million in October, 1953, and as high as 4.7 million in February, 1950. It now exceeds 5 million.

We are experiencing recession today, principally because the recent expansion of industrial capacity has temporarily outrun demand and consumers are temporarily well stocked. In addition, this is the season of pessimism which descends each winter on the economy. While we are not as sure as some that economic growth will be resumed this spring, we can be confident that government action will be taken to prevent a major, prolonged contraction. This evaluation, however, should not lull us into complacency. We are all too familiar with the "new era" optimism of the late 1920's. The real test for the economy and public policy lies ahead. We see no cumulative maladjustments, however, which indicate a major depression is on the way. On the contrary, the longer-run forces suggest prosperity.

The second significant fact which emerges from a review of the record under the Employment Act is the general acceptance of the role and use of flexible public policy by virtually all economists and, what is more important, by both major political parties. This speaks well for the future. We will not see government increase

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*An address by Dr. Ensley read for him at Dean's Home Coming Day, Graduate School of Business, New York University.

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Top Utility at the Top of the South

By Dr. IRA U. COBLEIGH

Enterprise Economist

Offering some favorable comment about Virginia Electric and Power Company—a splendidly managed public service company operating a $575,000,000 plant.

When George Washington threw a dollar across the Rappahannock River, he little realized that, some 300 years later, that same dollar would buy 22 kwh. of household electricity from the company serving more than ⅔ of his native state, Virginia Electric Power Co. Further, his victory over Cornwallis would have been more smoothly achieved had he been able to floodlight the enemy fleet using juice from the 170,000 kw. generating station, of this same company, which now stands just a few miles away from the historic Yorktown battleground.

Ira U. Cobleigh

Fact is the whole territory served by Vepco is redolent with historic interest, including as it does, Richmond, Fredricksburg, Williamsburg, Portsmouth, Charlottesville, Norfolk, Newport News and White Sulphur Springs (West Va.), plus about ⅛th of North Carolina. Altogether, Vepco serves 68 counties in Virginia, 19 in North Carolina and five in West Virginia.

This territory factor is one of the reasons why many analysts regard Vepco as among the very finest utilities in America. Only 14% of its revenues now come from industrial customers and the average residential customer used 3408 kwh. in 1957—8% above the national average. Here then is a company regarded as especially depression resistant on the one hand, yet serving a region experiencing a broad and balanced growth which has been adding around 14c a share to net earnings each year. Gross operating revenues increased 10% in 1957 to a new high of $129,600,000 with per share net rising 18% (giving allowance for a 2-for-1 split in the common last April).

To serve its expanding needs, Vepco spent $59,432,000 on construction expenditures in 1957; and will spend $70 million this year, principally for two new 170,000 kw. steam generating units, bringing total capacity up to 1,760,000 kw. (Over 90% of power is steam generated.) At the 1957 year end Vepco had 704,000 electric customers and 92,000 gas customers (with electricity delivering 93% of the gross revenue).

Naturally, an expansion program so extensive and continuous, creates a steady need for capital. This is supplied from depreciation account, by retaining some 35% of net; and by security flotations. In 1957, $44 million in new money was raised by public sale of 1,000,000 shares of common, and $20 million in first mortgage bonds. Another $25 million, issued under the same mortgage, is due to be underwritten this June; with possibly an offering of additional common sometime next year.

Vepco does not sit idly by and wait for business to come in. On the contrary, it steadily develops new revenue sources by two programs: (1) Area development and (2) Sales promotion. The first program seeks to attract new industry to the state by nation-wide advertising, and direct mail, stressing the attractions of "The Top of the South"; and to expand and develop economic growth in the communities already in its service area by Community Inventories, Industrial Site Surveys, and Economic Reports. 1957 witnessed major expansion of existing served industries by du Pont, Hercules Powder Co., Allied Chemical & Dye Corp.; a new American Oil Refinery; and development of a number of large scale shopping centers.

Sales promotion operates through electric contractors, distributors, and dealers in the area in encouragement of appliance sales and installations; and increased use of heat pumps and electric space heating. Vepco also has an aggressive program for upping the wiring capacity of homes (to at least 100 amp.) to accommodate a larger power load, i.e., more appliances. During 1957 Vepco was honored by 14 national and local awards for the excellence of its advertising.

While we're on this subject of advertising and public relations, Vepco's annual reports have repeatedly been cited for their excellence in content, presentation, clarity, and format, and in 1956, the company received the "Financial World" Bronze Award for the best annual report among the largest electric light and power companies. (Get the 1957 edition and you'll see that an annual corporate summary doesn't have to be a soggy, stuffy pot pourri of statistics, as most such are.)

Employees seem to like working for Vepco. There are 5,075 of them with an average length of service of 12 years. There is an Employees' Welfare Program with well rounded benefits, including group life insurance, hospitalization and a retirement fund. In the past 10 years the company has contributed over $14,200,000 to the Welfare Fund.

The capitalization is well balanced: $260 million in debt securities, $61.4 million in four series of preferred stock and 14,200,000 shares of common listed on the New York Stock Exchange. This Vepco common now sells at 28 affording a yield of 3.60% on the indicated $1.00 dividend. If this return seems a bit on the meager side, it is due to the quality, and high investor acceptance, of the issue, and the steady advance in both earning power and dividends over a long period of years. Surely if the stock dipped back to 25 to yield 4%, it could be given a quite positive "buy" rating. (The 1957/8 range was between 21¾ and 28⅜.)

The per share earnings for 1957 were $1.53 and a figure of $1.70 for 1958 is being predicted.

Vepco has done a splendid job of keeping its shareholders informed. (It had, at the 1957 year end, 30,460 common, and 7,439 preferred, shareholders.) In addition to its outstandingly revealing annual reports already mentioned, Vepco sends out a Quarterly Interim report with each dividend check; and there is available on request a Condensed Monthly Financial Statement. The company also conducts an annual tour of the property for bankers, brokers, analysts, investment counsel, and institutional investors.

Naturally VEL common makes no particular appeal to speculators. It is too much of a defensive type security and does not excite its holders with any noticeable market pyrotechnics. It does, however, present some very solid qualities for the long range investor. The fact that residential customers account for 45% of all electric revenues, and that residential, rural and commercial revenues account for around 80% of all electric revenues, gives unusual assurance of sustained earning power. Average annual "take" of residential customers has been rising steadily, and in every year since 1948 Vepco has added at least 21,000 new electric customers. 22,000 more are expected for 1958.

In this era when the Public Power pitch is so strong, it is interesting to cite this company with its distinguished record for community service and magnificent earning power, for its very sizable tax contribution. Twenty-two cents out of every dollar of 1957 revenue went to taxes — a total of $29,072,000.

For the future, Vepco not only has projected its own large additions to generating power of the traditional type, but in association with Duke Power Company, Carolina Power & Light Company and South Carolina Electric and Gas Company, it has formed Carolina and Virginias Nuclear Power Associates, Inc. This company plans to build (1962 target date) a $17½ million nuclear pilot plant on the Broad River at Parr, S. C. This plant may well lead the way to large scale atomic electric power production by Vepco in the future.

In a somewhat hesitant market where resourceful investors seek to nail down income, and to buy securities unlikely to go down drastically, but which can advance, VEL merits serious consideration.

The State of Trade and Industry

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

While many current reports on business and industry continue to reflect a depressed state of our economy, "Steel" magazine in this week's issue, struck a rather optimistic note by stating that "five business barometers indicate that the recession may be nearing its end." It added that they are turning up a little or holding steady and continued by saying "the appearance of favorable signs in construction, freight carloadings, machine tool orders, car sales and coal could be significant." This report by "Steel" magazine is given in greater detail under steel output below.

Latest reports on retail trade for the country as a whole also proved encouraging, rising one to five percent higher than a year ago in the period ended on March 12, last. For New York City alone, trade observers estimated an increase in retail trade volume the past week ranging from ten to fifteen percent above the sales level for the comparable period of 1957. Moderate weather early in the week stimulated Easter buying and, generally, the number of people shopping in the stores was good.

President Eisenhower addressing the Republican Women's National Conference in Washington this week stressed a conservative approach to combatting the business recession, in opposition to more extreme remedies proposed by many Democrats. Promising to do everything "constructive" to reverse the slowdown, the President nevertheless said, "The real mainspring of our kind of economy is not Government but the built-in thrust and vigor of private enterprise."

President Eisenhower this week again promised tax cuts if the recession requires them but said his Administration would not be "panicked by alarmists" into anti-recession remedies that would damage the economy.

The President held out the possibility of a tax reduction after declaring he was "flatly opposed" to a "make-work approach with its vast, slow-moving projects" that might turn a temporary recession into a "long-term economic headache."

As for Administration proposals and actions in accelerating public works, Mr. Eisenhower said all of them "are useful and needed in themselves." He added, moreover, "They are generally projects that start quickly, provide employment quickly, and also do not drag out so long that they compete with the needs of private enterprise when the expected resurgence comes."

The number of unemployed rose about 700,000 to 5,200,000 in mid-February from the previous month, according to the United States Departments of Labor and Commerce. This was a post-war record and was the highest level since mid-1941. The February number comprised 6.7% of labor force, after adjustment for seasonal factors.

The January value of manufactures' sales, seasonally adjusted, fell 2% to $25,700,000,000 from December and was down 10% from the comparable 1957 month. Most of the decline was centered in sales of durable goods. Volume in non-durable goods was steady. At $53,300,000,000, manufacturers' inventories were somewhat below those of December, but moderately exceeded similar year ago levels.

In the steel industry this week, in spite of the gloom in steel, there is no foundation to rumors that steel prices will not rise again this summer when higher wage costs take effect under steel labor contracts, "The Iron Age," national metalworking weekly, reports.

"Rumors in some quarters that there will be no price increase in July do not stack up with the fact that some steelmakers see their wage costs going up 20 cents and hour this year—not counting a possible wage increase under the cost-of-living clause in steel labor contracts," "The Iron Age" further states.

"One thing not generally understood is this that the steel contracts run until 1959 and call for a wage rise next July 1. They cannot be rescinded unless Dave McDonald, head of the steel union, says so and this would be suicide for him. So logic favors a price increase and for that reason some steel users are going to lay up a little steel as a hedge before July 1. They figure there will be an increase ranging from $5 to $7 per ton."

Meanwhile, steel mills have little to cheer about. Their

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Observations . . .

By A. WILFRED MAY

A CRUCIAL DETERMINANT OF THE RECESSION'S DURATION

As our Recession-Depression goes along, the importance of the psychological factors to its future course becomes ever more apparent.

A. Wilfred May

This is impressively highlighted in two timely studies of the attitudes of the all-important consumer. The survey "Consumer Attitudes and Inclinations to Buy" by the Survey Research Center at the University of Michigan, with George Katona serving as Director of its Economic Behavior Program, covering the last half of 1957, is revealing. For it finds not only that there was a sharp turn-about from the preceding periods in buyers' intentions, but also that their pessimism results largely from unfavorable news which the consumers have heard, rather than from adverse personal experience of their own. This is in line with other polls of the intentions of spenders, corporations as well as private individuals.

Reversal in Sentiment Outruns Buyers' Resources

A subsequent study based on 2,600 interviews made in January and February of this year by the Federal Reserve Board in cooperation with the Michigan group, similarly shows a reversal of buying intentions out of proportion to "the economics". 26% of the consumers said their rate of income was lower than it had been a year earlier. But 36% of all spending units reported that they were earning **more** early this year than a year ago. And nearly three-fourths of all spending units expected to be making as much or more at the beginning of next year as they were making early this year; with only one-tenth expecting their earnings to decline in the coming year.

There also were no significant changes in the holdings of liquid assets, other than currency, from 1957 to early 1958. Against this background of quite adequate spending **ability**, 39% of the respondents predicted "bad times" against 13% a year ago, and 9% two years ago; and further reported a reduction in plans to buy automobiles, houses and durable goods.

Intention to curtail buying was registered along with an expectation of future price rises, constituting recurrent consumer behavior however illogical it may seem to be.

Corporate Spenders Likewise Volatile

Corporate spending policy also regularly marks a substantial and illogical change from previously expressed intentions. In the course of the McGraw-Hill surveys of planned business expansion on plant, they encounter a change in intention by executives before it becomes time actually to lay out the funds. And the Department of Commerce and the SEC now report that business spending this year will fall 13% below 1957.

With this decline being double what was indicated last fall it is apparent that the extent of such change in spending plans that arises from psychological or other unpredictable non-economic causes is considerable.

Such deliberate choice of buying policy based on non-material motivations, on the part both of the corporate executive and private individual, is the X-factor in the efficacy of either the tax cut or public works cure for the recession, as it is in other facets of "string-pushing" efforts.

Mental Disposition of the Tax Cut "Bonus"

As is being recognized in Washington discussion of the actual efficacy of tax reduction as an anti-recession device, the question of a terminal date is in dispute because of it possible effect in prompting the recipient to save his tax benefit dollars until its expiration in lieu of spending them. Thus also psychologically governed and undeterminable in advance, is the crucial fact whether this 40 cents or so per week of tax remission accruable to each tax-payer would lead him to open up his purse strings.

The mental block in the way of the stimulation desired from tax-cutting is confirmed by a survey published by the "Wall Street Journal." Its sampling of 330 consumers and company officials in 13 large cities around the country casts great doubt on the assumption that the "bonus" derived from tax-cuts will be automatically spent.

Likewise, as was revealed in the Rooseveltian nineteen-thirties, is the psychological reaction to a public works program important and uncertain.

And in connection with a housing program, it is difficult to know whether $1,850,000,000 involved in the bill now in the Congress will be translated into actual housing starts while people are uncertain about the future.

Surely the above-cited facets of uncertainty regarding the course of the behavior factors that are involved, will affect the efficacy of all of the anti-recession devices now being considered in such impatience, political and otherwise; along with the slower but surer course of the free market process in curing the excesses that have developed in the recent years' boom.

Savings Association's Portfolio And the Bond Market Outlook

By ROBERT VAN CLEAVE*
Vice-President, Research, C. F. Childs & Co.

U. S. Government dealer explains why he recommends savings and loan associations, not other institutions, should emphasize bills rather than long-terms; expects reversal of economic downswing within a period measured in months and, thus, regards present downswing in interest rates as temporary rather than long-run; and doubts Federal Reserve will unduly inflate money and credit during this recession. A further rise in bond market for a time, Mr. Van Cleave believes, will be due to capital demand briefly falling below current savings and to unwarranted assumption by traders of repetition of Federal Reserve 1953-54 policy. Other discernments include 1,100,000 housing starts and Federal *cash* spending of $87 billion or more this calendar year.

My task and my privilege is to offer one man's opinion on what sort of securities savings and loan associations should hold. Savings associations do hold securities, but their purpose and objective is far different from those of commercial banks, savings banks, and insurance companies. They are especially different from those of a group of errant speculators — refugees from the stock market—which the bond market has lately known.

Robert Van Cleave

My plan is to lay a foundation by submitting, first, some remarks about the economic outlook; second, by presenting what is undoubtedly a minority view on Federal Reserve System policy and its meaning, and finally, I shall come to the point and tell you what I think associations ought to invest in Treasury bills.

The Economic Picture

Everybody in this country today has an opinion on business, and most of those opinions are bearish. That is especially true in Wall Street, where I come from. The bears are determinedly gloomy. They refuse to be cheered; they see not a ray of hope anywhere. The need for everything you can name has been saturated, while the capacity to produce anything you can think of is greater than ever before. They wave off those of contrary opinion as either dreamers and mystics, or as politicians anxious to cover up a very unpleasant situation, whose real nature they dare not let the people know.

Well, I am not a politician, though I may be a mystic. After all, the outlook depends very much upon the viewpoint. Business bears always point to the steepness of the decline as evidence that the angle of descent will become much steeper, and that the descent will go much deeper and last much longer. Some equally respectable people, however, point to the same figures and conclude that a slide so sharp cannot continue very long before hitting bottom. It seems reasonable to me, for instance, that the more quickly burdensome inventories are liquidated the sooner they will have to be rebuilt, and the sooner prices come down the sooner buying demand will be re-stimulated—especially as prices come within the reach of those large groups of citizens who have been unable to get their incomes up in step with rising prices.

Another noticeable difference resulting from viewpoint has to do with the economic stimulus which may be expected from Federal Government spending. The business bear typically tends to take the official budget figures on outgo as setting the top limit. From the viewpoint I choose to adopt—and which I choose to think is more realistic — actual spending for defense and other domestic programs is likely to come closer to the outline presented in a State of the Union Message on Jan. 7, by Senator Lyndon B. Johnson.

My guess is that total spending on a cash outgo basis—which as you know is larger than the budget basis—is likely to be at least $87 billion or more in this calendar year. Income to the Treasury, provided there is no tax cut, is likely to be $6 billion or so less than that. If there is a tax cut — and the odds seem to be growing on that probability—the deficit naturally will be considerably greater. Since it will necessarily have to be financed mainly through the commercial banks, I should think it will have some inflationary implications. Many people, during two fiscal years of budget surpluses — and almost a third—seem to have forgotten all about the significance of bank-financed deficits.

On the economic plus side (avoiding definite numbers) I would put spending by Government (Federal, State and local), consumers, and inventories. I think these will be enough to offset, or somewhat more than offset, minuses in business fixed capital investment and a smaller export surplus. Construction, bolstered by private housing and the Federal highway program, should move up. Retail trade, even including auto sales, can be expected to improve with the weather. This severe winter, country-wide, has been a real handicap.

Total cash outgo from the Federal Treasury was mentioned earlier. Though this total figure is of course greater than the portion going for goods and services, and hence a part of the GNP figures, I think it should be given considerable weight. It puts cash into the hands of people, whose incomes and buying power are thus augmented. Moreover, the effect on the speeded-up placement of defense contracts, backed by rising trends in new appropriations, should not be underrated. This is bound to have an impact upon the expectations and planning of business firms, even before money is actually spent. From the standpoint of a needed stimulus to the economy, it is indeed fortunate that Federal spending now can be and should be directed to the absolutely vital purpose of national defense, and not solely to boondoggles.

From all of this one may have got the idea that I am not among the forecasters of gloom and doom. Indeed, I am more than a little optimistic for the economic future of our country. At the very least I insist it is too early to conclude that we are headed into another period of stagnation at low levels, and much too early for the implementation of vigorous measures involving strong inflationary action aimed at getting us out of such a pickle. And in this view I sense that I find support in important official quarters. This brings me to my second topic.

Federal Reserve Policy

No discussion of capital markets and money rates can afford to leave out what the Federal Reserve System is doing and is likely to do. Everyone today, no matter what his business, is aware that the System exists and is somehow very important; unfortunately, many of those who have lately gained this awareness have a rather superficial understanding of it.

As I have pointed out on previous occasions, knowledge has become more widespread but on the average less profound; it is broader but not deeper. The man on the street corner knows there is such a thing as the "Fed," but so far as his insight goes the System is a vicious monster with only one purpose in life. Its function is to make money tight, hard to get, and expensive, just as described in the headlines. He does not see that if there were no Federal Reserve System (or some similar agency) there would be only a small fraction of the money supply available today, and interest rates would be many times as high. The perverse conduct of the System is especially reprehensible in his eyes because he understands that in some hard to explain manner the System does have the power to make money plentiful and cheap. What he does not understand is why the System refuses to make use of this magic power to the fullest extent; why

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*An address by Mr. Childs before Southwest Savings and Loan Conference, Dallas, Texas, March 19, 1958.

Worldwide Economic and Monetary Turning Points

By PHILIP CORTNEY*
Economist and President, Coty, Inc.

Industrialist-economist outlines following economic and monetary problems confronting the free world: (1) worldwide recession, manifesting a postwar deflation; (2) the impasse reached by the international monetary muddle, and (3) barriers to world trade. Mr. Cortney strongly recommends return to free convertibility of sterling with U. S. cooperation. Contends international lack of liquidity can be solved best by revaluing price of gold, provided U. S. and Great Britain stop monetizing government debt. Stresses importance of Congress voting Reciprocal Trade Agreement program as proposed by the Government.

"Economic relations between countries are basic. If economic relations improve, then other kinds of relations will also improve." The words I have just uttered were those of the new Soviet Ambassador to the United States Menshikov in a statement published in the New York "Times." Be it said in passing this is a fundamental tenet of the International Chamber of Commerce. It is Soviet Russia which gives due recognition and highest rewards to brains, while we reserve our favors and preferred treatment to hand-labor and labor-unions. Our goal seems to be an equalitarian society, very similar to the one which is being perfected in Great Britain.

Philip Cortney

It is Soviet Russia which has adopted the sound economic principle, at one time ours, of translating the greatest part of technological progress into lower prices for the benefit of the entire country.

One should therefore not be surprised by the challenging statement made by Mr. Kruschev to a well known American publisher on Nov. 6, 1957:

"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 of the U. S. 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."

A Soviet economic offensive is in full swing. We can expect them to do everything possible to bring about a breakdown in the present international trade and currency system of the free world, and the eventual absorption of the underdeveloped countries into the communistic system.

To meet the Soviet challenge successfully the free world will need unity of purpose, strong determination and wholehearted cooperation. The free world is confronted with serious economic and monetary problems, which can be solved only if our country provides the leadership. The responsibility of the United States in the present international economic and monetary disorder is greatest because at times we refuse to face problems and prefer policies of expediency and because of the preponderant economic weight of our country.

The solutions to our economic and monetary problems are technical in nature and it will require indeed extremely competent and wise men to provide the right answers. However, the solutions to these problems will imply important political decisions and it remains to be seen whether political democracies are able to live up to the challenge facing the free world.

*An address by Mr. Cortney before the 12th Annual International Trade Conference, Pittsburgh, Pa., March 12, 1958.

The Fundamental Problems

There are three main and fundamental problems confronting the economic and monetary system of the free world.

(1) A World-wide recession or depression, call it as you like, which is bound to contract international trade.

(2) A monetary problem, characterized by balance of payments difficulties, exchange-controls and lack of international liquidity.

(3) Barriers to international trade.

Let us analyze each of these problems in turn:

(1) Inasmuch as our country is consuming 40% of the goods produced in the world, economic trends in our economy have great impact on international trade, on the prices of raw materials and on the incomes of the countries producing them, as well as on the economic welfare of the other industrialized countries of the free world. No wonder then that the free world is following with anxiety the course of economic events in our country.

In my opinion we are not witnessing an ordinary recession. This is not just a "bump," part of the ordinary business-cycle due to the abuse of credit and optimism during the upward phase of the cycle. The recent recession or depression pertains to a different category of economic phenomena known as postwar depression. One of the characteristics of such a recession or depression is that it is worldwide. The second characteristic is that its roots and strong propelling force are in the huge monetizing of government debt, by practically all countries, to finance the war, and which swelled abnormally the money supply. This abnormal paper money inflation was hoarded during the war by people and corporations either in the form of bank notes or as deposits in banks.

As soon as the war ended, this huge amount of hoarded money available served to purchase the unsatisfied economic needs accumulated during the war and during the depressed period of the 1930's. It takes a number of years, according to circumstances, for an economy to assimilate in higher incomes and prices such a huge amount of paper money as we created during the war.

Unfortunately, because our government had not learned the economic lesson of the 1920's, it superimposed a cheap money policy and a great expansion of credit by banks on top of the huge paper money inflation during the war. Besides, our economy was strongly stimulated by various artificial devices like foreign aid, Federal mortgage guarantees to stimulate home building, etc. All these abnormal factors were permitted to stimulate and excite the economy concurrently.

End of War Boom Inevitable

Once the paper money created during the war was assimilated by the economy and the demands for credit had become too large to be satisfied by savings and the banking system the postwar boom had to come to an end. If the Federal Reserve System had not restricted credit as it did in 1956 and 1957, the only result would have been a much stronger speculative boom than we had, probably a greater rise in prices than did occur, and our troubles would have been magnified. By mismanagement of our affairs we had been led into a situation where the choice seemed to be between the devil of inflation and a credit crisis with all its consequences, including unemployment.

The basic causes of the present worldwide recession are not very different from the one which brought about the 1929 depression. However, as Mr. Herbert Hoover pointed out the other day, the situation is different in one important aspect, namely, that not only are the banks of the world not pressing the repayments of foreign credits they had granted as they did at the onset of the 1929 depression, but our country continues the disbursement of substantial amounts of money to foreign countries as military grants or economic aid, and besides our own military forces spend substantial amounts of money all over the world.

There is another important difference as compared with the postwar boom after World War I. The government expenditure represents today a substantial part of our national income, so that any downtrend of business is cushioned. The result of our large government budget may well be to prolong a readjustment of the economy over a longer stretch of time. Moreover, on the debit side we have the following factors: The wholesale prices, particularly of finished goods, and the cost of living are at their highest since 1939. Our corporations and individuals are heavily in debt, and contrary to what happened in the 1920's, so is our government.

This is the situation created by the mismanagement of our affairs after World War II.

A recession in the United States induces a fall of prices of the raw materials which we buy in the sterling area and other countries, and also reduces our imports giving rise to a scarcity of dollars. Hence the demand on us that we restore the prosperity of our economy.

This demand that we keep our economy prosperous is an invitation to a perpetual boom. If we could get such an economic paradise, without inflation which ends in a collapse and without the sacrifice of human freedom, I cannot see how anyone could be against it. But can we? This is the rub. I for one doubt that any government of a free country, however rich it may be, has the means and the know-how to ensure perpetual prosperity by monetary and fiscal policies. I hear some people in our country saying: "We cannot afford a depression." Very frankly, I do not understand what they mean by this proposition. No one wants or likes a depression. A recession or a depression is only the consequence of precedent abuses of money and credit. We can't get drunk and not have a hangover. I am convinced that a so-called creeping inflation would not in the present situation of our economy prevent unemployment. Quite to the contrary it may well increase it above what a normal readjustment would require, and besides would undermine our currency. Neither are new abuses of credit a remedy to the present situation. A free economy can maintain a steady level of high employment provided maladjustments are not created by abuses of credit, and provided also it is not subjected to continuous unjustified rises in wages by monopolistic unions, as is presently the case in our country.

Controls Inadequate

Mr. Herbert Hoover recommends, among other things, a reduction in government expenditures and taxes and that there be no further rises in prices and wages. In the present political and social conditions in our country this would probably require government control of prices, wages and profits. I am afraid that controls will prove necessary, but controls will not suffice to turn the tide. I submit that it would require the best brains available in our country to come out with a sensible plan for cushioning the readjustment, and make possible the reassertion of natural forces which might put our economy again on a sound basis. It would not serve any purpose to create employment by artificial stimulants if in the process we are to compromise or lose our freedom. The big question which I do not dare answer is whether any sensible and sound plan can be politically acceptable. The job will certainly require great economic statesmanship in our Congress. The social and political system of our society will be at stake in their decisions.

The International Monetary Muddle

(2) The second important problem confronting the free world is the international money muddle. The recurrent crises in foreign payments of many countries reflect a dangerous international monetary disorder. If this issue is not tackled vigorously by competent and far-seeing individuals under the leadership of the United States, international trade is bound to contract and there will be increasing restrictions on imports of American goods.

International trade, partly because of artificial stimulants, has expanded 4.7 times in dollars between 1938 and 1957. The physical volume increased about 120% in the same period. To understand how exceptionally large this expansion was, I should like to mention that the physical volume of international trade increased only by 20% between 1913 and 1929.

This huge expansion of world trade was made possible by the United States spending of about $60 billion on foreign aid, gifts or so-called loans since the end of World War II. We chose to pull the economies and currencies of the free world in our wake by gifts or aid rather than accept the logical and necessary consequences of being a large and rich creditor nation. I for one doubt that we have the means to continue such a policy for a long time if, for no other reason than that as a result of our policies foreign countries have increased their short-term dollar holdings from $5 billion in 1948 to $14 billion in 1957. This is a potential mortgage on our gold reserves which amounts to about $23 billion. The difference of $9 billion is hardly sufficient to provide the statutory reserve requirements in gold to cover the commitments of the Federal Reserve System, even if we take into account about $2 billion short term claims on foreigners. I can't help feeling that the international monetary muddle, including our own, has reached an impasse and that important and far-reaching decisions will have to be taken whether we like it or not.

The present international monetary disorder is due essentially to inflationary domestic policies of practically all countries and to the lack of free convertibility of currencies, and particularly of the pound sterling. I am convinced that the present monetary and credit policies will not permit the restoration of the free convertibility of currencies. Yet we cannot have a well-knit free world economy without an orderly international currency-system. The necessary coordination of the monetary policies of the countries of the free world seems to me impossible — politics being what they are—without either the restoration of the international gold standard or without the rigorous discipline of the International Monetary Fund.

There are deeply entrenched, unjustified prejudices or intellectual prepossessions against the gold standard. But what are we waiting for to restore the free convertibility of currencies, which should have become a fact five years ago, as we were entitled to expect at the time the International Monetary Fund began to operate? The maintenance of fixed exchange rates without free convertibility of currencies can only create serious maladjustments and give a semblance of justification to unrealistic exchange rates. The governments of the free world continue to be confronted with the problems of distorted exchange rates, disturbed balances of payments and lack of liquidity. Why has the International Monetary Fund, or our government, not the courage to explain to the world what is wrong with the present monetary arrangements, and what needs to be done to put an end to the international monetary disorder? Be it said in passing, it is also simply absurd to envisage a Common European Market without the free convertibility of currencies of the countries involved.

What should we do to get out of the present money muddle and strengthen the framework of the free world economy? As I mentioned before, I consider it extremely important for the restoration of monetary order that the pound sterling be made again a freely convertible currency. Indeed, the pound sterling is a trade currency, it is very widely held, and it finances about 40% of the international trade of the free world. Immediately after World War II a few important individuals with great international experience, among whom was Mr. Winthrop Aldrich, then President of the International Chamber of Commerce, advocated the so-called "Key currency" approach for the restoration of monetary order. They demanded essentially that no effort and help should be spared to make the pound sterling convertible.

British Loan Fiasco

The loan of $3,750,000,000 made in 1947 by the United States to Great Britain, on the condition that she make the pound sterling convertible, turned into a predictable fiasco, not only because of the socialistic policies of the labor government, but also because of the huge sterling balances accumulated during the war. It may also be that the world at large possessing pounds sterling was at that time too hungry for dollar goods. This unfortunate experiment in convertibility had the result that most Britishers and many Americans have come to doubt the possibility of restoring the free convertibility as long as England had a Labor Government, because they inspired distrust while confidence is essential to restore the credit of a currency.

The situation is different now. Great Britain has a conservative government which appears determined to put a halt to inflation of money. At the last annual meeting of the International Monetary Fund, Mr. Thorneycroft, then Chancellor of the Exchequer, declared that his government was ready to abandon the policy of full employment, or rather overfull employment, for the sake of defending the pound sterling. This

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Factors to Consider in Any Investment Program

By ROBERT M. MacRAE
Vice-President and Director
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Vancouver, B. C., Canada

Many individual stocks offer profitable opportunities, such as in copper, shipbuilding and steel, and not rails, according to Mr. MacRae who advises 1958 could well be the last opportunity to repurchase shares that have declined sharply in price. The writer urges not to throw caution to the wind and commit all of one's money into depressed equities. Points out that no political party will allow depression's natural course to occur, thus—instead of a sound national fiscal policy—making monetary depreciation the most pressing and important single factor to be faced in any investment program today.

The fact that a period of lower volumes and profits is upon us is being exaggerated into fear that a major depression surely lies just ahead. This change in opinion from high optimism to rather deep despair is, in many cases, far greater than is justified by a careful appraisal of available facts and reason. As a result, many individual stocks are again selling well under their real worth and the purchase of these during the early months of 1958 should prove quite profitable.

Robert M. MacRae

Two important events of 1957 which will have a definite and favorable bearing on business results for 1958 and subsequent years was the successful launching by Russia of the "earth satellites" last October—followed in November by the reversal of the Federal Reserve System's "tight money policy." The Russian "Sputniks" have rudely shaken our feeling of complacency in world scientific supremacy and makes us feel insecure in our desire to live unmolested within our own borders. On the other hand, it gives unlimited governmental spending opportunities practically equal to that normally existing only during periods of actual war. The arguments against a further increase of our present $275 billion debt limit literally vanished with this Russian success and the sharp, almost unprecedented price recovery of U. S. Government (and other high grade municipal and corporate) bond issues following the reduction by the Federal Reserve System of the rediscount rate in November could make the sale of additional new bond issues quite possible.

Governmental Action

The words "deficit financing" are often considered to mean that a period of ample money for all accompanied by good business is at hand, while the recent "tight money policy" is thought of as a governmentally sponsored punishment for "too much prosperity." Though neither of these assumptions are basically true, there does exist a feeling of complacency—probably more within business itself than in investment circles—that should this present business decline take on really serious proportions, the "government" will step in and arrest the downtrend and prosperity will return as if by magic. That this remedy is accepted in some very high business circles, as well as by the public at large, is one of today's greatest political problems. Our government, during the past 25 years, has accepted responsibilities for assuring the "well being" of our economy but up to now no major demands for performance have been made. On such matters as the farm problem, however, no lasting solution has been found other than the costly spending of large sums of tax raised or borrowed money. The political fear of mass unemployment and sharply lowered income tax receipts must be very great. The ability of any government to materially change a business trend once underway is open to serious question but the power of government to reduce the value of the currency by unsound fiscal policy, by "make work" projects and by political subsidies" has been proven, sad to say, beyond any doubt.

* * *

Once in 1932 the Republican Party allowed a depression to run its natural course and elected to preserve, in a Democracy the Federal credit at the expense of the electorate. The political suicide of that unfortunate decision has been affecting us all ever since and it is, therefore, impossible to believe that this type of thinking will be repeated.

The Democratic Party, during 1933, removed the restraints against unlimited governmental spending and since the last 25 years have, on the whole, been pleasant and apparently prosperous for most business and labor groups, the full cost and significance of currency depreciation is not realized. Having learned little or nothing to date, why then, not issue more debt especially if in so doing a foreboding business depression may be eliminated? The prospective "demand" for an increase in the $275 billion debt ceiling to say $300 billion "for the needs of national defense" is the actual working out of this very factor. This belief is so general and its immediate application so pleasant that it appears further monetary inflation is the most pressing and important single factor to be faced in any investment program today. Probably, and ironically so, there is no one asset more needed to withstand foreign threats "from without" than a truly sound National fiscal policy yet the overwhelming popular demand for "easy and ample money" makes it politically impossible to refuse further drains on this supremely important National "asset."

Buying Equities

Were it not for this serious threat of further inflation—and at a very early date—the prospects of a continuing decline in the market would be entirely justified. Emotion—that expression of how human beings will react to a given set of conditions—is a market factor that defies careful appraisal. If fear of a depression becomes general enough, money and credit hoarding by potential consumers can create in part the very condition they fear. If, on the other hand, fear of the value of money itself should come to pass as a result of "depression curing methods," the desire to own tangibles could result in fantastically high market valuations. Today, the fear that future profits for many American companies will continue to decline has and is causing the continued decline in share prices. Yet, who of us can be wise enough to time the exact point when anticipation of a better trend may signal a reversal of this present trend? If we believe that the capitalistic system is to continue to be our way of life—and without this neither our money nor our investments will have any value to us—we must trust it in times of stress and we should buy equities when they are apparently cheap even though at the time we can not too clearly see just when these shares may be again selling for their full worth.

The business indices which foretold this present business decline — the decline in copper metal prices starting almost two years ago and the inability of other raw material prices to advance even though costs of production were constantly increasing, the resulting narrowing of profit margins—are still showing unfavorably. More recently has been added the sharply declining railroad carloadings, poor automobile sales, decreasing steel production and the decline in the stock market itself. On the other side, the improvement in the bond market—even though it may be somewhat overdone at present—is basically bullish. It is, however, most important to realize that the very fact the stock market has declined so sharply makes the possibility of further declines that much less likely. To buy stocks "cheaply" requires that they be bought when seemingly unattractive for only then will present owners part with their higher costing shares at a loss.

* * *

Even though today there is sound reason to view 1958 as a year of further decline in profits and dividends for American industry, 1958 could well afford the last good opportunity to repurchase shares that have declined sharply in price. The stock that at $40 a share was "high" may at $25 a share be "fairly priced." Should this same stock decline further to say $15 as a result of some unexpectedly poor current earning report, it may be a "bargain" even though the general business trends have not as yet turned upwards. If our basic asset value and long term prospect valuation proves correct, it will be much more profitable to buy these shares at $15 (even though they may still decline to $10) than to wait until business conditions have changed and then again pay "well up" for the stock. It is human to hope to buy at the "bottom" and sell at the "top" but this is impossible from a practical standpoint. Money is made by buying stocks "below their worth" and then reselling later at some price "above true value." After the sharp declines of the past 12 months, many stocks are again selling much below the apparent worth and with the mounting threat of monetary inflation in the background, it appears more conservative to buy a little too early than to speculate for the last small fraction.

Where to Buy

If, as I fear, the next major advance in the security markets will be a result of inflationary developments, not all stocks will advance. For example, the railroad industry appears faced with almost impossible problems—for to further increase rates will destroy many present traffic movements yet the demands by labor continue to mount and it is only from the revenues received that the costs (and the dividends) can be paid. On the other hand the constantly increasing demand for electrical power—both at home and abroad—assures a constant and growing demand for such presently "unattractive" commodities as copper. The already enacted Federal laws covering U. S. Shipping subsidies practically assures boom time conditions for shipbuilding and some steel companies through 1962. As a general rule, shares of companies not dealing directly with the eventual consumer or those more able to protect their profits during inflationary conditions should be favored.

There are also today many stocks selling for less than the net working capital on hand with no value at all placed on large plant facilities and the going concern values. To buy a stock solely on the fact the market is less than net working capital is no sure key to future profits but this condition of value often signifies a thoroughly depressed issue carrying very small risk of further substantial market price decline. For the first time in many years, a wide number of good stocks have declined into this price bracket and many appear to be excellent candidates for purchase in 1958.

This is not the time to throw all caution to the wind and commit all of one's money into depressed common stocks. Rather, it is a very good time to examine the values that are available based on the "brick and mortar and goods on the shelf method" and not be carried away by the fear that cash alone will protect us during a severe depression "so surely some say is just around the corner." If, though I do not expect any truly serious depression at this time, there is to be just such a debacle ahead of us, be assured that neither one's cash, bonds, nor conservative common stocks will be much protection or assure one a "happy and exalted position" while mass unemployment, bankruptcy and even human suffering is around us. The solemn promises made by our government that this "can not happen here" means that every possible effort will be made to withstand this and surely the sanctity of the dollar would not be held inviolate.

Rodetsky Director

Burton M. Cross, President of Maine Insurance Company, with home offices at Portland, Maine, announces the election to the Board of Directors of Bernard Rodetsky. Mr. Rodetsky is senior partner of the New York Stock Exchange firm of Sloan, Rodetsky & Co., Jersey City, N. J.

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.

Bituminous Coal Industry—Analysis with particular reference to **Pittsburgh Consolidation Coal Co., Island Creek Coal Co., North American Coal Co.** and **United Electric Coal Companies**—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y.

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

Business Outlook for Japan in 1958—Review—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

Business Trends & Progress—Chart from 1933 to date—Hannaford & Talbot, 519 California Street, San Francisco 4, Calif.

Chemical & Pharmaceutical Stocks — Comparative figures—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

College and University Endowment Funds—Comprehensive study as of June 30, 1957—Boston Fund, Inc., 111 Devonshire Street, Boston 9, Mass.

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

Over-the-Counter Index — Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 19-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Virginia Banks—Survey of ten major banks—Investment Corporation of Norfolk, 215 East Plume Street, Norfolk 10, Va.

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Allegheny Ludlum Steel Corporation—Annual report—Allegheny Ludlum Steel Corporation, Oliver Building, Pittsburgh 22, Pa.

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

American Beryl Corporation — Memorandum — Columbia Securities Co. of Wyoming, First National Bank Building, Denver 2, Colo.

American Brake Shoe—Analysis—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also in the same circular is an analysis of **Foster-Wheeler.**

American Insurance Company—Analysis—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

American Investment Company of Illinois—Annual Report—American Investment Company 8251 Maryland Avenue, St. Louis 24, Mo.

American Snuff Company—Data in March "Investment Letter"—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also in the same letter are data on **Bridgeport Brass, Colgate-Palmolive, Deere & Co., Denver & Rio Grande Western Railroad, Inland Steel, International Minerals & Chemicals, International Telephone & Telegraph** and **Stone & Webster.**

Arizona Public Service Co.—Memorandum—Peters, Writer & Christensen, Inc., 724 Seventeenth Street, Denver 2, Colo. Also available is a memorandum on **Frontier Refining Co.**

Baltimore & Ohio Railroad Co.—131st Annual Report—The Baltimore & Ohio Railroad Company, Office of the Secretary, Baltimore 1, Md.

Brewster Bartle Drilling Company Inc.—Report—Rowles, Winston & Co., Bank of the Southwest Building, Houston 2, Tex.

Christiana Securities Co.—Bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Continental Assurance Company—Analysis—William Blair & Company, 135 South La Salle Street, Chicago 3, Ill.

Continental Baking—Bulletin—Bache & Co., 36 Wall Street, New York 5, N. Y. Also available is a discussion of the **Copper** market and an analysis of **American Potash & Chemical.**

L. A. Darling Company—Data—Moreland & Co., Penobscot Building, Detroit 26, Mich.

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

Electronics Specialty Co.—Memorandum—D. A. Lomasney & Co., 39 Broadway, New York 6, N. Y.

Emerson Electric Manufacturing Co.—Memorandum—Shearson Hammill & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **Flintkote Co.**

Equitable Life Assurance Society—Annual Report—Equitable Life Assurance Society, 393 Seventh Avenue, New York, N.Y.

First Security Corp.—Memorandum—Edward L. Burton & Co., 160 South Main Street, Salt Lake City 1, Utah.

Frigikar Corporation of Dallas—Analysis—Muir Investment Corp., 101 North St. Marys, San Antonio 5, Tex. Also available are memoranda on **Longhorn Portland Cement Co.** and **Pearl Brewing Co.**

General Dynamics Corp. — Memorandum — Green, Ellis & Anderson, 61 Broadway, New York 6, N. Y.

General Electric—Annual Report—General Electric, Department N2-111, Schenectady, N. Y.

General Electric Co.—Analysis—White, Weld & Co., 20 Broad Street, New York 5, N. Y.

General Electric Company — Analysis — Diran, Norman and Company, Inc., 80 Wall Street, New York 5, N. Y.

Georgia State School Building Authority—Progress Report—Robinson Humphrey Company Inc., Rhodes-Haverty Building, Atlanta 1, Ga.

W. R. Grace & Co.—Analysis in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a brief analysis of **Union Pacific Railroad Company** and selected issues in various price groups. In the current issue of "Market Pointers" are a discussion of **Dollar Averaging** and reviews of **Textile** industry and **Railroad** industry.

Hagan Chemical—Memorandum—Goodbody & Co., 115 Broadway, New York 6, N. Y.

Hoffman Chemical Corp.—Memorandum—Walston & Co., Inc., 120 Broadway, New York 5, N. Y.

International Minerals & Chemical Corp.—Memorandum—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also available is a memorandum on **Radio Corporation of America.**

Interstate Motor Freight System—Report—Security Adjustment Corporation, 16 Court Street, Brooklyn 1, N. Y.

Kentucky Turnpike Project No. 1—Memorandum—The Kentucky Company, Exchange Building, Lexington, Ky.

Maremont Automotive Products, Inc.—Bulletin—Straus, Blosser & McDowell, 39 South La Salle Street, Chicago 3, Ill.

Parke, Davis & Co.—Memorandum—Dean Witter & Co., 45 Montgomery Street, San Francisco 6, Calif.

Pepsi Cola Company—Analysis—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

The Pittston Company—Annual Report—The Pittston Company, 250 Park Avenue, New York 17, N. Y.

Quinta Corp. — Memorandum — Mountain States Securities Corp., Denver Club Building, Denver 2, Colo.

Scott & Williams, Inc.—Card memorandum—May & Gannon, Inc., 140 Federal Street, Boston 10, Mass.

Socony Mobil Oil Company—Analysis—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a report on **Armco Steel.**

South Texas Oil & Gas Co.—Report—Berry & Company, 240 West Front Street, Plainfield, N. J.

Sunrise Supermarkets Corp.—Data—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y. Also in the same bulletin are data on **Safeway Stores, Inc.**

Texas Company—Annual Report—Secretary, The Texas Company, 135 East 42nd Street, New York 17, N. Y.

Tilo Roofing Company—Annual Report—Tilo Roofing Company, Inc., Stratford, Conn.

Wagner Electric—Report—J. R. Williston & Co., 115 Broadway, New York 6, N. Y.

Westinghouse Electric—Data—Herbert E. Stern & Co., 52 Wall Street, New York 5, N. Y. Also in the same bulletin are data on **Worthington Corporation.**

Wisconsin Power & Light Company—Report—Loewi & Co., Incorporated, 225 East Mason Street, Milwaukee 2, Wis.

Mullaney Director of Welfare Council

CHICAGO, Ill.—It has just been announced that Paul L. Mullaney, President of Mullaney, Wells & Company, and a former Governor of the Investment Bankers Association, has been elected a Director of the Welfare Council of Metropolitan Chicago.

Paul L. Mullaney

Mr. Mullaney has been active in various civic activities in Chicago for some time, being a Director of the Community Fund of Chicago and the Catholic Charities of Chicago. In addition to these, he is also a member of the Board of Directors of the National Travelers Aid Association as well as a past president of the Chicago Board of that society.

Rauscher, Pierce & Co. In New Quarters

Rauscher, Pierce & Co. has announced the removal of the Dallas, or home offices, of the firm to the Mercantile Dallas Building, at Commerce and St. Paul Streets, diagonally across from the Statler Hilton. They occupy the entire 12th floor of the new building.

In announcing the new location, John H. Rauscher, President, pointed out that this is the third downtown building Rauscher, Pierce has occupied and will permit the firm to coordinate their operations for better service.

In addition to its home offices in Dallas, Rauscher, Pierce & Co. also maintains offices in Austin, Fort Worth, Harlingen, Houston, Lubbock, Midland, Odessa, San Antonio, and Tyler, Texas and Fayetteville, Arkansas. The firm is a member of the New York and Midwest Stock Exchanges and an associate member of the American Stock Exchange, and maintains direct wire facilities to New York and St. Louis.

G. F. Nicholls & Co. Formed in N. Y. City

Formation of G. F. Nicholls & Co., Inc., 174 Broadway, New York, to conduct a collateral loan service for banks, brokers, dealers and individuals and to engage in a general investment business, has been announced. Officers in the new corporation are George F. Nicholls, President, and Kenneth W. Carlstedt, Vice-President.

Mr. Nicholls was formerly with Garvin, Vantel & Co., Bankers Trust Company and Dunn & Bradstreet, Inc. Mr. Carlstedt has been in Wall Street for over 25 years and was previously associated with Morris Cohon & Co., Walston & Co. and Bache & Co.

N. Y. Hanseatic Corp. Appoints Officers

The New York Hanseatic Corporation, 120 Broadway, New York City, announces the appointment of the following officers: Edward M. Corley, Assistant Vice-President; Henry W. Seelig, Assistant Vice-President; William R. Muller, Assistant Treasurer; Lawrence H. Greig, Assistant Secretary, and William R. Radetzky, Assistant Secretary.

Form Dewey & Grady

Dewey & Grady, Inc. has been formed with offices at 60 West 55th Street, New York City, to engage in a securities business.

Low Pegged Interest Rates Threaten Public Welfare

By DR. E. SHERMAN ADAMS*
Deputy Manager, Department of Monetary Policy
American Bankers Association

To achieve stable growth without inflation we cannot, ABA top economist reports, "make a fetish of low interest rates" and forbid them to decline and rise. Dr. Adams specifically refers to small farmers, small businessmen and welfare of the common man in pointing out that the public welfare is best served by flexible interest rates, as part of flexible monetary policy, and that this is less expensive than the "ravages of inflation and an ensuing depression." Writer refutes Keynesian interest rate theory and mistaken assumption regarding propensity of capital and consumer consumption, and avers "cheap money . . . eventually leads to higher interest rates than a 'sound money' policy."

Unfortunately, most theoretical writings on the subject of interest bear little relation to what actually goes on in the credit markets.

Dr. E. S. Adams

There was one noted economist not many years back who thought he had succeeded in uniting interest theory with the market place, and for a while it looked as though perhaps he had. The name: John Maynard Keynes. A brilliant man, unquestionably, but as wrong as he could be on the matter of interest rates. Keynes had it all figured out that advanced industrial economies were destined to generate excessive savings and inadequate investment outlets and that as a consequence, interest rates were bound to drop almost to the vanishing point and stay there. Fortunately for him, he was elevated to the peerage and died before the advanced industrial economies proceeded to demonstrate how thoroughly mistaken a brilliant economist can be.

So, while it is clear that economic theorists are trying to say something to us about interest rates, what they have to say is unclear. If we are to look at interest rates realistically, I think we must start with facts rather than theory. On the basis of observable facts, what can we say about the significance of interest rates?

Why Are Interest Rates Significant?

The paramount economic problem confronting this generation is the problem of maintaining stable growth without inflation. A key factor in this problem is the flow of credit. From an economic standpoint, interest rates are significant primarily as they may affect the flow of credit and hence bear upon our central problem of economic stability.

Just how do interest rates influence the flow of credit? Conceivably, there could be important relationships between interest rates and (1) demands for credit; (2) the supply of nonbank credit, chiefly savings, and (3) the availability of bank credit. Let's take a look at each.

As regards (1) the effects on credit demands, we have no good evidence as to what the influence of interest rates may be over a long period of years. From a short-run standpoint, however, analysis of the demand for various types of credit leads to the conclusion that most borrowers are singularly uninfluenced by moderate changes in the cost of borrowing. To be sure, there appear to be some exceptions, notably in mortgage credit, but even here the amortization and down payment terms are more important than rate. In general, changes in interest rates are seldom a major factor affecting the intensity of credit demands.

As regards (2) the supply of nonbank credit, the main question is whether interest rates are effective as an incentive to savers. Again evidence is lacking with respect to the long-range relationship that may exist between interest rates and the volume of savings. Again from the short-run standpoint, however, the facts suggest that the influence of interest rates on savings has frequently been exaggerated. A large part of total savings consists of the undistributed earnings and depreciation accruals of business firms, and these forms of savings are affected hardly at all by interest rates. As for individual savings, there is little evidence that rising interest rates actually induce people to spend less and save more, or vice versa.

Interest Rates and Credit Restraint

And so I conclude, along with many others, that at least in the short run, interest rates are seldom of great significance from the standpoint of their impact on credit demands or on the rate of savings. However, I part company at once from some who share this view but who have the naive notion that this is a breath-taking discovery that somehow invalidates the whole theory and practice of monetary management. This is nonsense for the simple reason that interest rates are inextricably related to the third factor in our demand-supply equation; namely, (3) the availability of bank credit.

Here, indeed, is the crucially significant aspect of interest rates that many people fail to appreciate. Despite all the talk these days about the importance of nonbank lending agencies, bank credit is still the strategic part of the credit supply. Also, it is the main channel through which monetary policy operates. And here is the point. Monetary policy cannot effectively influence the availability of bank credit without being reflected in interest rates. Flexible monetary policy requires flexibility of interest rates.

Most people can see that if the supply of credit greatly exceeds the demands of borrowers, its price is bound to decline. It should be equally apparent that if, when demands for credit are strong, the monetary authorities restrict the supply to less than is demanded, its price must rise. At such a time, interest rates could be prevented from rising only by inflating the supply, thereby causing monetary overexpansion. If inflation is to be avoided, there is no really workable alternative to credit restraint and rising interest rates.

Experience Here and Abroad

This has been amply demonstrated both here and abroad since the end of World War II. After the war most countries tried to adhere to cheap money policies but eventually scrapped them to escape their inflationary effects. Many devices were tried as substitutes for flexible interest rates but none was successful.

These nations did not relinquish cheap money because they wanted to but because they had to—and that goes for the United States as well. The Federal Reserve did not abandon its program of pegging the Treasury's borrowing rates just because certain individuals did or said certain things during the early months of 1951. That program would have had to be jettisoned sooner or later regardless, because of the pressure of the economic facts of life. The only alternative would have been rampant inflation.

Briefly, if we are to maintain any semblance of stability in our economy, interest rates must be permitted at times to decline and at other times to rise. From an economic standpoint, this is their vital significance.

Low Rates Are No Bargain

And I think any reasonable person will conclude that this is also the chief significance of interest rates from what you might call a social welfare point of view as well. Demagogues would have gullible people believe that high interest rates benefit mostly the well-to-do and that low rates are somehow a great boon to the common man. This, of course, is silly. The common man today owns more than he owes. His interest-bearing assets in the form of savings deposits, savings and loan shares, life insurance, savings bonds and his interest in pension funds, far exceed his debts. As far as receipts and payments of interest are concerned, more people today stand to benefit more from high interest rates than from low rates.

However, the big point is that the welfare of the common man can best be served by providing him with steady employment and holding down his living costs. The effects of flexible interest rates upon social welfare through their contribution to economic stability far outweigh whatever slight influence they may have on income distribution.

The same principle applies to the matter of the cost of servicing the public debt. As far as the social welfare is concerned, it would be hard to say whether, on balance, it would be a good thing or bad thing if the Government were to take in more money in taxes and to pay out more to its creditors. On the other hand, it is clear as day that an occasional increase in the debt service would be far less expensive for the Treasury than inflation-bred price increases for the enormous quantities of goods and services it buys.

Interest Rates and Social Justice

From the standpoint of social justice, it is appropriate to inquire whether rising interest rates may seriously injure particular groups—notably farmers and small businessmen. The facts suggest the contrary. For the average farmer, interest payments constitute only about 5 percent of his operating expenses. For the average small business, the ratio is even lower, less than one percent. And here again it is obvious that both farmers and small business have far more to gain from stable economic growth than they could possibly gain from perpetually low interest rates.

Also, from this social justice point of view, let us not forget the millions of people whose incomes are relatively fixed. No, I am not going to sing you the old refrain about the widows and orphans—though, of course, these people do exist. But my point is a much more important one; namely, that if interest rates are not permitted to perform their proper role in combating inflation, then the social injustices visited on millions of individuals in our society will be grave indeed.

In short, a rise in interest rates is a small price to pay (to ourselves, incidentally) to avoid the ravages of inflation and an ensuing depression. To the extent that flexible interest rates contribute to stable prosperity, they are in the interest of all groups throughout the nation. Those who make a fetish of low interest rates are, wittingly or not, enemies of the people and a threat to the public welfare.

What Should Public Policy Be?

Turning to our second main question — What should public policy be with respect to interest rates?—it follows inevitably from our analysis thus far that a cardinal tenet of public policy should be to safeguard the flexibility of interest rates.

As a general guide, perhaps we could agree on the following proposition: Interest rates should be permitted to rise or fall to the extent that is necessary to permit monetary policy and the self-regulating tendencies of the market to make their maximum contribution to economic growth and price stability.

This statement has the right emphasis, I think, but it obviously leaves a number of questions unanswered. Let us look briefly at some of them.

First, to what extent should the Federal Reserve be concerned with the level of interest rates? In recent years the monetary authorities have concerned themselves primarily with regulating the reserve position of the banking system and have regarded changes in interest rates as being largely an incidental by-product of this type of regulation.

It would seem that this general approach makes sense because, as we have seen, it is the availability of credit, not its price, that matters most. However, like anything else, this approach can be

Continued on page 24

*An address by Dr. Adams before Annual Dean Day's Conference, Graduate School of Business Administration, New York University.

Commodity Price Trends—Steel, Copper and Aluminum

By DAVID WILLIAMS*
Manager, Cable Bureau
Consolidated Edison Company of New York, Inc.

A declining price outlook for principal metals of interest to public utility purchasing agents is offered by Mr. Williams in his survey of past history and future prospects of these metals. The Consolidated Edison executive prognosticates lower prices for iron and steel, and but a temporary overcapacity period for aluminum at the present. Attributes remarkable decline for copper to significant technological improvements in its usage and to increasing use of aluminum.

"Nothing is permanent but change."—Heraclitus (ca. 500 B. C.)

"I know of no way of judging the future, but by the past." —Patrick Henry

"The roads you travel so briskly lead out of dim antiquity, and you study the past chiefly because of its bearing on the living present and its promise for the future." — Lt. Gen. James G. Harbord

Prices of commodities are of universal interest, and changes in prices are the most important force in shaping our economy. Of the 1,200 commodities and products comprising the Wholesale Commodity Price Index of the U. S. Bureau of Labor Statistics, the Group with which Public Utility Purchasing Agents are most directly concerned is the Metal and Metal Products Group. The relative price action of this Group with respect to the All Commodity Index is shown in the attached Chart A. Of the Group, the most important metals are: Iron and Steel, Copper and Aluminum. They will be discussed in that order.

David Williams

(a) Iron and Steel

Since the Stone Age, the history of the progress of Mankind has been identified with the history of metals. Iron is by far the most important metal used by man, and will remain so for an indefinite period in the future. It comprises 5% of the earth's crust, and was said to have been discovered in Mt. Ida, on the island of Crete, when a fire caused by lightning produced a conflagration in the woods, which was hot enough to smelt the ores in the mountain. Vulcan is said to have worked the newly discovered iron mine and to have wrought iron implements for the gods.

Iron ore, coal and limestone are the chief raw materials of pig iron. Iron ore was first mined in the U. S. in the early part of 1608, at Jamestown, Va., and the manufacture of pig iron began about 1620 at Falling Creek, 76 miles from Jamestown, Va. A blast furnace built near Lynn, Mass., in 1643 produced eight tons of pig iron per week. In 1956, U. S. production of pig iron was 78,000,000 tons and World production totaled 220,000,000 tons. The first iron rails rolled in the U. S. came from Mount Savage, Md., in 1844.

When pig iron is refined, the resulting metal becomes much harder and more elastic, and is called steel. The manufacture of steel as a commercial commodity in the U. S. began in Connecticut in 1744. By 1810, production had increased to 900 tons, of which, 531 tons were made in Pennsylvania. In 1956, U. S. production of steel was 115,000,000 tons and World production totaled 308,000,000 tons. The U. S. is the largest producer of steel in the world, and the Steel Industry is the largest manufacturing industry in the U. S. The quantity of steel produced is 20 times that of all other metals combined. About ¼ of the total freight hauled in the U. S. consists of raw materials used in the production of steel and the products of the iron and steel industry. The principal users of steel are the automotive and construction industries, followed by containers and the railroads.

Most steel today is made in the open-hearth furnace, which permits greater control over the metallic bath than the older Bessemer process, which, though faster cannot be so easily regulated, and leaves some sulphur and phosphorous in the metal. In recent years, electric furnace steel has been developed for the production of stainless steel and other alloy steels. In present day steel making, about half the furnace charge is pig iron and the other half scrap, of which half comes from steel mill scrap and half from purchased scrap iron and steel.

To supplement our declining reserves of high grade iron ore, most of which are in the Lake Superior district, large deposits have been developed in Venezuela and Labrador — Quebec, which first came into production in 1954. Taconite, a very hard low grade iron ore, the reserves of which are almost inexhaustible, is being rapidly developed. Development of the jaspers of Michigan and a substantial reserve of titanium-bearing iron ore in Alaska is being pushed.

Quarterly pig iron prices from 1784 to date shows that they have ranged from an all-time high of $71.66 during the Civil War to an all-time low of $11.35 per long ton in 1898. They rose to a peak of $52.89 during World War I and then fell to $15½ per ton in 1932-3, from which level they have risen to a high of $65.73 during the 3rd Quarter of 1957. But, with the steel mills operating at less than 75% of capacity, a declining demand, and falling scrap prices, the outlook is for lower iron and steel prices. This conclusion is reinforced by the cyclic studies of Edward R. Dewey, Director, Foundation for the Study of Cycles, which indicate a peak in the 1st Quarter of 1957 followed by a decline to the 3rd Quarter of 1960.

A further indication of a forthcoming decline in iron and steel prices is foreshadowed in the studies of Professors Gans, Myers and Pearson of Cornell University in "Farm Economics" for July, 1957. Figures provided through the kind permission of Dr. F. A. Pearson, Emeritus Professor of Prices and Statistics, Cornell University, show a strikingly close relationship between changes in world monetary stocks of gold and wholesale prices of 30 basic commodities on a gold basis, 13 years later. The general trend in prices of these 30 basic commodities is approximately the same as All Commodity Index shown on Chart A.

(b) Copper

Copper is generally regarded as the most important of the nonferrous metals. In tonnage and in value of ore produced in the U. S., copper is surpassed only by iron. Furthermore, the U. S. has been the largest copper producer and consumer in the world throughout the past three decades. Copper's principal use is in the electrical and allied industries—for transmission lines, other forms of conductors, and machinery, which account for over 50% of total annual consumption. The automobile and building construction industries are the second and third largest peacetime consumers of copper in the U. S. Although copper comprises only 0.01% of the earth's crust its use antedates history. From time immemorial, it has been the key metal to civilization and culture.

The price of copper since 1784, as shown in quarterly averages, has ranged from an all time peak of 53.54c during the War of 1812 to an all time low of 4.85c in 1933. A second peak of 52.52c occurred during the Civil War, a third peak of 30.64c during World War I, and another of 45.58c in the 2nd Quarter of 1956. It has since declined to 22⅜c (L. M. E.) on Oct. 22, 1957. The American Producers price which went up to 46c in 1956, has since fallen to 27c.

During World War I, the price of copper shot up to 37c per lb. before Bernard M. Baruch, on behalf of the U. S. Government negotiated with the American Copper producers for a price freeze at 23c for copper sold to the Armed Services. The postwar collapse brought copper prices down to a 1921 low of 11½c, and U. S. smelter production down from a high of 954,000 tons in 1918 to a low of 253,000 tons in 1921. The Copper Export Association was then formed in an effort to stimulate foreign sales of copper, with some success, prices rising from 11.92c in the 3rd Quarter of 1921 to 15.59c in the 2nd Quarter of 1923. It was succeeded in 1926 by Copper Exporters, Inc., which was a little more successful, prices rising from 12.6c in the 2nd Quarter of 1927 to 18.53c in the 1st Quarter of 1929.

The Panic of 1929 forced prices down from a high of 24c to an all-time low of 5c, delivered Connecticut Valley. A slow rise occurred to 9c, the N. R. A. "Blue Eagle" price in effect between April 26, 1934 and May 27, 1935 inclusive. During World War II, the price was frozen at 12c by the government from March 28, 1941 to June 3, 1946. Upon removal of price controls and stimulated by the inflationary effect of the Stock Pile Act of 1946, the price shot up to 23½c in August, 1948, and then declined to 16c in June, 1949. Following the outbreak of the Korean War, the government froze the price at 24½c for domestic copper on Jan. 26, 1951 and at 27½c for Foreign copper sold in the U. S. on July 25, 1951. Prices were decontrolled on Feb. 13, 1953, and domestic prices ranged from 27½c to 34½c until the end of April when they stabilized in the 28½ to 30c range. During this same period, uncontrolled Foreign copper sold as high as 36½c per lb.

The Chilean Government policy of maintaining the price of copper more than 6c per lb. above the U. S. level led to a large accumulation of unsold metal, which by August, 1953 amounted to 180,000 tons. Chile thereupon negotiated the sale of 100,000 tons to the U. S. stockpile in March, 1954 at the prevailing U. S. market price of 30c. This action effectively removed the threat of lower prices, and the U. S. producers' price rose steadily to a peak of 46c on Feb. 20, 1956. Copper on the London Metal Exchange reached a peak of 55c per lb.

Before World War II, the U. S. was a net exporter of copper, producing almost ⅔ of the world's copper in the 10 years ending with 1920. The enormous war time demands made it necessary to import additional copper supplies. Following the end of the War, the drop in military consumption of copper was offset by increased peacetime uses, which necessitated a continuance of our dependance on foreign imports, chiefly from Chile. In the 10 years ending with 1956, U. S. Smelter production from Domestic ores was 9,134,000 tons, or less than ⅓ of total World production of 29,554,000 tons. Efforts are now being made to reimpose the excise tax which was suspended from April 30, 1947 to June 30, 1958 (unless the average price for a calendar month drops below 24c when the tax automatically becomes effective). The tax, which was originally 4c, was reduced to 2c on March 31, 1949, has since been reduced to 1.9c, 1.8c and 1.7c for the fiscal years 1957, 1958, and 1959 respectively, should the tariff be reimposed.

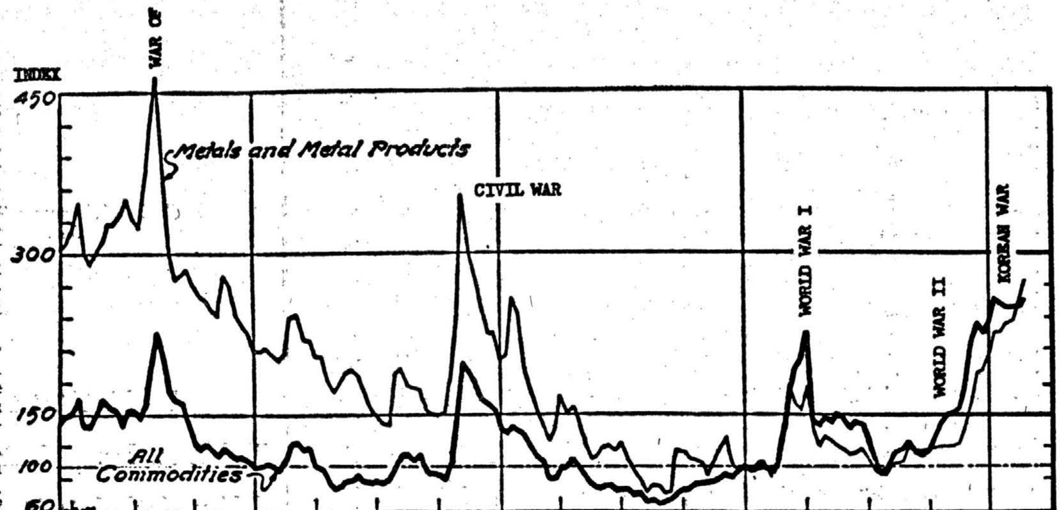
The price of copper has fallen from 46c to 27c (Producers) and from 55c to 22⅜c (L. M. E.) The immediate cause of this drastic decline is of course overproduction, coupled with the effects of the Federal Reserve tight money policy. It is however, significant that the cyclic researches of Dewey indicated a peak during the 1st Quarter of 1956 to be followed by a decline to the 4th Quarter of 1960. This decline in copper prices confirms the studies of Professors Gans, Myers and Pearson previously discussed in connection with iron and steel prices.

In attempting to forecast the demand for copper for use in electric cable, care should be taken to give proper consideration to the declining trend in the amount of copper required to transmit and distribute electrical energy. The amount of copper required to transmit and distribute electrical energy in the Con-Edison System has fallen from 281 lbs. per KW of installed generator capacity in 1900 to 85 lbs. per KW at the end of 1956. Because of better LOAD FACTOR, the amount of copper has fallen from 100 lbs. per Megawatthour in 1902 to only 20 lbs. in 1955 and 1956.

That this trend is not confined to the Con Edison System is indicated by the following statement of Watson Davis in "The Story of Copper" (1924). "An electrical journal estimates that during the next decade in 11 Western States electrical plants will be constructed with a capacity of 2,800,000 horsepower requiring 280,000,000 pounds of copper." This is at the rate of 100 lbs. of copper per HP, or 134 lbs. per KW of installed generator capacity. The corresponding figure for the Con-Edison System was 132 lbs. per KW in 1923.

This remarkable decline in copper requirements is due to the tremendous technological improvements, which have increased the transmission voltage from the 120 volts of Edison's original Pearl Street Station in 1882 to the currently used 138,000 volts. On other utility systems transmission voltages have increased to 220,000, and research is under way on 345,000 volt lines. While utilization voltages are still largely 120/208V., some installations have been made at 265/460V. beginning in 1954. Though the trend toward still higher transmission voltages will require less copper per unit of electrical energy transmitted, the future growth of the Public Utility Industry will require larger amounts of copper, but the rate of copper consumption will be less than in the past. For other utility systems with large overhead installations, the increasing use of aluminum will further reduce the amount of copper that will have to be added to their plant in the future.

A somewhat similar trend is noted in the Communications



INDEX NUMBERS OF WHOLESALE PRICES OF METALS AND METAL PRODUCTS AND ALL COMMODITIES
1910-14 = 100.
CHART A

SOURCE:- 1798-1932 - WARREN & PEARSON
1933 TO DATE - U.S.B.L.S.

*From an address by Mr. Williams before the Public Utility Buyers Group, N.A.P.A., Philadelphia, Pa., Feb. 4, 1958.

industry. The Bell System had approximately 700,000,000 lbs. of copper and 10,202,000 telephones in 1923. In 1956, the copper increased 250% to 2,443,000,000 lbs., but the number of telephones increased 385% to 49,438,000. Technological improvements in the art of electric communication have been of equal or even greater scope than in the electric power industry.

(c) Aluminum

Of all the major metals, aluminum is the only one whose rate of consumption during the past decade has increased faster than the expanding industrial production of the United States. The increase in primary production of aluminum between 1939 and 1955 was 857%, or six times that of all industrial production as measured by the Federal Reserve index, seven times the percentage rise of steel production, and 27 times that of copper production. U. S. consumption of aluminum rose from three pounds per capita in 1939 to 24 pounds per capita by 1956. The U. S. is the world's largest producer as well as consumer of aluminum, having held this position since 1888, except for a few years before World War II.

Although military uses accounted for 90% of total U. S. consumption during World War II, in 1956 the distribution by industries was as follows:—Transportation (including military and civilian aircraft, automobiles, trucks, ships) — 24%; Building Products—23%. Consumer Durable Goods (such as, household appliances, cooking utensils, furniture, etc.) — 13%; Commercial and Industrial Machinery and Equipment (except electrical)—10%; Electrical Conductors, machinery and equipment and communications—9%; Containers and Packaging — 4%; Miscellaneous ordnance, metallurgical and other uses account for the balance—17%. While aluminum is the most abundant metallic element in the earth, forming 8% of the solid portion of the earth's crust to a depth of 10 miles, its use only dates back 100 years.

In April 1891, the U. S. Court fixed the price at $1.50 per lb., but in August, 1891, the Court fixed the minimum U. S. price at 50c per lb., because the European price had fallen to almost 50c per lb. In May, 1892, the Court raised the price to 65c. Increased production and lower costs brought on a price decline which continued to the outbreak of the Spanish-American War in 1898 when the price stabilized for several years at 34c per lb. Prices rose briefly to 40c in 1907, declined to 18c in 1914, and shot up to 64¼c during World War I. In the Postwar period prices collapsed to 17c in 1922, rose to 27½c in 1924 and then decline to 15c in 1941 at which level they were frozen by the government for the duration of World War II. Since the end of World War II, the price has gradually rise to 28.1c per lb.

On Jan. 1, 1907, The Pittsburgh Reduction Company changed its name to Aluminum Company of America, and under that name was the sole producer of primary aluminum in the United States until the advent of Reynolds Metals Company in 1941. That company brought in a plant at Lister Hill (near Sheffield, Ala.) and one at Longview, Wash. Permanente Metals—now known as Kaiser Aluminum entered the field in 1946 through the leasing of the Government Reduction Plant at Meade, Wash. Anaconda started producing aluminum in 1952. As of Jan. 1, 1957, the primary ingot capacity of these companies was as follows:

Alcoa	792,500 tons
Reynolds	488,500 "
Kaiser	434,500 "
Anaconda	60,000 "
Total	1,775,500 "

In addition to the foregoing companies, Harvey and Olin Revere are soon to enter the field. Enlargement of productive capacity, now under way or planned, may bring on a condition of overcapacity. This will result in a weakening price structure. Such price weakness has already occurred in the foreign market, which is also faced with growing overcapacity. However, the amazing growth of the Aluminum industry and its ability to develop new markets, give promise that any overcapacity will be of relatively short duration.

Although aluminum has a conductivity of about 61-63% of that of copper, it only weighs 30% as much as copper. Hence it has found an important application as an electrical conductor. Its first use as such was in a bus bar line at the Niagara Falls plant of The Pittsburgh Reduction Company in 1895. The first aluminum Transmission line was a half-mile of No. 11 gage telephone wire erected in the Chicago Stock Yards in April, 1897. The first important power transmission installation was the 46 mile, 3 phase line erected for the Standard Electric Company from Blue Lakes to Stockton, Calif., in 1898, using a single strand wire alloyed with 2% copper. Breakage resulted in the development of a 7 strand pure aluminum cable, which was subsequently superseded by the A.C.S.R. design developed by William Hoopes, Chief Engineer of ALCOA in 1908.

In the A.C.S.R. design, the core, which acts as a catenary support, consists of galvanized or aluminized steel, around which are stranded the aluminum wires. This design was used in the U. S. for almost 10 years before its adoption in Europe, which had continued to use copper since the first overhead transmission line was built between Lauffen and Frankfort, Germany, in 1890. Today, A.C.S.R. has captured almost 100% of the overhead transmission lines in the U. S., which has over 3,000,000 conductor miles in operation. Aluminum conductors are also used extensively for overhead line wire and service drop cable. While aluminum has been used extensively for many years on the 50,000 volt underground cable network of the Dutch Government in Holland, only small amounts have been used underground in the United States.

Con Edison installed its first aluminum cable in 1932, a 795 MCM ACSR 138 KV line from Dunwoodie to Millwood, N. Y. No further aluminum installations were made until 1952. Since then, the usage of aluminum cable, for both overhead and underground service, has been as follows:

Year	Lbs. of Al.
1952	93,000
1953	110,000
1954	181,000
1955	323,000
1956	1,019,000
1957	1,248,000

Future use of aluminum conductors will be determined by the economics of the particular application.

Conclusion

Despite all the changes that have taken place in our economy, the Business Cycle has not been eliminated, although it has been smoothed out somewhat. There are no shortages of any of the metals discussed herein. Prices of basic commodities have dropped to the lowest point in 7½ years. The price of copper has been declining for a year and a half. With steel and aluminum facing overproduction, the current post-war high prices will eventually reflect the change from a Sellers market to a Buyers market. Purchasing Agents must nevertheless keep in mind the inflationary effects of the Full Employment Act of 1946, to which both political parties are committed.

Investors' Uppermost Question

By O. LYNN SHURTLEFF*

Partner-in-Charge, Institutional Research
Hayden, Stone & Co., New York City
Member, Investment Advisory Committee of Institutional Funds

Wall Street partner anticipates short business recession and GNP remaining at a high level despite some further increased unemployment. Mr. Shurtleff lists ten powerful forces expected to bring about resumption of dynamic growth, and prevent a too serious and lengthy recession.

In view of the contraction going on in many industries the question uppermost in the minds of most investors appears to be how serious will the decline be and how long will it last. To arrive at a reasonably well founded opinion on these points, it is necessary to assess the major factors influencing our economy. The most revealing among these is Gross National Product, which measures the total output of goods and services and which last year approximated $435 billion. Looking ahead, it appears that Gross National Product for 1958 will be very close to this figure, because consumer expenditures promise to remain at a high level. Spending for such non-durable goods as food, clothing and services (medical bills, laundry, etc.) which are the predominant factors in the household budget, have been increasing consistently. In contrast with 1957 consumption expenditures of close to $280 billion, it appears they will increase by some 3% or around $8.4 billion which would be a conservative estimate based on the lowest annual rate increase since World War II.


Lynn Shurtleff

With about 15% of our Gross National Product accounted for by new plant and equipment expenditures, along with residential construction and inventory changes, these trends will have an important bearing on business over coming months. Although new plant and equipment expenditures will be down this year, there will be an increase in residential building. Furthermore, certain very large industries such as the utilities, electrical manufacturing and petroleum groups must increase outlays to service a growing population. Moreover, in 1957 many projects were deferred because of tight money and with the current easing in interest rates, some of these plans will now proceed.

A third major influence on our national economy is government spending which this year should exceed 1957 with defense expenditures accounting for the bulk of these expenditures.

GNP to Remain High

Analysis of the above factors suggests that Gross National Product for 1958 may rise 1% or 2% over last year with the gain accounted for in part by the inflationary factors still present in the economy. Gross National Product thus promises to remain at a high level despite some anticipated further increase in the number of unemployed. Despite the increasing total of unemployed persons, our work force will remain large due to the increase in the labor force which has occurred during the past year.

The Federal Reserve Board Index of industrial production which now stands at about 133, off from a peak of 147 in December, 1955, might well drop to the neighborhood of 125 in view of the present trend of business activity. If this proved to be the low point in the current recession, the present might be viewed as comparable to such declines as occurred in 1953-1954 and 1948-1949 when the Federal Reserve Board Index dropped 14 and 11 points respectively.

There is considerable evidence to suggest that the present business slide is not likely to be a very serious one. To be sure, there are tangible evidences of overproductive capacity in such important industries as steel, paper, oil, copper, textiles, aluminum, and certain machinery fields but these industries should welcome the "breather" that will permit normal healthy growth in consumption to catch up with supply. Our economy is not recession proof but there is much evidence to indicate that when the present business readjustment runs its course that the dynamic growth forces inherent in our economy should again assert their dominance in the business picture.

Dynamic Growth Factors

These dynamic growth forces include: (1) Our vigorous population growth; (2) Mounting research expenditures; (3) The massive long-range defense program; (4) Creeping inflation; (5) Technological changes; (6) The momentum of world-wide trade revival; (7) Further gains by organized labor which are forcing a greater productivity on industry; (8) New markets for many products resulting from more free time due to our rising standard of living; (9) The rolling readjustment in different industries that is tending to keep overall business on an "even keel"; (10) Our managed economy wherein the Federal Government is committed to good business.

In view of these ten powerful long-range forces, it would seem the current recession is unlikely to be a serious one and that it will be followed by a resumption of the country's normal healthy growth over the years ahead.

*From a talk by Mr. Shurtleff before Miami Investment Dealers, Miami, Fla., Feb. 25, 1958.

Chicago Investment Women to Hear

CHICAGO, Ill. — Investment Women of Chicago will meet on Monday, March 24, at 6:00 p.m., at Stouffer's Restaurant, 22 West Madison Street, for dinner and panel discussion, "A Look at Five Popular Industries for Investment." Panel members and the industries they will discuss are: Jane Soutar, Assistant Stock Analyst, Stein, Roe & Farnham, oils and utilities; Eva Elin, Research Analyst, Bache & Co., steels; Dawne Jendon, Secretary to Director of Investments, Country Life Insurance Company, chemicals; and Genevieve Henkel, Registered Representative, Link, Gorman, Peck & Co., electronics.

Milksocialism Has Upset The Stock Market's Function

By PHILIP SAVY

President, American Metal-Lux, Inc., Hartford, Conn.

It is Mr. Savy's contention that our type of "milksocialism" creates chronic, cumulative scarcity of capital causing paradoxical phenomenon of a "few years of prosperity with poor [stock] market performance, followed by a short-lived recession with a booming market." Author reasons that: (1) present lull will not last too long, nor permit sufficient capital to accumulate to sustain succeeding prosperity; (2) neither artificial governmental stimulative policies or conservative money policy can prove helpful; (3) 15-year capital shortage has upset the function of the stock market.

Socialism can be attained in two ways: (1) The Russian way, or Cowsocialism, which is for the State to control the national income by confiscation of the capital that produces it, namely, taking your cow to get the milk and (2) The American way, which is for the State to control the income through progressive taxation and forgetting about the capital, namely, letting you keep your cow but taking the milk away—hence, Milksocialism.

Philip Savy

Since what counts is the Milk, the two methods, although different on the surface, are equivalent in substance as they achieve the same purpose in the end. Let it be said, incidentally, how pathetic is the sight of the American people believing that they are opposing Soviet Socialism with American Capitalism, while, *de facto*, the American economy is just as much socialistic as the Russian one. For the difference between the two systems is only political. One is democratic, the other dictatorial. Economically, they are both socialist States. The weak spot of Milksocialism is that the State controls and redistributes the national income, but in so doing, it ignores the formation of new capital. And, since the redistribution of income through progressive taxation disrupts the process of new capital formation, the American economy after 15 years of Milksocialist, alias New Deal taxation, has built up such an acute shortage of capital as to arrive at a crisis.

It is interesting to examine, at this point, one of the side effects of this condition, namely how Milksocialism and the shortage of capital, created by it, affects the stock market. To do that, we must first establish one point. What is the stock market? The stock market is a segment of the capital market, the **invested** part as opposed to the **liquid** part. Its marketability, which real estate (also invested capital) lacks, makes it somehow a complement of the liquid capital. More or less like ice and water or bread and flour. The invested capital is the product of accumulation of capital over the years. The liquid capital is the product of current savings, in other words the new capital formation constantly being produced by the national economy. The creation of new enterprises, the enlargement of existing ones, the building activity, and the new job opportunities for the increasing population, in one word, the economic expansion feeds upon the liquid part of capital, viz., the new capital formation.

The Russian Cowsocialists determine with their yearly plans their fresh capital requirements, provide for them first out of income and distribute whatever income is left. Thus, the welfare of the cow is assured first. No such provision exists in our Milksocialist system. Milksocialism is only interested in redistributing the milk in the spirit of true socialism, but, since under Milksocialism the State does not own the cow, the welfare of said cow is nobody's concern. It is left wishfully in the hands of God.

Makes Capital Scarce

The Milksocialist State proceeds systematically to equalize the individual incomes by overtaxing the very people most likely to contribute to the formation of new capital and ignoring the consequences that this procedure will have upon the economy. The consequence is a yearly deficit balance in the formation of new capital against the yearly requirements of an expanding economy. The accumulation of these deficits year after year reaches finally the critical point. And that is where we are now.

Like water and ice, the liquid capital and the invested capital are made of the same substance. They are both capital but they are still two separate commodities and have, therefore, separate markets. The expansion of business may absorb so much of the scarce liquid capital as to further worsen the scarcity and force its price up. This in turn may put such a premium on liquid capital as to make invested capital undesirable by comparison. To put it in a simplified way, if your business is so good that you need more equipment, more inventory and more working capital to handle it, you will look for more capital in competition with a lot of other businesses, big and small, who are in the same position as you are. If you cannot get it, you will try to borrow it. If credit is insufficiently available or not available at all, you will be forced to liquidate whatever marketable investment you own, to raise cash. The others will, on the average, do the same thing, for they are in the same boat as you.

Thus, you and the others **sell bonds and stocks because business is good.**

Inverse Paradoxical Pattern

In other words, in a socialist economy like ours where capital is ignored, you live in a chronic state of capital scarcity. The slightest increase in business prosperity worsens that scarcity and forces the liquidation of bonds and stocks. The traditional pattern of markets rising with prosperity and declining with depression has now given way to a paradoxical pattern of **inverse** reactions. Business prosperity depresses the market and business depression boosts the market upwards.

The accumulation of this capital shortage started in 1942 when the war emergency offered Milksocialism the opportunity of attaining its goal of equality of income through extreme progressive taxation. It was not felt much during the war years because, with little to spend money on, the rate of savings and the consequent capital accumulation were abnormally high. The economy felt a pinch in 1946, during the reconversion period but it was only temporary. After that the national economy continued to expand, taxation was somewhat eased but the shortage of capital continued to build up slowly but surely. Then came the Korean war which suddenly triggered the most explosive business expansion in the history of America, but also tightened, this time for good, the socialist taxation on individuals and corporations. The source of capital, already progressively strained over the years, was thus further hamstrung right at a time when more from it was demanded. From then on, the **inverse** relationship between "liquid capital market," and "stock market," became definitely established.

Firms Worth More Dead Than Alive

For three consecutive years business went on booming and reaching new highs in volume, profits and employment. The market remained practically inert, with low volume and small fluctuations. Higher profits announcements used to stir no response. The increased value of established companies accruing from the accumulation of undistributed profits was never reflected in market quotations. Marketwise plenty of corporations were worth more dead than alive. Yet business was as good that labor was at a premium. In such conditions the apathetic market behavior was hard to understand. It puzzled the public and the brokerage fraternity alike. The truth was that liquid capital was needed for business, there was not much left for buying stocks.

Nineteen hundred and fifty-three was the last year in that period of expansion and prosperity. Toward its end the signs of a business let down made their appearance and the let down soon materialized into a real recession. The general expectation was for a market downturn, true to tradition. Wrong. The market started the most spectacular climb in modern history and gained in one year of recession what it had not but should have gained in three years of prosperity. Why? The business recession reduced the demand for capital, caused a liquidation of inventories and swelled the bank deposits with cash. This idle capital looked around for placement and soon found its way into the stock market.

That means: The market went **up** because business was **bad.**

The 1955-1957 Period

About the middle of 1955 business turned good again and the market climb lost steam. It soon levelled off and held on that way for a couple of years while business was getting better and better. Actually the levelling off was only apparent, because the bond market, unnoticed by the public at large but keenly watched by the financial community, went down and down and down. Now, it stands to reason that Government obligations do not go down to 87 for lack of confidence in the U. S. A., especially in time of prosperity and of **balanced budget.** Why were they falling then? Prosperity was scraping the bottom of the capital market and the liquidation of investments was starting with the bonds.

Business prosperity reached its climax in middle 1957. It boasted the highest employment, the highest wages, the highest personal income and the highest national income in the history of America. So the market took one of the most sensational and unexpected plunges on record. Why? The shortage of capital (not of money,

Continued on page 45

From Washington Ahead of the News

By CARLISLE BARGERON

Your correspondent is saddened to report that Walter Reuther's UAW is winning the fight with the Kohler Company before the McClellan Investigating Committee. This is not only my opinion but also that of the newspapermen covering the daily sessions of the committee.

For several months there has been a persistent campaign on the part of conservatives, on the committee and off, to get Reuther before the committee and turn up as many evil doings, of a different sort, as were developed against Dave Beck. It got down to the point of where the Republicans on the committee insisted upon their own investigator going out to Wisconsin to do the spade work.

Carlisle Bargeron

So far one would get the impression that Reuther is smarter by far than his critics or else his union is relatively clean as a hound's tooth. My own impression is that the Kohler people have been lax in building up their case. They haven't been able to show any of the gangsterism and thuggery which their propaganda has pictured over the four years of the strike. There have been disorders for which the testimony thus far shows both sides have been responsible. But the disorders have not been unusual for a big strike. They certainly can't be compared to the Michigan sit-down strikes.

Reuther himself, as of this writing, has not appeared but the chances are that he will be in a holier light than his subordinates who have appeared. The strike seems to have been definitely broken, but the indications are that the nationwide boycott which the UAW is conducting against Kohler products is hurting the company. But certainly the committee hearings are not hurting Reuther or the UAW publicity wise. To counter company charges of violence on the part of the strikers is the fact that the company employed spies to circulate among them and also the company has not been very convincing in answering the UAW's charge that it provoked some of the disorders.

My annoyance is that if the Kohler people didn't have a better documented case why did they want to come before the committee. Yet they did. Along with them and their friends, conservative influences have been agitating for months to have the committee go into this case. For once, it was felt, the sacrosanct Mr. Reuther would be shown up in his true light. He hasn't been shown up in such light and as it stands now he will come out of the hearings stronger than ever before.

The committee which has been working harmoniously together for more than a year, all through the Dave Beck hearings and the misdeeds of lesser labor leaders, has been split down the middle, the Republicans on one side and the Democrats on the other. The Democrats have turned the whole inquiry over to the Republicans. They absent themselves from the hearings and give the Republicans full play. Even under these circumstances, the Republicans, day after day hammering away, have not been able to damage Reuther.

It might be said that after this showing I should be willing to exonerate Reuther, to recognize him as a good citizen and welcome him into the community of constructive Americans. However, this is not my feeling in the slightest. I agree with Senator Goldwater of Arizona, when he said in a speech in Detroit that Reuther is a greater menace to this country than a dozen Russian sputniks. But the McClellan committee, or rather the Republican members of it, are no match for him. Insofar as the committee is concerned he will still be the hero of liberal intellectuals, and his intellectual friends will still arrange for him to speak at our colleges and there will be screwy business men to continue to invite him to their gatherings when he will always be persuasive

What I will still wonder is why the Kohler people came to Washington with him when, at least on the record to date, they didn't have a better case.

FIC Banks Place Debs.

The Federal Intermediate Credit Banks are offering today (March 20) a new issue of approximately $135,000,000 of 2% nine-months debentures, dated April 1, 1958 and maturing Jan. 5, 1959. Priced at par, the debentures are being offered through John T. Knox, Fiscal Agent, and a nation-wide group of securities dealers.

It was also announced that an issue of the Federal Intermediate Credit Banks already outstanding with a maturity of Oct. 1, 1958 was re-opened for $9,000,000 and was sold at a premium.

Proceeds from the financing will be used to refund $86,000,000 of 4¼% debentures maturing April 1, 1958, and for lending operations.

With Mitchum, Jones

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — James D. Warren is now connected with Mitchum, Jones & Templeton, Russ Building. He was formerly with Sutro & Co.

R. N. Wulfing With Alex. Brown & Sons

The investment banking firm of Alex. Brown & Sons announced that Robert N. Wulfing has become associated with their municipal bond department with headquarters in their New York office, 2 Wall Street.

Prior to joining Alex. Brown & Sons, Mr. Wulfing was associated with the municipal bond department of the Chemical Corn Exchange Bank.

E. J. Scherer Now With Wertheim & Co.

E. Joseph Scherer has become associated with Wertheim & Co., 120 Broadway, New York City, members of the New York Stock Exchange, in the municipal bond department. He was formerly with B. J. Van Ingen & Co., Inc.

Supply of Mortgage Money in 1958

By HARRY HELD*

Vice-President, The Bowery Savings Bank, New York City

Bowery Savings Banker sees ample mortgage funds for balance of 1958; opines mortgage investments would lose their competitive advantage if new capital financing brings about higher bond and lower mortgage yields; and anticipates no change in housing starts of over a million units in 1958 even if favorable savings-inflow were to change its pattern. Direction of economic conditions and/or stimulating efforts to boost housing is depicted by Mr. Held as determining factor as to whether housing will be above or below 1 million units in 1958. Concludes continuation of favorable mortgage supply condition will depend upon mortgage investment competitiveness with non-mortgage offerings.

The apprehension regarding the outlook for mortgage money in 1958, which was prevalent during the third quarter of 1957, seems to have dissolved or has at least been substantially diluted by the flow of mortgage funds into the market during the last three months. In the light of previous experience the change from pessimism to optimism which has occurred has, to say the least, been most abrupt. Normally, changes in the money supply in the mortgage market have been subject to time lags of from four to six months behind the changes occurring in the general capital market. For example, the change in general credit and monetary policy after mid-1953 from restraint to active ease did not have any substantial influence on the mortgage market until late in 1953 or early 1954.

Harry Held

By the early part of 1954 funds for mortgage investment became more readily available because of a continuing decline in yields on competitive investments. Federally underwritten mortgages, on which the interest rates had been increased to 4½% in March, 1953, became more attractive to investors and funds for such loans were much more readily available. By August, 1954, based upon a Federal Reserve survey, discounts on federally underwritten loans were substantially reduced and in some areas were going at a slight premium. Also, according to the survey, interest rates on conventional loans had declined ¼ to ½ percent from the interest rates on such loans in the last quarter of 1953. Activity in the mortgage market was reflected in the increases in housing starts from June, 1954, and continued throughout the year. Likewise, the total number of houses purchased in the second half of 1954 advanced sharply in both new and existing dwellings.

Explain Why Funds Are Available

This resume of the 1953-54 experience indicates the time lag which was involved in that period. This leads to the question as to why the current situation involved such a quick about-face from a shortage of mortgage funds in November, 1957, to a relative abundance of such funds following so closely the change in monetary policy. Part of the answer may be attributed to the fact that the mid-November action of the Federal Reserve Banks in reducing the discount rate by one-half percent induced a rush of funds into the capital markets in anticipation of a lower rate structure. In the bond market prices of many high grade issues jumped 6 to 8 points in the short space of six weeks, an advance which the Chase-Manhattan Bank Economic Report of January, 1958, characterized as "virtually without parallel in the memory of market professionals."

This report further stated: "The buoyant response of the long-term markets following the discount rate change and the subsequent caution of the Federal Reserve in releasing reserves provide an interesting contrast to developments in mid-1953, when a mild recession was just getting under way. At that time the Federal Reserve promptly released a massive volume of reserve funds. Banks in turn expanded their portfolios of short-term Treasury issues, and the money supply soon moved higher. Nevertheless, interest rates were relatively slow to respond. Not until September, 1953, two months after free reserves had appeared, did rates begin to drop in earnest toward their 1954 lows."

As the yields on bond investments increased, activity in long-term financing began in mid-December, 1957, to switch from the bond market to the mortgage market. As contrasted with the mid-1953 developments in the mortgage market, this switch was as dramatic as that encountered by the bond market. In that period, as in this, the resultant decline in yields on non-mortgage investments improved the competitive position of mortgages in the capital market.

In addition to the switch in the yield differential situation, further factors of consideration contributed to the substantial activity in the past two months in the placement of mortgage funds:

One factor was the curtailment in mortgage lending during the immediately preceding periods. In the case of savings banks this is borne out by the fact that for the year 1957 their mortgage loan gain was only $1,409 million, which was three-fifths of the increase of $2,280 million shown in 1956. The gain in 1957 was also $1,047 million less than the peak gain of 2,456 million in 1955.

Another factor was that during the "tight money" situation outstanding mortgage commitment positions were substantially contracted due primarily to the competitive yield advantages of investing current funds in the bond markets. In New York State, for example, the mutual savings banks reported on Sept. 30, 1956, outstanding mortgage commitments of $1,376 million; on Sept. 30, 1957, outstanding mortgage commitments were only $841 million, representing a drop of $535 million from one year previous and down $760 million from the $1,601 million figure of Sept. 30, 1955. With curtailed commitment positions, when the switch came many investors found it necessary to begin substantial build-up of commitments for 1958 delivery.

Still another factor which has been pointed out is that in analyzing the present heavy purchases of the savings banks and their effect on future prices, consideration should be given to the fact that quite a lot of it constitutes borrowing against the future. Most of the banks are not out to expand noticeably their proportions of mortgages to assets. They do want to maintain that ratio and much of the present purchasing is being done to ensure that they will.

The two-fold pressures of low outstanding mortgage commitment positions and the effort to anticipate a lower rate structure plus reasonably satisfactory deposit growth in the past few months are undoubtedly the factors which have modified the normal time lag period of reaction in the mortgage market to changes in monetary policy.

Ample Funds for 1958

What are the short-run and long-run aspects for the balance of 1958 in the supply of mortgage money? By now I believe it is reasonable to state that the availability of mortgage funds will not be a problem for the remainder of 1958. Mortgages available for immediate delivery are virtually non-existent. In many cases mortgages in the F.N.M.A. portfolio are being optioned and repurchased to meet the immediate delivery market. Advance commitments are easily obtainable on new projects of single family owner-occupied units, and there are signs of increased activity in financing FHA rental housing. On the other hand, mortgage yields on FHA and VA loans have been decreasing while outstanding commitments of lenders have been increasing, which will undoubtedly have the effect of lessening the pressure on immediate investment of long term funds in mortgages.

A test of the new level of bond prices and yields will undoubtedly be made through the marketing of a heavy calendar of new financing. The outcome of this test will be reflected in the availability of funds for mortgage investments. If new capital financing has the effect of moving the bond yields up while mortgage yields are decreasing, there would be a lessening of the competitive advantage of mortgage investment.

The inflow of new savings continues to be a favorable factor even in the face of continuing unemployment and economic concern. A change in the pattern of increased savings during the balance of the year could have the effect of diminishing lenders' activity in the mortgage market quite abruptly. Such a situation would not appreciably affect the 1958 production of housing starts, as indications are that builders are now in possession of commitments to carry their production through 1958 and into the early part of 1959. The extent to which their present financing arrangements will carry them will depend greatly upon the success they have in selling their houses. The psychological effect upon prospective home purchasers of unsatisfactory economic conditions could readily result in a lower rate of housing production than that being planned, and upon which mortgage commitments have been secured. On the other hand, new stimulating efforts to bring housing within reach of those desiring new accommodations, together with a more stable economic outlook, would bring housing production to well over a million units in 1958.

The turnabout in the money markets has in three short months overcome the tight mortgage market situation which was present during most of 1956 and 1957. A continuation of present favorable conditions will depend upon the ability of mortgage investment offerings to compete in the free capital market with non-mortgage offerings.

A favorite radio program of yesteryear had as its theme: "Time Marches On." In February, 1957, mortgage bankers were asking their investors "What have you done for me lately?" At this meeting investors are probably asking mortgage bankers "What have you done for me lately?" Time Marches On.

*An address by Mr. Held before Midwestern Mortgage Conference of the Mortgage Bankers Association of America, Chicago, Feb. 24, 1958.

Graham, Armstrong Securities Ltd. Formed in Montreal

MONTREAL, Canada—Graham, Armstrong Securities Ltd. has been formed with offices at 437 St. James Street, West to act as underwriters, distributors and dealers in government of Canada, provincial, municipal, public utility and industrial securities.

F. Ronald Graham Jr. Andrew Armstrong

Officers of the company are F. Ronald Graham, Jr., chairman; Andrew Armstrong, president; Harry W. Andrews, secretary and treasurer; and E. H. McAteer, Wilfred E. Dodd, Peter W. Betts, and Harry J. Daly, directors. Mr. Betts will be manager of the trading department.

Mr. Armstrong was formerly manager of the corporate trading and stock order department of Royal Securities Corporation Limited.

Mr. Graham, Mr. McAteer and Mr. Daly are partners in Graham & Co.

Wilson Lee Joins Rand & Co. Staff

Wilson D. Lee has become associated with Rand & Co., 1 Wall Street, New York City, dealers in municipal and corporate securities. He was formerly with Stroud & Co. Inc. in the firm's New York office and prior thereto with American Securities Corporation.

Cevasco 57 Years With Albert Frank Agency

Victor J. Cevasco, a Vice-President of Albert Frank-Guenther Law, Inc., advertising agency at 131 Cedar Street, New York, is currently observing his 57th year with the organization. Mr. Cevasco joined Rudolph Guenther on March, 12, 1901, as a typist, runner, proof chaser and office boy, and continued with the organization as it grew through mergers to become Rudolph Guenther & Russell Law, Inc. and Albert Frank-Guenther Law, Inc. in 1932.

Victor J. Cevasco

L. S. MacDonald With Kay, Richards & Co.

PITTSBURGH, Pa.—Linford S. MacDonald has become associated with Kay, Richards & Co., Union Trust Building, members of the New York and Pittsburgh Stock Exchanges, as Assistant Manager of the Bond Department, specializing in municipal bonds. Mr. MacDonald was formerly municipal analyst for the Peoples First National Bank and Trust Company.

Torrey V.-P. & Treas. Of W. C. Pitfield Inc.

W. C. Pitfield & Co. Inc., 30 Broad Street, New York City, has announced the appointment of David L. Torrey as Vice-President and Treasurer. Mr. Torrey will be in charge of the New York office.

J. C. Eppler Director

John S. Wertz, Chairman of the board of directors, the Vickers Petroleum Co., Inc., Wichita, announced that Jerome C. Eppler has been elected to the firm's board of directors.

Mr. Eppler is a partner in Cyrus J. Lawrence and Sons, New York investment firm.

Business Fluctuations and Demand for Mortgages

By THEODORE J. KREPS*
Professor of Business Economics, Graduate School of Business, Stanford University
Former Staff Director of the Joint Economic Committee

Mortgage bankers are advised by noted business economist that if construction cost-price structure remains stable in coming years they will be vigorously seeking new outlets for funds and opposite will ensue if prices rise 3% annually as has been the case in last decade. Dr. Kreps observes, in examining relationship between mortgage and business cycles, postwar relatively steady annual increases in mortgage debt occurred despite variations in individual financial savings—due to governmental and thrift institutions' stabilizing activities—and inquiries whether government, business and other important influences of immediate past will act as vigorously as heretofore during this recession. States answer will determine in next several months the interaction between whatever remains of business cycle and demand for mortgages.

Since World War II mortgage bankers have served as dynamic catalysts in shifting the occupancy of the majority of nonfarm urban residences from the hands of renters to home-owners. Their activities have expanded rapidly in complexity, importance, and responsibility.


Theodore J. Kreps

But early last summer a far-seeing leader among mortage bankers prophetically said:

"We are now at a turning point in the history of our industry. We have had some fat years—years when the postwar housing shortage and the record rate of family formation, combined with the exceedingly liquid position in which institutional investors found themselves after the war, enabled us to make loans as fast as the houses could be constructed. Now we are faced with the probability of comparatively lean years, because new household formation has slowed although it continues to rise, the housing shortage has largely been satisfied, and the nation is better housed than ever before."[1]

That which last year was discernible by men of tall stature now affords closer inspection and measurement. What are its dimensions? What are the forces at work making for instability? What are the likely consequences? What measures can be taken to moderate the fluctuations and cushion their impact? Such are the questions for which answers must be sought in endeavoring to assess the impact of whatever in this day remains of the business cycle upon the demand for mortgages.

Some Facts About the Demand for Mortgages

(1) Mortgages represent but one of the uses to which investment funds are put—always important but highly variable. In 1954 the increase in real estate mortgages took half of the newly available funds. Two years earlier the fraction was one-third. In the three years from 1952 to 1955 the increase in mortgages jumped from $9 billion to $16.1 billion.

Part of this variability is due to the competitive demand of other uses. In years of cash deficit the Federal Government may be a primary claimant; indeed, during war-time the only one. Manufacturing and other non-financial corporations absorbed from $6 to $8.5 billion each year in net new issues. The net debt of state and local governments has regularly increased since 1945 by $3 to $4 billion. The increment in consumer installment credit outstanding varied in one year from $0.6 billion in 1954 to $5.5 billion in 1955. Similarly the increase in bank loans (exclusive of consumer credit and real estate) varied from a low of only $1 billion in 1953 to $7.8 billion in 1955. See Table I for further details.

(2) The funds out of which mortgages are bought come increasingly from thrift institutions. Each year life insurance companies mass together about $6 billion of new funds and mutual savings banks from $2-2.5 billion. Since 1950, as compared with 1957, the new money collected by savings and loan associations has more than doubled ($2 billion vs. $4.2 billion), likewise that by fire, casualty, and marine insurance companies ($0.5 billion vs. $1.2 billion) and similarly that from corporate pension funds ($0.8 billion vs. $2.1 billion). Moreover, the new demand each year flowing from state and local government retirement funds has more than tripled ($0.4 billion vs. $1.3 billion), likewise that from investment companies ($0.2 billion vs. $0.8 billion) and that from individuals and others ($1.4 billion vs. $5.3 billion). Most irregular has been the incremental stream of funds collected or generated by commercial banks, credit unions and non-financial corporations. Particularly interesting is the peak in 1955 and decline since then in available new funds from savings and loan associations (down from $5.2 billion to $4.2 billion), from commercial banks (down from $12.0 billion to $5.9 billion) and from non-financial corporations (down from $3.9 billion to $0.9 billion). For details see Table II.

(3) Total mortgage loans held by thrift institutions and other holders have increased from a level of $36 billion in 1945 to $144 billion at the end of 1956. Since 1950 the rate of increase has averaged more than 10% compounded annually. Participating most vigorously in this increase have been the savings and loan associations which increased their holdings of mortgages on 1-4 family, multi-family, commercial and industrial properties from $5.4 billion at the end of 1945 to $35.9 billion at the end of 1956. In 1940 they garnered only 5% of personal savings; in 1955, 30%; and in 1956, 24%.

Running neck and neck have been the insurance companies who chalked up an increase from $5.9 billion in 1945 to $33 billion in 1956. Only a short distance behind were the commercial banks with an increase from $4.3 billion in 1945 to $22.8 billion in 1956 and the mutual savings banks with a jump in holdings from $4.2 billion at the end of 1945 to $19.8 billion at the end of 1956. For details see Table III.

(4) The annual increment or net addition to total mortgage loans outstanding ordinarily is equal to about 40% of the total of mortgage activity, the remainder representing financing of sales of old homes largely met by money from repayments. In an article in *The Mortgage Banker* the eminent housing economist Dr. Robinson Newcomb makes a careful analysis of the 1-4 family housing figures for 1955 on the basis of which he presents estimates for 1957. His calculations show the total volume of such housing transactions in 1955 to be in the neighborhood of $43.5 billion of which $19.2 billion represented the sale of 1,200,000 new houses (average price $16,000) and $24.2 represented the sale of 2,200,000 existing homes (average transaction value $11,000). These sales of 3,400,000 houses generated $28.5 billion of mortgages of which $16.1 billion represented repayments (17% of

Continued on page 34

*An address by Dr. Kreps before 3rd Annual Southwestern Senior Executives Conference, co-sponsored by the Mortgage Bankers Association of America and the School of Business Administration of Southern Methodist University, Dallas, Texas.

1 John F. Austin, Jr., President, Mortgage Bankers Association of America, and President, T. J. Bettes Company of Houston in a speech before the School of Mortgage Banking at Stanford University entitled "Mortgage Banking—the Most Dynamic Industry in Our Modern-Day Economy," August 4, 1957.

TABLE I

Summary of (Non-Federal) Uses of Investment Funds

(In billions of dollars)

	1950	1951	1952	1953	1954	1955	(est.) 1956	(proj.) 1957
Net new issues of nonfinancial corporations..	$3.5	$5.9	$7.4	$6.7	$5.6	$6.1	$7.6	$8.5
Increase in real estate mortgages...........	10.1	9.4	9.0	9.9	12.5	16.1	14.8	13.0
Incr. in net debt of state & local govts....	3.0	2.1	2.8	4.0	4.8	3.4	3.2	3.7
Subtotal	$16.6	$17.4	$19.2	$20.6	$22.9	$25.6	$25.6	$25.2
Incr. in consumer instalmt. credit outstdg.	3.1	0.6	4.1	3.6	0.6	5.5	2.5	2.3
Incr. in bank loans, exc. real est. & instalmt.	5.9	4.5	3.6	1.0	1.5	7.8	5.1	3.6
Total uses	$25.7	$22.5	$26.8	$25.1	$25.0	$38.9	$33.2	$31.1

SOURCE: "The Investment Outlook for 1957." Economics Department, Bankers Trust Company (Table I, p. 32).

TABLE II

Summary of Sources of Funds

(In billions of dollars)

	1950	1951	1952	1953	1954	1955	(est.) 1956	(proj.) 1957
Life insurance companies..................	$5.4	$5.9	$5.2	$5.0	$5.9	$5.9	$5.8	$5.9
Mutual savings banks.....................	1.5	1.8	2.1	2.0	2.5	2.3	2.5	2.0
Savings and loan associations.............	2.0	1.9	2.8	3.5	4.2	5.2	4.4	4.2
Fire, casualty & marine insurance companies	0.5	0.6	0.8	1.1	1.0	1.0	1.0	1.2
Corporate pension funds..................	0.8	1.1	1.5	1.5	1.9	1.6	2.0	2.1
State & local government retirement funds..	0.4	0.3	0.5	0.6	0.8	1.0	1.1	1.3
Investment companies.....................	0.2	0.3	0.5	0.4	0.4	0.5	0.8	0.8
Total nonbank investing institutions......	$10.8	$11.9	$13.4	$14.1	$16.7	$17.6	$17.6	$17.5
Commercial banks	11.1	6.6	7.2	4.0	4.7	12.0	7.9	5.9
Credit unions	0.2	..	0.2	0.3	0.2	0.3	0.4	0.3
Nonfinancial corporations	1.8	0.4	2.2	1.8	0.9	3.9	1.0	0.9
Federal agencies	0.4	1.0	0.9	0.1	—0.2	0.5	0.6	1.2
Individuals and others..................	1.4	2.5	2.9	4.8	2.7	4.5	5.7	5.3
Total other	$14.9	$10.6	$13.4	$11.1	$8.3	$21.3	$15.6	$13.6
Total sources	$25.7	$22.5	$26.8	$25.1	$25.0	$38.9	$33.2	$31.1

SOURCE: "The Investment Outlook for 1957." Economics Department, Bankers Trust Company (Table I, p. 32).

TABLE III

Mortgages Held 1945 - 1956

1 to 4 Family, Multi-Family, Commercial, and Industrial Properties

(Millions of Dollars, end of year)

Institution—	1945	1953	1954	1955	1956
Savings & Loan Associations..............	5,376	21,862	26,142	31,461	35,870
Insurance Companies	5,934	21,436	23,881	27,172	33,017
Mutual Savings Banks.....................	4,200	12,890	14,951	17,457	19,760
Commercial Banks	4,251	15,768	17,397	19,707	22,775
Sub-total, Thrift Institutions...........	19,761	71,976	82,371	95,797	111,422
Government Agencies, Individuals and Others..........	11,927	21,364	22,959	24,943	23,278

Farm Mortgage Loans

(Millions of Dollars, end of year)

Institution—	1945	1953	1954	1955	1956
Federal Land Banks & Federal Farm Mtge. Corporations	....	1,187	1,280	1,480	1,722
Life Insurance Companies.................}	2,341	1,892	2,046	2,270	2,492
Commercial Banks ....}		1,082	1,158	1,270	1,386
Farmers Home Administration..............	....	268	271	278	294
Others, including Individuals............	....	3,230	3,415	3,663	3,800
Total Farm Mortgage Debt.................	4,682	7,660	8,170	8,960	9,694
GRAND TOTAL	36,370	101,000	113,500	129,700	144,500

SOURCE: Taken from a compilation of Willis R. Bryant in a folder privately distributed, but using data from the Federal Reserve Bank of San Francisco, the FEDERAL Home Loan Bank Review, Washington, D. C., the Institute of Life Insurance Fact Book, 1955, New York, and the Savings and Mortgage Division, American Bankers Association, New York.

Connecticut Brevities

Stockholders of **Aetna Insurance Company** voted at their annual meeting on March 17 on a proposal to merge the Company's wholly-owned subsidiaries, The World Fire & Marine Insurance Company, The Century Indemnity Company and Standard Insurance Company of New York into Aetna.

* * *

On Feb. 27 stockholders approved a merger of **City National Bank**, South Norwalk, into **The Connecticut National Bank**, Bridgeport. In the merger which took place on March 7 holders of City National Common received 30 shares of Connecticut National for each share. The combined capitalization will be $5,230,000 capital, $6,940,000 surplus and $1,011,897 undivided profits.

* * *

American Hardware Corporation acquired 245,852 shares of Savage Arms Corporation stock through its exchange offer of one half share of American stock plus $7.50 cash for each share of Savage. As a result of the shares acquired thereby and of the purchase for cash of 37,500 shares of Savage from B. S. F. Co. American now owns about 45% of the total of about 766,000 shares of Savage outstanding. B. S. F. owns about 190,000 shares of the 345,852 shares of American Hardward stock outstanding.

* * *

The annual report of **The Arrow-Hart & Hegeman Electric Company** shows that while sales volume was down about 7% in 1957 from the 1956 level the profit margin was slightly higher and the net per share was $5.50 against $5.79 the previous year, a decrease of about 5%. In 1957 research and development expenditures amounted to $850,000 and a number of new products were introduced that it is anticipated will maintain and improve the Company's competitive position. At the year end the 600,000 shares of Arrow stock was owned by 6,746 shareholders of which nearly 90% owned less than 100 shares.

* * *

In 1957 the sales of **Emhart Manufacturing Company** decreased by about 3% below the record 1956 level but per share earnings rose from $3.67 to $4.39. Research and development expense for the year was approximately $900,000, or nearly 3% of sales, not including about $1,700,000 engineering costs for specific customer applications. During the year $772,000 was expended for plant additions.

* * *

The Convair Astronautics Division of **General Dynamics Corporation** has started to move into its new plant at San Diego. The plant has been completed at an approximate cost of $40 million, of which about $20 million is paid for by the Air Force in the form of heavy machine tools. The estimated moving cost is $2 million.

* * *

New Haven Water Company has completed its construction of its new reservoir to impound and divert water from the Hammonasset River at a point 17 miles east of New Haven. The Company's expansion program for 1958 includes about $1,120,000 for new distribution mains and $240,000 to construct a high elevation distribution system in Branford.

* * *

In 1957 **The Cuno Engineering Corporation** reported net earnings per share of $1.87, compared to $1.32 a year earlier. Sales increased 13% from $6.3 million to $7.1 million. During the year important developments included the use of the Company's Super Auto-Klean filter on the atomic reactor built for the new electric generating station of Duquesne Light Company and on three of the new atomic-powered submarines as well as on the land based prototype of a fourth atomic submarine. A Micro-Klean filter has been installed in the Boiling Water Atomic Reactor which has been installed at Vallecitos Atomic Laboratory at Pleasonton, California. The Company expects to introduce early in 1958 its new Aqua-Pure home water filter which will mark its entry into a new consumer market that is believed to have a large potential.

THE TEXAS COMPANY

Reports for 1957

HIGHLIGHTS

FINANCIAL	1957	1956
Net income	$332,303,644	$302,262,620
Net income per share	$5.94	$5.51
Cash dividends paid	$123,906,925	$128,978,474
Cash dividends paid per share	$2.35*	$2.35
Working capital (end of year)	$595,721,833	$598,547,070
Capital expenditures	$389,301,923	$502,613,766
Exploration expenses, including dry holes	$ 92,406,408	$ 87,235,892

**OPERATING • Barrels per day	1957	1956
Gross crude oil produced:		
Western Hemisphere	617,519	577,050
Eastern Hemisphere	435,536	393,295
Total world-wide	1,053,055	970,345
Refinery crude oil runs:		
Western Hemisphere	794,607	726,929
Eastern Hemisphere	268,990	248,945
Total world-wide	1,063,597	975,874
Petroleum product sales:		
Western Hemisphere	735,098	702,490
Eastern Hemisphere	320,510	281,110
Total world-wide	1,055,608	983,600

**In addition, a 2% stock dividend was paid in 1957.*
***These statistics include 100% of the operations of subsidiary companies and the Company's equity interest in the operations of companies owned 50% or less.*

CONSOLIDATED BALANCE SHEET—DECEMBER 31

ASSETS

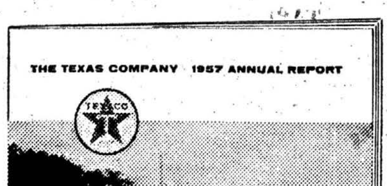
CURRENT ASSETS:	1957	1956
Cash and securities	$ 229,866,336	$ 266,783,841
Accounts and notes receivable	279,599,475	269,212,883
Inventories	374,628,488	312,536,934
Total current assets	$ 884,094,299	$ 848,533,658
INVESTMENTS AND ADVANCES	$ 180,648,163	$ 182,216,486
PROPERTIES, PLANT, AND EQUIPMENT:		
Gross	$3,189,622,656	$2,857,950,714
Less — Depreciation, depletion, and amortization	1,599,537,399	1,422,483,869
Net properties, plant, and equipment	$1,590,085,257	$1,435,466,845
DEFERRED CHARGES	$ 74,266,910	$ 37,912,810
	$2,729,094,629	$2,504,129,799

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:	1957	1956
Notes, contracts, and accounts payable and accrued liabilities	$ 238,716,827	$ 214,701,923
Estimated income taxes (less Government obligations: 1957—$60,000,000; 1956—$70,000,000)	49,655,639	35,284,665
Total current liabilities	$ 288,372,466	$ 249,986,588
LONG-TERM DEBT	$ 306,739,743	$ 363,855,182
RESERVES	$ 43,141,922	$ 9,589,629
MINORITY INTEREST	$ 37,471,373	$ 30,725,994
STOCKHOLDERS' EQUITY:		
Par value of capital stock issued—shares $25 each	$1,408,887,650	$1,381,262,400
Capital surplus	38,675,350	—
Retained earnings used in the business	605,806,125	468,710,006
Total stockholders' equity	$2,053,369,125	$1,849,972,406
	$2,729,094,629	$2,504,129,799

CONSOLIDATED INCOME STATEMENT

GROSS INCOME:	1957	1956
Sales and services	$2,344,176,856	$2,046,305,092
Dividends, interest, and other income	104,985,554	131,045,562
	$2,449,162,410	$2,177,350,654
DEDUCTIONS:		
Costs, operating, selling, and general expenses	$1,684,072,902	$1,485,605,286
Taxes (other than income)	69,845,086	63,977,198
Dry hole costs	45,428,145	43,145,321
Depreciation, depletion, amortization, and leases surrendered	216,176,860	189,899,810
Interest charges	12,512,084	8,512,730
Provision for income taxes	83,900,000	78,600,000
Minority interest in net income of Canadian subsidiaries	4,923,689	5,347,689
	$2,116,858,766	$1,875,088,034
NET INCOME FOR THE YEAR	$ 332,303,644	$ 302,262,620



A limited number of copies of the Annual Report are available upon request to the Secretary, The Texas Company, 135 East 42nd Street, New York 17, N. Y.

TEXACO

THE MARKET . . . AND YOU

By WALLACE STREETE

The stock market was mostly reactionary this week after the industrials had recoiled from any effort to forge to a new peak on the year. Metals, oils and chemicals took turns at sinking spells and a few dividend casualties stood out. Generally, the tobacco and drug sections were able to keep up their good work, running counter to the trend when the rest of the market was soft.

Tobaccos Outstanding

Lorillard, bolstered by some high earnings projections, was the superior performer in the cigaret section and posted a price that was more than three times last year's low. U. S. Tobacco, which had been linked with Lorillard in merger talk, was momentarily dismayed when the rumors were denied, but was back in action on moderate strength shortly afterward.

* * *

Carter Products which has been a fixture of listed trading for only around half a year was a pet at times in the drugs and it, too, was no stranger to the list of new highs.

Dividend Casualty

The outstanding dividend casualty item was King-Seeley in the auto parts section which pared its payment by 60% and the stock's initial reaction was a drop of around 16% in value to a new low for more than a year. The dividend cut wasn't entirely unexpected since the stock already had declined to where the old payment represented a return of around 10% which, naturally, faded abruptly when 25 cents was declared against the 62½-cent rate prevailing earlier.

* * *

It has been the case in other dividend trims lately that the action wasn't entirely unexpected and the issues involved, as a result, were able to pretty much shrug off the actual news.

Some Bright Spots

Business news continued dreary for the most with a bright spot here and there to relieve the monotony. United Carbon's annual meeting was told that earnings were up "modestly" so far this year and the management is confident of showing a gain for the first quarter over the $1.32 earned in the similar period last year. Few meetings had anything as encouraging to gnaw on in the annual reports flooding the mails.

Phillips Petroleum's report was encouraging — record earnings and sales. And the management wasn't as gloomy over this year since it reported to shareholders that "we expect 1958 to be a good year for Phillips—but a difficult one in which to increase earnings." Measured against some of the more pessimistic statements, this is downright optimistic.

A Prosperous Rail

Rails haven't had much in the way of followers for many months but Union Pacific was mentioned favorably by several sources since it turned in a good report for last year; and in the first month of this year was able to do as well as it did a year ago— a definite exception to the sharply slashed earnings pattern of most other rails.

* * *

Helping Union Pacific greatly is its interest in oil and gas operations. Rail income was down nearly 8% but income from its oil and gas up more than 9% which enabled the line to show $3.34 against $3.36 in 1956. It leaves the indicated $1.60 dividend well covered and opinion is unanimous that the same payout should be maintained this year, which offers a 6% return.

* * *

That the good results have attracted market attention is best illustrated by comparisons with other carriers such as Louisville & Nashville which saw the market price slashed about in half to where the indicated yield is better than 8½%.

Favored Groups

The big hunt by market followers was for items where the prospects for this year are still good. The favored groups included some of the food chains, notably Kroger where published predictions of a stock split this year centered. The shares were last split in 1950 when their market value crossed the $70 line. Consistent strength in the current shares carried them across this line once again, representing a doubling in price since the last split. The company's sales jumped 12% in the first two months of the year and company estimates are for higher earnings for the full year. Moreover, the president is on record as favoring a stock split since the issue enjoys a better trading market in the lower price level.

* * *

W. R. Grace, rated as a candidate for a trim in earnings last year, is held to be in position for a rebound this year that would make it a somewhat brighter item. More than $5 million had to be set aside for new facilities which didn't contribute to profits last year but could now. In any event the dividend is well covered and offered a return of around 5½% at recent levels.

* * *

Pillsbury Mills in the coveted food product group is also a candidate for satisfactory 1958 results with the company on a major program of cost-cutting modernization. Most of its capital expenditure budget for this year is so aimed. With a yield of better than 5%, Pillsbury is the liberal yield item in a group where around 4% would seem to be the "norm."

The Humming Drugs

Drug firms have been bubbling along, pouring out new products in a seemingly pell mell parade that, in addition to ignoring the economic downturn is also a prop to earnings. Abbott Laboratories has a steady upward curve in its annual earnings for the last handful of years and prospects are that the line will continue this year. There are hopes that in time the dividend will be boosted, too, since the current rate is well covered by anticipated earnings. By next year if earnings continue to expand, the present payment would be earned about twice over.

* * *

Tobaccos were also prominent on lists of candidates for higher dividends, notably American Tobacco and Liggett & Myers. In the case of the latter, the yield on the current payment already is above 7%. Lorillard, however, had taken the spotlight pretty much away from the other tobaccos because of its uphill surges to new peaks. The market students pretty much agreed that Lorillard is a leading candidate for fatter earnings this year, although some of the projections were getting unduly optimistic.

Construction Issues in Forefront

For the market generally, the issues that have anything to do with construction are now regarded as the ones that will show first when the economy makes its turn out of the slump. So far the market action of these issues has been restrained, mostly because the early reports of home building failed to show the expected upturn. But that was through a period of unusually bad weather which restricts that type of work. Even Hussman Refrigerator, which suffered last year when construction tapered off, is favored for a rebound since the available reports indicate that the food chains, which are important customers of commercial refrigeration, are planning expenditures even higher than in 1957.

[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.]

Foreign Currency Loans To Private Business

By EDMUND PENDLETON, JR.

Attorney at Law, Partner in Firm of Culbertson and Pendleton

Formerly With Office of Secretary of Agriculture

Washington, D. C., legal expert uses a summary table to review various U. S. and international agency sources of foreign credit available to private American business and devotes content of his article to an analysis of what is said to be a unique program under the Cooley Amendment (P. L. 480) administered by Export-Import Bank. Attorney Pendleton notes that: (1) the borrower does not have the problem of converting local currency back into dollars; (2) purpose is to provide credits of foreign currencies for private business including American business firms, branches, subsidiaries or affiliates, and narrow purpose of expanding U.S. agricultural sales which provides source of funds; and (3) this overcomes difficulties of businessmen in borrowing foreign currencies.

The businessman today has a variety of sources of foreign credit available to him in Washington. The variety is so great, in fact, that many would-be borrowers become confused in analyzing the possibilities. Credit in the foreign field is offered by the International Bank for Reconstruction and Development, International Finance Corporation, Development Loan Fund, Commodity Credit Corporation, and Export Import Bank. The traditional authority of ExIm Bank covers dollar credits. A recent Act of Congress, the so-called "Cooley Amendment"[1] authorizes the ExIm Bank make foreign currency loans to private business.

E. Pendleton, Jr.

The businessman seeking credit for foreign operations will be interested in a careful review of all of these sources of credit. However a great deal has been written on most of these programs, both by the administering agencies and by outside critics. The "Cooley Amendment" program is unique, since little has been written on the subject, even by the ExIm Bank.[2] This program is also unique, in that the loan funds are limited to foreign currencies. With the exception of the table at the end of this article, discussion hereafter will be confined to the "Cooley Amendment" program.

The Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83rd Congress, established a program for selling American surplus agricultural commodities for foreign currencies. The program has been eminently successful in disposing of these commodities.[3] Over 50% of the foreign currency proceeds from these sales have been loaned back to the governments which purchased the surplus commodities. These funds are being used by those governments for economic development projects of the governments. In some cases private businessmen in those countries have been permitted to borrow these funds. American businessmen have felt that they should be permitted to do the same. An effort was made by the United States to encourage the foreign governments to extend their loan programs to American business. The results were not altogether successful. "The U. S. firm had to deal with the foreign government agencies that happened to have control of the funds; it had to compete with local concerns run by nationals of the country; and there was no ascertainable share on which a company contemplating a new investment could depend.[4]

Out of this background came the "Cooley Amendment." It provided the private businessman a credit program with two distinct advantages. The administering agency is the Export Import Bank. Both American and foreign businessmen know the Bank and feel that they are on sure ground in dealing with it. Second, the program permits the borrower to repay his obligation in a local currency. He does not have the problem of converting the local currency back into dollars.

Legislative History

On Feb. 14, 1957, the Secretary of Agriculture sent an executive communication to the Congress, requesting certain amendments to Public Law 480. Among these was his request that the authority for foreign currency sales be increased from $3 billion to $4 billion. His proposals were considered by the Senate Committee on Agriculture and Forestry and the House Committee on Agriculture.[5] Neither Committee gave consideration to a foreign currency loan program of the "Cooley Amendment" type. The House Committee, in its Report, under the section devoted to "Development of New Markets," did make the following statement: "It seems to the Committee that market development activities should include * * * the use of available foreign currencies for the development and establishment of facilities and machinery for the distribution in foreign countries of American farm products."

Subsequently, on May 28, the House Committee on Agriculture was called into executive session. The Chairman of the Committee, Congressman Harold D. Cooley, presented a proposal for a program of foreign currency loans to private business. The Committee voted for the "Cooley Amendment" unanimously.

On June 4, 1957, during the debate on the floor of the House on the proposed amendments to Public Law 480, Congressman Cooley introduced his proposal. Subsequently adopted by the House of Representatives with very little debate[6] the proposal was then considered by the Conference Committee created by the House and the Senate to resolve disagreeing positions of the two

Continued on page 28

1 Public Law 85-128, 85th Congress, 1st Session, Aug. 13, 1957.

2 The only general statement on the program issued by the Bank is contained on pages 7 and 8 of "EXIMBANK REPORTS," Sept. 10, 1957.

3 From the beginning of the program through June 30, 1957, the United States executed agreements for the sale of agricultural commodities for foreign currency totaling $2,997.4 million, estimated C. C. C. cost.

4 "Foreign Trade Know-How," Jerome Oelbaum, "The Journal of Commerce," Dec. 19, 1957.

5 Senate Report No. 188, 85th Congress, 1st Session, March 26, 1957; House Report No. 432, 85th Congress, 1st Session, May 9, 1957.

6 "Congressional Record," pp. 8998-9000, 85th Congress, 1st Session, June 21, 1957.

A British Dollar Loan Plan?

By PAUL EINZIG

Proposal made for a huge international dollar loan to Great Britain, advocated by combination of British leaders in banking-labor-theoretical economics, is severely criticized by Dr. Einzig who finds that it fails to diagnose and correctly treat heart of British economic illness. Professor J. R. Hicks is told why sterling is suspect and that no loan can disguise it; Sir Oliver Franks is reminded of 1946 fiasco; and Labor party head, Hugh Gaitskell, is informed that false security provided would generate wage-price inflation. Hopes British Government will not ask for a loan, and U. S. A. not respond to such a request, since it would be rapidly depleted by inflation and leave millstone of liability around necks of generations yet unborn.

LONDON, Eng.: There seems to be growing support for the idea, first launched by the Leader of the British Socialist Party, Mr. Hugh Gaitskell, last year, that Britain's problem should be solved by means of issuing a gigantic international loan. Those who favor this device believe that since the only reason why Britain can not inflate indefinitely with impunity is the inadequacy of her gold and dollar reserve, all that is needed is to secure a big reserve of borrowed gold and dollars. They think that, once that is done, inflationary Britain could live happily forever after.

Paul Einzig

Mr. Gaitskell's suggestion was noted by very few outside the Labor Party. Political leaders make such suggestions by the dozen. But some months later Sir Oliver Franks, former British Ambassador to the [illegible] and now chairman of Lloyds Bank, came out with a substantially identical suggestion. Many people who dismissed the idea out of hand when it was advocated by Mr. Gaitskell became firmly converted to it when put forward by Sir Oliver Franks. And now one of the leading theoretical economists, the Oxford Professor J. R. Hicks, joined the Gaitskell-Franks combination. So now the scheme is backed by a leading politician, a leading banker, and a leading economist, not to speak of the lesser supporters among the three professions and among financial journalists.

Answers Prof. J. R. Hicks

Professor Hicks, addressing the Manchester Statistical Society on March 12, declared himself in favor of a substantial stabilization loan because he feels that even if inflation is eventually defeated the country might still be forced into high money rates in order to protect sterling. For an economist of first-rate reputation this is an amazing view to take. It is understandable if illiterate politicans see no connection between domestic monetary trends and the trend of sterling exchange. But economists have no right to ignore the existence of a very close connection. The main reason—indeed practically the only reason—why sterling has been subject to frequent adverse pressure in recent years, and why Britain has been unable to accumulate an adequate gold reserve, lies in the non-stop wage inflation. It has handicapped British exports and has reduced the volume of goods available for early delivery to foreign buyers. It has created a feeling of distrust in the stability of sterling, leading to recurrent flights from the pound.

If only inflation could be brought to an end sterling could well hold its own. British exports would expand and the Treasury would be able to accumulate a substantial gold reserve out of balance of payments surpluses and out of the foreign balances which would be kept in London permanently in the absence of a devaluation risk. There would then be no need for a fictitious reinforcement of sterling with the aid of borrowing dollars. British prices would be competitive in the absence of inflated domestic demand, and delivery dates would be reasonable. A substantial and steady balance of payments surplus would insure the prestige of sterling at home and abroad even in the absence of window-dressing increase in the reserve with the aid of borrowed dollars.

Recalls 1946 Loan

Human memory is short, but people of the standing of the three advocates of a big dollar loan have no right to forget the experience of the big dollar loan of 1946. Its proceeds disappeared in a remarkable short time. There is no reason to suppose that it would be otherwise if the Government should allow itself to be persuaded into repeating that experience. Indeed the false security provided by the borrowed reserve would encourage trade unions to insist on unearned wage increases; it would encourage employers to concede such increases in the hope of a non-stop boom that would enable them to add the extra costs to the prices; it would encourage arbitrators in wage disputes to award substantial wage increases; and it would encourage the Government to allow inflation to proceed rather than incur unpopularity by trying to arrest it.

Moreover, it seems doubtful whether such a transaction would be practicable. According to Sir Oliver Franks' suggestion, the reinforcement of the British gold reserve should be provided by the International Monetary Fund. But that institution does not conjure dollars out of thin air. In order to be able to increase its resources on the scale envisaged by Sir Oliver Franks, it would be necessary for the member Governments to double or treble their contributions. This would mean that the United States would be expected to provide additional billions of dollars so as to enable the International Monetary Fund to reinforce the British reserve. The contributions of other countries with hard currencies would be negligible compared with that of the United States. It is not the American investor that would be called upon to provide the money, but the American taxpayer.

Just Another Liability

It would be a most undignified performance if, 12 years after the end of the war, the British people were to beg for further financial assistance from the United States. The American people would be fully justified in rejecting such a request with the contempt it deserves The only net result of the transaction would be that Britain would be landed with additional international liability. Wage inflation would lead to the depletion of the proceeds, while the millstone of the liability would remain round the necks of generations yet unborn. It is to be hoped that the present British Government will have enough sense and dignity to resist the temptation provided by the proposal. Should it choose to favor the line of least resistance, it is to be hoped that the United States would not be prepared to be party to such a transaction.

LETTER TO THE EDITOR:

Urges Debt Repayment

Maine reader condemns failure to provide debt retirement planning simultaneously with enlargement of Federal debt.

Editor, Commercial & Financial Chronicle:

In the publication of consensus opinion for what 1958 holds for the economy, there is not a single suggestion as to how, when and by what manner of fiscal amortization, the national debt will be paid.

Richard Spitz

Yet, inflation is deplored by most of the writers of what is to come, and they skirt around the matter of fiscal amortization of the national debt, want tax cuts even in the light of a $8 billion servicing of existing debt, each current year.

It is interesting, indeed, to know that the national debt about to reach $280 billion, has no significant economic impact to even discuss, much less even anticipate the repayment while planning the spending.

RICHARD SPITZ

Fortune's Rocks
Biddeford, Maine

Halsey, Stuart Group Offers Carolina Power & Light 4 1/8% Bonds

Halsey, Stuart & Co. Inc. and associates offered yesterday (Mar. 19) $20,000,000 of Carolina Power & Light Co. 4 1/8% first mortgage bonds due March 1, 1988 at 102.172% and accrued interest, to yield 4%. The group was awarded the issue at competitive sale on March 18 on a bid of 101.51%.

Part of the net proceeds from the sale of the bonds will be used by Carolina Power & Light to repay approximately $9,000,000 temporary bank loans and a $4,375,000 promissory note, proceeds of which were used for construction purposes. The balance of the proceeds will be applied to the construction of new facilities.

The bonds are redeemable at the option of the company at prices ranging from 106.30% to 100%, and for the improvement fund at prices ranging from 102.18% to 100%.

Operating revenues in 1957 totaled $66,998,000 and net income was $11,493,000. Earnings for the year covered fixed charges 6.44 times.

Carolina Power & Light renders electric service in North Carolina and South Carolina in an area of 30,000 square miles and a population of approximately 2,000,000.

Three With Sutro

Alan W. Leeds, Murray H. Landsman and Michael S. Rosenblatt have joined the 625 Madison Avenue, New York City, office of Sutro Bros. & Co., as registered representatives.

Protestant Welfare Drive Chairmen

(Left to right), Ralph Hornblower, Jr., of Hornblower & Weeks; Henry Darlington, Jr., a partner in the brokerage firm of Hill, Darlington & Co.; and Donald B. Tansill, President of the textile firm of M. Lowenstein & Sons.

The Stock Exchange drive of the Federation of Protestant Welfare Agencies to help support its 1958 budget of $628,060 opened March 17 under the leadership of co-chairman Henry Darlington, Jr., a partner in the brokerage firm of Hill, Darlington & Co.; Ralph Hornblower, Jr. of Hornblower & Weeks; and James E. Osborn, II of Dominick & Dominick.

Other businessmen active in the drive include Mr. Reginald L. Auchincloss, Jr., Courts & Co.; Mr. Vincent C. Banker, R. W. Pressprich & Co.; Mr. James F. Burns, III, Blyth & Co.; Mr. R. Peters Burr, F. S. Moseley & Co.; Mr. Carl A. de Gersdorff, Kidder, Peabody & Co.; Mr. Norman de Planque, W. E. Hutton; Mr. Morgan H. Harris, White, Weld & Co.; Mr. Maitland T. Ijams, W. C. Langley & Co.; Mr. James M. King, Jr., Francis I. DuPont & Co.; Mr. Phillip Kiendl, J. P. Morgan & Co., Inc.; Mr. J. Stuart Lovejoy, Reynolds & Co.; Mr. Leonard L. Marshall, Jr., Harris, Upham & Co.; Mr. J. William Middendorf, Wood, Struthers & Co.; Mr. Duncan Miller, Laird & Co. Corp.; Mr. Hugh E. Paine, Jr., Abbot, Proctor & Paine; Mr. H. Ward Reighley, De Coppet & Doremus; Mr. Charles W. Rendigs, Jr., Bache & Co.; Mr. John Richardson, Jr., Paine, Webber, Jackson & Curtis; Mr. Norman W. Stewart, F. S. Smithers & Co.; and Mr. George C. Textor, Marine Midland Trust Company of New York.

Also, Mr. Alexander C. Tomlinson, Morgan, Stanley & Co.; Mr. Richard C. Vivian, The First Boston Corp.; Mr. Patrick Watson, Glore, Forgan & Co.; Mr. Gordon B. Whelpley, Joseph Walker & Sons; and Mr. Frederick S. Wonham, G. H. Walker & Co.

Donald B. Tansill, president of the textile firm of M. Lowenstein & Sons, Inc., is general chairman of the federation's 1958 fund appeal.

The federation is the central Protestant welfare and health organization for the city providing coordination and a central program for 221 Protestant and nonsectarian agencies.

Dillon, Read Group Offers Texas Eastern Transmission Bonds

Dillon, Read & Co. Inc. headed an investment banking group which offered yesterday (March 19) $25,000,000 of Texas Eastern Transmission Corp. first mortgage pipe line bonds, 4 7/8% series due 1978, at 99 1/2%, to yield approximately 4.915% to maturity.

A semi-annual sinking fund beginning Sept. 1, 1960 will retire approximately 96.3% of the bonds prior to maturity. For a period of five years the bonds are not refundable at an interest cost of less than 4.915% but are otherwise redeemable at the option of the company at anytime at prices scaling from 104.38% to par.

Proceeds from the sale of these securities will be used by the company to repay $8,000,000 of short-term notes, and the balance will be used in connection with the company's 1958 construction program, including a $49,000,000 expansion program under which approximately 100 million cubic feet of gas per-day would be delivered to certain of the company's present customers commencing with the 1958-59 winter season. Upon completion of the program the company's system capacity will be increased to 1,860 million cubic feet-per-day, including deliveries from its gas storage facilities.

The company has under consideration other plans for constructing additional facilities relating to its gas transmission and petroleum products transportation systems during 1958, and, if all such plans were carried out, the company estimates they would cost approximately $35,000,000.

NY Mun. Bond Club 25th Annual Outing

The Municipal Bond Club of New York will hold its Annual Field Day at the Westchester Country Club and Beach Club, Rye, N. Y., on Friday, June 13, Charles E. Weigold, Chas. E. Weigold & Co., Inc., President of the Club, has announced.

This will be the 25th Annual Outing of the Club, which was founded in 1932.

George W. Hall, of Wm. E. Pollock & Co., Inc., has been appointed General Chairman of this year's Spring Outing and Berger Egenes, of Merrill Lynch, Pierce, Fenner & Smith, has been named Editor of "The Daily Bond Crier" annual lampoon of the municipal bond business published by the Club as a feature of the outing.

With Shearson, Hammill

(Special to THE FINANCIAL CHRONICLE)

LA JOLLA, Calif. — Louis G. Layton has become affiliated with Shearson, Hammill & Co., 1125 Wall Street. He was previously with E. F. Hutton & Company.

News About Banks and Bankers

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

A week-long public "open house" of a distinctively modern banking facility in Manhattan's financial district began Monday, March 17 with the opening for business of **Manufacturers Trust Company's** new head office at 44 Wall Street. This opening brings the total number of Manufacturers Trust Company's banking offices in New York City to 113.

Trust Company officials said the public is invited to tour the bank any time between 9 a.m. to 5 p.m. Guides will be available to escort visitors and explain details of the bank's operations and the building's unusual features.

The opening completes more than a year spent in remodeling the first six floors of the 24-story building at the northeast corner of Wall and William Streets.

The street-level main banking floor runs the full length of the block between Wall and Pine Streets. Completely modern in interior design and furnishings, the room features wide expanses of glass and marble. Its 104-foot long tellers' counter is manned by a dozen tellers who operate from mobile buses wheeled into position to afford maximum efficiency in serving customers.

Executive offices of the Trust Company and many of its major headquarters operating functions are housed on the second through sixth floors of the building.

The offices have been called the latest example of the "new look" in the current renaissance of New York's historic lower Manhattan financial area.

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Leonard S. Allen, Ralph E. Northrop and Russell F. Schomp have been elected Assistant Vice Presidents of **Chemical Corn Exchange Bank, New York,** it was announced on March 18 by Chairman Harold H. Helm. Mr. Allen has been serving as manager of the Bank's State and Municipal Bond Department; Mr. Northrop as Assistant Secretary of the Investment Division; and Mr. Schomp as Assistant Secretary of Control Division.

Other promotions are James M. Clark, from trust officer to personal trust officer and Edward J. Hannon from Assistant Trust Officer to Trust Officer.

Henry L. Hillman of Pittsburgh has also been elected to the Board of Directors of Chemical Corn Exchange Bank.

Mr. Hillman succeeds his father, J. H. Hillman, Jr., who has served on the Bank's board for more than 30 years.

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Allen Northey Jones, partner in **Morgan Stanley & Co., New York,** died March 9 at the age of 62. Mr. Jones joined Morgan Stanley in 1919. He remained with the organization until 1935, the last six years as head of the statistical department. Mr. Jones was one of a group of partners and associates of **J. P. Morgan & Co.,** and **Drexel & Co.,** who formed the Stanley Morgan Co., in 1935. He was a Vice President.

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Lester T. O'Connor, a Vice President of the **Emigrant Industrial Savings Bank, New York,** died March 12 at the age of 43. Mr. O'Connor has been attorney of record and assistant Vice President and secretary of the Bank.

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Colonel George C. Fraser, Managing Trustee and Chairman of the Board of Texas Pacific Land Trust, has been elected a Trustee of **The Greenwich Savings Bank,** according to an announcement made by Earl Harkness, President and Chairman of the Board of the bank.

Col. Fraser is a Trustee and Member of the Standing Committee of **The Bank of New York.**

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Joseph W. Hanson Jr., assistant controller of the **Williamsburgh Savings Bank** died March 10. He was 45 years old.

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Irving R. Church has been elected Vice President and trust officer of the **County Trust Co., While Plains, New York.**

* * *

National Bank of Westchester, White Plains, N. Y., has enlarged its Advisory Board structure according to an announcement made on March 14 by Ralph T. Tyner, Jr., the bank's Chairman. Appointed by the Bank's Directors were: Edwin R. McNeill for the Bedford Hills Advisory group, Joseph McCoy and John Irwin Dugan for New Rochelle-Larchmont, William Ballard and Donald Stewart, Tarrytown, Frederick A. Coe, Tuckahoe, and in White Plains, Lionel Alexander, Richard A. Greer, Bernard Slavitt, and Howard Tompkins.

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The State Bank of Albany, New York, elected Benjamin H. Oliver Jr., a Vice President of the New York Telephone Company, a Director to succeed O. Townsend MacMillan who has been transferred.

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George A. Mooney, Superintendent of Banks of the State of New York, on March 18, disapproved the application of Financial Institutions, Inc., a bank holding company in Warsaw, New York, for the acquisition of 134 voting shares of **The Pavilion State Bank of Pavilion, New York.**

The disapproval was contained in a letter directed to the Board of Governors of the Federal Reserve System. The Board of Governors has jurisdiction, under the national Bank Holding Company Act of 1956, to grant or withhold prior approval of such applications, but must obtain the views of the state bank supervisor where the stock of a state bank is the subject of the application.

Financial Institutions, Inc., already owns 129 shares of The Pavilion State Bank as well as 94% of the stock of **Wyoming Bank and Trust Company.** Each of these institutions is located in the Ninth Banking District. Through another subsidiary, Geneva Shareholders, Inc., it indirectly controls over 90% of the stock of the **National Bank of Geneva,** in the Eighth Banking District. The applicant seeks to acquire 134 additional shares of The Pavilion State Bank from the Estate of Annabel Humphrey.

Mr. Mooney's disapproval was based exclusively on the New York State "freeze" law which was enacted at the 1957 session of the New York State Legislature and which prohibits such acquisitions of stock of an institution where the holding company controls banks in two or more banking districts. Mr. Mooney stated that the acquisition would be ". . . contrary to the provisions of Section 142 of the New York State Banking Law."

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Lincoln Rochester Trust Company, East Rochester, New York, and **Citizens Bank, Penn Yan, New York,** merged under charter and title of Lincoln Rochester Trust Company.

* * *

Lincoln Rochester Trust Company, East Rochester, N. Y., was given approval to increase its Capital Stock from $10,000,000 consisting of 500,000 shares of the par value of $20 each, to $10,325,000 consisting of 516,250 shares of the same par value.

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Security Trust Company of Rochester, Rochester, N. Y., and **Baldwins Bank, Penn Yan, N. Y.,** merged under charter and title of Security Trust Company of Rochester.

* * *

Security Trust Company of Rochester, East Rochester, N. Y., was given approval to increase its Capital Stock from $5,709,225 consisting of 228,369 shares of the par value of $25 each, to $6,209,225 consisting of 248,369 shares of the same par value.

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The First-Stamford National Bank and Trust Company, Stamford, Connecticut, with common stock of $1,375,000; and **The Greenwich Trust Company, Greenwich, Connecticut,** with common stock of $1,450,440, merged, effective as of the close of business March 1.

The consolidation was effected under the charter of The First-Stamford National Bank and Trust Company and under the title **"The National Bank & Trust Company of Fairfield County."**

At the effective date of consolidation the consolidated bank will have capital stock of $2,904,750, divided into 290,475 shares of common stock of the par value of $10 each; surplus of $4,400,000; and undivided profits of not less than $623,726.

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The First National Bank & Trust Company of New Canaan, Connecticut, with common stock of $750,000, was merged with and into **The Fairfield County Trust Company, Stamford, Connecticut,** under the charter and title of "The Fairfield County Trust Company", effective at the close of business Feb. 28.

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Morrison J. Feldman was elected President and chief executive officer of the **Bank of Commerce, Newark, N. J.** Mr. Feldman will succeed Thomas C. Wallace who has retired. He joined the Bank in 1920 and was elected first Vice President in 1951. Mr. Feldman was named chairman in 1952.

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The Irvington State Bank, Trenton, New Jersey received an approved certificate of incorporation from Charles R. Howell, New Jersey Commissioner of Banking and Insurance. The independent Bank will have $250,000 in capital stock, divided into 25,000 shares of $10 par value, a surplus of $125,000 and a reserve of $62,500.

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By a stock dividend **The First National Bank of Oakland, Maryland,** increased its common capital stock from $50,000 to $150,000 and from $150,000 to $200,000 by the sale of new stock effective March 5 (number of shares outstanding —20,000 shares, par value $10).

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Union Bank of Michigan, Grand Rapids, Michigan, has changed its title to **Union Bank and Trust Company.**

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By a stock dividend, the common capital stock of the **First National Bank of Magnolia, Arkansas** was increased from $200,000 to $320,000 and from $320,000 to $400,000 by the sale of new stock effective March 7, (number of shares outstanding — 40,000 shares, par value $10).

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The Farmers & Merchants Bank & Trust Company, Hannibal, Missouri, has changed its title to **Farmers and Merchants Bank.**

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"Springs National Bank of Tampa", Florida was given permission by the office of the Comptroller of the Currency to open a new bank with a capital of $350,000.00 and a surplus of $296,520.46. W. D. Lowry is President and D. H. Laney is Cashier.

Conversion of **Springs State Bank, Tampa, Florida** to take effect as of the close of business February 28.

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Jack M. Copeland has been named Assistant Vice President for new business for **The Hialeah-Miami Springs Bank, Hialeah, Florida,** and will head the business development program.

Mr. Copeland joined the bank's staff a year ago after twenty-six years with the **First National Bank of Atlanta** and the **Chase National Bank of New York.**

* * *

By the sale of new stock, the common capital stock of the **First National Bank of Jackson, Mississippi** was increased from $1,815,000 to $2,178,000 effective March 5, (number of shares outstanding —217,800 shares, par value $10).

* * *

The First National Bank of Lafayette, La., increased its common capital stock from $600,000 to $750,000 by the sale of new stock, effective March 3. (Number of shares outstanding—500 shares, par value $100).

* * *

Citizens State Bank, Ysleta, Texas, has changed its title to **Citizens State Bank of Ysleta, El Paso, Texas.** This change is due to extension of city limits of El Paso to include Ysleta and does not represent any change in actual location.

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The First National Bank of Angleton, Texas increased its common capital stock from $200,000 to $250,000 by a stock dividend and from $250,000 to $300,000 by the sale of new stock, effective Feb. 28. (Number of shares outstanding—12,000 shares, par value $25).

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The Mercantile National Bank of Corpus Christi, Texas increased its common capital stock from $200,000 to $220,000 by a stock dividend and from $220,000 to $300,000 by the sale of new stock. Effective Feb. 26, (number of shares outstanding—15,000 shares, par value $20).

* * *

The State National Bank of Denison, Texas increased its common capital stock from $300,000 to $360,000 by a stock dividend and from $360,000 to $400,000 by the sale of new stock effective Feb. 25, (number of shares outstanding—16,000 shares, par value $25).

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Orville W. McCarroll was elected a Vice President of the **California Bank of Los Angeles, Calif.**

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More than 100 state, civic and business leaders assembled March 10 in Los Angeles in a formal observance of the start of construction of downtown Los Angeles' tallest commercial building, the new head office of **California Bank, Los Angeles, Calif.**

The ground breaking ceremony was held less than three weeks after President Frank L. King had publicly announced the Bank's intention to build the first downtown skyscraper structure since the repeal of the Los Angeles height limit restriction in 1956.

Located on the southeast corner of Sixth and Spring Streets, the new 18-story building will tower 267 feet above ground level. Cost of the project is estimated at $13,000,000.

* * *

James M. Crane, Edward J. Schneider, Robert E. Hunter, Jr., and Earle V. Taylor were elected Vice-Presidents of the **Crocker-Anglo National Bank, San Francisco, Calif.**

Public Utility Securities

By OWEN ELY

Washington Gas Light Company

Washington Gas Light, incorporated by an Act of Congress in 1848, is one of the oldest gas retailers. Dividends have been paid since 1852, one year earlier than Cincinnati Gas & Electric (Providence Gas holds the record with its initial date of 1850).

Prior to 1954 the company served only the District of Columbia, and wholly-owned subsidiaries supplied gas to adjacent areas in Maryland and Virginia. As a result of mergers all of metropolitan Washington is now served directly. The service area is mostly tied in with Federal Government employment, and hence is mainly residential. About half of the gas load is in the District of Columbia, although sales in residential areas of Maryland and Virginia are increasing in importance.

Metropolitan Washington and the adjacent areas served by the company have experienced a steady growth over the past 40 years, population having nearly tripled since 1930. Metropolitan Washington is now around the two million mark—an increase of better than one-third since 1950 —and a further gain of more than 400,000 by 1965 has been forecast. Gains in the company's business are indicated by the following table:

Year	Therm Sales (Mill.)	Revenues (Mill.)
1957	379	$51
1955	328	43
1950	190	23
1945	114	14
1940	84	10
1935	52	7
1930	37	6

Residential sales account for about 82% of revenues, commercial and industrial 15%, and public authorities and others 3%. About half of the total volume of gas sales is for heating purposes, and since 1950 such sales have increased 169%. In 1957 95% of all new homes built in the service area were equipped for both gas space-heating and gas water-heating, and gas cooking equipment was installed in over 80% of new homes and apartments.

The natural gas distributed by the company is purchased under an agreement with Columbia Gas System which became effective Dec. 1, 1957 and extends to 1970 or later. A standby high-Btu oil gas plant is maintained for peak shaving and emergency use. The wholesale cost of natural gas to the company has increased substantially in recent years. However, due to the adoption of a purchased gas adjustment provision in the rate schedule, changes in the cost of gas are now reflected in retail charges 30 days after they become effective.

On Dec. 2, 1957, the company also filed applications for higher retail rates with the Maryland, Virginia and District of Columbia regulatory commissions. The rates requested would increase revenues, before taxes, approximately 8.7%, or about 40c a share on common stock. The company asked that the purchased gas adjustment provision be continued as a part of its rate schedules. Hearings on the rate applications were begun in January and decisions by the respective commissions are expected this spring.

The company's capitalization as of Dec. 31, 1957 aggregated $111,179,000, consisting of 39% common stock equity, 8% preferred stock, 49% mortgage debt, and 4% bank loans.

Share earnings remained around the $3 level during 1954-6 but dropped to $2.77 in 1957. The decline was attributed to higher costs per operations, for plant investment and for new capital—while consumer rates have remained substantially the same in the postwar period except for adjustments to meet increases in the wholesale cost of natural gas.

$11 million was spent on new construction last year, including the development of underground storage facilities, completion of a new operations building, etc. Progress with the Brandywine storage project continues encouraging, test results thus far confirming the view that the project is practicable. While less than $2 million was spent on this project through 1957, an additional $11 million will be required over the next five years to fully develop it. Success with this undertaking would result in a substantial saving in operating cost.

In May, 1957, the company sold $8 million of 5% refunding mortgage bonds. Construction expenditures in 1958 will be financed in part by bank loans and in part by sale of securities. According to Standard & Poor's, no equity financing is likely for several years.

The company's common stock has been selling recently on the New York Stock Exchange around 38, the 1957-8 range approximating 39-31. The present yield is about 5.3% and the price-earnings ratio is 14. The earnings outlook for 1958, considering the recent cold weather and the possibility of obtaining rate increases, seems favorable.

With Montgomery, Scott

Herbert S. Blacey has joined the research department of Montgomery, Scott & Co., 120 Broadway, New York 5, N. Y.

With Avery L. Eppler

(Special to The Financial Chronicle)

REDWOOD CITY, Cal.—Robert F. Love has become associated with Avery L. Eppler Company, 601 Marshall at Middlefield Road. He was formerly San Francisco manager for Waddell & Reed, Inc. In the past he was with Irving Lundborg & Co. and Neergaard, Miller & Co.

Eastman Dillon Adds

(Special to The Financial Chronicle)

SAN DIEGO, Calif.—John W. Cookson has been added to the staff of Eastman Dillon, Union Securities & Co., 415 Laurel St.

Rejoins Walter Gorey

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif.—Charles A. Davis has rejoined the staff of Walter C. Gorey Co., Russ Building. He has recently been with Supple, Griswold & Co.

Joins Hill Richards

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—David B. Cranston has become connected with Hill Richards & Co., 120 Montgomery Street.

Percy D. Lown

Percy D. Lown, member of the New York Stock Exchange, passed away on March 8.

Albert Frank to Conduct P. R. Program For Commodity Exch.

Commodity Exchange, Inc., New York, has appointed Albert Frank-Guenther Law, Inc., for a public relations program.

The purpose of the program is to "acquaint the public with the economic functions of the Exchange and to inform producers, dealers, and processors of the facilities afforded by the Exchange for price insurance by means of hedging operations," according to Harold A. Rousselot, Exchange President. Mr. Rousselot is a partner of Francis I. DuPont & Co.

Trading in futures in crude rubber, hides, copper, zinc, lead, tin and burlap is conducted on the Exchange, at 81 Broad Street, New York.

Robt. Winthrop to Admit

On April 1 Henry O. H. Frelinghuysen will become a limited partner in Robert Winthrop & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange.

Form Inv. Sales Inc.

DENVER, Colo.—Investment Sales, Inc. has been formed with offices at 532 West Alameda Avenue to engage in a securities business. Officers are Lee M. Lange, President; Arthur B. Awenius, Vice-President; and Robert J. Verner, Secretary-Treasurer.

Continued from first page

As We See It

among the many with whom we have talked over recent years who does not believe that modern popular governments have no recourse over the long run than to permit, if not encourage, inflationary recovery schemes when political ends must be served. "It is growing daily more evident that there are very few in places of public influence who do not take it for granted that the Federal Government must "do something" to bring a quick reversal of the present downward trend of business, quite without regard to whether the causes that have produced the downward movement are or are not eliminated.

The Record!

Turn to the record. One of the first steps taken was for the purpose of encouraging individuals to borrow more money to build more homes. Now every one knows that the building boom of recent years has brought the supply of homes into a doubtful position when the economic resources of potential buyers is taken into account. But that is not the whole story, by any means. By the end of last year owners of one-to-four family houses were mortgaged in the amount of about $103 billion, which compares with a figure of about $45 billion for a date as recent as the end of 1950. In addition, consumers generally were in debt on other counts in the staggering amount of about $45 billion. Moreover, the mortgage debt of home owners in the amount of about $31 billion, arranged through the Veterans' Administration, probably was perilously close to the full market value of the properties mortgaged. The equity margin of the $16.5 billion of FHA mortgages was none too robust. And, all this without taking into account any over-appraisal of the properties in question.

Nor is this the full story. The powers that be would try to end the recession by persuading individuals to borrow to build homes precisely at a time when costs of constructing and equipping such homes are rather more than high. At the end of last year the Department of Commerce index of construction costs stood 38% above 1947-1949, which, in turn, was twice late prewar figures and half again as high as early postwar levels. But statistics are hardly necessary to convince the ordinary man that it costs a great deal too much to build an ordinary house in this day and time. One would suppose that the prudent man would avoid paying such charges if possible, and that his government would hesitate to urge him to proceed in the face of such costs. But to the politician and to the New Deal philosopher, the important thing is to keep him "spending" in order to prevent or to cure a recession.

Another part of the official program for ending the recession is found in efforts to persuade business and individuals to borrow from the banks and the banks to lend freely. But what is the situation in this part of the economy? Well, the commercial banks at the end of the war had about $26 billion in outstanding loans. By the end of 1950 they had doubled them to roughly $52 billion. At the end of 1957 their loans totaled over $94 billion. At the end of last year, consumers owed the commercial banks over $15 billion. Their debt to these institutions was less than half that amount in 1950. This kind of borrowing has been one important factor in the rise of consumers prices to a point roughly 22% above the 1947-49 level by the end of last year, and the trend is still upward.

And on the Farms!

It has long been painfully evident that the politicians were fully determined not to permit adversity to do anything at all for the farm situation. Normally when production exceeds effective demand, adversity soon brings production into line with requirements — and moreover production would be concentrated in the more efficient hands. Those no longer needed on the farm would move to other occupations, and the economy of the country would in the course of time adjust itself and proceed smoothly and to the benefit of all. But normal and natural procedures have been long discarded in farm politics. There are those now who would undertake to interject government still further into the farm picture and quite effectively prevent even such readjustments as are now slowly taking place.

We are now suffering and bid fair to continue to suffer severely from perhaps the most damaging of the notions bequeathed to the rank and file by the New Deal—that government can and must apply a hair of the dog that did the biting as soon as the economy shows signs of sagging after over-liberal doses of inflation and mismanagement by public authority. It is the central notion of the so-called full employment act which is now quite sacrosanct in the minds of the politicians and the rank and file of the voters. We shall be fortunate indeed if we escape the current relatively minor recession without laying the basis for a vastly worse one in the years to come.

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Worldwide Economic and Monetary Turning Points

statement may prove to be an important date in the history of postwar economic ideas and politics. Indeed, politicians and unfortunately many economists have gotten into the bad habit of either recommending unattainable goals or refusing to accept the necessary means or sacrifices to attain the professed goals. It remains to be seen whether labor will cooperate with the government in defense of the pound by putting a halt to the continuous rises in wages. The government could, by monetary policy, prevent the workers from obtaining rises in wages, but it may result in unnecessarily large unemployment which would tax the political courage of the government perhaps beyond endurance. It is also questionable whether the fight against inflation can be really successful unless the principles and institutions of the socialist welfare state are abandoned in pracitce.

Assuming that the domestic conditions to restore the free convertibility of the pound exist, this can be brought about only by increasing the international reserves. When British experts speak or write of reserves they sometimes refer to the reserves of the free world necessary to increase the international liquidity, and at other times they discuss the reserves of Great Britain and of the sterling area. How large must the reserves of the free world be? The first rule to keep in mind is that under a system of autonomous monetary management of the different countries, the reserves need to be much larger than under a gold standard system. However, the sounder the economic and monetary policies of the various countries, thus avoiding recurrent crises in the balance of payments, the less speculation there is about future adjustment of exchange rates, and the smaller need be the reserves. In other words, monetary discipline is more important than the amount of reserves.

Before 1914, the Bank of England could run the gold standard with a gold reserve that seldom exceeded Pds. 40 millions supplemented by a second line of reserves in the form of short-term credits extended by London to all corners of the globe. Yet a comparison of gold reserves and total world trade shows clearly that the question of international liquidity constitutes a worldwide problem. To make this point clear, I wish to mention that the gold reserves of the free world as a percentage of world trade are now about 19% against 49% in 1937. Monetary reserves in the form of dollar balances, and still less in the form of sterling balances, are not a sound substitute for gold reserves. It seems to me a dangerous fallacy that individual countries can cover their lack of liquidity with debts from some countries or by borrowing from each other. Ths is the famous gold exchange standard which is essentially an inflationary device. At the time of the Great Depression, it seriously aggravated the monetary and economic difficulties of many countries. Even if we add dollar reserves to gold we find that the total world reserves (outside the U. S. A.) are about $25 billion and that their percentage to the total trade outside the U. S. is about 17% as against 30% in 1937.

The gold reserves of Western Europe, including Great Britain, were about $10 billion in 1938 and have recovered to $10 billion in 1957 after having been as low as $5 billion in 1948. The dollar reserves of Western Europe are about $4 billion. The total of gold and dollar reserves of Western Europe is therefore about $14 billion, which means 40% higher than they were in 1938, while international trade has increased meanwhile by more than 300%. One can't help reaching the conclusion that the gold reserves of Western Europe are inadequate.

Threat From Low Reserves

I am afraid that the low reserves of a number of countries (among which key countries like Great Britain and France) have reached a degree which constitutes a serious threat to foreign trade, particularly now that the American economy is in the midst of an economic readjustment. This shortage of currency reserves, having international acceptance, brings nearer the danger point at which "beggar my neighbor" policies may be resorted to by many countries as they did in the 1930's. One proposed remedy to this lack of liquidity is a change in the price of gold. However, Under-Secretary W. Randolph Burgess restated the U. S. Official policy at the Fund Meeting in Washington to the effect that "it is our policy to keep the dollar firmly linked to gold at $35 an ounce." The price of gold in the world cannot be changed without the willing or forced cooperation of the United States. I am personally opposed to a change in the price of gold, unless it is part of a comprehensive plan and commitment to stop inflation in the important trading countries and restore the free convertibility of the pound sterling. By stopping inflation I mean above all no further monetizing of government debt.

Should the United States and Great Britain decide on a plan to stop inflation and restore the free convertibility of the pound, it will be not only desirable but necessary to change the price of gold. I am opposed to some makeshift schemes to obtain artificial reserves instead of gold reserves which are the only currency universally accepted.

The present reserves of the United Kingdom are only about 4% of the 48 billion international reserves of gold and dollars, while as I mentioned above the pound sterling finances about 40% of the world trade. Obviously the reserves of the United Kingdom are too low for comfort and inadequate to take care of disturbances in world trade currents. British experts consider that Great Britain needs a minimum of $5 billion and preferably $8 billion if the convertibility of the pound is to be restored. Even if means were found to provide the United Kingdom with an $8 billion dollar reserve, the maintaining of a level of adequate reserves would depend primarily on the monetary discipline exercised by the British Government. There is no way of ensuring a distribution of gold reserves between countries according to a plan. Any country can acquire gold reserves if it puts its mind to it and has appropriate economic and monetary policies. It may be true, however, that it would be politically impossible and damaging to the cohesion of the British Commonwealth to attempt building up British reserves to $8 billion by the painful process of saving out of the current surplus of the United Kingdom.

Trade Barriers

(3) The third important problem confronting the world is the trade barriers. This issue is intimately related to those of international liquidity and free convertibility of currencies. Be it said in passing by free convertibility of currencies I mean not only convertibility of current transactions but also that of capital.

Because we consume 40% of the goods produced in the world, our foreign economic policy is of paramount importance to the rest of the world.

I wish that every American would read the statement made by Secretary of Commerce Sinclair Weeks before the Committee on Ways and Means, House of Representatives, Feb. 17, 1958, concerning the extension of the Reciprocal Trade Agreements program.

It will convince anyone, except those who wish to defend a selfish vested interest, that by lowering our tariffs we are not doing anyone a favor but we are serving our own welfare and our own national economic interest.

Secretary Weeks' statement begins with the following words:

"I am here to urge legislation to make jobs and to protect jobs —the job of more than four and a half million American workers whose livelihood is provided by world trade."

By way of contrast I wish to mention that no more than 100,000 to 200,000 workers would have to switch employment even if all tariffs were eliminated.

We are exporting four times as much manufactured goods as we import. This fact alone proves how unfounded is the argument of those who ask for high tariffs because our wages are so much higher than those of any other country. Our high wages are simply a reflection of the high productivity of our economic system. Last year we sold abroad 19% of our total truck product, 40% of our track-laying tractors, 11% of our machine tools, 26% of our mining equipment, and between 25 and 40% of our cotton, wheat, rice, fats and tobacco.

Spokesmen of several industries have been known to complain publicly about competitive imports even though their products are exported in much larger volume than they are imported. Take, for example, our chemical trade. In 1953, we exported about $900 million worth of chemicals and allied products and imported some $450 million worth. Our exports of chemicals have risen steadily, and by 1957 totalled $1½ billion —roughly 70% above the 1953 level. Our imports, on the other hand, have remained at or below the 1953 level throughout this period.

Is it beyond our wits to make it clear to our people that if we wish to export we most import? Is it really difficult to make people understand that imports increase our standard of living? Can we not explain that tariffs are subsidies? Is it not clear that tariffs and quotas protect those who can't compete, just as farm subsidies keep the inefficient farmer on the farm? Is it impossible to explain to our people that protectionism is a handicap to economic progress?

We tell the free world that if they want to sell finished goods to the United States they must first spend substantial amounts of money on studying our market and gear to scientific methods of salesmanship and advertising.

Then, if and when they do all that and are successful in selling us goods, we invoke the "escape-clause" to prevent their import. I have often heard Europeans questioning our good faith when we act in such a manner. We should take a sharp and critical look at our escape-clause, and particularly as to how we determine injury to an industry as a result of a lower tariff.

The Reciprocal Trade Agreement program of the government provides for a reinforcement of the escape clause which I strongly disapprove. Yet this is apparently the best we can hope to get approved by Congress. If we shouldn't be able to get the program accepted by Congress without crippling amendments I for one would despair of political democracy.

Need for Mone'ary and Trade Order

In the order of urgency I consider vital for the welfare of the free world and for the preservation of human freedom that international monetary order be restored and that our country liberalize its import policies. The most urgent items on the agenda of the American Government should be our domestic situation and the vote of the Reciprocal Trade Agreement Act (with the changes requested by the United States Council of the International Chamber of Commerce) and the restoration of the free convertibility of the pound sterling. The British people have inadequate amounts of gold and dollars, but they have sterling qualities and above all they have character. If we Americans have the wisdom to provide the necessary help and if the British people have the will to take the plunge, I am convinced that the pound sterling can be restored to full convertibility.

Senator Humphrey reminded me the other day of the following maxim: "Evil triumphs when good men fail to act."

I hope that each one of you will write to your Congressman and Senator urging them to vote for the Reciprocal Trade Agreement program of the government as proposed without any crippling amendments.

Hall in Charge of Bache Sales Promotion

Harold L. Bache, senior partner of the investment firm of Bache & Co., 36 Wall Street, New York City, members of the New York Stock Exchange, has announced that Robert C. Hall has been appointed partner in charge of sales promotion.

Mr. Hall joined Bache & Co. in November, 1945, after serving as an officer in the Navy, and was named a general partner of the firm on Nov. 1, 1952.

Stone & Webster Add

PHILADELPHIA, Pa.—Stone & Webster Securities Corporation, Philadelphia National Bank Bldg., announced that James L. Rightmire has joined their sales department. Mr. Rightmire, who has been active in the investment securities industry for a number of years, was formerly associated with Walston & Co.

Stone & Webster Securities Corporation also announced that Frederick W. Vogell has become associated with their dealer service department.

With Harris, Upham

Bernard Krieger has become associated with Harris, Upham & Co., 445 Park Avenue, New York City, as a registered representative.

Julius W. Reinholdt, Jr.

Julius W. Reinholdt, Jr., partner in Reinholdt & Gardner, St. Louis, passed away on March 12.

FHLB Notes Paid

Everett Smith, fiscal agent of the Federal Home Loan Banks, has announced that $183,000,000 principal amount of Federal Home Loan Banks 4⅛% consolidated notes maturing March 17 will be paid off from current cash resources of the Home Loan Banks, without refunding or other financing. With the retirement of the issue, outstanding consolidated notes will have been reduced to $476,000,000, which will compare with $826,000,000 outstanding on Dec. 31, 1957. On Feb. 17, 1958 the Home Loan Banks also retired from current funds, $148,000,000 maturing 4.30% notes.

Mr. Smith said the ability of the Home Loan Banks to effect the substantial reduction in obligations from current resources is due primarily to the greater-than-seasonal repayment of loans by member institutions which have been experiencing an exceptionally heavy inflow of savings.

Form Malibu Inv. Corp.

MALIBU, Calif.—Malibu Investment Corporation is engaging in a securities business from offices at 23656 Pacific Coast Highway. Officers are William J. MacFayden, President; Eugene Duran, Vice-President and General Manager; Marian MacFayden, Vice-President; Donald MacFayden, Treasurer; and Ruth Fryling, Secretary. Mr. Duran was previously with Shearson Hammill & Co. and Broad Street Sales Corporation.

Niagara Investors Formed

Richard C. Jacobs is conducting a securities business from offices at 1160 Fifth Avenue, New York City, under the firm name of Niagara Investors Company.

Form Prudential Investors

Morris H. Misbin and Richard Misbin are engaging in a securities business under the firm name of Prudential Investors Company, 33 West 42nd Street, New York City.

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Low Pegged Interest Rates Threaten Public Welfare

carried too far, an example being in 1954 when the Reserve authorities allowed the Treasury bill rate to sink almost out of sight. To some of us, this was a clear indication that money had been made too easy. Subsequently, the Reserve authorities conceded that they had pushed their policy of active ease to actively, but it still remains to be seen whether they have altered their attitude toward the Treasury bill rate.

This may have important implications for the period immediately ahead. If the present downturn in the economy should prove to be more than a temporary dip, how vigorously should the monetary authorities ease credit conditions? Should they again adopt a policy of pumping reserves into the banking system just as fast as the banks are able to invest them?

My answer would be that they should not. During a recession, the Reserve authorities should of course make sure that credit is readily available at reasonable rates, but they should be careful not to let it become excessively easy. That could again do more harm than good, as it did in 1954.

Longer Range Considerations

And there are other cogent reasons why, from a longer range standpoint, the Federal Reserve should avoid having interest rates drop too fast and too far. If the whole structure of rates were to be rapidly undermined every time our economy takes a breather, then the average level of rates over a period of years would be too low—too low to be fair to savers, too low to provide a living wage to the banking system, and perhaps too low also from the standpoint of avoiding an inflationary trend in our economy.

This last point, though difficult to prove, may be important. While, as already noted, savings and investment may not respond promptly to moderate changes in interest rates, they may nevertheless be considerably affected by the average level of rates over a period of years. Indeed, many contend, and they may be right, that over a period of time, low interest rates constitute a potent stimulant to investing spending.

If this is true, then it logically follows, of course, that the average level of rates should not be so low that it aggravates an inflationary imbalance between savings and capital investment. If there is any validity in prescribing low interest rates as a cure for economic stagnation, then there is no validity in prescribing them for an era of vigorous expansion.

No one can say just how high interest rates should be from this long-range standpoint. What is clear, however, is that at this stage of our nation's development, we should not constantly strive to err in the direction of low interest rates.

Should Rising Rates Be Retarded?

When credit demands are strong, how fast and how far should interest rates be permitted to rise? To what extent should a rising trend of interest rates be retarded?

Many people, including some supporters of flexible monetary policy, apparently assume that rising interest rates are, for some reason, regrettable. Indeed, Chairman Martin himself once remarked: "I would like to have as low interest rates as it is possible to have, without inducing . . . inflationary pressures"—implying, it would seem, that low rates are normally desirable. This, I believe, was not the Chairman's finest hour—though let me hasten to add that he has, of course, had many fine ones.

Try this viewpoint on for size: Monetary policy, despite its limitations, is plainly one of our most useful weapons for combating inflation. In general, therefore, it should be used just as vigorously as may be necessary to enable it to make its maximum contribution to this vital objective. It should not be inhibited from doing so by any assumption that rising interest rates are undesirable.

It is, of course, a basic function of the Federal Reserve System to permit **some** expansion of bank credit to meet increased demands and this process naturally keeps interest rates from rising as rapidly as they otherwise would. The Fed should certainly prevent rates from rising so abruptly as to create a panic psychology and disrupt the proper functioning of the credit markets.

On the other hand, it would clearly be dangerous to retard them very much. Rigid pegging of interest rates is generally recognized as being highly inflationary. By the same token, retardation of interest rates can be inflationary too in precisely the same way only in lesser degree.

To be sure, the Fed can drag its feet with respect to increases in the discount rate, and it usually does, but the retarding effect of this tactic is quite limited. If the Reserve authorities are resolved to keep bank credit from expanding too rapidly during a boom, they cannot prevent market demand from pushing rates upward.

How Much Restraint Is Desirable?

This does not imply that the Federal Reserve should frequently adopt a severely restrictive credit policy. Indeed, excessive tightness of credit would be dangerous economically and might bear with undue severity upon particular groups. These, of course, are inherent limitations on the practical usefulness of monetary policy and it is therefore essential to supplement credit restraint with sensible policies in other areas as well, notably fiscal policies and price-and-wage policies. We should not plan to follow inflationary policies in other fields with the idea that they can somehow be easily offset by credit control.

Let me emphasize, however, that I do not regard credit policy in recent years as having been unduly restrictive. When you consider the fact that bank loans expanded by a record-breaking $26 billion during the 36 months ended last June, it seems evident that the critics of so-called tight money protested much too much. Nor is there any convincing evidence that credit restraint seriously harmed particular groups. If anything, for the period as a whole, credit restraint was probably underdone rather than overdone.

Conditions could arise in the future that would call for a greater degree of credit stringency than developed last year. If they do, then, in the public interest, greater credit restraint should be applied, even though it might entail higher interest rates. The only alternative would be inflation.

What Will Rates Do?

Now for our third main question: What will happen to interest rates over the years ahead—say over the next decade?

Without trying to analyze all of the factors involved, which time precludes, let me mention a few points that may be of particular significance in appraising the future outlook.

To begin with, we should assume, I think, that the independence, or at least semi-independence, of the Federal Reserve System can and will be preserved. This is not a sure thing, of course, but I refuse to believe that the American people are so stupid as to let demagogues talk them into destroying their staunchest bulwark against inflation.

This means that interest rates will continue to move sometimes upward and sometimes downward mainly in response to market forces but modified somewhat by the Federal Reserve's anti-cyclical credit policies. So the question is: What will the market forces be like and how will they be modified by Federal Reserve policy?

The Savings-Investment Equation

As far as long-term credit is concerned, it seems quite possible that demands may tend to exceed the supply of lendable savings over the coming decade. To be sure, this period is not likely to be as exuberantly expansionary as the extraordinary period since World War II. Nevertheless, our economy is still in an era of dynamic growth and rapid technological advance. Capital outlays by business will remain high; state and municipal borrowings will rise substantially; and in the 1960's the scheduled increase in family formations, which is personally guaranteed by Cupid himself, can be counted upon to swell the demand for mortgage money.

True, the supply of savings will be large too. Private pension funds are still growing rapidly and debt amortization payments will supply more lendable funds than ever before. On the other hand, the rates of growth of savings and loan associations and of life insurance companies have been slowing down.

No one knows just how these demand and supply factors will balance out. However, the record of the past decade does prove two things conclusively. First, Keynes and his disciples completely misjudged the propensity of an advanced economy to utilize capital. Second, they grossly underestimated people's propensity to consume—their propensities to go into debt and not to save—despite rapidly rising real incomes.

Our present-day economy is not confronted with the spectre of a vast surplus of savings but rather with the possibility, at least, of a chronic shortage of savings relative to demand. If this does materialize, it will naturally provide a strong background for long-term interest rates.

Will the Fed Be Reluctant?

The market for short-term money will be influenced by long-term credit conditions, of course, and also by special factors. One of these may be the liquidity position of business firms. Over the past ten years there has been a sharp decline in business liquidity. Further economic expansion may therefore mean that business will become increasingly dependent on bank credit.

Put it this way: Since the war a substantial part of our economic expension has been financed by a more intensive use of the money created by the wartime financing. This has been reflected in a persistent rise in the rate of turnover of bank deposits. The velocity of money turnover cannot continue to rise at this pace indefinitely. When it does slow down, then, assuming continued economic growth, there will be greater demand for more money—in other words, for more bank credit.

How would the Federal Reserve authorities react to such a development? In recent years, with deposit velocity rising, they have naturally restricted the growth of the money supply to a slower rate than is required on the average for normal growth. If velocity slackens, they would doubtless be willing to see the money supply rise somewhat faster. However, if demands for bank credit accelerate as much as the figures suggest they may, and especially if there is some spill-over of demand from the capital market, the Reserve authorities may be reluctant to supply enough funds to meet them. In that event, of course, short-term interest rates would tend to be firm a goodly part of the time.

Future of Bank Lending Rates

As far as bank lending rates are concerned, the factor of bank operating costs deserves attention. Commercial banks are saddled with the expensive task of running the nation's payments mechanism and the cost of this operation has been persistently rising much faster than the volume of bank credit.

Of course, costs and selling prices are less closely related in banking than in most industries. There have been times when banks have paid little heed to their costs and have indulged in destructive price competition. In the present environment, however, I believe that bank operating costs are likely to become an increasingly important factor affecting the price of bank credit. And needless to say, these costs will continue to rise.

Effects of an Easy Money Bias

To what extent would the future course of interest rates be affected if we were to have an administration in Washington which has a strong bias in the direction of easy money?

Such an administration would doubtless have inflationary bias with respect to other public policies as well. If, as a result of these policies, an inflationary trend should develop, demands for credit would be greatly stimulated and this would bring more and more pressure on interest rates. The Government might by various devices retard the rise in rates temporarily. Sooner or later, however, unless the Government were to countenance unbridled inflation, interest rates would be bound to rise—and probably quite substantially, because of the pressure built up behind them. In fact, paradoxically, a cheap money policy usually leads eventually to higher interest rates than a "sound money" policy.

Why Were 1957 Rates So Low?

A final point is that the levels reached by interests rates in 1957 should not be regarded as mountainous peaks unlikely to be surpassed. Indeed, viewed in perspective, rates last year were quite moderate for a period of active business. They look high only when compared with the most extraordinary period of depressed interest rates the world has ever seen, not when compared with levels that prevailed prior to 1930. In fact, if comparision is made with other leading Western countries—Canada, Great Britain, France and Western Germany—our 1957 rates look definitely low.

Instead of seeking sinister reasons why interest rates rose as much as they did, therefore, we might better inquire why they stayed so low. The main answer is that they started their rise from such exceptionally low levels that it took them a long time even to get back to what might be called a normal range. Also, up to 1951, the Federal Reserve's program of supporting Government bond prices at par was a major deterrent to rising rates. Even since then, the Federal Reserve has usually retarded rising rates and accelerated rate declines.

Another reason was the effect that the long period of very low interest rates had on the thinking of the entire community. This has been so pervasive that even today most people think of 1957 rates as having been "high." As time passes, the era of extremely low rates will exert less and less influence on the psychology of lenders and investors and of the public generally.

Conclusions

To sum up, interest rates over the years ahead will doubtless fluctuate over a fairly wide range with the ups and downs in our economy. They will certainly not go back to the starvation levels of the thirties. On the upside, given strong demands for credit, rates could easily exceed their 1957 peaks.

On the average, most rates, and especially bank lending rates, should tend to be somewhat higher over the coming decade than in recent years. The underlying trend, if any, could well be upward, and this applies regardless of the philosophy, or biases, of future administrations in Washington.

So that seems to be the general picture, unless something unexpected should happen. The trouble is, it so often does.

Pittsburgh Bond Club Elects Officers

PITTSBURGH, Pa.—At the Annual Meeting of the Bond Club of Pittsburgh held March 13, 1958, at the University Club, William G. Simpson, Simpson, Emery & Co., Inc., was elected President.

William G. Simpson   James C. Lear

Other officers elected are as follows:

James C. Lear, Reed, Lear & Co., Vice-President; James J. Anfang, Cunningham, Schmertz & Co., Inc., Secretary; R. Duane Barber, Treasurer.

E. F. Hutton & Co. To Admit R. B. Fant

On April 1 Richard B. Fant will be admitted to partnership in E. F. Hutton & Co., 61 Broadway, New York City, members of the New York Stock Exchange.

McDonald & Co. to Admit Three Partners

CLEVELAND, Ohio—On April 1 McDonald & Co., Union Commerce Building, members of the New York and Midwest Stock Exchanges, will admit to partnership Theodore L. Bailey, Robert L. Hays and Gordon S. Macklin, Jr.

J. M. Burns III Opens

John M. Burns III is engaging in a securities business from offices at 147 West 13th Street. He was formerly with North American Planning Corporation and Harris, Upham & Co.

Hobart L. Evans Opens

SAN ANTONIO, Texas—Hobart L. Evans has opened offices in the Milam Building to engage in a securities business. He was formerly with Russ & Co. and Muir Investment Corp.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The impending new money raising operation of the Treasury is taking on more importance as an operating force in the bond market. The guesses as to the kind of securities to be offered is what is having a mild influence on the course of the market for Government obligations. It seems to be the consensus at the moment that the Treasury, when it comes into the market in the very near future for new money, will be offering issues which will appeal mainly to the commercial banks. Whether this will be the case or not is open to some question since the Treasury has generally had some kind of a surprise for the money market when it is operating in it.

Most money market specialists, however, believe that the best way for the Treasury to handle the new money raising venture is through the medium of short-term securities. This would leave the long-term market open to non-Government offerings, which are still on the ample side.

The long-term Government market is in the process of digesting the bonds which were offered by the Treasury in its recent refunding and new money raising operations. It is evident that not a few institutions did not get all of the 3s of 1966 which they wanted. But they have not been prone to make sizable commitments at premium quotations above the offering price. These buyers of the 3% bond due Aug. 15, 1966. Nevertheless, as far as when these bonds come in for sale and prices are shaded a bit.

It is reported that the smaller commercial banks, with large amounts of savings deposits, have been among the more persistant buyers of t.e 3% bond due Aug. 15, 1956. Nevertheless, as far as the entire portfolio is concerned, it is indicated that these banks have not been extending maturities because the purchases of the 1966 bond has been offset through the sale of other Treasury bonds with comparable or longer maturities.

Profitable Portfolio Year Likely

It is the opinion of many bank portfolio managers that the year 1958 should be a profit year as far as security operations are concerned. This means that when there are profits in their holdings of bonds, they will not be reluctant to take them, especially in the longer-term obligations. The decline in interest rates brought with it purchase of the longer-term bonds because the return in these securities was better than that which was available in the shorter or intermediate-term issues.

On the ot.er hand, these banks know from recent experience that when interest rates turn up again, as they did not too many years ago, with the advent of inflation, the sharpest price declines and yield drops are in the most distant maturities. This means that unless they take advantage of the strong demand for the longest term issues and get out of them they will be locked in again, probably for a long period of time.

Hence, it is indicated that most portfolio managers in banks are going to be sellers of the most distant maturities from time to time with the tendency to get out very rapidly, if they can, when the signs appear that the downtrend in interest rates is about over.

No Selling of Short-Term Issues This Time

As against this, it is evident that the short-term maturities will not only be held this time, but they will be added to, when the turn up is in the making for interest rates. It is not expected that these banks will make the same mistake again, because when interest rates started to move up not so long ago, most of these institutions sold their short-term obligations and held on to the long-term bonds. This resulted in a very sharp decline in prices of the most distant maturities which meant these banks had very sizable losses in their holdings of long-term bonds.

On the other hand, the short-term securities as they matured were replaced with other near-term obligations at progressively higher yields.

No Long-Term Treasury Issue Expected

The better tone which has been in evidence in the long-term bond market is attributed to the belief that the impending financing by the Treasury will consist mainly of issues which will appeal to the commercial banks. This is taken to mean that these obligations will be of short or intermediate-term duration. This will leave the long-term money market to the private sector of the economy so that the new corporate securities which will be coming in for sale should be getting a better reception, which means also a more favorable rate to the seller.

The absence of the Treasury from the long-term money market likewise should not have an unfavorable effect on the offerings of tax-free obligations. The Government can do a much better job of increasing the money supply (which is very desirable), by offering commercial bank type of obligations for new money raising purposes.

Bank Reserves Again Lowered

The much expected further cut in reserve requirements of the Federal Reserve was announced late on Tuesday (March 18). The reduction of ½ of 1% was made in order to enable these institutions to buy the expected new money issues which the Treasury will offer shortly.

Edward Hagen Opens

(Special to The Financial Chronicle)

PORTLAND, Ore. — Edward I. Hagen is conducting a securities business from offices at 1705 Northwest 32nd Avenue. He was formerly with Walston & Co., Inc.

With Bregman Cummings

John F. Roche has joined the staff of Bregman, Cummings & Co., 100 Broadway, New York City, members of the New York Stock Exchange, as market analyst.

Investment Assn. of Philadelphia to Hear

PHILADELPHIA, Pa.—Dr. Julius Grodinsky, professor of finance at the University of Pennsylvania, will be guest speaker at a luncheon meeting of the Investment Association of Philadelphia to be held Friday, March 28, at Sherry's Restaurant, 1425 Chestnut Street.

Rubin Hardy, of The First Boston Corporation, is in charge of arrangements.

Exchange Firms Govs. Announce Meetings

The dates and locations of 1958 meetings of the Board of Governors of the Association of Stock Exchange Firms are as follows:

May 12-13 — Cleveland, Ohio, Statler Hotel.

October 6-7 — Boston, Mass., The Somerset Hotel.

Morris Galuten Opens

Morris Galuten is conducting a securities business from offices at 245 West 29th Street, New York City.

With Nelson O'Rourke

(Special to The Financial Chronicle)

DAYTONA BEACH, Fla.—William E. Wilkerson is now with T. Nelson O'Rourke, Inc., 533 Seabreeze Boulevard, members of the Midwest Stock Exchange.

Joins Palmer, Pollachi

(Special to The Financial Chronicle)

HIALEAH, Fla.—John H. Birch has joined the staff of Palmer, Pollacchi & Co., Inc., 1525 East Third Avenue.

Continued from first page

Bank Stocks Today

tion in bank stocks was overdone with the consequence that the bursting of the inflated price bubble was particularly painful. Before the recovery was very far along, the country entered an extended era of abnormally low interest rates, running from the early 1930's through the late 1940's. When it is realized that, for 13 years, from 1934-1947, the bank's prime lending rate remained unchanged at 1½%, it becomes a source of wonder that the banks were able to turn in as good results as they did in that period. It has taken many years to overcome the investor apathy toward bank stocks which developed from the overspeculation of the 1930's and the ensuing long period of depressed money rates. Actually, the change in the position of and prospects for the banks and bank stocks which arose from the ending of pegged low interest rates was almost as significant for them as was the Declaration of Independence for the 13 colonies. It seems unlikely that the artificially low money rates could have been sustained much longer than they were because of their inflationary effects.

Banking Gains

Operating in free money markets over the past seven or eight years, the banks have made impressive progress in building up earnings and book values and in increasing the return to investors. A recent study of ours showed that from 1950 to 1957, the aggregate earnings of 12 major New York City banks doubled. In this same period, the rate earned on mean capital funds rose from 5.85% to 9.15% and dividend declarations showed a 70% gain. While for many of the banks in major cities outside New York, the 1957 results were not quite as good as the New York City institutions, chiefly because of the impact of higher interest payments on savings deposits, the longer-range records of many of these banks show a superior growth rate and earnings gain.

This year, with many of the more volatile industrial stocks showing poorer per share earnings and, in many cases, reduced dividend rates, bank stocks have gained in popularity. The yields currently available on many bank stocks appear to be attractive, especially in comparison with bond yields and after giving weight to the fact that current dividends constitute relatively low percentages of available earnings.

Reasons for Bank Stocks' Attractiveness

A summary of some of the principal reasons for a favorable appraisal of bank stocks at present follows:

(1) Under free money market conditions now existing, the banks are commanding relatively good loan rates. The current prime rate of 4% is far better than the prime rate of 1½% which existed for so long. There seems to be little reason to believe that a return to the very low rates of the past is in prospect even though the prime rate may well go below 4% this year. Currently, the steady and sizable demand for funds has kept money rates firmer than early predictions this year indicated.

(2) Bank stocks have several built in hedge qualities which enable them to meet almost any set of business conditions with equanimity. For example, when business is booming, banks benefit from the increased loan volume and higher interest rates, but are adversely affected by the curtailment of deposits coincident with tight money and by the decline in bond prices which makes for sizable losses in the investment account. Furthermore, bank stocks suffer by reason of the fact that yields must be higher to compete with more liberal bond yields prevailing under such conditions. Conversely, when business declines, the reduced volume of loans and lower interest rates adversely affect bank earnings, but under easing money conditions, incident to a business recession of the magnitude of the 1954 readjustment, the volume of deposits and earning assets tends to be larger.

For example, during 1954 business loans of New York City banks declined by about 11% from $8.5 billion at the beginning of the year to $7.5 billion at the year-end. Yet, with lower reserve requirements earning assets rose by about 8%. Furthermore, in such a period bond profits instead of bond losses are the order of the day, and bank stocks benefit by the favorable comparison of yields on bank stocks with lower bond yields.

(3) A third reason for a favorable appraisal of bank stocks at present is that banks today are in a sound position both from an operating standpoint and from the viewpoint of their market position. With the stringent supervision of state banking departments, the Comptroller of the Currency, the Federal Reserve System and the Federal Deposit Insurance Corporation, bank stockholders are generally very well protected against unsound accounting practices. Providing additional protection to bank stockholders are the substantial reserves against potential loan losses which the banks have built up on a tax-free basis. Such loan loss reserves for all national banks approximated 10% of their capital funds at the end of 1956, and for 12 of the major New York City banks aggregated $334 million, or 11%, of their capital accounts as of Dec. 31, 1957.

Favorable Price-Earnings Ratio

With respect to markets, while bank stocks have been performing better than Dow, Jones Industrial Average this year, they are still historically low as measured by the usual standards of price-earnings rations and yields. For example, New York City banks are currently selling at approximately 12 times earnings and provide an average yield of 4.64%. On the basis of an average of year-end ratios, the representative price-earnings ratio for the 1950-1957 period was 14.2 times and the average yield in this same period was 4.4%. For banks in other major cities outside New York, the price-earnings ratios and yields have continued to be somewhat lower than those of New York City banks. For these banks an average price-earnings ratio of 11.6 and an average yield of 4.31% are more attractive than has been the case in recent years.

Bank stocks are not generally classed as growth stocks. Yet there are good grounds for so characterizing many of these issues. Taking an example ten years ago Cleveland Trust stock was selling at about the same price as it is today, $256 per share. However, a purchaser of 4 shares then for about $1,000 would now own 11.6 shares as a result of stock dividends and splits. This $1,000 would now be worth about $2,900 and at the present $6 annual dividend rate he would be receiving almost 7% on his cost.

With respect to the group as a whole, it might be pointed out that the functions of commercial banking are intimately related to the nation's economy. It is estimated, for example, that 90% of the country's money is used in settling business transactions is bank check money. If our nation's business is to grow, and economists tell us that by 1968 we will have an economy with a gross national product greater than $600 million, bank deposits will have to grow proportionately in order to accommodate the larger volume of business.

Good Growth Prospects

It is apparent that branch banking systems in the Mid-West, in the Far West and in other rapidly expanding sections of the country must grow with their areas. It may not be so apparent that New York City banks will grow as rapidly. But the following are some reasons for believing that many New York City banks still have good growth prospects for the future:

(1) New York City banks have large capital resources and facilities to service our major national corporations. The 17 banks in New York City have capital resources in excess of 3 billion dollars or about 22% of the $14 billion total of over 6,000 Federal Reserve Member Banks. While their home offices are in New York, the scope of the major New York City banks' operations is nationwide. They draw deposits from banks and from industrial and utility corporations across the country and make loans to customers in all parts of the United States.

(2) The growing volume of international commercial banking business is serviced primarily by the large New York City banks, although other banks throughout the country are engaged in this field to varying degrees.

(3) At least five of the major New York City banks have large branch banking systems providing many so called "retail" banking services in the richest and most heavily populated metropolitan area in the country.

(4) Either by means of permissive state legislation enlarging the present New York City banking district or by means of bank holding companies it is reasonable to suppose that New York City banks eventually will be allowed to follow population and business trends into the rapidly growing suburban areas around the city. One major bank has an application pending before the Board of Governors of the Federal Reserve System to form a bank holding company under the terms of the Bank Holding Company Act of 1956. Also pending before the state legislature are various bills which would have for their purpose the enlargement of the present banking districts. The State Banking Commission has indicated that it favors such enlargement. Since the state legislature last year enacted a one year freeze on bank holding companies, which expires May 1, 1958, some action will be required at the present session.

(5) Sooner or later it is expected that steps will be taken to modify the present system of reserve requirements which is acknowledged to be unfair to New York City banks and to Chicago banks which are classed as central reserve city banks. As such, these banks must carry larger cash reserves against demand deposits (19½% versus 17½% for their 282 competitors in 50 reserve cities and 11½% for the 6,124 country member banks). Mr. Martin, Chairman of the Board of Governors of the Federal Reserve System, has agreed that the present geographical system of reserve requirements is outmoded and needs overhauling. A committee of the American Bankers Association has recommended changes in the method of calculating reserves and a gradual reduction to a flat 10% basis for all banks. Even a 2 percentage point reduction for New York City banks would free about $400 million of idle cash and, assuming that a net return of 2% could be earned on such funds, net operating earnings of such banks might be benefitted by as much as $8 million, or 3%. Also, for the banking system as a whole, a reduction in reserve balances makes possible an expansion in credit of several times the amount of reserves freed.

Favorable Interior Banks' Prospects

At this point, let us shift our attention to the banks in the sections of the nation other than New York. The extent to which these so-called interior banks have grown in importance just in the past eight years may be seen from one fact. In June, 1950, when Massachusetts passed its law permitting savings banks in that state to purchase stock of certain out-of-state banks, only 17 qualified, of which 12 were New York City banks. The three basic qualifying elements of the law are that capital funds shall equal at least $40 million and at least 6% of deposits and that dividends shall have been paid for at least ten consecutive years. Today 38 banks qualify, of which 11 are in New York City. Decentralization or industry and shifts in geographical distribution of population have resulted in a more rapid growth of deposits in the area outside New York than in New York. Thus, whereas New York City banks had over 30% of the total Federal Reserve member bank deposits in 1940, they have about 17% today.

West Coast Banks

It is apparent that the interior banks generally have been enjoying a more rapid rate of growth in deposits than the New York City banks. Since, in the final analysis, deposits provide the major source of earning assets, a continued superior rate of growth of deposits will produce the best earnings gains over a period of time. Other things remaining equal, the bank with a larger number of branches will have a better opportunity to attract deposits than the bank with few or no branches.

In this connection, the West Coast banks, with their statewide branching powers have superior growth potentialities just on this situation alone. Coupling this with the better average population rate growth in the area provides the banks in such states as Arizona, California, Oregon and Washington with definite advantages in respect to growth potentialities than banks in states where branch banking is prohibited or severely restricted.

A consideration of many factors is necessary in measuring the relative investment merits of these interior bank stocks. Among these factors are:

(1) **Management.** The bank may have all of the opportunities for growth but if management does not take advantage of these opportunities to build the bank's business and earnings on a sound basis, the situation may be no better than if the opportunities had never existed. In this connection, it may be necessary to actually visit the bank and see how the management is functioning in building such business as consumer installment loans, savings accounts etc. and how it is providing for training of managerial personnel.

(2) **Capital Adequacy.** In general, the interior banks tend to have less capital in relation to their loans and other risk assets than do the New York City banks. The risk asset ratio (capital funds as a percentage of total assets less cash and U. S. Government securities) is the most widely used rough measure of capital adequacy. The average risk asset ratio for 12 major New York City banks at the end of 1957 was 17.4%, and for 15 interior banks the ratio averaged 14.7% at the same date. The less fully capitalized positions of some of the interior banks appear to be related to the fact that their deposits and risk assets have grown more rapidly than their capital funds, even though the percentage of earnings paid out in dividends by such banks has been generally lower than for the New York City banks. While somewhat lower capital ratios may be rationalized in the case of some interior banks, it must be kept in mind that, other things remaining equal, the per share earnings figures of the strongly capitalized bank are more secure against dilution from the raising of new capital and against postponement of dividend

COMPARISON OF BANK STOCKS

	Number of U. S. Branches	1957 Net Oper. Earnings	Book Value Excl. Reserves Dec. 31, 1957	Recent Market Price	Indicated Annual Dividend	Yield	Price As % of Book Value	Price Times Earnings	Dividend As % of Earnings	Risk Asset Ratio
NEW YORK CITY—										
Bank of New York	3	$28.72	$280.88	303	$14.00	4.62%	107.9%	10.6	48.7%	14.8%
Bankers Trust	42	5.64	63.71	65¾	3.00	4.56	103.2	11.7	53.2	16.2
Chase Manhattan	98	4.24	45.70	50⅛	2.40	4.79	109.7	11.8	56.6	12.8
Chemical Corn Exchange	92	3.86	45.11	48¾	2.30	4.72	108.1	12.6	59.6	15.1
First National City	77	5.02	61.31	64	3.00	4.69	104.4	12.7	59.8	15.9
Guaranty Trust	3	5.21	68.80	74⅜	†4.00	5.38	108.1	14.3	76.8	22.4
Hanover Bank	8	3.74	40.88	44⅛	2.00	4.53	107.9	11.8	53.5	15.8
Irving Trust	10	2.78	26.04	32¾	1.60	4.89	125.8	11.8	57.6	13.9
Manufacturers Trust	111	4.06	41.89	43⅜	2.00	4.61	103.5	10.7	49.3	13.0
J. P. Morgan	0	23.26	234.28	268	10.00	3.73	114.4	11.5	43.0	17.4
New York Trust	6	5.94	68.20	79	3.50	4.43	115.8	13.3	58.9	18.2
U. S. Trust	0	5.74	66.46	68	3.20	4.70	102.3	11.8	55.7	33.6
Average of 12 Banks	..	...	....	..	...	4.64%	109.3%	12.1	56.1%	17.4%
OTHER CITIES—										
American Trust	94	3.49	39.75	38½	1.60	4.16	96.9	11.0	45.8	11.1
Bank of America	616	2.81	22.54	35¼	1.80	5.11	156.4	12.5	64.1	8.3
California Bank	62	3.85	39.06	47	2.00	4.26	120.3	12.2	51.9	11.4
Continental Illinois	0	7.70	82.63	83¾	4.00	4.78	101.4	10.9	51.9	18.2
Crocker-Anglo National	67	2.74	25.80	28½	1.20	4.21	110.5	10.4	43.8	11.2
First National of Boston	25	6.60	59.97	68½	3.35	4.89	114.2	10.4	50.8	15.7
First National of Chicago	0	*23.88	246.68	337	8.00	2.37	136.6	14.1	33.5	14.7
First Pennsylvania Banking	29	4.02	39.76	43¾	2.20	5.03	110.0	10.9	54.7	14.5
Girard Trust Corn Exchange	27	4.09	42.38	47¼	2.40	5.08	111.5	11.6	58.7	16.0
Mellon National	57	8.62	106.94	121	4.00	3.31	113.1	14.0	46.4	21.1
National Bank of Detroit	60	5.19	48.60	55	2.00	3.64	113.2	10.6	38.5	16.1
National City Bank, Cleveland	17	6.00	52.84	65	2.40	3.69	123.0	10.8	40.0	13.6
Peoples First National	30	5.63	56.72	55	†2.65	4.82	97.0	9.8	47.0	13.4
Philadelphia National	22	3.14	32.77	38½	†1.90	4.94	117.5	12.3	60.5	16.2
Provident Tradesmens	18	3.60	49.27	44¼	2.32	5.24	89.8	12.3	64.4	19.3
Seattle-First National	80	6.54	67.92	72	3.00	4.17	106.0	11.0	45.9	13.0
Security-First National	204	3.56	35.89	45½	1.60	3.52	126.8	12.8	44.9	15.1
Average of 17 Banks	..	...	....	..	...	4.31	114.4%	11.6	49.6%	14.6%

*Net profits. †Including extra.

increases than would be the case with the thinly capitalized bank.

(3) **Marketability.** There is a considerable degree of variation among bank stocks as to marketability. Very few of the interior bank stocks have the marketability of the stocks of the major New York City banks. That is to say, it may be much more difficult to buy a sizable block in a strong market or sell a block in a weak market where the market is local and thin. The spreads between bid and asked prices tend to be wider in the cases of many of the less marketable interior bank stocks than for the larger New York banks. Wider price variations also tend to apply in the cases of the less marketable issues since the few bids tend to dry up in a poor market and the few sellers tend to remove offerings in a strong market.

(4) **Other Influences on Earnings and Value.** In this category there might be listed all remaining considerations which should be weighed in analyzing the prospects for a given bank and its stock. Among these factors might be the degree of dependence of earnings on the interest rate paid on savings deposits or special situations with respect to non-banking activities. Still another factor might be the amount of room left in which to improve the interest rate realized assuming interest rates rise, or the degree of vulnerability to a decline in earnings with a drop in interest rates. The problem of the interest rate paid on savings deposits proved to be all important to the West Coast banks in 1957, and banks in other areas also found their earnings moving downward instead of upward when it became necessary to pay higher interest rates on large amounts of time deposits. Furthermore, many of these banks were already enjoying higher interest rates on loans when the New York banks began to receive benefits from increased prime loan rates in recent years.

Summary

In summary, the country's banks at present appear to occupy a strong position, with fine potentialities as our economy expands. Bank stocks have given an excellent account of themselves in recent markets, although they continue to suffer from the lack of realization on the part of many investors that the period of artificially low money rates is over and that the banks can do much better under free money market conditions.

The field of bank stocks is sufficiently broad to provide the right security for almost any type of investor. For those interested primarily in current income, there are many bank stocks presently yielding between 4½% and 5½%. For those who want long term capital appreciation and are not interested in current income, there are bank stocks which plow back over half of the available earnings and so produce low yields but may be expected to benefit price wise from the compounding effects of the large reinvestment of funds.

The analysis of bank stocks resembles the analysis of most other types of securities in that there is no pat formula which will automatically reveal the issues which will perform best over the next several years. If such a formula is ever developed, it will be a sad day for bank stock analysts, since some electronic machine could digest the given material and come up with the answers. Fortunately, there is still room for a good deal of judgment in evaluating the intangibles. However, a list of candidates for the distinction of "bank stock which is most likely to succeed" might be started by restricting it to those which qualify by answering satisfactorily the following questions:

(1) Does the bank have a strong capital position in relation to its risk assets?

(2) Does it do a diversified wholesale and retail business? This might be indicated by whether or not it had a branch banking system.

(3) Does it earn a better than average return on capital funds?

(4) Does it sell at a reasonable price-earnings ratio considering its growth record and growth potential?

After the list has been combed through on the basis of these qualifications, it undoubtedly will be necessary to make room for exceptions. Frequent revisions will also be necessary to keep abreast of changing conditions.

I hope I have succeeded in establishing to one's satisfaction that bank stocks today represent a sound type of investment for equity investors interested in safety of income and steady appreciation in value over the years. At few times in their history has the outlook for banks and bank stocks been better than it is today.

Loewi & Co. Inc. to Elect New Officers

MILWAUKEE, Wis.—Claude F. Gallagher, William L. Henke, Roman G. Wild and Robert A. Cooper will become Vice-Presidents of Loewi & Co. Incorporated, 225 East Mason Street, members of the New York and Midwest Stock Exchanges, on March 28.

Stein Bros. & Boyce Will Admit Partners

BALTIMORE, Md.—On April 1 Stein Bros. & Boyce, members of the New York Stock Exchange, will admit James S. Levy, Morey L. Booth and Peter S. Thompson to partnership. Mr. Levy and Mr. Booth will make their headquarters in the Louisville office, Starks Building. Mr. Thompson will be located in the Easton, Md. office, 123 North Washington Street.

Firm to Be Rudd & Co.

WASHINGTON, D. C.—Albert T. Brod will retire from partnership of Rudd, Brod & Co., 734 Fifteenth Street, N. W., members of the New York Stock Exchange, on March 31, and effective April 1 the firm name will be changed to Rudd & Co.

To Form A. T. Brod Co.

On April 1 A. T. Brod & Co. will be formed with offices at 120 Broadway, New York City. Partners of the firm will be Albert T. Brod, Philip G. Volpe, member of the New York Stock Exchange, general partners, and John H. Tecter, Max W. Goldberg and Max L. Kales, limited partners. Mr. Brod was formerly a partner in Rudd, Brod & Co. of Washington.

David Zinman Opens

WILMINGTON, Del.—David S. Zinman Company has been formed with offices at 100 Hilltop Road to engage in a securities business. Officers are David S. Zinman, President and Treasurer; M. Manuel Zinman, Vice-President and Isadore Reitzes, Secretary.

Hathaway Adds

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Thomas A. Easter, Robert M. Mapelli, Ace E. McKinzie and Bob W. Shondell have been added to the staff of Hathaway Investment Corp., 900 South Pearl Street.

Robert E. Walker

Robert Elisha Walker passed away March 16 at the age of 51 following a heart attack. He was a partner in Kuhn, Loeb & Co. with which he had been associated since 1935.

Railroad Securities

Railroad Legislation

The nation's railroads are seeking legislative relief not only from the U. S. Congress but also from various State bodies. The carriers in the East particularly are seeking relief from heavy property taxes because of the burden of passenger business and mainly commuter service.

Legislation for some reduction in taxes and even a possible subsidy has been introduced in New York State, and Massachusetts has similar bills under consideration. While it seems remote that any Commuter Transit Authority will be established in either New York or New England at the present time, still the rising costs of commuter fares probably will bring some action. While the latter action is considered more or less a local affair, still the same situation exists in other communities such as Chicago and Detroit.

It might be noted that a representative of New York City recently appeared before the State legislative committee opposing any reduction in railroad real estate taxes which, it was claimed, would mean the loss of some $12 million annually in taxes to the city.

Of course, the roads' main hopes are that the U. S. Congress this year finally will take some action. Committees of Congress have been holding extensive hearings on the subject. It is interesting to note that many of the railroad proposals are not being opposed by their competitors, the barge lines, trucking industry and the airlines. Proposals which are not opposed include the abolition of the excise taxes of 3% on freight bills and 10% on passenger travel. Another point which is being sought is the transfer of abandonments of unprofitable passenger and freight services from State Commissions to the Interstate Commerce Commission. However, competitors will not go along with the railroads in their desire to have more freedom in rate making. Representatives of the trucking and waterway industries are strongly opposed to such relief.

Other transportation industries are expected to continue to oppose the desire of the rails to diversify their activities. Currently the roads are not allowed in the trucking, airline or waterway businesses. There appears to be little chance of the roads being able to obtain such legislative permission.

Some of the carriers have come out for an outright subsidy, particularly for passenger traffic which has been showing large deficits for the majority of them, mainly in the East and Northeast. However, there is little likelihood of a subsidy being allowed on a national basis.

Another proposal of the rails also seems doomed at the present time. This would be the imposition of a user tax for hauling on highways and waterways. Naturally, the latter two modes of transportation are opposing this move vigorously. It also has been proposed by some rail officials that the Federal Government set up a corporation, much along the line of the old Reconstruction Finance Corp., which would purchase rail equipment and lease it out from this pool. The roads hold this would cut down on the capital expenditures they are forced to make to purchase the equipment which, at times, is idle but on which interest charges and installment maturities continue.

Rail men feel that despite opposition to many of the proposals, some remedial legislation might be forthcoming this year, although it probably will not be as liberal are means as that being sought.

Form Rhulen Planning

MONTICELLO, N. Y.—Rhulen Planning Co., Inc. has been formed with offices at 217 Broadway to engage in a securities business. Officers are Raymond Silverman, President; Walter A. Rhulen, Chairman of the Board; Lewis Kolodny, Vice-President; Jesse M. Finkelstein, Treasurer; and Meyer M. Duchin, Secretary. Mr. Silverman was formerly with North American Planning Corp. and First Investors Corp.

Continued from page 16

Foreign Currency Loans To Private Business

Houses on S. 1314. With the approval of the Conference,[7] the "Cooley Amendment" was accepted by the House and the Senate. With Presidential approval on Aug. 13, 1957, it was enacted into law as Section (4) of Public Law 85-128.[8]

Administration of the Program

In accordance with the authority contained in the "Cooley Amendment," the President, on Dec. 12, 1957, issued Executive Order 10746. This Executive Order vested in the ExIm Bank the full authority to administer the loan program created by the "Cooley Amendment."

Loan funds accrue to the Bank through sales agreements negotiated under Public Law 480. These agreements are negotiated by an American delegation, usually consisting of Embassy personnel in the Capital of the foreign country. When the two governments announce a sales agreement including provision for "Cooley Amendment" loans, the ExIm Bank comes into the picture. The Bank itself then announces the expected availability of the foreign currency for loans. It invites applications. It points out that loans will not be granted until the bank deposits actually become available to the Bank through sales under the agreement.

No separate staff has yet been created by the Bank to administer this program. The regular staff of the Bank has participated in developing the procedures for the program and presumably will do the staff work. The Board of Directors will review applications for foreign currency loans, just as it does for dollar loans.

The Bank will conduct the negotiations with the designated agency of the foreign government to obtain approval of loans endorsed by the Bank. This will be done on a case-by-case basis. The law fully recognizes the right of the foreign government to refuse approval for a loan. This may require a great deal of discretion and patience on the part of the representatives of the ExIm Bank. In such cases where no agreement can be obtained for a loan application, the Bank has no recourse and presumably must deny it. Lack of understanding between the Bank and the foreign government could lead to complete failure to agree on any loan application. In this case the Bank could only report the deadlock as a matter for consideration by the American delegation assigned to negotiate a new commodity sales agreement with that particular foreign government the following year.

Capitalization

Loan funds for the operation of the "Cooley Amendment" program will be derived from sales after Aug. 13, 1957, of surplus agricultural commodities under Public Law 480, as amended. No other source of funds is authorized.

The law specifies a set-aside of "not more than 25 per centum of the currencies received pursuant to each such agreement" for this program. Conference Report No. 683, cited earlier, makes this comment: "This provision expresses a firm but general policy of the Congress that a substantial portion (25 percent unless there are compelling reasons for using a less amount) * * * should be used for loans * * *"

The "Cooley Amendment" applies to sales agreements negotiated after Aug. 13, 1957. The Congress, in the law approved by the President on that date, increased the authorization for foreign currency sales from $3 billion to $4 billion. It is probable that the Congress will further increase this authorization in coming Sessions.

The $1 billion authorization covers the cost to the Commodity Credit Corporation of surplus commodities sold. The foreign government pays for these commodities on the basis of the current market value. It is expected that only $600 to $700 million worth of foreign currencies will be received under this current authorization. Applying the 25% formula, the ExIm Bank initially would have at its disposal a maximum of $150 to $175 million worth of foreign currencies.

Not all foreign currencies will become available for loan by the Bank. Most likely to be available are the currencies of the dollar-short countries which are favored for P.L. 480 agreements by the American Government. To date an agreement with Mexico has proved the exception.[9]

An agreement under P.L. 480 with Yugoslavia, announced by the Department of Agriculture Dec. 27, raises an interesting question. The "Cooley Amendment" specifies that loan funds shall be made available from "each such agreement." In spite of this, the agreement with Yugoslavia did not include any provision for loans through the ExIm Bank. Perhaps the American Government felt that there would be no interest in such loans by businessmen because Yugoslavia is a Communist country. Perhaps Yugoslavia

7 Conference Report No. 683, 85th Congress, 1st Session, July 5, 1957. This Report devotes only two paragraphs to the "Cooley Amendment."

8 The effect of Section (4) was to amend Section 104(e) of Public Law 480 by adding the text of the "Cooley Amendment." Section 104 of Public Law 480 now reads:

"Notwithstanding section 1415 of the Supplemental Appropriation Act, 1953, or any other provision of law, the President may use or enter into agreements with friendly nations or organizations of nations to use the foreign currencies which accrue under this title for one or more of the following purposes:

"(e) For promoting balanced economic development and trade among nations, for which purposes not more than 25 per centum of the currencies received pursuant to each such agreement shall be available through and under the procedures established by the Export-Import Bank for loans mutually agreeable to said bank and the country with which the agreement is made to United States business firms and branches, subsidiaries, or affiliates of such firms for business development and trade expansion in such countries and for loans to domestic or foreign firms for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, United States agricultural products: *Provided, however,* That no such loans shall be made for the manufacture of any products to be exported to the United States in competition with products produced in the United States or for the manufacture or production of any commodity to be marketed in competition with United States agricultural commodities or the products thereof. Foreign currencies may be accepted in repayment of such loans."

9 Programs announced by the Bank to date include Mexico, Oct. 30, Israel, Nov. 15, Pakistan, Nov. 20, Greece, Dec. 24, 1957, Turkey, Jan. 23, 1958. All of these provide for loaning 25% of the foreign currency proceeds, except the agreements with Greece and Turkey. These provide for loaning 15%.

FOREIGN CREDIT PROGRAMS OF UNITED STATES AND INTERNATIONAL AGENCIES AVAILABLE TO PRIVATE BUSINESS

	EXPORT IMPORT BANK						
	Cooley Amendment (P.L. 480)	Dollar Credits	Dollar Credits for U. S. Agric. Commods.	Commodity Credit Corporation	International Bank for Reconstruction and Development	International Finance Corporation	Development Loan Fund
Purpose of Program	Bus. dev. & trade expansion; mkt. dev. for U. S. agric. products	Promoting U. S. exports and imports	Promoting U. S. exports of surplus agric. commodities	Promoting U. S. exports of surplus agric. commodities	Financing foreign projs. of reconstruction & development	Financing foreign private industrial and mining enterprises	Fin. foreign projs. of reconstr. & develop. & foreign commercial & industrial enterprises
Types of Credit Assistance Available	Loans	Exporter credits, guarantees & loans	Loans	Deferred purchase payment	Loans, guarantees & particip. in loans	Investments [5]	Loans, credits, guarantees, investments[5]
Eligible Credit Beneficiaries	Bus. Dev. Proj. Pvt. U. S. entities Agric. Mkt. Dev. Proj. Pvt. entities of U. S. or country whose currency is borrowed	U. S. & foreign private entities; foreign governments	Foreign private importers [3]	U. S. exporters	Member govts.[4] & private entities in their territories	Private entities in less developed member countries [4]	U.S. private entities; foreign private entities & govts. in less developed countries
CRITERIA							
Size of Project	No stated limits	No stated limits			No stated limits	Norm. $500,000 up	$500,000 up
Amount of Credit	No stated limits	No stated limits	No stated limits	No stated limits	No stated limits	$100,000 to $2 mill.	$100,000 up
Use of Financing	Equipment, technical services, payrolls, inventories, general operating expenses, etc.	U. S. machinery, equipment, technical services	U. S. surplus agric. commodities	Commodities in CCC inventory or under loan to CCC	Import materials, equipment & services	Any requirement of beneficiary except refunding or refinancing	Any requirement of beneficiary except working capital, refinancing, or purchase and resale
Country in Which Funds May be Spent	Anywhere acceptable to country whose currency is borrowed	United States	United States	United States	Anywhere outside territory of credit beneficiary	Anywhere	Anywhere [6]
Location of Project or Consumption	Bus. Dev. Proj.—In country whose currency is borrowed Agric. Mkt. Dev. Proj.—Any country eligible under Battle Act [1], and acceptable to country whose currency is borrowed	Any friendly foreign country eligible under Battle Act[1]	Any friendly foreign country eligible under Battle Act[1]	Any friendly foreign country	Territory of credit beneficiary	Country of credit beneficiary	Any friendly foreign country eligible under Battle Act [1]
Beneficiary Must First Seek Private Capital	No	Yes	Yes	Only if purchasing wheat	Yes, and other public capital	Yes	Yes, and also capital from ExIm Bank, IBRD, IFC
Participation by the Beneficiary	Required	Required	Not required	Not required	Not required	Required	Required of private credit applicants
LOAN TERMS							
Currencies Loaned	Foreign currencies	Dollars	Dollars	Dollars	Dollars & foreign	Dollars & foreign	Dollars
Length of Credit Period	Longer than 1 yr.	Longer than 1 yr.	6-12 months	Up to 3 yrs.	Any length	5-15 yrs.	3-40 yrs.
Assurance of Repayment	U. S. or foreign collateral or bank guarantee may be required [2]	Foreign individual, company, or bank guarantee may be required	Foreign bank guarantee may be required	Assurance of payment from bank in U. S.	Guarantee of government of beneficiary	Govt. guarantee not required,[2] private security may be required	Govt. guarantee not required,[2] private security may be required
Cargo Preference for U. S. Vessels	....	Yes	Yes	No	No	No	Yes
MISCELLANEOUS	Prohibits loans to produce: Exports to U. S. competitive with U. S. goods, or commodities competitive with U. S. agric. commodities or products thereof.		Commodities must be consumed in country of import	If credit period exceeds 6 months, credit must be passed on to foreign importer		Investment must contribute to economic development of country of project	Investment must contribute to economic development of country of project

All of these institutions charge interest and require that there be reasonable prospects of repayment. Projects must be economically sound and technically feasible.

1 Mutual Defense Assistance Control Act of 1951, P.L. 213, 82nd Congress. No friendly country has been declared ineligible at this time. A determination is made, prior to the approval of each loan application whether the country, where the project is located, has knowingly exported strategic materials to the Sino-Soviet bloc in violation of the Battle Act.

2 Although government guarantee is not required, the loan will not be made if unacceptable to the government where project is located.

3 The ExIm Bank program for government to government agricultural credits is not covered in this table.

4 Member governments of IBRD (those also members of IFC are marked with asterisk): *Afghanistan, Argentina, *Australia, *Austria, *Belgium, *Bolivia, *Brazil, *Burma, *Canada, *Ceylon, *Chile, China, *Colombia, *Costa Rica, *Cuba, *Denmark, *Dominican Republic, *Ecuador, *Egypt, *El Salvador, *Ethiopia, *Finland, *France, *Germany, Ghana, *Greece, *Guatemala, *Haiti, *Honduras, *Iceland, *India, *Indonesia, *Iran, *Iraq, Ireland, *Israel, *Italy, *Japan, *Jordan, Korea, *Lebanon, *Luxembourg, *Mexico, *Netherlands, *Nicaragua, *Norway, *Pakistan, *Panama, *Paraguay, *Peru, *Philippines, Saudi Arabia, Sudan, *Sweden, Syria, *Thailand, *Turkey, *Union of South Africa, *United Kingdom, *United States, Uruguay, *Venezuela, Viet-Nam, Yugoslavia.

5 Usually convertible debentures.

6 DLF prefers that foreign exchange be used for requirements outside country of project.

Compiled by Edmund Pendleton, Jr. February 1, 1958.

would not agree. Negotiations of a P.L. 480 agreement with Poland are under way. It is not likely that "Cooley Amendment" loans will be authorized in that case either.

There is some speculation whether the ExIm Bank will treat its foreign currency loan fund as a revolving fund. Since the Bank will operate the program on a sound financial basis which will result in few losses, obviously, there will be foreign currencies available for use a second time. At this point, however, the Bank seems to take the position that it has no authority to operate a revolving fund. Queried whether the Bank is ignoring the authority contained in its Charter[10] in Sec. 2(a): "The Bank is hereby authorized to use all of its assets and all moneys which have been or may hereafter be allocated to or borrowed by it in the exercise of its functions."

Purposes of Loans

The law specifies two general purposes for which foreign currency loans may be made by the ExIm Bank. First, it specifies that they may be made "for business development and trade expansion." This phraseology is so sweeping the officials of the Bank should have no problems in interpreting it. It would be difficult to find a credit situation which could not fit within this definition.

The second purpose for these loans is "for the establishment of facilities for aiding in the utilization, distribution, or otherwise increasing the consumption of, and markets for, United States agricultural products." This section of the law probably will present more problems of interpretation. The statement commences "for the establishment." It is very probable that a project involving expansion of existing facilities would be approved. But this will require liberal interpretation of the law. The law goes on to read "establishment of *facilities.*" This raises the question as to whether the Congress intended to limit loans for this second purpose to projects involving physical facilities.[11]

In one way at least, the Bank apparently is taking the more liberal view in interpreting the phraseology describing "business development" and "agricultural marketing" loans. Its instructions to the applicants imply that it will consider applications for either purpose where the proposed use of the foreign currencies would be payrolls, inventories, or general operating expenses, in addition to the more conventional uses, such as the purchase and installation of equipment.[12]

Behind the "Cooley Amendment" was the rather narrow interest of certain Congressmen in stimulating agricultural market development activities. But the amendment was attached to Section 104 (e) of P.L. 480,[8] so that its beginning words became: "For promoting balanced economic development * * *." Accordingly financing for a cold storage warehouse in Pakistan for American dairy and poultry products might take second place to a cement plant in the eyes of ExIm Bank and the Government of Pakistan.

Eligible Borrowers

The purpose of the "Cooley Amendment" was to provide credits of foreign currencies for private business[7,13] Under this interpretation of the law the ExIm Bank would have to refuse an application for such credit from a foreign government. It is not clear what the Bank would do if there were some government participation in the business of a private applicant. Theoretically, if private interests own 51% of a corporation and government owns 49%, the corporation still would be private business.

"Business development" loans may be made to "United States business firms and branches, subsidiaries, or affiliates of such firms." Would an Italian corporation, holding an exclusive sales agency for the country of Italy as representative of an American corporation, be an "affiliate" within the meaning of the law? Would a Pakistani corporation, in which an American company held a 51% participation, be a qualified "subsidiary"? There is no requirement in the law that the subsidiary be wholly-owned.

A question of nationality arises from the separation in the law of the phrase "in such countries" from "branches, subsidiaries, or affiliates." Presumably the Bank legally could make a "business development" loan to a German subsidiary of an American company for a project in Pakistan.

"Agricultural marketing" loans will be made only to United States firms, or firms of the country whose currency is borrowed, according to a narrow interpretation of the phrase "foreign firms" by the Bank. Presumably this narrow approach will be applied to "business development" loans also; though it has not yet been indicated in pronouncements of the Bank.

If the Bank follows its usual practice, the borrower will have to demonstrate that he will participate with his own funds in the project for which credit is sought.

The "Cooley Amendment" resulted primarily from the difficulties of businessmen in borrowing foreign currencies. Accordingly, it is not likely that a credit applicant will be required to demonstrate that he has exhausted other sources of foreign currency credit before applying to the ExIm Bank.

The Bank has issued no application forms as such. It has issued a list of 12 points of information which the applicant should supply to the Bank.[12] Applications may be filed with the ExIm Bank in Washington, or with the American Embassy in the country in which the loan is desired.

Limitations on Use of Loans

"Business development" loans must be used for projects located in the foreign country whose currency is borrowed. The law does not require that all of the currency be spent in that country. Purchases of equipment legally could be made in a third country.

"Agricultural marketing" loans could be used for projects in the country whose currency is borrowed or in third countries. The currency could be spent in any country.

In the case of either the "business development" or "agricultural marketing" loans, use or expenditure of the foreign currency outside of the country whose currency is borrowed probably would be opposed by that government. Its shortage of foreign exchange was the major reason why it purchased agricultural commodities under Public Law 480 in the first place. One possible exception might be a project in a third country which would be of benefit to the country whose currency is borrowed. An example might be use of Austrian schillings to construct a grain elevator in a port of Yugoslavia which handles a large amount of imports for Austria.

Besides location, the law limits the use of these loan funds in another way. It states that "no such loans shall be made for the manufacture of any products to be exported to the United States in competition with products produced in the United States * * *." In view of the strong "protectionist" bloc on the "Hill" the Bank probably will interpret strictly this limitation. Obviously, it will not approve a loan to assist in the production of Polish hams for the American market, as suggested by one Congressman in the debate on the "Cooley Amendment."[13]

The law continues: "or for the manufacture or production of any commodity to be marketed in competition with United States agricultural commodities or the products thereof." This second portion of the limitation presents two interesting questions. Could the loan funds be used to erect abroad a plant for recombining milk, if that country is a purchaser of canned milk from the United States? Would this limitation prohibit a loan for a mill to spin cotton yarn; a mill to weave cotton cloth; or a factory to manufacture cotton shirts, if the raw cotton in any case were not American fiber? Presumably so.[14] A more difficult decision is faced if the raw cotton is American.

Loan Terms and Conditions

The ExIm Bank has set no minimum amount of credit which it will grant under the foreign currency loan program. The maximum will be determined by the needs of the project and by the credit worthiness of the borrower or his guarantor.

In view of its policy on dollar credits, it seems unlikely that the Bank will make loans maturing in less than one year. Medium- and long-term credit will be available.

The interest rates apparently will be comparable to the rates charged by development banks in the country involved, for business development credits. Ordinarily, these rates would be appreciably lower than commercial rates.

No guarantee of repayment will be asked from the foreign government. If additional security is asked from the borrower, he will be permitted to offer a foreign bank guarantee or foreign collateral. Possibly even the guarantee of an American bank or company would be acceptable.

The borrower may repay his loan in the foreign currency borrowed. Fluctuations in the value of the currency will be the Bank's risk.

If many aspects of this program are yet undefined, there is a good reason. The Bank received relatively little direction from the Congress. It is operating in the field of banking abroad while it has no branches abroad. If the Bank follows its usual practices, it will develop the ground rules for the program on a case-by-case basis.

10 Export-Import Bank Act of 1945, as amended, 59 Stat. 526.

11 See House Report No. 432, in the Section on "Development of New Markets," where the Committee twice used the phraseology "physical facilities."

12 "Information required by the Export-Import Bank of Washington in connection with an application for a loan of foreign currency pursuant to Sec. 104(e), Agricultural Trade Development and Assistance Act of 1954, as amended (P. L. 480)," Oct. 29, 1957.

13 "Congressional Record," p. 8998, 85th Congress, 1st Session, June 21, 1957.

14 "Congressional Record," p. 8999, 85th Congress, 1st Session, June 21, 1957.

E. L. Wolf Opens

WASHINGTON, D. C. — E. L. Wolf Associates has been formed with offices at 1511 K Street, N. W. to engage in the investment business. Emanuel Wolf is a principal of the firm.

V. E. Refalvy Opens

CLINTON, N. J.—Victor E. Refalvy is engaging in a securities business from offices at 19 Leigh Street.

Fabian Crystal Opens

Fabian Crystal is engaging in a securities business from offices at 1440 Broadway, New York City.

H. Hentz to Admit

On April 1, H. Hentz & Co., 72 Wall Street, New York City, members of the New York Stock Exchange, will admit Hattie G. Morris to limited partnership.

Schirmer, Atherton Admits

PORTLAND, Maine—G. Damon Hoffses, resident manager for Schirmer, Atherton & Co., in their office at 634 Congress Street, will be admitted to partnership in the firm April 1.

Schrijver Co. to Admit

On March 27, Harold A. Shaffer, member of the New York Stock Exchange, will become a partner in Schrijver & Co., 37 Wall Street, New York City, members of the New York Stock Exchange.

Shuman, Agnew to Admit

SAN FRANCISCO, Cal.—Shuman, Agnew & Co., 155 Sansome Street, members of the New York and Pacific Coast Stock Exchanges, on April 1 will admit John B. Wood to limited partnership.

Form Oil & Gas Investors

(Special to THE FINANCIAL CHRONICLE)

MADISON, Wis. — Oil & Gas Investors Co., has been formed with offices at 119 Monona Avenue to engage in a securities business. Partners are Marvin V. Bump, Norman T. Baillies and James C. Geisler.

Eisele & King Branch

MIAMI, Fla. — Eisele & King, Libaire, Stout & Co. have opened a branch in the Miami Building with Basil P. Williams and Donald T. Williams as managers.

Bank and Insurance Stocks

By ARTHUR B. WALLACE

This Week — Bank Stocks

The banks have come a long distance from the early depression years when so many of them were hard pressed to stay open. At that time the depositor's concern was whether his bank was sound, for ugly rumors floated about casting doubt on the ability of this-or-that bank to pay off. While the mortality among the country's banks was bad enough, let it be pointed out that there were thousands of them that, because of able management, survived the difficult period and came through to build up to bigger and better institutions.

As an aftermath to the depression experience, Congress set up the Federal Deposit Insurance Corporation, which went into the business of insuring deposits of member banks, first up to a limit of $5,000, and then to $10,000. While FDIC has done a good job, the fundamental objection to it at its inception still holds, namely, that in essence the sounder, better managed banks to an important degree back up the weaker ones.

A second move was a permissive one inaugurated by the Treasury Department, and with two motivations. This was the setting up of loan loss reserves by the banks. Besides the reserve feature, the banks were given a tax abatement on the amount that, from year to year, went into the reserve. In substance, the Treasury formula permitted the banks to set aside a reserve on the basis of their loan loss experience for a 20 year period, the banks to elect the consecutive 20 years that gave them the best base for calculating the set-aside. This formula has resulted in substantial tax savings for many banks, but there has developed some sentiment toward its revision.

The American Bankers Association is working toward that end. There is a general feeling among bankers that the banks ought to have greater loan loss reserves; the risks in lending funds tend to be greater under present economic conditions.

To quote the annual report of First National City Bank of New York: "The formula is illogical, since it is based on the historical experience of each bank. The result is that the best managed banks, which came through the great depression with least losses [on loans] are now penalized relative to the less successful banks."

It is the general practice among the banks to carry this reserve as a deduction from total loans outstanding. It therefore is not readily discernible for anybody who is not seeking out the information. Therefore, it is not generally realized that the total set-asides by the leading banks are of the size that they are. As the reserves are set up prior to the tax calculations, substantial tax savings are achieved as a general rule; and often the tax saving is included in a given year's contribution to the reserve.

As now calculated, the reserve's size depends largely upon the outstanding loan volume of the bank, allowing for certain credits under the formula, such as guaranteed loans. But the volume of loans on the bank's books in the past year has been at such a high level that the banks in many instances have their reserves as high as the formula permits; no further set-asides may be made by these banks unless loan volume starts on the upward trend again.

Here are some of the accumulated reserve totals as of the end of 1957:

Bankers Trust: $16,686,000 versus $15,994,000 a year earlier.

Bank of New York: $1,773,000 versus $1,723,000.

Chase Manhattan: $98,105,000 (maximum allowed) versus $99,386,000.

Chemical Corn Exchange: $10,996,000 versus $11,993,000.

Empire Trust: $2,531,000 against $2,447,000.

First National City: Approximately $96,000,000 versus about $94,000,000.

Guaranty Trust: $16,184,000, and in 1956 about $15,934,000.

Hanover Bank: Approximations of $16,000,000 and $10,000,000.

Irving Trust: $12,517,000 versus $9,987,000.

Manufacturers Trust: $48,170,000 versus $35,993,000.

J. P. Morgan & Co., Inc: About $8,000,000, compared with $7,000,000.

New York Trust: $6,780,000, about what was shown in the like month a year earlier.

United States Trust: Makes no set-asides as its loan volume is small, the trust company depending much more on trust fees.

Of course, this reserve is entirely apart from reserves for securities valuation, etc. Most banks also carry "general" reserves, contingency reserves, etc.

The banks ought to have greater latitude in providing against adverse economic conditions, if only because the exposure is so much greater now than it was when the Treasury established the formula.

Warner W. Kent

Warner W. Kent, a limited partner in Ingalls & Snyder, New York City, passed away March 12 at the age of 65. He had been with Ingalls & Snyder since 1923.

With Illinois Mid Continent

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—David Bartzen, Frank J. Galati, Arch Lord and Donald A. Wahl have become affiliated with Illinois Mid Continent Investment Company, 676 St. Clair Street.

Continued from page 5

Savings Association's Portfolio And the Bond Market Outlook

instead it takes a seemingly wanton pleasure in doling out its dollars so parsimoniously.

As a matter of fact, there are many people, whose knowledge goes far beyond the superficial, who similarly find System policy hard to account for and impossible to excuse. Why has its anti-recession aid been limited to three cuts in the discount rate, one lowering of margins on stock exchange transactions, one small reduction in statutory reserve requirements, and a less than usual withdrawal of reserves supplied by open market operations during November-December?

Now I should like to have it understood that I have no part in the secret deliberations of Federal Reserve System officials, and have no inside dope at all to offer. Nor could I be so immodest as to claim a deeper knowledge of or a keener insight into the System's mechanisms than do my many more illustrious colleages. Nevertheless, I believe sincerely that I can be of more service by presenting a somewhat different viewpoint than by mincing words and rehashing the conventional and more popular answers. The reader will be the judge of its reasonableness.

It is often said that you cannot push on a piece of string. That figure of speech can be modified a little bit. You can visualize a hawser connecting a tug with a great ship. If there is enough of the hawser, and if the tug keeps pushing on it hard enough, it will pile up, kinking and knotting, until it finally forms a thick mat between tug and ship. The tug still will be pushing on the string, but the ship will begin to move. Or, of course, you can push a string through a straw.

There can be no doubt whatever that the Federal Reserve System could, if it chose, within a short period of weeks, or of a few months at most, cause people to begin buying more and more heavily, prices to rise sharply, production to accelerate and employment to again become overfull. Short-term interest rates could be brought down to zero. Bond prices would rise astronomically for a short time—until, that is, investors caught on to what was happening and what was coming thereafter. Stock prices would zoom, and after a bit land values would shoot up; the prices of old buildings and the cost of new ones would be multiplied, and still later any tangible good at all would be sought eagerly as a defense against inflation.

All that would be necessary would be to make a formal announcement that the System was determined to reverse the recession immediately, and to back this up by slashing reserve requirements sharply and buying securities heavily. By these means it might create so much money as to make a dollar practically worthless. Nobody would hold money longer than was required to find something to spend it for.

You will say this picture is grossly exaggerated. You are right—it is exaggerated; it is completely ridiculous. But what makes it ridiculous is precisely that it will not happen. Note I said it will not—not that it could not. No one believes the Federal Reserve System would ever do anything so dangerous and destructive. But when people argue that, although inflation of this sort may happen elsewhere it cannot happen here, they are testifying to their implicit faith and confidence in the essential rightness of what the Federal Reserve System has been doing. For the engine of inflation exists, and the only thing that keeps it from running wild is the restraint of the engineers—the resolute resistance of System officials to the enormous pressures, from almost every side, to turn it loose.

If this picture of ultimate inflation is ridiculously exaggerated, an actual example of the same thing on a microscopic scale is at hand. It was the easy money policy of 1953-54, which System officials again and again have described as much too easy and continued much too long; and as a mistake which would not be repeated. Several comments on this should be made.

First, the bond market, speaking generally, has chosen to brush these statements off. It has convinced itself that similiar or even more massive measures are being delayed, but eventually must come. This is actually the crux of the present puzzlement about policy. For if eventually, why, in Heaven's name, not now?

The unconventional answer I propose is that the skeptical disbelief in the sincerity of those statements is misplaced. Skepticism is an indispensable tool of the analyst, certainly, but skepticism like all virtues can be overdone.

For the sake of argument, give just a moment's thought to this proposition: Assume that the officials were and are sincere; that the statements mean precisely what they say. Assume they are not merely words for the record, but actually describe System judgment and intention. Doesn't that throw an entirely different light on the System's recent actions?

Second, and supporting, I submit, the soundness of that judgment, there is the visible and demonstrable aftermath of the massive 1953-54 policy. The boom of 1955-57 which followed was stoked by the fuel furnished during the preceding period of easy money. Interest rates reacted violently upward, and a law of physics suggests they may have gone so high because they had fallen so low.

Third, regardless of the objective aimed at particularly, all that any central bank can do to counter recession is to assure that money is available in the amounts desired by borrowers, and at declining rates of interest. By this measure System policy has been completely adequate and completely successful. The interest rate structure has declined sharply at the long-term end, and at the short end rates have practically crumbled. Would-be lenders are eagerly seeking borrowers, and in the capital markets new bonds have been snapped up at yields twenty to thirty per cent below levels so recent as last November.

A more massive easy money policy could and almost certainly would do three things: (a) It would create even more disorderly securities markets than any recently known; (b) it would reduce the economy to a state of liquidity from which the following reaction upward would be more boomy than the preceding boom, thus assuring (c) that the next upswing would carry interest rates quickly back to or above the peaks of 1957.

Finally, there has been a worldwide revulsion against the notion, so popular a quarter-century ago that the virtues of easy money could not be over-estimated. Easy money has been tried, recently enough for the memory to be still fresh, and the practical experience has convinced governments and economists alike that reliance upon easy money as a panacea is more dangerous than the diseases it was thought to cure.

Summing up this section, my suggestion is that those who are counting upon an accelerated easy money policy to promote still higher bond prices may have failed to adjust their thinking to changing times and circumstances. They may be relying too much upon policy techniques which are no longer shiny modern, but have become outmoded. If bond markets do go still higher—as they may, for a time—it is more likely to be the result of a capital demand which briefly falls below current savings, plus the expectations of traders for more of the same old easy money remedy, than of the adoption of such a policy as the market has been speculating upon for several months.

And in this connection we might keep in mind that total savings do not typically rise during business recession; they fall, and sometimes quite sharply. As for long-term capital demand, developments have disappointed those who expected the cutback in business capital spending to produce an early drop in the volume of new corporate bonds brought to market. The calendar recently has been above year-ago levels, and three times the low figure reached during the fourth quarter. The new supply of State and local government issues continues immense, and in total is expected to exceed last year's record. And the U. S. Treasury already has marketed more long-term bonds than some people guessed would be feasible during the entire year. More, I should think, are to come.

As to the demand for mortgage money, my own guess is that housing this year well may start 1,100,000 units, and that the net increase in total mortgage debt easily can equal or exceed last year's $12 billion.

What Policy for Savings Associations?

Though some interest rates are stickier than others, all capital and money markets are inter-related; they affect and are affected by each other. Thus I don't think I need apologize for laying a foundation for what I have to say about savings association policy during the present temporary downswing in interest rates.

For it will be clear that I regard this present phase as temporary only. Indeed, except for a very few chronic stagnationists, there is substantial agreement that the economic downswing will be reversed within a period measured in months—the only real disagreement is on how many months. Therefore it seems to me that in planning investment programs it would be most unwise to act as if the lower interest rate trend were permanent, or even likely to last for an indefinitely long time.

Savings associations have the distinction of being one of the very few identifiable investor groups which have pretty consistently increased their holdings of U. S. Government securities since the war. The others are State and local governments, pension funds, and the trust accounts of the Federal Government. The last named leveled off its growth last year and may even decline slightly this year.

Though in total all their holdings are considerable—probably more than $3 billion as of now—the average holding, because there are so many, is relatively small—perhaps a half-million or so. As a percentage of assets of individual association, and as to the contribution these securities make to total earnings, they are not very significant.

Yet they are important, because they constitute a considerable portion of your liquidity reserves, and this indeed is the major reason for holding them. This being so, it is of even greater importance to be assured that they can serve that purpose well.

Post-war experience — particularly since 1951—has convinced most investors that long-term bonds are not liquid resources. They can not be relied upon to produce cash equal to their cost when or if it becomes necessary to put them on the market.

The reason for this is simply the mathematics of the bond value table, or "yield book". For a given rise or fall in interest rates, long-term bonds fall or rise much more in price than short ones.

To see the force of this, consider the three-year period between the summer of 1954 and the summer of 1957.

The yield on Treasury 3¼s 1983/78 rose by 112 basis points, and their price fell nearly 21 points.

The yield on Treasury 2½s 1972/67 went up nearly 120 basis points, but because of the shorter term, their price dropped less than 14 points.

Even so short a bond as the 2½s 1961 was not invulnerable. Its yield went up 190 basis points, and its price went down 8½ points. At the beginning of this period its maturity was about seven years, and at the end it was about four years. Its experience was substantially better than the loss in the longer bond, of course, but even so it represented a loss of more than all the income earned at the coupon rate during the three years.

One cannot possibly incur losses like these in Treasury bills, even though their rates fluctuate much more widely. For example, they got down as low as 0.616% in June, 1954, and as high as 3.660% in October, 1957 — a change of more than 300 basis points. Suppose one had bought 91-day bills at the lowest yield of recent years, 0.616%. Suppose you had been forced to sell them 30 days later, at the highest yield in the past 24 years, 3.66%, making no allowance for the shortening of maturity. The loss would be 15/32. If held 60 days and sold on a 3.66 basis, the loss would be 5/32.

This fantastic exaggeration is offered only to show how small is the greatest loss conceivable in bills when contrasted with the losses inherently possible in long-term bonds. Actually, the occasions on which bills of 30 or 60 days maturity have sold at yields equal to or higher than those on 90-day bills are practically negligible. Even in the worst market conditions short bills yield less than long ones, which means that you sell them at a higher price than you paid for them, which in turn means you derive some positive rate of return. That rate during much of last year was only slightly below the yield on the very longest-term bonds, and though it is far below long-term yields just now it will rise again as soon as the recession bottoms out.

Some may say that if long-term bonds go down faster, they can also go up. This is obviously true, as we have seen since last November.

Buying bonds in expectation of a price rise, and selling them just before a down-trend sets in, however, is probably outside the range of feasibility for most associations. Some of the larger ones are staffed and equipped for it, and they do it probably at least as well as do banks and other big institutions. But it takes almost constant attention, and even so not all are successful all the time. There were few who did not have book losses in the 1955-57 decline.

For the majority of average sized associations an effort to do this will divert manpower from the major field, which is getting business and making or buying mortgages. In any case, since income is so largely derived from mortgages, a slightly higher or lower return on investments can hardly make much difference in the total.

In 1956 (latest figures I have at hand) 84.2% of savings association income came from mortgages; only 3.8% from interest on investments. You would have to double the rate of yield on investments—an increase of 100%—to get an increase of 7.3% in total earnings.

All this leads to my conclusion and the suggestion I have to offer. Confine investment portfolio mainly to Treasury bills, rolling them over, as a normal practice, four times a year. In particular cases there may be justification for holding some longer-terms, perhaps even as far out as ten years, but I strongly urge even then to hold the average down to two or three years. Agency issues, in cases where the association is permitted to hold them, are just as good and offer somewhat better yields.

Associations have their problems, as I am aware. Just now they doubtless are concerned about whether there will be an adequate supply of mortgages to absorb net inflow of savings, and whether or if they will be forced to cut dividend rates.

What I suggest is that these problems are enough; Associations should not burden themselves in addition with the trials of speculation in the bond market. Especially they should not, after so sharp a fall in yields as has taken place during the last four months, reach out for long-term bonds at yields which a year or two from now at most are likely to look rather low. Unless, of course, they are convinced this recession is going to last much longer than most people think.

Summary

Gloom on the business outlook is so thick you can cut it with a dull knife; my feeling is that it is greatly exaggerated. A sharp step-up in governmental spending, particularly Federal, with the accompaniment of a bank-financed deficit of substantial size, is likely to have pervasive effects.

Difference of opinion on the outlook, however, except for a small fringe, is confined to the date of the bottom and the beginning of the up-turn. Few, if any, would put that date more than a year away. Nor is there important disagreement on the proposition that when the business curves turn upward, so also will interest rates.

I sense that the view that business will turn upward strongly at some not too distant point, after re-adjustments have been worked out, is shared by the Federal Reserve System. This would account for their unwillingness to adopt a massive policy to enforce easy money, thus repeating the mistakes of 1953-54 and thus laying the groundwork for a boomier boom, with very much higher interest rates than we have already seen as a consequence.

Faith in the efficacy of easy money has been diminished by practical experience with it. It is being recognized that, while possible, to reverse or present a natural readjustment by means of monetary inflation is to achieve a cure worse than the disease. A premature recovery brought about by this means would require an easy money policy vigorous enough to frighten people as to the future value of their money; anything less than that would hardly be enough.

I suggest, therefore, that it might be wise to credit System officials with sincerity in their declarations that the 1953-54 policy was pushed to the point of error and will not be repeated; and that such a view may throw a better light on present policy and on the meaning of official action to date.

Thus, I regard the present business recession and the present sharp downtrend in interest rates as temporary only. And, if you agree that it is temporary, you should not expect interest rates to continue downward and then to stay at depressed levels for a period of years. For when interest rates rise again, bond prices will fall, and the longer their maturity the greater the fall. Losses will be incurred by those who do not accurately sense the timing of the turn.

My recommendation is that savings and loan associations should leave speculation in long-term bonds to those who have more time for that business; that since the prime and indeed almost the only reason to hold securities is to assure that they will have liquidity when or if they need it; they ought to be certain that the safety provided by liquidity is real and not illusory. That means Treasury bills in the main, at whatever yield is available; though it is low now, it has been high and will be high again. In some cases there may be justification for maturities as long as ten years, though the average should not go beyond two or three years.

Wm. P. Harper & Son Appoints New Officers

SEATTLE, Wash.—Wm. P. Harper & Son & Co., Harper Building, announce that Paul C. Harper has been elected Chairman of the

Sherman Ellsworth Hugh R. Schlicting

Board and Sherman Ellsworth, President. Mr. Harper has been associated with the firm since 1903, and Mr. Ellsworth since 1931. Other officers are Dickinson C. Harper, Vice-President and Secretary, and Hugh R. Schlicting, Vice-President and Treasurer.

Forms Inv. Planning

SOMERVILLE, N. J.—Richard J. Arnold is engaging in a securities business from offices at 166 East Spring Street under the firm name of Investment Planning Co.

K. D. Lincoln Opens

KANSAS CITY, Mo.—Keith D. Lincoln is conducting a securities business from offices at 1016 Baltimore Avenue under the firm name of Lincoln & Co. He was formerly with E. F. Hutton & Co.

Marshall Co. Now in N. Y.

The Marshall Company is now engaging in the securities business from offices at 40 Exchange Place, New York City.

I. B. Morton Co. Opens

I. B. Morton & Company, Inc. has been formed with offices at 39 Broadway, New York City to engage in a securities business. Officers are Morton I. Binstock, President; Jack Haber, Secretary-Treasurer: and Jeanette Haber, Vice-President.

Milton E. Hatfield

Milton E. Hatfield passed away March 11 at the age of 81 following an illness of some weeks. Prior to his retirement he had been with Harriman Ripley & Co. Incorporated.

William H. Putnam

William H. Putnam, partner in Putnam & Co., passed away March 10.

Let There Be No Panic!

"In summation, what we need is an immediate tax cut for lower- and middle-income groups in order to increase demand and purchasing power. At the same time, we should increase unemployment benefits for those out of work, for a personal tax cut will not be received by them directly; for, if they have no income, they pay no taxes. However, they would benefit immediately from the excise cuts on the goods they buy.

Sen. Paul H. Douglas

Robert B. Anderson

"Therefore, an increase in unemployment benefits to approximately half of the average wage as opposed to the one-third which is now the case, and an extension of time for receiving unemployment benefits by an additional 13 weeks, are both needed. Further, we should start processing needed public works projects so that, if a tax cut fails, these men will have jobs to go to." Senator Paul H. Douglas.

* * *

"A number of the suggestions and actions proposed and taken will help promote a higher level of private economic activity and employment. Some will result in accelerated expenditures in a number of existing Federal programs without involving us in huge, slow-acting public works programs of dubious value.

"However, we will continue to examine all the facts and data as they become available and if, upon the basis of further developments in the economy it appears that other actions are necessary and desirable, they will be taken." Secretary of the Treasury Robert B. Anderson.

As between the two, the much more conservative and responsible program of the Administration is, in our view, greatly to be preferred.

Mutual Fund Inv.

ELLENVILLE, N. Y. — Carl C. Carlsen is engaging in a securities business from offices at 124 Canal Street under the firm name of Mutual Fund Investment Co.

With Investors Planning

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Donald W. Eaton is now with Investors Planning Corporation of New England, 1 Court Street.

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National Economic Policy for Expansion and Price Stability

taxes during the current recession as it did during the depression of the 1930's. Rather, we will see government reduce taxes, even with emerging deficits, if the current decline persists in spite of the monetary ease and expanded defense outlays necessitated by international conditions.

Granting certain limitations, the worth of flexible fiscal and monetary policy as important instruments of stabilization has been clearly demonstrated in recent years of both inflation and deflation. There is growing confidence in general compensatory government actions to counter the deficiencies and excesses in the private market. This has been accompanied by a resurgent belief in the use of free enterprise and competition as the proper regulator of private market forces. The swing is away from direct government controls.

The Congress and its Joint Economic Committee, created by the Employment Act, have exhibited leadership in advocating the use of flexible fiscal and monetary policy. The reports of the Committee, from the very beginning, exhibited this advanced thinking. You will recall, for example, the Douglas Report of 1950 which called for restoration of the independence of the Federal Reserve and unpegging the bond market at a time when the Federal Reserve and the Treasury clung to the idea of perpetual easy money.

In the fiscal field it was the Joint Economic Committee and the Congress that insisted upon immediate major tax increases at the outbreak of the Korean War to absorb the excess purchasing power resulting from overexuberance on the part of business and consumers. Congress took the lead in the tax reduction measures of 1954 which stimulated business confidence and increased consumer purchasing power during the contraction which accompanied the sharp cutback of Federal defense expenditures at the end of the Korean War. These prompt compensatory actions quickly turned the decline of 1953-54 into one of the most impressive economic expansions in our history.

I am gratified that the statements of the President and the new Secretary of the Treasury, this year more clearly than at any time in history, candidly accept the role of flexible policy. Today, the President and his Secretary of the Treasury are speaking as sophisticated economists.

The third fact one draws from a review of the last 12 years is the firm emergence of the goal of economic growth. Economic growth has emerged as one of the implicit objectives of the Employment Act. The term "economic growth" now is used more often than the explicit term "maximum employment and production." This is in sharp contrast to the theories of mature economy which were prevalent in the 1930's and even 1940's. Economic growth is now considered the accepted way of life; but this goal is based upon more than a keen desire for improved levels of living. In the projected East-West struggle it has become a matter of national survival.

The President's Economic Report, transmitted to the Congress last month, pointed out that today we are producing in real terms nearly one and a half times that produced when the Employment Act was passed in 1946. This represents an average rate of economic growth of 3½% a year. While this growth has been made possible by the 10 million person increase in the labor force, of key importance has been the increase in output per man-hour worked resulting from advancing technology and capital outlays.

A fourth fact we must face and reckon with from a review of the record under the Employment Act is an unhappy one. In the 12 years since passage of the Employment Act this nation has experienced a significant decline in the value of the dollar. The consumer price index has increased 40% since February, 1946. The composite Gross National Product index, as calculated by the Department of Commerce, has increased 45% in this period. The inflation has taken three forms. First, was the significant price increase resulting from the release of accumulated purchasing power before civilian goods became available in the years immediately following World War II. The second surge of inflation followed the outbreak of the Korean War in June, 1950. Reasonable price stability was restored in 1952 and continued generally for the next two or three years.

In the last two years, however, a third and different type of inflation emerged — a persistent creeping inflation. In 1956 consumer prices increased 3% and in 1957 they advanced a further 3%. It is, perhaps, an understatement to refer to these increases as "creeping." Made possible by inadequate resistance to cost increases, this inflation is difficult to arrest completely and promptly by general credit restraint and fiscal policy.

We should not, of course, lose sight of the fact that price changes, particularly individual price adjustments, perform vitally important functions in our economy. Even changes in the general price level may bring good results under certain circumstances. Probably some general price advance was necessary in 1941 and 1942 to bring to full productive use in the interest of waging total war the idle resources then unused because of the depression. But general price level changes in recent years have not brought additional resources into the market and contain seeds of danger for the economy.

I don't have to enumerate the unfortunate results of inflation. You are familiar with its impact on the fixed income groups, its adverse effects upon thrift and investment and the cumulative effect of resulting maladjustments which inevitably leads to boom and bust. Inflation can wipe out savings as surely as can unemployment.

It is disturbing that a sophisticated school of academic economists today accepts the doctrine of creping inflation as not only inevitable but even necessary as a stimulus to economic expansion.

But if Congressmen become convinced of the validity of the creeping inflation thesis, why should they show restraint in appropriations, or refrain from premature tax cuts, or resist taking authority away from the Fed to restrain credit? Congress has exercised all these restraints during the past two years in the interests of stability. During this period of creeping inflation Congress acted responsibly in the face of what would appear to be overwhelming pressures to increase expenditures, to cut taxes, and to loosen credit. Government—both legislative and executive—pursued the goal of price stability.

The current recession has temporarily halted the advance in prices. If the decline is quickly reversed and normal growth restored, we will pay tribute to flexible public policy. Regardless of when the down turn is reversed, however, the problem of creeping inflation will undoubtedly be with us again. Solving it becomes one of the principal challenges to the Employment Act goals.

The Goals of Economic Growth With Price Stability

There emerge then, under the general framework of the Employment Act, the twin objectives of economic growth and general price stability. As I have pointed out, neither of these is explicity stated in the Act although both are reasonably implied.

It has been suggested recently that the Employment Act be amended to state explicity the objective of general price stability. I hasten to add that if this is done the objective of economic growth should also be explicity stated. If we were to start with a fresh sheet of paper much could be said in favor of a clear-cut explicit statement of these two objectives. However, we do not start with a clean sheet of paper. I fear that an attempt to amend the Employment Act today—assuming a busy Congress could find time to take up the matter—would open a Pandora's box, the outcome of which no one could foretell.

There are other difficulties in connection with the proposal to amend the Employment Act objectives. For example, how do you define and measure price stability? What do you mean explicity by economic growth? Can these be stated in a statute once and for all? The framers of the Employment Act were correct, I believe, in not attempting to quantify the objective of employment, production and purchasing power. They were wise in speaking in general terms and leaving the matter of interpretation to those responsible for the Act's administration. Those familiar with the work of the Joint Economic Committee know the importance it has placed on spelling out in detail the economic assumptions underlying policy and the preparation of a nation's economic budget. But this is quite different from quantifying goals by statute.

There is an evolutionary process at work in our economic and political life just as in the physical sciences. Thus, we should settle for a continuation of the present declaration of policy as long as the agencies of the government clearly understand and pursue the implied twin objectives of economic growth and general price stability.

National Economic Policy

Let us now try to relate national economic policy to these implicit Employment Act objectives. The question arises immediately as to whether economic growth and stability are compatible, whether it is consistent for public policy to seek both. But it seems clearer all the time that it is not possible to achieve one of these objectives for long without achieving the other. Thus, they are necessarily compatible and economic policies must be made with both in mind. Consideration of policies to deal with one must also measure the effects upon the other.

While the short-run problem is reversing the current recession, as I said earlier, I view the longer-run challenge as that of arresting creeping inflation without interference with desirable and sustainable rates of economic growth. I would offer a six-fold comprehensive program to improve national economic policy in the interest of these interrelated objectives:

Offers 6 Point Program

First, improve our economic information. Needed are improved price indices, labor force statistics, and above all, productivity figures and unit labor costs published regularly and promptly not only for the economy generally, but for the important industry segments of the economy as well. There needs to be more objective facts for labor-management relations in the interest of price stability. Also needed are improved savings figures, better inventory indicators, and more information on business and consumer expectations. Progress is being made in all these areas. But these programs need to be integrated into a comprehensive federal statistical system. We must make sure that rising defense expenditures and the need to reduce so-called "non-defense" federal expenditures do not cut into a carfully conceived and efficiently executed statistics program. I have always thought of an increase in the statistical budget as an economy measure in that the improved information will permit private business management to make better decisions in the interest of economic stability and growth. To that extent, the necessity for costly compensatory government actions will be reduced.

Second, we should stimulate greater mobility of resources and promote keener and freer competition for them. If we are to have growth with stability we need to develop the full potential of our labor force and improve the efficiency of our machines. Basically, we need to increase our productivity. This means greater attention to monopoly and restrictive practices in both labor and business. I view our deficiencies in this area as very serious. No workable program has been devised. I hope the Joint Economic Committee or some responsible research agency undertakes studies relating the Employment Act objectives to competition and mobility of resources through the free market.

Third, we need to continue to promote thrift and savings. Our public and private capital needs during the next decade are unprecedented. In meeting these needs the President spoke of the importance of savings in his recent Economic Report to the Congress as follows: "The annual personal savings of Americans which are close to $20 billion, and the strength of our financial institutions, will help obtain the economic capacity necessary to meet [our] growing requirements."

The Joint Economic Committee has expressed perhaps even more eloquently the need and the government's responsibility for encouraging savings. In a report filed with the House of Representatives last summer, a subcommittee headed by the now distinguished Chairman of the House Ways and Means Committee, Mr. Mills, said of the then current creeping inflation: "The basic problem is an inadequate level of savings out of current income. An ever-increasing volume of real savings is needed to meet the economy's requirements for replacement of plant and equipment under inflated prices and for growth based upon full exploitation of rapid technological advances. Fiscal and monetary policies should be directed toward encouraging a high level of voluntary real savings under the present conditions of inflationary pressure."

There is no easy way to the expansion of our economic capacity, which is basic to growth with stability of the general price level. This capacity can only be achieved by real savings on the part of the people. We cannot consume all that we produce and still have resources for economic expansion. If we try to expand through the seemingly easy route of credit creation we provide the basis for inflation. I am proud to be associated with the mutual savings banking industry, and to point to its long historical record in the promotion of thrift. It might interest you to know that mutual savings banks, located primarily in the North East have outstanding $1.1 billion of home loans in California at the present time.

Fourth, we need to improve the flexibility of our monetary and fiscal programs. Much research in the proper use of monetary and fiscal policies to combat economic fluctuation and to stimulate growth has taken place in recent years. As I said earlier, there is virtual unanimity for using fluctuating tax rates and government expenditures and using debt management and credit control to promote stable economic growth. There are differences with respect to the extent of their use and timing. Innovations, such as flexible depreciation policy, may be useful. Improvements can be achieved through use of better economic information and through constant vigilance on the part of all those charged with economic analysis and policy. You are familiar with the new Committee for Economic Development comprehensive study of the nation's monetary and financial institutions. This three-year work should provide a better understanding of the services of our various types of institutions and their relation to monetary and fiscal policy. Hence, the work should be fruitful in evaluating present techniques and in offering improved ones.

Fifth, it is important to allow for imperfections in public and private economic policy. Without for a moment abandoning the goals of growth with stability, we must recognize there will be, at best, temporary and minor departures from the ideal growth trend and price level. The growth trend line and the price level should be considered as providing a zone rather than fixed points on a line. After all, our free-enterprise system is simply the composite of millions of simultaneous decisions by individual consumers, businesses, and government bodies. Normally, our system miraculously produces economic balance at sustainable high levels of activity. At times, however, these decisions add up to temporary excesses and deficiencies. While flexible public policies can go a long way in compensating they can never produce perfection. There is need for continuing research on the limits of the zone of acceptable performance.

Sixth and finally, in this free society we must recognize differences in economic and social philosophy. These differences find their way into the political life of the nation. There are those, for example, who insist on a "high pressure" economy — one where there tends to be more jobs available than there are people and where orders tend to exceed the capacity of business to fill them. On the other hand, there is the "low pressure" school. Both of these philosophies can operate, as I see it, within the general framework of the objectives of the Employment Act. Our economic know-how is not enough advanced to be sure which is right and which is sustainable. Involved are value judgments and perhaps political judgments which find expression at the ballot box. The main point in considering these alternative positions is to recognize the need for flexibility. The "high pressure" school can lead to inflation. The "low pressure" school can be unduly complacent about unemployment and levels of economic activity. Both are detrimental to our national security and levels of living. This is the area for economic and political controversy and debate. Let us keep this debate constructive, healthy, factual, and democratic.

In conclusion, I would like to emphasize that economic analysis and policy are evolutionary. Our capitalistic system today is very different from what it was at the turn of the twentieth century. I am sure it is better today and in the year 2,000 this evolutionary process will make it even better.

Continued from first page

Bank Investment Policy In a Cyclical Economy

and higher rates of return are being paid on savings deposits.

Two basic questions confront bank investment officers today when bond prices already have enjoyed a major advance and yields have fallen abruptly. First, is a further substantial decline in bond yields likely? Secondly, in the light of near-term and longer-term bond market prospects, what investment policies will produce the best results for our banks? What happens to bond prices and yields in the period ahead will be determined by the demand for and the supply of investment funds.

The Demand for Funds

The major development on the demand side of the market is a sharp decline in new corporate financing.

In 1957, corporate bonded debt registered a record net increase of $7 billion. This year, severe cutbacks are taking place both in plant and equipment outlays and in inventories, which will greatly reduce corporate capital needs. While many corporations will sell bonds to repay bank loans and rebuild their liquidity, it is doubtful that the net increase in corporate bonded debt this year will exceed $5 billion.

A $2 billion drop in net corporate bond financing means a substantial decline in the demand for funds.

This decline in new corporate bond offerings is likely to be greater than any increases that will take place in mortgage borrowing and in State and local government borrowing.

The Federal Government could swell the demand for investment funds in the period ahead by offering long-term bonds in large amounts at attractive yields. Offerings last month of a 32-year 3½% bond and an 8½ year, 3% issue set back the bond market only temporarily. But a really aggressive program of lengthening the maturity of the public debt would run counter to current Federal Reserve efforts to check the recession by making funds more available and less costly to private borrowers. It is doubtful that the Treasury under existing business conditions would want to preempt for itself a large part of available long-term funds. If it did, then mortgage and business borrowers would again find loanable funds in scant supply.

In the absence of numerous large-scale offerings of long-term bonds by the Treasury, the total demand for investment funds should be smaller in the period ahead because of a contraction in corporate bond financing.

The Supply of Funds

On the supply side, the major change in prospect is a marked increase in security buying and mortgage lending by commercial banks.

Last year, the figures for all commercial banks combined showed only a slight increase in security holdings and mortgage portfolios, despite a very large gain in saving and other time deposits. Once again they demonstrated that their bond buying—and mortgage lending—does not synchronize with the trend of savings deposits, as is the case with thrift institutions. Rather, in periods of prosperity and tight money many commercial banks become so eager to expand business and consumer loans that they liquidate investments and lose enthusiasm for mortgages. In a recession, however, when short-term loans are paid off and interest rates fall, investments and mortgage holdings are expanded. Between the middle of November, 1957, and Feb. 26, 1958, commercial loans of reporting member banks declined $1.4 billion, while investments of these banks increased $2.7 billion.

The flow of savings into thrift institutions will be little affected if the recession does not turn into a serious depression. Indeed, the initial effect of the clouding of the economic skies is to cause people to save more and spend less of their incomes.

The dynamic factor in the supply of investment funds is the transformation of commercial banks into aggressive buyers of securities and also aggressive mortgage lenders. So long as the demand for business and consumer loans lag, commercial banks will be under constant pressure to sustain earnings by expanding investments. Easy money actions by the Federal Reserve System add to this pressure to buy securities.

The Outlook for Investment Yields

A smaller demand for money from business and an increased supply of funds from commercial banks will tend to lift bond prices and depress yields further. We must remember, however, that this decline in yields is cyclical in character. Interest rates will turn upward again when the economy recovers.

Portfolio decisions must take into account not only this broad cyclical pattern of interest rates, but also prospects for the several sectors of the investment market.

Short-term yields are forced down most promptly and forcibly when bank loans contract and member banks are provided with ample reserves by the Federal Reserve's easy money policy. Commercial bank buying of securities has been concentrated, until recent weeks, in the shorter end of the market. The desire to rebuild liquidity has also caused considerable buying of short-term government securities and other money market obligations by corporate and institutional investors. These heavy demands explain why the Treasury bill yield has fallen from around a 4% level to less than 1½% since last October. Until a change occurs in the economic trend, we must expect a wide spread between short-term and long-term yields, as is typical of times when the demand for funds is at low ebb.

Longer term government bonds have enjoyed extraordinary advances since October, but they will be subject to conflicting influences. Lengthening of portfolio maturities by commercial banks will tend to buoy up this sector of the bond market. But savings banks, insurance companies and pension funds are not greatly attracted to long-term government issues when materially higher yields are available on government-underwritten mortgages and top quality corporate bonds. Individuals investing in debt securities for the most part prefer state and municipal bonds for the tax exemption. Hence, any large volume of new offerings of longer-term bonds by the Treasury would soon check, and could reverse rising tendencies in this segment of the market.

Corporate bond yields, especially on new offerings, increased most during the period of tight money last year because of a record volume of new corporate bond issues. By the same token, top quality corporates could enjoy the largest measure of further recovery this year since a sharp decline in the volume of new financing is in prospect, while active buying of these issues is to be expected from life insurance companies and pension funds.

The same cannot be said for lesser quality corporate bonds, however. When profits decline and the risk of default increases, investors become more conscious of the risk attaching to credit bonds. A recession is not the time to downgrade quality for yield. The yield spread between Moody's Aaa and Baa corporate bond averages increased from 62 basis points in December, 1956 to over 100 basis points in February, 1958. The more pronounced the recession, the greater this yield differential tends to be.

A record volume of new offerings overhangs the tax-exempt market. But commercial banks will buy tax-exempts aggressively as their loans contract because of the high after-tax yield they afford. A strong demand is to be expected also from individual investors and from fire and casualty insurance companies for the same reason. Hence, further vigor is in prospect for this segment of the bond market, especially when the volume of new offerings is not too heavy.

Changes in mortgage yields tend to lag behind bond yields. But as the return on bonds declines, institutional investors and banks are bound to seek mortgages more avidly to sustain earnings. Yields on mortgages will decrease in consequence.

Savings Bank Liquidity

The primary objective of bank portfolio policy during a downturn in business is to maintain a satisfactory rate of return without undue sacrifice of liquidity or quality.

Liquidity ceases to be an immediate problem for mutual savings banks when Government and other high grade bonds advance briskly. Then these bonds can be sold without material loss, and often at a profit, to raise cash if needed.

But intermediate and long-term bonds will again cease to be a reliable source of liquidity whenever the trend of interest rates turns upward, as it is bound to do when the American economy resumes its vigorous growth. Then long-term bonds can be sold to provide cash only at great loss.

The surest sources of liquidity during all phases of the business cycle, therefore, are cash balances and United States Government securities maturing within one year. When yields on short-term Treasury and other gilt-edge obligations fall to a low level, as is now the case, liquidity becomes more costly. Hence, a savings bank will want to limit its short-term security holdings to an amount that will, with its cash balances, suffice to cope with possible net losses of deposits in the foreseeable future. The stability of the bank's prospective deposit trend is the best indicator of how much liquidity is desirable.

Savings Bank Portfolio Policy

The relatively long average maturity of bonds and mortgages held by mutual savings banks greatly lessens their reinvestment problem during a period of recession and low interest rates when investment opportunities shrink. Yet deposit gains, mortgage amortization receipts and security maturities do provide a stream of funds that must be invested at a time when available yields have declined.

Declining bond yields make quality mortgages the most effective means for maintaining the rate of return derived from savings bank portfolios under existing conditions.

FHA insurance and VA guarantees limit the risk of loss on mortgages at a time when defaults tend to become more common. The net return after servicing costs on such mortgages is still between 4.75% and 4.90%. This compares with current available yields of less than 3½% on long term Government bonds and between 3.90% and nearly 4¼% on recently issued high grade corporates.

The value to a savings bank of an adequate portfolio of quality amortizing mortgages is being amply demonstrated in the current phase of the business cycle. A large mortgage portfolio sustains earnings in the face of a downward trend in interest rates. When the return of prosperity lifts interest rates again, amortization receipts from mortgages will provide a stream of funds that can be used to take advantage of better bond investment opportunities that should then become available. Small wonder then, that mutual savings banks have invested over two-thirds of their deposits in mortgages, of which nearly three-fifths are Government underwritten. Many institutions will lift their mortgage ratios further at this time when mortgage yields tend to hold up relatively better than bond yields.

Selected bonds and preferred stocks still offer fairly attractive yields to savings banks in today's markets. In managing their bond portfolios, however, savings banks will want to proceed cautiously in following long-term bond prices upward and yields downward in a cyclical economy. As yields fall to lower levels, more consideration should be given to staggering maturities in anticipation of a later reversal in the trend of interest rates. It is true that staggering maturities involves some immediate sacrifice of current income, but it will enable the bank to take advantage of opportunities to reinvest at the higher yields that a return of prosperity will surely provide at a later date.

Should the business decline depress the stock market further, savings banks that are legally authorized to purchase common stocks will find desirable investments among such equities. A program of dollar averaging through systematic purchases of carefully selected, continuously analyzed common stocks is bound to produce a handsome return over the long term.

High grade convertible bonds giving fair yields and the right to convert into equities with good long term prospects also provide attractive investment opportunities to savings banks in this phase of the business cycle.

Commercial Bank Policy

The experience of recent months has demonstrated anew that it is not wise for commercial banks to invest savings deposits in short-term commercial loans. In a period of declining business, such loans are repaid on a large scale, while the interest rates charged borrowers are quite vulnerable to competitive pressure.

A commercial bank that wishes to conduct a savings deposit business on a stable and profitable basis must adopt asset allocation techniques, comparable to those of thrift institutions. By investing savings deposits mainly in long-term assets, commercial banks can maintain the rate of return earned on such funds during a period of falling interest rates. Asset allocation helps a bank to avoid the profit squeeze that comes from rapidly dropping interest rates and payment of relatively high rates of interest on savings.

Commercial banks, unlike savings banks, can also put a part of their savings deposits into consumer loans. These provide a higher rate of return than any class of assets available to savings banks.

An effective program of asset allocation for savings deposits will require many commercial banks to increase their mortgage holdings substantially. This would sustain earnings on such deposits in the face of further declines in interest rates, especially short-term. A larger proportion of longer-term corporates and tax-exempts, and well-chosen convertible bonds would also be desirable in many instances.

It is true that the investment of savings deposits in long-term assets will limit the ability of commercial banks to expand short-term loans to business in a future boom year. But it is hardly prudent for banks to sacrifice the stability of earnings they need, to conduct their savings business on a sound basis just to keep in position to satisfy more of the credit demands of commercial borrowers in the next boom.

Summary

While the business recession lasts, the trend of interest rates will continue downward and the chief task of bank portfolio policy is to sustain earnings. This is particularly important for savings institutions because of the relatively high rates of return being paid on savings.

Quality amortizing mortgages, especially those underwritten by the Government, provide the investment medium best adapted at this time to maintain earnings, since changes in mortgage yields tend to lag behind bond yields. And amortization receipts will provide funds for reinvestment in the future when interest rates turn upward again.

Commercial banks would do well to adopt, and adhere to asset allocation programs that invest savings deposits mainly in long-term assets. By doing so, they will escape the earnings squeeze that confronts a number of banks today because savings deposit gains have been used largely to expand short-term commercial loans.

Finally, let us keep in mind that the current decline in interest rates is a cyclical rather than a long-term phenomenon. Hence, as bond prices rise, do not overdo the stretching of maturities. Rather, as yields fall, give more thought to the staggering of maturities so that you can reinvest more advantageously when business prosperity returns and interest rates turn upward once more.

Continued from page 14

Business Fluctuations and Demand for Mortgages

total outstanding) and $12.4 billion represented incremental inflow of new funds. For details see Table IV.

(5) The demand for mortgages is correlated not only with the sales of new and old houses and properties but with increases in prices. Increases in construction costs not only require larger mortgages but raise the prices of all existing houses and increase with a multiplier effect the equity back of old mortgages.

Such cost and price increases, while they last, permit those who stretch conservative lending practices to escape with impunity by bailing out what might ordinarily have been "sour" situations. Promotional lenders become more daring in their lending policies. Price increases enable individuals and others who own their homes and properties entirely or have substantial equities, to add to the volume of mortgages without drawing on savings. In long periods of sustained price increases such as that from 1945 to the present, many farmers, home-owners and corporations have been able to take out by way of down payment all they ever had sunk in their properties, retaining as conventional first and to some extent second mortgages what in essence was price mark-up, after taxes, of their holdings. Thus inflation, often defined as too much money chasing too few goods, itself creates a scarcity of funds.

The arithmetic of this process has been brilliantly worked out by Robinson Newcomb Associates in their projections of housing for the decade 1955 to 1965. They use as base the *Survey* figures for 1947 to 1955 published by the U. S. Bureau of the Census, Series P-20, No. 69, Aug. 31, 1956, together with the census projections for the period 1955 to 1970 of total number of households, average annual increase, type of household, change in distribution of household income (if 1950-1955 changes persist,) housebuilding by income groups and resultant possible building pattern as between low, medium and high-priced housing.

Taking $28.5 billion as his best estimate for total mortgage debt activity in 1955, Dr. Newcomb arrives at a figure of $33 billion for 1960 and $39 billion for 1965, provided there occur no price increases. On the other hand, if building costs and prices of houses continue to rise at the rate of 3% per year, then the total value of mortgages to be written will reach $39 billion by 1960 and $53 billion by 1965, more than a third higher. The annual increment in mortgage debt will be $8 billion in 1960 and $7 billion in 1965 without price increase; $12 billion and $14 billion with a 3% price increase. Repayments will amount to three times the increment in 1960 and 4.6 times in 1965—if prices remain stable. They will be but 2.25 and 2.8 times, respectively, if prices continue to rise at 3% a year. In short, if prices remain constant, mortgage bankers will be scrounging around vigorously for new *outlets* for funds. If construction and housing costs and prices rise 3% a year as they have during the last decade, bankers will be just as vigorously scrambling for funds. For details see Table V.

The outstanding facts about the demand for mortgages during the period 1946-1957 are thus (1) that it has grown to unprecedented proportions despite vigorous competition for funds from consumers, from sellers of other business securities, and from state and local governments; (2) that it has come less and less from individuals and more and more from thrift institutions and contractual savers, including, belatedly, pension, welfare and retirement funds, private and public; (3) that total mortgage activity relative to 1-4 family residences has been phenomenally strong postwar due to VA guarantees, FHA insurance, FNMA creation of a national mortgage market, low down-payments, higher loan-value ratios, 15- to 30-year amortization schedules, rapid increases in average real income, particularly in the income brackets from $2,000 to $7,000, etc.; (4) that such mortgage activity flourished both because of high construction activity post-war and because of increased sales of old houses reflecting increased inter-regional and local mobility of population, technological changes, suburbanization, etc.; and (5) that it received multiplied stimulus from prolonged, steady increases in costs and prices of housing. Homeowners, like most businesses, tend perversely to build and buy houses most when prices and costs are approaching or are at their peak; and least, when prices or costs are nearing or at bargain levels.

Is There a New Cyclical Stability in the Demand for Mortgages?

In recent years, considerable mention is made of built-in stabilizers, and substantial reliance is placed upon them, particularly in forecasts of business activity this year. There can be no major depression, it is argued, despite the unprecedented length and height of this fabulous boom—because of automatic snubbers.

The graduated income tax, precisely because it is heavy, slows down the decline in income after taxes, when incomes fall, the government automatically going into deficit spending sooner and deeper. Farm price supports cushion the decline in farm prices and incomes, automatically increasing government outlays. Federal spending, now constituting 1 out of every 5 dollars of aggregate spending as opposed to less than 1 out of 30 prior to 1929, automatically increases notably on housing, roads, and public works, in the measure that unemployment rises. Commercial bank deposits and practically all savings in building and loan associations are guaranteed up to $10,000, thus, it is hoped, virtually eliminating the possibility of contagious runs and wholesale closing of doors. Unemployment insurance and old age pensions will cushion a disastrous decline in consumer buying power. So will minimum wage laws. Strong union organization covering a third of the American labor force today will prevent, so it is said, the wage-cutting price-chiselling downward spiral by reckless *sauve qui peut* competitors.

High margin requirements in the security markets, and limitations of amount of decline in the commodity markets, it is believed, will avoid the dumping of stocks by frightened holders with slim margins. Fifteen to thirty year amortization loans will prevent the millions of foreclosures on farms and homes that the old flat three to five year mortgages helped to precipitate in the past. Moreover, prompt action will be taken in adjusting stock margins, re-discount rates, open-market operations, and other monetary policies by the Federal Reserve Board, in adjusting tax and fiscal policy by the Congress and the U. S. Treasury, and in adjusting government expenditures and budget policy by the Congress and the Administration.

Above all, a new generation of business statesmen, especially those managing the resources of more than 75 giant, billionaire corporations, will provide a leadership in long-range investment programming, in timing research and advertising expenditure, in holding the line on wages and prices, and in general scientific managerial adaptability that will prevent the desperate, headlong mass liquidation and cost and price-cutting that exacerbated depressions in the past.

But, even if these and other measures succeed in greatly moderating the ups and downs of business in general (and on that point there is much room for doubt), will they succeed in preventing cycles in real estate activity and in demand for mortgages from repeating the pattern of the past? Or, do cycles in construction, real estate, and mortgage activity have swings all their own? As has been amply documented by the researchers of Mr. Roy Wenzlick and others, they certainly used to. Prior to World War II the housing industry in every locality studied showed long cycles roughly 14 to 18 years in length—to some extent coincident with, but in substantial measure independent of, the much shorter 7 to 9 year cycles which characterized the ups and downs of business.

Thus, for example, a study of real estate cycles in St. Louis and St. Louis County made by Real Estate Analysts Inc. and covering the period from 1868 to 1935 the variations in real estate activity were as follows: above normal from 1868 to late 1869, below normal until early '73, above normal until early '76, below normal until the middle of '81, above normal (with a minor dip in '86) until '93, below normal until late 1904, above normal until 1912, below normal until mid-1919, above normal until mid-1929 and below normal thereafter until 1941, much below normal until the end of World War II when the phenomenal postwar boom of the late 'forties and 'fifties took over. The fact should be borne in mind that during most of this period, at least until 1921, the population of the United States and of St. Louis was growing considerably more rapidly than it is now. Yet real estate activity in St. Louis was not spared long periods of subnormal operations such as the five years from 1876 to 1881 or the 11 years from 1893 to 1904. Such declines were by no means small, as for example, the decline to a level some 53% below normal in 1876, or one some 52% below normal in 1900.

Rapid development of the frontier West, rising standards of living, railroad building booms, amazing advances in technology, high birth rates, and complete absence of high taxes, of managed interest rates or other government regulation, and unfettered freedom of private initiative and enterprise did not prevent long, long periods of decline in the building of new family accommodations. These sank in jagged fashion from a level of 32 per 10,000 families in early 1893 to about 7 in 1900. After rising to a level of 42 per 10,000 families in late 1905, these sank to 13 at the outbreak of World War I. Again rising in 1919 to a peak of 47 in early 1926, new construction sank at the end of 1929 to about 3 and in 1933 and 1934 to about 1 per 10,000 families.

Obviously some of these slumps and some of these peaks are coincident with, and to a varying extent influenced by, general business fluctuations. To what extent have major changes occurred since 1945?

More Independent Mortgage Cycles

The limited evidence now available suggests that variations in the demand for mortgages may have become somewhat more independent and autonomous. Since 1945 there has been a steady rise in mortgage debt, slightly diminished in pace by the set-backs of 1949 and 1954, moderately so by that in 1957. Mortgage debt on nonfarm properties rose $7 billion between 1947 and 1948, $6.2 billion between 1948 and 1949. All types of loans increased, whether FHA, VA, or conventional, whether on 1-4 family dwellings or on commercial properties.

In 1954, the story was similar, the figures being $11.9 billion that year compared with $9.4 billion in 1953.

In 1957, however, the total rose only $10.7 billion compared with $13.9 billion in 1956. All forms of debt rose and now stand at all-time highs. The rates of increase in 1957, to be sure, fell—roughly a fourth for all non-farm mortgage debt, a third for FHA insured mortgages, somewhat more for VA guaranteed mortgages, and less than a sixth for conventional loans. See Table VI for details.

Such relative steadiness in the year-to-year increases in mortgage debt have occurred despite extreme variability in the annual financial savings of individuals. (These, it should be noted, are not

TABLE IV
Total Transactions and Mortgage Activity: 1955 vs. 1957
(Billions of Dollars)

ITEM	1955	1957
New houses transaction value	$19.2	...
Mortgage debt required for new (57%)	10.2	$10.9
Old houses sold—transaction value	24.2	...
Mortgage debt required for old (55%)	13.3	13.3
Mortgage debt, 1-4 family houses, other purposes	5.0	5.0
Total mortgage debt activity	28.5	29.2
Total debt repaid	16.1	17.0
Total increase in 1-4 family mortgage debt	$12.2	$12.4

SOURCE: "Housing Demand is Stronger than the Statistics Show" by Dr. Robinson Newcomb, "The Mortgage Banker," September, 1957, p. 28.

TABLE V
Possible Mortgage Activity, 1955 - 1965
(Billions of Dollars)

	Constant Prices		3% Rise in Prices Per Year	
	1960	1965	1960	1965
Value of mortgages written	$33	$39	$39	$53
Value of mortgage repayments	25	32	27	39
Amount of mortgage debt increase	8	7	12	14
Probable total mortgage debt on 1-4 family houses, end of year	132	160	147	210
Percentage Ratios—				
Mortgage repayments to total written	76	82	69	73
Mortgage repayments to net increase	312	457	225	279

TABLE VI
Mortgage Debt Outstanding, by Type of Property and of Financing, 1939 - 1957
(Billions of Dollars)

		Non-Farm Properties							
			1-4 Family Houses						
				Gov't Underwritten					
End of Period	All Properties	Total	Total	Total	FHA Insured	VA Guar.	Conventional	Multi-family and Commercial Properties	Farm Properties
1939	35.5	28.9	16.3	1.8	1.8	..	14.5	12.5	6.6
1940	36.5	30.0	17.4	2.3	2.3	..	15.1	12.6	6.5
1	37.6	31.2	18.4	3.0	3.0	..	15.4	12.9	6.4
2	36.7	30.8	18.2	3.7	3.7	..	14.5	12.5	6.0
3	35.3	29.9	17.8	4.1	4.1	..	13.7	12.1	5.4
4	34.7	29.7	17.9	4.2	4.2	..	13.7	11.8	4.9
1945	35.5	30.8	18.6	4.3	4.1	0.2	14.3	12.2	4.8
6	41.8	36.9	23.0	6.1	3.7	2.4	16.9	13.8	4.9
7	48.9	43.9	28.2	9.3	3.8	5.5	18.9	15.7	5.1
8	56.2	50.9	33.3	12.5	5.3	7.2	20.8	17.6	5.3
9	62.7	57.1	37.6	15.0	6.9	8.1	22.6	19.5	5.6
1950	72.8	66.9	45.2	18.9	8.6	10.3	26.3	21.6	6.1
1	82.3	75.6	51.7	22.9	9.7	13.2	28.8	23.9	6.7
2	91.4	84.2	58.5	25.4	10.8	14.6	33.1	25.7	7.3
3	101.3	93.6	66.1	28.1	12.0	16.1	38.0	27.5	7.8
4	113.8	165.5	75.7	32.1	12.8	19.3	43.6	29.8	8.3
1955	130.0	120.9	88.2	38.9	14.3	24.6	49.3	32.7	9.1
6	144.7	134.8	99.0	43.9	15.5	28.4	55.1	35.8	9.9
7	156.1	145.5	107.6	47.0	16.3	30.7	60.6	37.9	10.6

SOURCE: "Economic Report of the President," Jan. 20, 1958, Table F-46, p. 169, Government Printing Office, Washington, D. C., 1958.

TABLE VII
Financial Saving by Individuals, 1939 - 1957*
(Billions of Dollars)

				Securities				Private Insurance and Pension Res.			Less: Increase in	
Period—	Total	Currency and Bank Deposits	Savings & Loan Assn.	Total	U.S. Savings Bonds	Other Govts.	Corporate, Etc.	Insurance	Pension	Government Insurance & Pension Res.	†Mortgage Debt	Consumer Debt
1939	4.25	3.00	0.04	—0.53	0.66	—0.83	—0.36	1.72	A	1.30	—0.50	0.78
1940	4.24	2.88	0.20	—0.17	0.86	—0.31	—0.22	1.85	A	1.30	0.84	0.97
1941	10.52	4.80	0.36	2.83	2.75	0.44	—0.36	2.14	A	1.86	0.82	0.66
1942	29.30	10.95	0.26	10.25	7.98	2.17	0.09	2.49	A	2.55	0.09	—2.89
1943	38.71	16.18	0.55	13.83	11.14	2.88	—0.20	2.85	A	3.92	—0.38	—1.01
1944	41.41	17.55	0.81	14.96	11.80	3.89	—0.73	3.21	A	4.96	—0.06	0.14
1945	37.39	19.06	1.06	9.36	6.85	3.43	—0.92	3.46	A	5.14	0.20	0.48
1946	13.74	10.56	1.18	0.89	0.90	—0.65	0.65	3.42	A	3.55	3.60	2.28
1947	6.67	2.01	1.20	3.51	1.78	0.89	0.84	3.64	A	3.49	4.46	2.73
1948	2.99	—1.84	1.21	3.22	2.13	—0.43	1.52	3.75	A	3.57	4.61	2.31
1949	2.86	—1.46	1.51	3.03	1.53	0.52	0.98	3.71	A	2.34	3.87	2.40
1950	1.80	3.62	1.51	2.04	0.55	0.12	1.36	3.92	A	1.09	7.16	3.22
1951	10.88	5.95	2.16	2.05	—0.47	—0.07	2.59	4.06	A	4.24	6.58	0.94
1951	10.90	6.05	2.07	0.71	—0.47	—0.34	1.53	3.11	2.30	4.24	6.60	0.99
1952	12.95	7.15	3.05	2.71	0.09	0.83	1.79	3.78	2.73	4.40	6.52	4.36
1953	10.67	4.97	3.64	3.02	0.20	1.74	1.09	3.92	2.84	3.24	7.30	3.65
1954	9.02	5.44	4.45	—0.69	0.60	—1.20	—0.08	4.21	3.11	2.63	9.17	0.96
1955	7.40	4.44	4.76	5.66	0.27	3.24	2.15	4.20	3.35	3.09	12.01	6.09
1956	14.41	4.71	5.08	6.72	—0.10	3.80	3.02	4.28	3.61	3.68	10.59	3.08
1957—												
1st Qrtr.	5.93	0.21	1.01	3.34	—0.58	2.17	1.75	0.95	0.98	0.50	1.97	—0.92
2nd Qrtr.	3.24	0.53	1.64	1.65	—0.46	0.55	1.57	0.85	0.98	1.23	2.14	1.50
3rd Qrtr.	4.74	1.95	0.51	2.43	—0.49	1.77	1.15	1.23	0.98	0.59	2.20	0.74

Old series prior to 1951—new series thereafter. (A) No data. (*) Individuals' savings in addition to personal holdings, covers saving of unincorporated business, etc. (†) Mortgage debt to institutions on 1-4 family dwellings.

SOURCE: "Economic Report of the President," Jan. 20, 1958, Table F-15, p. 132.

the same as personal savings.) Since 1945 the annual financial savings of individuals have varied from a low of $1.8 billion in 1950 to a high of $12.95 billion in 1952, back to a low of $7.4 billion in 1955 to what will certainly be a new peak in 1957. During the first nine months of 1957, the financial savings of individuals amounted to $13.9 billion as compared with $14.41 billion during the entire year of 1956.

The fluctuations in savings placed in institutions, securities, or other outlets have been more violent than those in the totals. Savings in time and demand deposits in the commercial banks have swung from a net withdrawal of $1.84 billion in 1948 to a net increase; such financial savings of individuals of $7.15 billion in 1952. They have receded since then to $4.44 billion in 1954.

The only annual increases in individual financial savings that have been steady have been those in savings and loan associations, in insurance and in pension funds. See Table VII for details.

In face of such wide annual variations in individual financial savings, how can one account for the relatively steady annual increase in mortgage debt? The answer would seem to lie in the stabilizing activities of government and of large American thrift institutions.

The stabilizing activities of government in the down-swing of 1949 and 1954 are well known. Certain unique sustaining forces are, however, sometimes ignored. Throughout 1949 the housing shortage, if one can judge by low vacancy rates, rising rents and prices, remained acute with a substantial accumulated war-backlog. New cars were allocated and so scarce that one had merely to drive to the nearest used car lot to secure several hundred dollars more. Private enterprise at that underpriced its automobiles and other durable and capital goods. In 1954, similarly the response of business was a 25% increase in gross private domestic investment during the next 12 months.

Will the government in 1958 act as vigorously? Will business?

Thus far the Eisenhower Administration has taken a number of constructive steps, unfreezing $180 million for military and other housing, lowering the rediscount rate, reducing stock margins from a level of 70% to one of 50%, proposing in the 1958 Budget message new obligational authority of $200 million for urban renewal, $90 million for FNMA, and $200 million for college housing, and suggesting in that message that "for all loan guaranty programs, the Government be authorized to permit interest rates high enough to attract private lenders."

The amount of legislative action in the housing field itself has been spelled out in five specific proposals, outlined in the *Economic Report of the President*. (See *Economic Report of the President*, January 20, 1958, pp. 58-60 and 77, Government Printing Office, Washington, D. C., 1958.) In addition to permitting interest rate adjustments on government loans, they increase the maximum FHA loan to $30,000 under Sections 203 and 220 of the National Housing Act and seek repeal of some minor provisions of the Housing Act of 1957.

Neither the few hundred millions of funds involved nor the correction of details in housing legislation seem to be of such magnitude as to be sufficient to counteract a modicum of decline.

So far as other proposed legislative action is concerned, what is there of a magnitude similar to the $7 billion change in government outgo over income which helped to halt the 1949 recession in its tracks? Do all of the proposals put together carry as much counter-cyclical punch as the tax cuts that came early in the recessions of both 1949 and 1954?

Will consumer spending continue upward as it did in those years? The latest monthly data are not reassuring on that point.

Will business investment fall by several billions or will it keep almost on an even keel as it did before? Again the monthly indicators afford scant comfort.

Are there back-logs of demand for producers' and consumers' durables? Or are there inventory problems? So far as housing is concerned, are most families, if not all, housed well enough to pick and choose between outlays for more or better housing, and expenditures for newer model cars, or more extended vacation trips, or simply more saving? Are there important categories of goods, other than public utility services and professor's salaries, which are underpriced now? Or have the price boosts of the last two years totaling nearly 20% in some important items, actually brought about what, though alleged to be excess capacity, is in reality an acute case of overpricing out of reach of consumer incomes and borrowing power?

The facts will unquestionably help to determine what during the next several months will be the impact upon, and interaction between, whatever remains of the business cycle and the demand for mortgages. Needless to emphasize, unless all of us tirelessly hope, believe, and work for the best, we may do injury not only to our business firms and our industry, but to our economy and our nation.

Blyth Group Offers Reichhold Common Stk.

An underwriting group headed by Blyth & Co., Inc. is offering publicly today (March 20) a new issue of 200,000 shares of $1 par value common stock of Reichhold Chemicals, Inc. at $25.50 per share.

The proceeds from sale of the common stock will be added to general funds and $3,500,000 will be applied toward costs of construction in 1958. The balance will be added to working capital.

Reichhold Chemicals, with 13 plants here and plants in Canada, France, Mexico and Switzerland, is a major manufacturer of synthetic resins, industrial chemicals and inorganic color pigments.

Total sales of the domestic company in 1957 were $65,323,000 and net income was $3,095,000. Comparable figures in 1956 were $59,228,000 and $1,867,000.

Until 1956 the company reinvested substantially all earnings. Since then, five quarterly dividends have been paid—three each of 15 cents per share in cash plus 1% in stock, and two each of 20 cents in cash and 2% in stock.

Phila. Secs. Assn. to Hold Annual Outing

PHILADELPHIA, Pa.—The Annual Outing of the Philadelphia Securities Association will be held on Friday, June 27, 1958, at the Overbrook Golf Club, Bryn Mawr, Pa.

B. B. Katz V.-P. of Interamerican Cap.

Benson B. Katz has been elected a Vice-President and Director of Inter-American Capital Corporation. The firm arranges financing for enterprises in Latin America. Mr. Katz was formerly with Goldman, Sachs & Co. for almost 30 years.

Form J. R. Maher Assoc.

LARCHMONT, N. Y.—John R. Maher Associates, Inc., is engaging in a securities business from offices at 90 Stuyvesant Avenue.

LETTER TO THE EDITOR:

Florida Correspondent Offers Pointers on Inflation and Recession

Mr. Staub's letter to the "Chronicle" advocates: downward leveling of prices and taxes, aid to small business, improved investment policies abroad, and public work's attack on unemployment "when the number of unemployed surpasses one and one-half millions. . . ."

Editor, Commercial and Financial Chronicle:

Francis R. Staub

Recently the Chairman of the Federal Reserve Board addressing the annual meeting of the Life Insurance Association of America stated that in the judgment of the Federal Reserve Board the "inflationary pressures were abating." It seems interesting to analyze what inflationary pressures had existed before, if such pressures have disappeared already or are in the stage of disappearing now. We have learned in school that inflation is in evidence, when too many people are chasing after too few goods. There has been no shortage of goods—with the exception of a few items—prior to this moment, and people could buy everything they wanted. In fact, there has been an overproduction of goods already many months ago, and the high inventory figures could have proved this.

There is also the inflation of prices. Let us discuss if such an inflation of prices is abating now. A few weeks ago the living index reached an all-time high and is still hanging around this level at present. If we call a carpenter, plumber, electrician, roofer, painter, tile layer, we certainly pay no less than a few months ago. Certain union leaders already express the views that new wage negotiations should and will be based upon higher wage demands. If we buy appliances, furniture, textile goods, automobiles and what not, we pay the same prices as before, and we are being told that with higher wages in the making prices are bound to go higher. So far as taxes are concerned, neither federal nor state nor local taxes came down; real estate taxes are even higher than a year ago. The conclusion is that there is nothing in the economic picture that could be interpreted as general lowering of inflated prices. In this respect higher discount rates and the tightening of money have had no visible effect.

What do we really want to change? It is the spirit of inflation the "get rich quick" psychology of everyone who is producing or selling goods of any kind or is selling services of any kind. It is the general opinion prevailing that the person or corporation which produces, sells or renders services should make more money not because they produce more or better goods or because the services they render are more efficient or better than before. This spirit of inflation can not be fought with higher or lower discount rates or with tightening money or similar financial measures. The "get rich quick psychology" or "make more money than you are worth idea" can effectively be fought in two ways:

(1) Either by government action in such a way that all prices and compensation for services rendered would be rolled back and frozen at a certain level;

(2) By reasoning with the people and suggesting a voluntary reduction of prices and compensation for services. The best way to start such a program would be that the government gives an example and reduces taxes. The start has to come from some direction; somebody has to give.

Stable Economy and Sound Currency

However, all the measures, which have the purpose of bringing inflated prices down would be fruitless and hopeless if the economic situation would not be brought to a permanent stable and sound basis. If people know that the economic situation is sound and will be sound, that the business activity will be high in the future and that the soundness of the currency is assured, only then will people come down with prices and wages.

Therefore, all the weak and uncertain conditions in our economic life should be improved and stabilized on a sound economic basis. To mention only a few of such situations and without going into details:

(1) It is of greatest importance that we have a prosperous railroad system. Railroads should be encouraged to give up unprofitable lines, cut out unnecessary competitive lines and duplications. Amortization of investment should be permitted to a much greater extent than before. Mergers of railroad companies serving the same or adjoining territories should be encouraged and facilitated.

(2) The situation of small and medium size companies becomes more and more precarious. Such corporations do not attract venture capital. Financing, whenever financing is needed, is difficult if not impossible; such companies with their limited funds do not have large and efficient research departments which could develop new products. Therefore, the voluntary amalgamation of small and medium size companies should be encouraged and facilitated. Those corporations which do not wish to amalgamate should be helped by government agencies in such a way that the agencies would steer contracts or subcontracts in the direction of small companies and would extend loans to such companies under favorable terms.

Investment Abroad

(3) Industries and business in general should be encouraged to invest abroad. There should be a favorable tax rate on income derived from foreign investments and operations. The same tax rate should be applicable for such operations and such profits as the Western Hemisphere Corporation already enjoys.

In this respect it should be mentioned that at present and in the past American corporations gave usually only to financially strong foreign corporations, which have been established for a long time and normally owned and run by old wealthy families. The people who run such businesses do not have necessarily the aggressive spirit as would be desirable. It is, therefore, suggested that big companies in the United States give agencies and/or representations abroad to younger individuals to be trained in the United States, and that the Export-Import Bank or another banking or financing institution in the United States (with a government guarantee) financially help such young individuals to set up new firms or expand already existing firms abroad. Such younger individuals or firms then could sell American products in a very aggressive way and with great enthusiasm, and good results can be expected. Such young persons will be the best propagandists for the American way of life, American business and American products. For this reason, such action will help American interests much more than political give-aways because the money spent will come back to the United States and the money from the United States will be directed to the right channels.

Invoking Public Works

(4) The figures on the number of unemployed are of great significance and are being watched not only by economists here and abroad but also by business executives, financiers and investors. The future trend of the economy is judged by such figures. The question of expanding or cutting down industrial activities is being determined accordingly. The investor will stay on the sidelines until the figures of unemployed confirm a high business activity. For this reason it is necessary for the Government to keep the number of unemployed down and to prevent crises in the employment situation at any costs. It is the task of the Government to have plans and projects ready to be put into operation immediately if and when the number of unemployed surpasses one and one-half million, which figure may be considered as the danger level. Such projects to be planned can be the building of roads, hospitals, schools, the clearing of slums and others. It is necessary that such projects are ready for action; precautionary measures will create a good cushion for any real recession.

We live today in a world in which every big nation must avoid internal disturbances of political as well of an economic nature; it is the duty of governments to prevent recessions as well as inflation. On the other hand, the government can expect from loyal citizens that they fully cooperate with the government and help the government by not stressing selfish interests. If the government will reason with the people and bring taxes down, this will be a good beginning for bringing inflation of prices down without a recession. Why not try it?

FRANCIS R. STAUB

Coral Gables, Florida
February 22, 1958.

Boston Inv. Club to Hear Harold Young

BOSTON, Mass. — The Boston Investment Club will hold its March meeting at the Boston Yacht Club at 5:15 on Thursday, March 27. Speaking on "Utility Stocks in Today's Market" will be Harold H. Young, partner of Eastman Dillon, Union Securities & Company. Mr. Young's many activities in the field of public utility analysis, in addition to his association with Eastman Dillon which began in 1945, have included regular contributions to a long list of financial publications. He has also been a frequent lecturer and from 1954-1957 acted as chairman of the I.B.A. Public Utility Securities Committee.

Harold H. Young

Joins L. L. Blair

CHICAGO, Ill.—Louise Aldridge has joined the staff of Lorraine L. Blair, Inc., 30 North La Salle St.

Securities Salesman's Corner

By JOHN DUTTON

The Practical Uses of Auto-Suggestion In a Sales Organization

In every phase of the retail securities business the ability to use constructive, creative imagination is a most valuable asset. But in the selling end of the business it is a "must". Nearly every top securities salesman is a creative person, with ideas that he takes to others that in most instances are accepted and acted upon by his clients. In order to use this powerful force it is necessary that a good salesman operates in an environment that is favorable to creative effort.

Ideas Beget Ideas

Nearly every forward moving plan or action came about as a result of a reaction to stimulation of the creative mind. That is why it is important to have within your sales organization at least one or two spark plugs that can motivate the other members of your sales team into constructive action. One good salesman with ideas can charge the batteries of twenty men and I have seen it happen over and over again. Someone gets an idea and he talks about it—if it is positive, sound, and constructive it is only a matter of minutes until a dozen men are charged with enthusiasm and are on their way to the telephones, or out to fill appointments.

But let the opposite type of reaction set into an organization where pessimism and negative thinking take hold of a few men and before long everyone is taking two hours for lunch and going to the ball-game. The power of suggestion is very strong—especially among men who are sensitive to their surroundings and to the emotions of others. This is the nature of a good salesman, he is built that way.

How To Develop Your Own Ideas

There are times when you can't think of anything that will lead to some worthwhile endeavors, and your mind just can't conceive of a place where you may be able to develop even some small amount of business. This happens to men with years of clientele building experience. There are "dry spots" in the investment business and the condition is partly caused by emotional inertia on the part of the salesman which often is created by market conditions, investor lassitude, and general business apathy.

These periods are usually of short duration and the experienced investment man recognizes them and doesn't let himself become over-anxious or disturbed. Instead, he gets away from his office for a while; he changes his perspective; he doesn't talk the blues, or talk shop with his contemporaries, but instead he takes a short trip, goes fishing, plays a few rounds of golf, and he doesn't think about business.

The human brain needs a rest and the only way it can achieve this is to direct it's thinking into new channels. After a few days of change it is remarkable how fresh and new the same old environment can appear. Situations that were elusive and ideas that were hard to capture and put into action once again begin to take shape. A change is the answer to a sluggish approach and a tired mind.

Another method of creating constructive ideas is to concentrate as hard as you can on a problem until you come up with the answer. But don't try to do it while at your desk, in the middle of a crowd, or near the telephone. Some men find the small hours of the morning the best time to work out problems and the fellow who does so is not to be confused with the man who walks the floor all night with worry. Just the opposite—he thinks things through and when his brain begins to function one idea creates another and an entirely new approach is often the result.

Last, but not least, it is impossible to create a purposeful idea out of nothing. You must have something good that you can believe in that you want to sell. First of all find your merchandise; then you will find places to sell it. A good product that you can believe in is very often the spark that triggers the action that creates sales and turns a period of inactivity into production and progress.

Continued from page 4

The State of Trade and Industry

markets for the most part are moving sideways at a low level. But one big marketing area, construction, is beginning to show signs of life.

Reports from more than one steelmaking district indicate that the products that go into construction, heavy plate and structurals, are looking up. These products are still being turned out at depressed levels, but definite gains are looked for in the second quarter.

"The Iron Age" adds that apart from construction the news in steel is uniformly bad. Steel order volume shows no basic improvement. New orders are up one week and down the next. Actual orders placed in March will not be much if any better on a daily basis than they were in February.

"The order book is making slow and late," is the way one steel man put it. He looks for a slight improvement in the spring but no real upswing before late summer. Even predictions of a spring pickup are based more on hope than fact. It is just that these steel men figure things cannot get worse and they should get better.

The metalworking weekly says there is no help in sight from the automotive industry. Steel salesmen in Detroit are beginning to discount speculation that the automakers might stock up on cars in anticipation of a possible strike this summer.

"Since the beginning of the year," "The Iron Age," points out, "the odds have changed from favoring a strike to no strike. With car stocks already over the 900,000-unit mark, the industry could take a fairly prolonged strike without feeling it too much."

Paradoxically, the steel warehouse business is holding up fairly well. Structural and plate seem to be about the weakest items in the general warehouse list. But on the plus side, warehouses are still working a five-day week in some areas and new orders are holding steady or even making slight gains.

Business expenditures for new plant and equipment are expected to show a sharp drop from previous estimates in figures to be released by the government shortly. Other important business statistics, reflected an abrupt decline in housing starts.

The forthcoming report on capital investment is expected to show a drop of at least $1,500,000,000 from the $37,500,000,000 rate forecast for the fourth quarter of 1957. And the $35,500,000,000 yearly rate predicted for the first quarter this year is expected to be cut about $2,000,000,000. In its housing figures the Labor Department said private starts fell from a seasonally adjusted annual rate of 1,030,000 in January to an 890,000 gait in February, which was the lowest since early 1949.

Passenger car production in United States plants was scheduled last week at 87,965 units compared with 141,038 in like 1957 week, "Ward's Automotive Reports" noted on Friday last. Two weeks ago netted 83,892 assemblies. Adding a bright note, it observed that the steady rise in the dealer new car stockpile has been halted.

It also stated that severely curtailed production combined with an encouraging improvement in March 1 to 10 retail sales promises a reduction in the new car inventory by Mar. 31. Stocks have risen steadily since last October to a point crowding 900,000 units.

"Ward's," however, cautioned against any overly optimistic readings of the trend, adding that auto inventories still remain near a 60 to 65 days' supply or nearly twice the norm for the industry.

Factory production, too, has been slashed severely, with the 360,000 completions in prospect for March promising the weakest volume for the month since 1947. February netted 392,000 car output and January 489,000.

For the Mar. 1 to 15 period, passenger car output ran 18.4% under the same period last month, this trade publication declared.

Off auto assembly the past week were Ford Div. plants at Chester (Pa.), Dallas (Tex.), Long Beach (Calif.), Louisville (Ky.), plus Studebaker-Packard Corp. at South Bend (Ind.), and Mercury at all points. Buick, Oldsmobile and Pontiac car building was canceled Thursday and Friday in Michigan.

Truck production last week was counted by "Ward's" at 15,520 units, with a one week shut down for inventory adjustment by International Harvester prompting a decline from the previous week's 17,523 unit volume.

The usual seasonal decline in new business incorporations occurred in February, Dun & Bradstreet, Inc. reports. The number of new businesses charted amounted to 10,466, down 20% from the 13,080 of January. The level was 3% below the 10,791 of February 1957.

The number of charters for the first two months of this year totaled 23,546. This was nearly 3% less than the 24,178 of the comparable period last year, and 9% below the 25,866 of the 1956 January-February period.

Steel Output Estimated This Week at 52.4% of Ingot Capacity; a Decline Below a Week Ago

Five business barometers indicate that the recession may be nearing its end, "Steel" magazine reported on Monday last. They are turning up a little or holding steady.

The metalworking weekly noted that the appearance of favorable signs in construction, freight carloadings, machine tool orders, car sales and coal could be significant.

Both contract awards for heavy construction and work put in place showed gains in February. The improvement continued in early March. For the week ended Mar. 6, awards climbed to $365,100,000, exceeding the year-ago figure for the first time in 14 weeks.

Freight carloadings during the week ended Mar. 1 were at the highest level in six weeks and 61,256 cars above the preceding week's rate. Every category except coke gained. Miscellaneous freight, which includes most of metalworking, was the biggest gainer.

With machine tool orders increasing slightly in January, builders are reporting more significant upturns in February, this trade weekly added.

Even though the upturn in new car sales in late February leaves much to be desired, industry observers look for the trend to continue into March and the customary plush spring season.

Bituminous coal production during the week ended Mar. 1 hit its highest level in six weeks.

Continuing, "Steel" magazine declared that several Pittsburgh area steelmakers will step up blast furnaces and open hearth operations before long. They have worked their way through top-heavy inventories of ingots, tube rounds and bars. Production increases in the Wheeling district reflect depletion of semi-finished inventories more than improved demand for steel.

Despite low level operations, no big reductions in steel prices are expected. "Steel's arithmetical price composite remained at $145.42 a net ton—only 77 cents below September's pre-recession level. This reflects only adjustment in extra charges. Since then, the steelmaking rate has dropped 27 points.

During the recession of 1949, a drop of 32 points in the steelmaking rate was accompanied by a $6.22 break in "Steel's" arithmetical price composite. During the recession of 1953-54, a 27-point drop in steelmaking operations resulted in a $2.36 reduction of the composite. Most of the decline came from abolition of premium prices. Experience has taught steelmakers that price cutting doesn't stimulate demand for steel.

As for scrap, it is losing some of its steam. The magazine's composite on the prime grade shows that it has slipped to $38.83 a gross ton last week, down 34 cents.

The American Iron and Steel Institute announced that the operating rate of steel companies will average *88.1% of steel capacity for the week beginning March 17, 1958, equivalent to 1,415,000 tons of ingot and steel for castings (based on average weekly production for 1947-1949) as compared with an actual rate of *91.1% of capacity, and 1,463,000 tons a week ago.

Output for the week beginning March 17, 1958 is equal to about 52.4% of the utilization of the Jan. 1, 1958 annual capacity of 140,742,570 net tons compared with actual production of 54.2% the week before.

For the like week a month ago the rate was *85.5% and production 1,373,000 tons. A year ago, the actual weekly production was placed at 2,392,000 tons, or 148.9%.

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*Index of production is based on average weekly production for 1947-1949.

Electric Output Turned Upward Last Week After Four Straight Weeks of Decline

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, March 15, 1958, was estimated at 11,860,000,000 kwh., according to the Edison Electric Institute. Output advanced during the week following four straight weeks of decline.

For the week ended March 15, 1958, output increased by 67,000,000 kwh. above that of the previous week and 210,000,000 kwh. or 1.8% above that of the comparable 1957 week, and 658,000,000 kwh. above that of the week ended March 17, 1956.

Car Loadings Declined 1.7% in Latest Week And 19.1% Below a Year Ago

Loadings of revenue freight for the week ended March 8, 1958, were 9,472 cars or 1.7% below the preceding week, the Association of American Railroads reports.

Loadings for the week ended March 8, 1958, totaled 544,173 cars, a decrease of 128,190 cars or 19.1% below the corresponding 1957 week, and a decrease of 153,428 cars, or 22.0% below the corresponding week in 1956.

Automotive Output Rose Moderately the Past Week

Automotive production for the week ended March 14, 1958, according to "Ward's Automotive Reports," advanced the past week.

Last week's car output totaled 87,965 units and compared with 83,892 (revised) in the previous week. The past week's production total of cars and trucks amounted to 103,485 units, or an increase of 2,070 units above that of the previous week's output, states "Ward's."

Last week's car output increased above that of the previous week by 4,073 cars, while truck output eased by 2,003 vehicles during the week. In the corresponding week last year 141,038 cars and 20,866 trucks were assembled.

Last week the agency reported there were 15,520 trucks made in the United States. This compared with 17,523 in the previous week and 20,866 a year ago.

Canadian output last week was placed at 6,930 cars and 1,150 trucks. In the previous week Dominion plants built 5,778 cars and 1,129 trucks and for the comparable 1957 week 8,376 cars and 1,696 trucks.

Lumber Shipments Fell 1.5% Below Output in Week Ended March 8, 1958

Lumber shipments of 485 reporting mills in the week ended March 8, 1958, were 1.5% below production, according to the

National Lumber Trade Barometer. In the same period new orders were 2.3% below production. Unfilled orders amounted to 28% of stocks. Production was 2.1% below; shipments 2.0% above and new orders were 7.3% above the previous week and 10.0% below the like week in 1957.

Business Failures Registered Moderate Declines The Past Week

Commercial and industrial failures dipped moderately to 336 in the week ended March 13 from the high of 358 in the preceding week, according to Dun & Bradstreet, Inc. Despite this decline, casualties remained above the 301 in the comparable week of last year and the 300 in 1956. About 13% more businesses failed than in pre-war 1939 when 298 occurred in the similar week of that year.

Liabilities of $5,000 or more were involved in 303 of the week's failures as against 317 in the previous week and 262 a year ago. Small casualties under $5,000, dipped to 33 from 41 in the previous week and were slightly below the 39 of this size recorded in the similar week of 1957. Failures having liabilities in excess of $100,000 numbered 45 as compared with 37 in the preceding week.

Casualties ran lower during the week in all industry and trade groups except manufacturing where the total edged to 69 from 64. Among retailers, failures dipped to 174 from 178, among wholesalers to 30 from 32, while somewhat sharper declines brought construction down to 38 from 50 and commercial service to 25 from 34. Retail mortality was considerably heavier than last year, and mild increases from 1957 prevailed in manufacturing and service. Neither construction nor wholesaling had as many casualties as last year.

Geographically, the week-to-week dip appeared in five of the nine major regions. In the East North Central States, the total dropped to 48 from 60 and in the West North Central to 15 from 23, but the declines in the other three regions were slight. Meanwhile, casualties in the Pacific States held steady at 67 and in the East South Central at 10. Contrasting increases occurred in the Middle Atlantic States up to 122 from 113 and in the South Atlantic, up to 33 from 31. More businesses succumbed than last year in all except two regions, the West South Central and Mountain States.

February Business Failures Declined Below January's Level But Were 8% Above Like Period Last Year

Although dipping slightly from the previous month, February business failures at 1,238 ranged 8% above last year. Casualties edged a little above the pre-war level of 1,202 in 1939 and reached the highest total for any February in 25 years. The rising number of failures, however, must be appraised in terms of the marked upward shift in the business population between 1933 and 1958.

Concerns were failing this February at an annual rate of 54 per 10,000 listed enterprises. Off moderately from the pre-war toll of 68 per 10,000 in 1939, this rate was considerably less severe than in February 1933 when 123 casualties occurred for each 10,000.

Dollar liabilities involved in the month's failures edged up 1% from January to $65,300,000 but fell short of the post-war record of $65,400,000 established in February last year.

Manufacturing and trade showed a slight month-to-month dip in failures, while construction and service held even with January. Contrasting with the declines in most retail trades, increases persisted in the furniture and automotive lines.

Retailing accounted for a major part of the year-to-year rise in failures. Seventeen percent more retailers succumbed than in the previous February, about three times as steep an increase as for manufacturers or wholesalers. Neither construction nor service had as many casualties as a year ago. The heavier retail mortality was concentrated in a few trades, notably apparel stores, up 46%, and the automotive group, up 58%.

Geographically, all of the January decline was concentrated in the Middle Atlantic, East North Central and Mountain States. Business mortality continued to climb in other regions, with New England suffering the highest total since 1949 and the South Atlantic States since 1933. Five of the nine major regions reported more failures than in February last year. Oklahoma and Texas boosted the West South Central States total considerably, while Maryland and Florida contributed largely to the South Atlantic uptrend. On the other hand, East North Central casualties fell 20% below their February 1957 level.

Wholesale Food Price Index Held Steady the Past Week

The Dun & Bradstreet wholesale food price index after rising for four straight weeks, held steady on March 11 at the $6.68 level reached on March 4. This represents the highest point since Feb. 15, 1955. Last week's figure is 9.2% higher than the $6.12 of March 12, 1957.

Higher in price the past week were butter, coffee, rice, beef, steers, potatoes, rye, oats and barley. Lower in price were flour, sugar, cottonseed oil, wheat, cocoa, lard, corn, hams, hogs and lambs.

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 Hit New 1958 High Last Week

The daily wholesale commodity price index climbed to 282.10 on March 10 a new 1958 high. The previous record was set on Feb. 19, when the index was 280.97. A week earlier the level was 280.92 and it stood at 290.40 on the comparable date a year ago.

The possibility that 1957 farm price supports might be extended to the 1958 crops stimulated grain trading the past week. Most grain futures prices advanced somewhat. Reports that old crop grain stocks were dwindling encouraged the buying of wheat which caused prices to rise moderately over those of the preceding week. Light receipts at terminal markets helped boost prices on corn, oats and soybeans. Purchases of rye expanded substantially and a noticeable price increase occurred.

There was a slight rise in transactions in hard Winter wheat bakery flour during the week with prices sustained close to those of the prior week. Flour receipts at New York terminal on Friday amounted to 52,253 sacks with 21,333 for export and 30,920 for domestic use. The majority of the export sales during the week were made to Cuba, The Netherlands and Venezuela.

Wholesalers reported a noticeable increase in rice trading, and moderate advance in prices. While cocoa prices slipped at the beginning of the period, they ended the week close to those of the previous week.

A substantial gain in coffee trading occurred, followed by an appreciable climb in prices. Although sugar trading was sustained at the level of the preceding week, prices dipped fractionally. Shipments of raw sugar from Cuba to the United States so far this year are moderately higher than a year ago.

Hog receipts in Chicago fell slightly below those of both the prior week and a year ago, with prices steady. Wholesalers reported a slight improvement in hog trading. Salable supplies of cattle rose slightly for the second consecutive week, but were still noticeably below last year. A slight rise in beef prices occurred, as buying was sustained at the level of the previous week. Purchases of lambs were steady with prices unchanged. Wholesalers reported a moderate rise in lard futures prices as transactions improved.

Reports on the possibility of legislation that would increase Soil Bank funds and freeze price supports for two years at or above 1957 levels encouraged cotton buying last week. Futures prices on the New York Cotton Exchange rose moderately. Trading at the end of the week was stimulated by doubts that the 1958 acreage allotments would be increased.

There were some scattered fill-in orders for cotton gray goods. Prices held close to those of the prior week. Bookings in woolens and worsteds continued to lag, and trading in carpet wool showed little change from a week earlier. Interest in man-made fibers and industrial fabrics expanded slightly.

Trade Volume Rose One to Five Percent Above Year Ago in Latest Week

Early Easter buying, sparked by warmer weather and new style interest, boosted consumer purchases last week, resulting in total retail volume edging moderately above a year ago. Continuing to reflect the cancellation of fair trade policies by some manufacturers, sales of small electrical housewares were maintained at the previous week's high level which noticeably exceeded that of last year. Clearances and promotions also helped to hold purchases of house furnishings close to the comparable week of 1957.

Total retail sales in the period ended on Wednesday of last week ranged from 1 to 5% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable 1957 levels by the following percentages: Middle Atlantic States +7 to +11%; South Atlantic +3 to +7; New England and Mountain +1 to +5; Pacific 0 to +4; East North Central —1 to +3; West North Central —2 to +2; East South Central and West South Central States —1 to —5%.

Women's coats, suits and dresses were selling well. Since inventories of women's wear retailers were in good shape, the strike in the industry appeared to have little effect on the volume transacted. Consumers interest in men's wear showed little change from a year ago. While buying of men's furnishings was stepped up slightly, sales of suits and topcoats lagged.

Purchases of furniture slipped below last year, but retailers reported that sales of major appliances, draperies, floor coverings and linens about equalled 1957 levels.

Housewives showed increased interest in Lenten specialties, with heavier buying of canned fish and baked goods. Poultry sales remained good.

There was an appreciable rise during the week in re-orders for women's Spring coats and suits with volume close to that of a year ago. Moderate increases from the preceding week occurred in the call for fashion accessories, millinery and lingerie. Wholesalers reported slight rises in purchases of men's lightweight suits and sportswear.

Furniture buyers somewhat stepped up their orders for Summer metal outdoor furniture, but sales lagged behind those of a year ago. Volume in air conditioners and fans improved, but purchases of refrigerators, lamps and lighting fixtures remained close to those of a week earlier. Attendance at the opening of the International Toy Fair in New York City was the highest for any opening on record and moderate year-to-year gains in orders were reported.

Trading in most textile markets was sluggish again during the week. Transactions in woolens and worsteds slipped, while volume in carpet wool equalled that of the prior week. There was a moderate increase in bookings in Fall coatings. Some scattered orders for broadcloths were recorded, but overall volume in cotton gray goods lagged. New England dyeing and finishings plants reported a slight improvement in incoming orders.

Food wholesalers reported moderate gains in sales of canned goods, baked goods and rice, while trading in flour, sugar and poultry slackened. The Dun & Bradstreet wholesale food price index held steady at $6.68 on March 11, the 1958 high.

Department store sales on a country-wide basis as taken from the Federal Reserve Board's index for the week ended March 8, 1958, increased 7% above the like period last year. In the preceding week March 1, 1958, an increase of 1% was reported. For the four weeks ended March 8, 1958 a decrease of 4% was reported. For the period Jan. 1, 1958 to March 8, 1958 a decrease of *2% was recorded below that of 1957.

Retail trade volume in New York City the past week rose 10 to 15% above the level of sales for the like period a year ago.

Trade observers noted that moderate weather in the fore part of the week indicated greater Easter purchases and generally, store traffic was good.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended March 8, 1958 increased 15% above that of the like period last year. In the preceding week, March 1, 1958 an increase of 8% was reported. For the four weeks ended March 8, 1958, a decrease of 2% was registered. For the period Jan. 1, 1958 to March 8, 1958 an increase of *1% was registered above that of the corresponding period in 1957.

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*Comparison period begins with Dec. 30-Jan. 4 week in 1958 and with Dec. 31-Jan. 5 week in 1957.

Joseph F. Hammel Now With Leason & Co.

(Special to The Financial Chronicle)

CHICAGO, Ill.—Joseph F. Hammel has become associated with Leason & Co., Inc., 39 South La Salle Street. Mr. Hammel, who has been in the investment business in Chicago for many years, has recently been with Benjamin Lewis & Co.

Joseph F. Hammel

David A. Haley Joins Harkness & Hill, Inc.

(Special to The Financial Chronicle)

BOSTON, Mass. — David A. Haley has become associated with Harkness & Hill, Incorporated, 70 State Street. He was formerly manager of the municipal department of the Boston office of Goldman, Sachs & Co.

David A. Haley

Julien Collins Co. Exec. Appointments

CHICAGO, Ill. — Thomas H. Shockey was elected Vice-President and director of Julien Collins & Company, 105 South La Salle Street, members of the New York Stock Exchange, at the annual meeting, it was announced by Julien H. Collins, President. Milton S. Emrich has been named Executive Vice-President and Julien H. Collins, Jr. was elected Assistant Secretary.

Phila. Secs. Assn. Hears

PHILADELPHIA, Pa.—Thomas Mellon Evans, President of H. K. Porter Co., will be guest speaker at a luncheon meeting of the Philadelphia Securities Association to be held on Wednesday, April 23, at the Drake Hotel in Philadelphia.

Members of the Financial Analysts of Philadelphia have been invited to attend the luncheon and hear Mr. Evans.

Warren V. Musser, Chairman of the board of Philadelphia Securities Co., is in charge of arrangements for the luncheon.

E. J. Ryall Joins N. Y. Hanseatic Corp.

BOSTON, Mass. — Eugene J. Ryall has become associated with the Boston office of the New York Hanseatic Corporation, 84 State Street as its New England representative heading the Corporation's expanding Bond Department activities in the New England area. He was formerly associated with C. J. Devine & Co.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

Aeronca Manufacturing Corp.
Feb. 10 (letter of notification) 5,000 shares of common stock (par $1). **Price**—$6 per share. **Proceeds**—To go to selling stockholder. **Office**—Germantown Road, Middletown, Ohio. **Underwriter**—Greene & Ladd, Middletown, Ohio.

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.

★ **Aluminum Co. of America (4/11)**
March 14 filed $125,000,000 of sinking fund debentures due 1983. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for expansion program. **Underwriter**—The First Boston Corp., New York.

American-Caribbean Oil Co. (N. Y.)
Feb. 28 filed 500,000 shares of common stock (par 20¢). **Price**—To be supplied by amendment. **Proceeds** — To discharge current liabilities and to drill ten wells. **Underwriters**—To be named by amendment.

American Electronics, Inc. (3/31-4/4)
March 6 filed $3,500,000 of convertible subordinated debentures due 1973 and 80,000 shares of common stock (par $1). **Price**—100% of principal amount for debentures; and at price to be supplied by amendment for common stock. **Proceeds**—$148,000 to retire the 6% debentures of Taller & Cooper, Inc., a subsidiary; $2,250,000 to reduce bank loans; and the balance for working capital and other corporate purposes. **Underwriters**—Dean Witter & Co., San Francisco, Calif.; Van Alstyne, Noel & Co., New York, N. Y.; and Crowell, Weedon & Co., Los Angeles, Calif.

American Life & Casualty Insurance Co.
Dec. 3 filed 101,667 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each two shares held; unsubscribed shares to be offered to public. **Price**—$10 per share. **Proceeds**—For capital and surplus accounts. **Office**—Fargo, N. D. **Underwriter**—None.

American Mutual Investment Co., Inc.
Dec. 17 filed 490,000 shares of capital stock. **Price**—$10.20 per share. **Proceeds**—For investment in first trust notes, second trust notes and construction loans. Company may develop shopping centers and build or purchase office buildings. **Office** — 900 Woodward Bldg., Washington, D. C. **Underwriter** — None. Sheldon Magazine, 1201 Highland Drive, Silver Spring, Md., is President.

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.

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.

★ **Applied Science Corp., of Princeton**
March 14 filed 36,574 shares of common stock, to be offered to employees under the company's employees' stock purchase plan. **Office**—Princeton Junction, N. J.

★ **Atlantic City Electric Co. (4/23)**
March 19 filed $10,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; 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). **Bids** — Tentatively expected to be received on April 23.

★ **Atlantic City Electric Co. (4/23)**
March 19 filed 50,000 shares of cumulative preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for construction program. **Underwriters**—Eastman Dillon, Union Securities & Co. and Smith, Barney & Co., both of New York.

★ **Atlantic City Electric Co. (4/23)**
March 19 filed 120,000 shares of common stock (par $6.50). **Price**—To be supplied by amendment. **Proceeds**—For construction program. **Underwriters** — Eastman Dillon, Union Securities & Co. and Smith, Barney & Co., both of New York.

Bankers Fidelity Life Insurance Co.
Feb. 28 filed 258,740 shares of common stock (par $1), of which 125,000 shares are to be offered publicly and 133,740 shares to employees pursuant to stock purchase options. **Price**—To public, $6 per share. **Proceeds**—For expansion and other corporate purposes. **Office** — Atlanta, Ga. **Underwriter**—None.

● **Bankers Management Corp. (4/10)**
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. **Office**—Houston, Texas. **Underwriter** — McDonald, Holman & Co., Inc., New York.

Bishop Oil Co., San Francisco, Calif. (3/21)
Feb. 27 filed 112,565 shares of common stock (par $2) to be offered for subscription by common stockholders of record March 20, 1958, on the basis of one new share for each five shares held; rights to expire on April 3. **Price**—To be supplied by amendment. **Proceeds**—For reduction of bank loans, expansion and general corporate purposes. **Underwriter**—Hooker & Fay, San Francisco, Calif.

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) being offered for subscription by common stockholders of record Dec. 31, 1957 at the rate of three new shares for each two shares held; rights to expire on March 25. **Price**—$10 per share. **Proceeds**—To construct new vessel. **Offices**—Port Jefferson, N. Y., and Bridgeport, Conn. **Underwriter**—None.

Brunswick-Balke-Collender Co. (4/2)
March 11 filed $8,593,200 of 15-year convertible subordinate debentures due April 1, 1973, to be offered for subscription by common stockholders of record April 2, 1958 at the rate of $100 of debentures for each 18 shares of stock held; rights to expire about April 16. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Underwriters**—Lehman Brothers and Goldman, Sachs & Co., both of New York.

Campbell Chibougamau Mines Ltd.
March 10 filed 606,667 shares of capital stock (par $1), of which 506,667 were issued in connection with the acquisition of all the assets of Yorcan Exploration Ltd. (latter proposes to distribute said shares ratably to its stockholders of record Dec. 16, 1957). The remaining 100,000 shares are to be sold for the account of the Estate of A. M. Collings Henderson on the American and Toronto Stock Exchanges. **Price**—At market. **Proceeds**—To selling stockholders. **Office**—Toronto, Canada. **Underwriter**—None.

Central Mortgage & Investment Corp.
Sept. 12 filed $5,000,000 of 20-year mortgage bonds and 500,000 shares of common stock (par five cents) to be offered in units of $100 of bonds and 10 shares of stock. **Price**—$100.50 per unit. **Proceeds**—For purchase of first mortgages or to make first mortgage loans and for construction business. **Office**—Miami Beach, Fla. **Underwriter**—Aetna Securities Corp., New York. **Offering**—Date indefinite.

Chess Uranium Corp.
May 14 (letter of notification) 600,000 shares of common stock (par $1—Canadian). **Price**—50 cents per share (U. S. funds). **Proceeds**—For exploration costs, etc. **Office**—5616 Park Ave., Montreal, Canada. **Underwriter**—Jean R. Veditz Co., Inc., 160 Broadway, New York.

★ **Chrysler Corp.**
March 14 filed $10,000,000 of interests or participations in the company's "thrift-stock ownership program," together with 175,000 shares of common stock (par $25) which may be acquired pursuant thereto.

Cincinnati Gas & Electric Co.
Feb. 20 filed 450,923 shares of common stock (par $8.50) being 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**—$28.50 per share. **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.

★ **Cohen (Harry) Merchandising Corp.**
March 11 (letter of notification) 30,000 shares of 6% participating preferred stock. **Price**—At par ($10 per share). **Proceeds**—For opening of new stores and working capital. **Office** — 134-01 Atlantic Avenue, Jamaica, N. Y. **Underwriter** — None.

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 Telephone Co., Dallas, Pa.**
Feb. 28 filed 71,200 shares of common stock (par $10) being offered for subscription by common stockholders of record March 7, 1958 at the rate of one new share for each five shares held; rights to expire on April 3. **Price**—$15.25 per share. **Proceeds**—To repay bank loans. **Underwriter**—Eastman Dillon, Union Securities & Co., New York.

★ **Community Credit Corp., Great Barrington, Mass.**
March 17 (letter of notification) $300,000 of 6% treasury certificates. **Price**—At par (in units of $50 each). **Proceeds.**—For working capital. **Office**—312 Main St., Great Barrington, Mass. **Underwriter**—None.

Consolidated Edison Co. of N. Y., Inc. (4/22)
March 3 filed $50,000,000 of first and refunding mortgage bonds, series O, due April 1, 1988. **Proceeds**—To retire short-term 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. **Bids**—To be received by company up to 11 a.m. (EST) on April 22.

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.

★ **Dasco Mines Corp., Yuma, Ariz.**
March 11 (letter of notification) 125,250 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office**—67 W. 2nd St., Yuma, Ariz. **Underwriter**—None.

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.

★ **Delaware Fund, Inc., Philadelphia, Pa.**
March 12 filed (by amendment) 1,300,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—For investment.

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.

★ **Directomat, Inc.**
March 17 (letter of notification) 300,000 shares of common stock (par one cent). **Price**—$1 per share. **Proceeds**—For working capital and payment of current liabilities. **Office**—Hotel Roosevelt, Madison Ave. and 45th St., New York 17, N. Y. **Underwriters**—James Anthony Securities Corp. and Norton & Co. both of New York City; Schwerin, Stone & Co., Great Neck, N. Y.; and Mac Robbins & Co., Inc., Jersey City, N. J.

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**—Indefinitely postponed. Other financing may be arranged.

Dresser Industries, Inc.
Feb. 28 filed 128,347 shares of common stock (par 50¢) to be offered in exchange for outstanding common stock of the Elgen Corp. on the basis of one share of Dresser Industries common for 3.4 shares of Elgen's common. No exchanges will be made unless the exchange offer is accepted by the holders of at least 80% of the outstanding Elgen common, and Dresser will not be obligated to consummate any exchanges unless the offer is accepted by the holders of at least 95% of the outstanding Elgen common. **Underwriter**—None.

Duquesne Light Co. (4/9)
March 12 filed $15,000,000 of first mortgage bonds, due April 1, 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.

★ **Economics Laboratory Inc., St. Paul, Minn.**
March 12 filed 850 participations in company's employees' stock purchase plan and 34 participations in its stock option plan, together with 28,400 shares of its common stock which may be acquired pursuant thereto.

★ Edmonton (City of), Alberta, Canada (4/3)
March 14 filed $20,000,000 of sinking fund debentures to be dated April 15, 1958, of which $2,000,000 will mature April 15, 1963 and $18,000,000 on April 15, 1983. **Price**—To be supplied by amendment. **Proceeds**—For additions and improvements. **Underwriters** — The First Boston Corp., and The Dominion Securities Corp., both of New York and five other firms.

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 and 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) 19,500 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.

NEW ISSUE CALENDAR

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

Parnat Business Machines Corp. — **Common**
(Darius Inc.) $300,000

March 24 (Monday)

Florida Power & Light Co. — **Bonds**
(Bids 11:30 a.m. EST) $20,000,000

Merck & Co., Inc. — **Common**
(Goldman, Sachs & Co.) 225,000 shares

March 25 (Tuesday)

New Jersey Bell Telephone Co. — **Debentures**
(Bids 11 a.m. EST) $30,000,000

Stepan Chemical Co. — **Common**
(White, Weld & Co.) 203,000 shares

March 26 (Wednesday)

Chicago, Burlington & Quincy Ry. — **Eq. Trust Ctfs.**
(Bids noon CST) $4,800,000

General Telephone Co. of California — **Bonds**
(Bids 8 a.m. PST) $20,000,000

Ocean Drilling & Exploration Co. — **Preferred**
(Offering to stockholders—to be underwritten by Morgan Stanley & Co. and Reinholdt & Gardner) $5,304,950

Richfield Oil Corp. — **Debentures**
(Offering to stockholders—to be underwritten by Merrill Lynch, Pierce, Fenner & Smith and Blyth & Co., Inc.) $50,000,000

Texas & Pacific Ry. — **Equip. Trust Ctfs.**
(Bids noon CST) $1,900,000

March 27 (Thursday)

Baltimore & Ohio RR. — **Equip. Trust Ctfs.**
(Bids to be invited) $3,435,000

March 28 (Friday)

Northwest Bancorporation — **Preferred**
(The First Boston Corp. and Blyth & Co., Inc.) $10,643,000

March 31 (Monday)

American Electronics, Inc. — **Debentures**
(Dean Witter & Co.; Van Alstyne, Noel & Co.; and Crowell, Weedon & Co.) $3,500,000

American Electronics, Inc. — **Common**
(Dean Witter & Co.; Van Alstyne, Noel & Co. and Crowell, Weedon & Co.) 80,000 shares

Wisconsin Electric Power Co. — **Bonds**
(Bids 11 a.m. EST) $30,000,000

April 1 (Tuesday)

General Telephone Corp. — **Common**
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; and Mitchum, Jones & Templeton) 500,000 shares

Idaho Power Co. — **Bonds**
(Bids to be invited) $10,000,000

Idaho Power Co. — **Debentures**
(Bids to be invited) $10,000,000

April 2 (Wednesday)

Brunswick-Balke-Collender Co. — **Debentures**
(Offering to stockholders—to be underwritten by Lehman Brothers and Goldman, Sachs & Co.) $8,593,200

General Amer. Transportation Corp. — **Eq. Tr. Ctfs**
(Kuhn, Loeb & Co.) $20,000,000

Ontario (Province of) — **Debentures**
(Harriman Ripley & Co. Inc., and Wood, Gundy & Co.) $75,000,000

Pacific Petroleums Ltd. — **Debentures**
(Eastman Dillon, Union Securities & Co.) $30,000,000

April 3 (Thursday)

Edmonton (City of), Alberta — **Debentures**
(The First Boston Corp. and The Dominion Securities Corp.) $20,000,000

April 8 (Tuesday)

Citizens & Sou. Natl. Bank of Savannah, Ga. — **Com.**
(Offering to stockholders—no underwriting) $3,000,000

April 9 (Wednesday)

Duquesne Light Co. — **Bonds**
(Bids to be invited) $15,000,000

Food Fair Stores, Inc. — **Common**
(Eastman Dillon, Union Securities & Co.) 100,000 shares

Seagram (Joseph E.) & Sons, Inc. — **Debentures**
(Harriman Ripley & Co. Inc.) $40,000,000

April 10 (Thursday)

Bankers Management Corp. — **Common**
(McDonald, Holman & Co., Inc.) $400,000

Foxboro Co. — **Common**
(Paine, Webber, Jackson & Curtiss) 120,000 shares

April 11 (Friday)

Aluminum Co. of America — **Debentures**
(The First Boston Corp.) $125,000,000

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

Kennedy (D. S.) & Co. — **Common**
(W. C. Langley & Co.) 100,000 shares

New England Electric System — **Common**
(Offering to stockholders—bids 11 a.m. EST) 968,549 shares

Northern Pacific Ry. — **Equip. Trust Ctfs.**
(Bids to be invited) about $7,600,000

April 16 (Wednesday)

Mississippi Power & Light Co. — **Bonds**
(Bids 11:30 a.m. EST) $15,000,000

Sierra Pacific Power Co. — **Common**
(Offering to stockholders) 57,362 shares

April 21 (Monday)

Southern Pacific Co. — **Equip. Trust Ctfs.**
(Bids to be invited) about $8,000,000

April 22 (Tuesday)

Consolidated Edison Co. of N. Y. Inc. — **Bonds**
(Bids 11 a.m. EST) $50,000,000

April 23 (Wednesday)

Atlantic City Electric Co. — **Bonds**
(Bids to be invited) $10,000,000 to $20,000,000

Atlantic City Electric Co. — **Preferred**
(Eastman Dillon, Union Securities & Co. and Smith, Barney & Co.) $5,000,000

Atlantic City Electric Co. — **Common**
(Eastman Dillon, Union Securities & Co. and Smith Barney & Co.) 120,000 shares

Sierra Pacific Power Co. — **Bonds**
(Bids to be invited) $3,000,000

Southern Counties Gas Co. of California — **Bonds**
(Bids to be invited) $15,000,000

April 28 (Monday)

Puget Sound Power & Light Co. — **Bonds**
(Bids to be invited) $30,000,000

April 29 (Tuesday)

Philadelphia Electric Co. — **Bonds**
(Bids noon EST) $40,000,000

May 9 (Friday)

Wisconsin Power & Light Co. — **Common**
(Offering to stockholders—to be underwritten by Smith, Barney & Co. and Robert W. Baird & Co., Inc.) 241,211 shares

Wisconsin Power & Light Co. — **Preferred**
(Offering to stockholders—to be underwritten by Smith, Barney & Co. and Robert W. Baird & Co., Inc.) $3,000,000

May 13 (Tuesday)

United Gas Improvement Co. — **Bonds**
(Bids to be invited) $12,000,000

May 19 (Monday)

Gulf States Utilities Co. — **Bonds**
(Bids to be invited) $20,000,000

Gulf States Utilities Co. — **Common**
(Bids to be invited) 250,000 shares

May 20 (Tuesday)

Illinois Power Co. — **Bonds**
(Bids to be invited) $25,000,000

May 21 (Wednesday)

Brooklyn Union Gas Co. — **Bonds**
(Bids to be invited) $22,000,000

May 27 (Tuesday)

Appalachian Electric Power Co. — **Bonds**
(Bids 11 a.m. EST) $25,000,000

June 10 (Tuesday)

Virginia Electric & Power Co. — **Bonds or Debs.**
(Bids to be invited) $25,000,000

June 11 (Wednesday)

New England Power Co. — **Bonds**
(Bids to be invited) $10,000,000

July 1 (Tuesday)

Florida Power Corp. — **Bonds**
(Bids to be invited) $25,000,000

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 Bankers Life Insurance Corp., Richmond, Va.
March 7 filed 450,000 shares of common stock (par $1) to be offered for subscription by holders of outstanding stock on a pro rata basis; thereafter the balance remaining, if any, will be offered to the public. **Price**—$5 per share to stockholders; and to the public at a price to be determined. **Proceeds** — For expansion and other corporate purposes. **Underwriter**—None.

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.

Florida Power & Light Co. (3/24)
Feb. 27 filed $20,000,000 of first mortgage bonds, series due 1988. **Proceeds**—To provide additional electric and gas facilities and for other corporate purposes. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith and Kidder, Peabody & Co. (jointly); The First Boston Corp. and White, Weld & Co. (jointly). **Bids**—To be receive dup to 11:30 a.m. (EST) on March 24 at Room 2033, Two Rector St., New York 6, N. Y.

Fluorspar Corp. of America
Dec. 26 filed 470,000 shares of common stock (par 25 cents). **Price**—$3 per share. **Proceeds**—For exploration work and working capital. **Office** — Portland, Ore. **Underwriter**—To be named by amendment. Sol Goldberg is President.

★ Food Fair Stores, Inc. (4/9)
March 18 filed 100,000 shares of common stock (par $1). **Proceeds**—To selling stockholder. **Price**—To be supplied by amendment. **Underwriter** — Eastman Dillon, Union Securities & Co., New York.

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.

★ Foxboro Co., Foxboro, Mass. (4/10)
March 18 filed 120,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital, construction, and other general corporate purposes. **Business**—Manufactures industrial instruments. **Underwriter** — Paine, Webber, Jackson & Curtis, Boston, Mass.

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.

★ Gem State Securities Corp., Boise, Idaho
March 7 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$2.50 per share. **Proceeds**—For operating and organizing a life insurance company. **Underwriter**—None.

★ General American Transportation Corp (4/2)
March 13 filed $20,000,000 of equipment trust certificates due April 1, 1978 (series 57). **Price**—To be supplied by amendment. **Proceeds**—To reimburse treasury of the corporation for part of cost of over 2,000 railroad freight cars. **Underwriter**—Kuhn, Loeb & Co., New York.

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

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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 (3/26)**
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 bidding. 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 26.

★ **General Telephone Corp. (4/1-2)**
March 12 filed 500,000 shares of common stock (par $10). **Price** — To be supplied by amendment. **Proceeds** — To make additional investments in common stock equities of subsidiaries and temporary advances to the subsidiaries for reduction of their bank loans and for their construction programs. **Underwriters** — Paine, Webber, Jackson & Curtis, Boston, Mass., Stone & Webster Securities Corp., New York, and Mitchum Jones & Templeton, Los Angeles, Calif.

Georgia Power Co. (3/20)
Feb. 21 filed $24,000,000 first mortgage bonds due March 1, 1988. **Proceds** — 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); Harriman Ripley & Co., Inc. **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.

Gly Inc.
March 4 (letter of notification) 300,000 shares of common stock (par 30 cents). **Price**—$1 per share. **Proceeds**—For acquisition, development and operation of oil and gas properties. **Office**—Bacon Bldg., 5th & Pine Sts., Abilene, Texas. **Underwriter** — Barth Thomas & Co., Inc., New York.

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 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.

Idaho Power Co., Boise, Idaho (4/1)
March 6 filed $10,000,000 of first mortgage bonds, due April 1, 1988, and $10,000,000 of sinking fund debentures due April 1, 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 & Smith; Equitable Securities Corp. **Bids**—Expected to be received on April 1.

Industro Transistor Corp., (N. Y.)
Feb. 28 filed 150,000 shares of common stock (par 10 cents). **Price**—To be related to the market price. **Proceeds**—For working capital and to enlarge research and development department. **Underwriter** — S. D. Fuller & Co., New York. **Offering**—Expected early in April.

★ **International Mines, Inc.**
March 11 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For mining expenses. **Office** — 2717 Spear St., North Las Vegas, Nev. **Underwriter**—None.

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.

★ **Kennedy (D. S.) & Co., Cohasset, Mass (4/15-16)**
March 18 filed 100,000 shares of common stock (par $1). **Price**—To be supplied by amendment. **Proceeds**—For working capital and capital expenditures. **Business**—Manufactures radar antenna. **Underwriters** — W. C. Langley & Co., Boston and New York.

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.

★ **Marine Midland Corp., Buffalo, N. Y.**
March 14 filed 400,000 shares of common stock, of which 100,000 shares will be offered under the company's stock purchase plan and 300,000 shares under its second stock option plan.

Merck & Co., Inc. (3/24-25)
March 5 filed 225,000 shares of common stock (par 16⅔ cents). **Price**—To be supplied by amendment. **Proceeds**—To selling stockholder. **Underwriter**—Goldman, Sachs & Co., New York.

Merrimack-Essex Electric Co.
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 & Smith, and Eastman Dillon Union Securities & Co. (jointly). **Bids**—Which were to have been received on March 10 at 441 Stuart St., Boston 16, Mass., have been indefinitely postponed.

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.

Mississippi Power & Light Co. (4/16)
March 5 filed $15,000,000 of first mortgage bonds due 1983. **Proceeds**—For property additions and improvements, to pay off bank loans, and other corporate purposes. **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 & Smith, Eastman Dillon, Union Securities & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Bids** — Tentatively expected to be received up to 11:30 a.m. (EST) on April 16.

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.

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.

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.

★ **New England Electric System (4/15)**
March 14 filed 968,549 shares of common stock (par $1) to be offered for subscription by common stockholders at the rate of one new share for each 12 shares held. Unsubscribed shares to be offered to employees under a 1958 employee share purchase plan. **Underwriter**—To be determined by competitive bidding. Probable bidders: Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co., and Wertheim & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. Inc., and White Weld & Co. (jointly); Blyth & Co. Inc., Lehman Brothers, and Bear, Stearns & Co. (jointly). **Bids**—To be received up to 11 a.m. (EST) on April 15 at 441 Stuart St., Boston 16, Mass.

New Jersey Bell Telephone Co. (3/25)
Feb. 28 filed $30,000,000 of 35-year debentures due April 1, 1993. **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**—To be received up to 11 a.m. (EST) on March 25, at Room 2315, 195 Broadway, New York, N. Y.

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.

Northwest Bancorporation (3/28)
March 6 filed 106,430 shares of new convertible preferred stock (par $100) to be offered for subscription by common stockholders of record on March 27, 1958, at the rate of one preferred share for each 16 common shares held; rights to expire on April 14. **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.

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.

Ocean Drilling & Exploration Co., New Orleans, La. (3/26)
March 6 filed 106,099 shares of cumulative preferred stock (par $50) to be offered for subscription by common stockholders of record March 25, 1958, at the rate of one preferred share for each 14 common shares held; rights to expire April 9. **Price** — To be supplied by amendment. **Proceeds**—To repay bank loans, construction of a new drilling barge, and for other general corporate purposes. **Underwriters** — Morgan Stanley & Co., New York and Reinholdt & Gardner, St. Louis, Mo.

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.

★ **Ontario (Province of), Canada (4/2)**
March 13 filed $75,000,000 of debentures, to be dated May 1, 1958, and comprised of unspecified amounts of five-year debentures due May 1, 1963 and 25-year debentures due May 1, 1983. **Price**—To be supplied by amendment. **Proceeds**—For various purposes including public service and public works; for discharging any indebtedness or obligations of Ontario; or for reimbursing the "consolidated revenue fund." **Underwriters**—Harriman Ripley & Co. Inc. and Wood, Gundy & Co., both of New York.

O. T. C. Enterprises Inc.
March 6 (letter of notification) 23,200 shares of common class B stock (par $1). **Price**—$5 per share. **Proceeds**—For completion of plant plans; land; construction and operating expenses. **Office**—2502 N. Calvert St., Baltimore 18, Md. **Underwriter**—Burnett & Co., Sparks, Md.

Pacific Petroleums Ltd., Calgary, Canada (4/2)
March 12 filed $30,000,000 of 15-year sinking fund debentures due 1973. **Price**—To be supplied by amendment. **Proceeds**—For repayment of bank loans and for general corporate purposes. **Underwriter** — Eastman Dillon, Union Securities & Co., New York.

● **Parnat Business Machines Corp. (3/21-24)**
Feb. 25 (letter of notification) 60,000 shares of common stock (par $1). **Price** — $5 per share. **Proceeds** — For working capital. **Office**—1816 Boston Rd., Bronx, N. Y. **Underwriter**—Darius Inc., New York.

★ **Pecos Valley Land Co., Carlsbad, N. Mex.**
March 13 filed 2,000,000 shares of common stock (par 10 cents), of which 300,000 shares are to be offered for sale by the company and 1,700,000 shares by the present holders thereof. **Price**—$1 per share. **Proceeds**—From sale of the 300,000 shares, to be used to pay 6% mortgage notes and interest and to pay back tax claims, and interest due on the note to Mr. Harroun. **Underwriter**—Wiles & Co., Dallas, Texas.

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.

Prairie Fibreboard Ltd.
Feb. 28 filed 210,000 shares of common stock (par $1.50) to be offered for sale to residents of Canada in the Provinces of Manitoba, Saskatchewan and Alberta and to residents of the United States "only in the State of North Dakota." **Price** — $2.50 per share. **Proceeds** — For construction purpose. **Office** — Saskatoon, Saskatchewan, Canada. **Underwriter**—Allied Securities Ltd., Saskatoon, Canada.

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.

★ **Premier Photomount, Inc., Las Vegas, Nev.**
March 11 (letter of notification) 300,000 shares of common stock. **Price**—At par ($1 per share). **Proceeds**—For land and building, equipment and working capital. **Office**—710 S. 4th St., Las Vegas, Nev. **Underwriter**—None.

★ **Production Research Corp.**
March 7 (letter of notification) 105,000 shares of capital stock (par 10 cents) to be offered to the stockholders of record March 21, 1958 at the rate of one new share for each share held; rights to expire on April 11, 1958. **Price** —$2.70 per share. **Proceeds**—To repay short-term bank loans and for working capital. **Office**—Thornwood, N. Y. **Underwriter**—None.

● **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. Statement effective March 12.

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.

Resolite Corp., Zelienople, Pa.
March 4 (letter of notification) 20,000 shares of common stock (no par) to be offered pro-rata to stockholders, then to the public. **Price**—$7.50 per share. **Proceeds** —To pay notes payable and bank loans and for working capital. **Underwriter**—None.

Richfield Oil Corp. (3-26)
March 6 filed $50,000,000 of convertible subordinated debentures, due April 15, 1983, to be offered for subscription by common stockholders of record March 25, 1958 at the rate of $100 principal amount of debentures for each eight shares held; rights to expire on April 14. **Price**—100% of principal amount (flat). **Proceeds**—For capital expenditures and other corporate purposes. **Underwriters**—Merrill Lynch, Pierce, Fenner & Smith and Blyth & Co., Inc., both of New York.

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.

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.

★ **Seagram (Joseph E.) & Sons, Inc. (4/9)**
March 18 filed $40,000,000 of 25-year debentures due April 1, 1983. **Price** — To be supplied by amendment. **Proceeds**—For working capital, and the balance for other corporate purposes, including to a large extent the completion of the new office building. **Underwriter**—Harriman Ripley & Co., Inc., New York.

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.

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.

★ **Simplex Precast Industries, Inc.**
March 10 (letter of notification) 93,500 shares of class A voting common stock (par one cent). **Price** — $1 per share. **Proceeds**—For equipment and working capital. **Office**—54 E. Penn St., Norristown, Pa. **Underwriter**—None.

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 & Smith, New York. **Offering** — Indefinitely postponed.

Southern Electric Steel Co.
Dec. 23 (letter of notification) $300,000 of 6% second mortgage serial bonds (with common stock purchase warrants). **Price**—At par (in denominations of $1,000 each). **Proceeds**—For payment of demand notes payable and working capital. **Office**—2301 Huntsville Road, Birmingham, Ala. **Underwriter**—None.

Sovereign Resources, Inc.
Nov. 19 (letter of notification) 1,500 shares of 7% cumulative preferred stock. **Price**—At par ($100 per share). **Proceeds**—For construction, payment of promissory note and working capital. **Office**—3309 Winthrop St., Fort Worth, Tex. **Underwriter**—Reilly, Hoffman & Sweeney, Inc., New York, N. Y. **Offering**—Delayed.

Stepan Chemical Co., Chicago, Ill. (3/25)
Feb. 27 filed 253,000 shares of common stock (par $1), of which 203,000 shares are to be offered publicly. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Underwriter**—White, Weld & Co., New York.

Symington-Gould Corp., Depew, N. Y.
Feb. 28 filed 593,939 shares of common stock and 263,973 warrants to be issued in exchange for the stock of the Wayne Pump Co. under merger agreement which provides for conversion of each share of capital stock of Wayne Pump into (1) 2¼ shares of common stock of the surviving corporation to be known as Symington Wayne Corp., and (2) an option to purchase an additional share at prices commencing at $10 per share. **Underwriter**—None.

Tax Exempt Bond Fund, Inc., Washington, D. C.
June 20 filed 40,000 shares of common stock. **Price**—$25 per share. **Proceeds** — For investment. **Underwriter**—Equitable Securities Corp., Nashville, Tenn. **Offering**—Held up pending passing of necessary legislation by Congress.

● **Tennessee Gas Transmission Co.**
Feb. 26 filed $30,000,000 of debentures due May 1, 1978. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for construction. **Underwriters**—Stone & Webster Securities Corp., White, Weld & Co. and Halsey, Stuart & Co., Inc., all of New York. **Offering** —Temporarily postponed.

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.

Trans-Eastern Petroleum Inc.
Feb. 27 (letter of notification) 7,500 shares of common stock (par $1) to be offered pro-rata to stockholders on the basis of one new share for 10 shares owned. **Price** —$4 per share. **Proceeds**—For drilling for oil and gas. **Office**—203 N. Main Street, Coudersport, Pa. **Underwriter**—None.

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.

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.

Uranium Corp. of America, Portland, Ore.
April 30 filed 1,250,000 shares of common stock (par 16 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.

Valley Farms, Inc., Denver, Colo.
Feb. 26 filed 32,000 shares each of class A, class B and class C preferred stock (par $25), and 32,000 shares of common stock (no par) to be offered in units of one share each of class A, B and C preferred and one share of common. **Price**—$100 per unit. **Proceeds**—To repay loan on real estate and for farm operating capital. **Underwriter**—Entro Corp., 812 Equitable Bldg., Denver 2, Colo., on a best-efforts basis.

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 Air Lines, Inc.**
March 10 (letter of notification) 1,538 shares of capital stock (par $1). **Price**—$21.50 per share. **Proceeds**—For working capital. **Office**—Los Angeles International Airport, 6060 Avion Drive, Los Angeles, Calif. **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.

Willcox & Gibbs Sewing Machine Co.
March 3 (letter of notification) 25,500 shares of common stock (par $5) to be offered for subscription by common stockholders of record March 17 on basis of one new share for each 10 shares held; rights to expire on April 7. **Price**—$7.15 per share. **Proceeds**—For general corporate purposes. **Office**—214 W. 39th St., New York, N. Y. **Underwriter**—None.

Wisconsin Electric Power Co., Milwaukee (3/31)
March 3 filed $30,000,000 of first mortgage bonds, series due 1988. **Proceeds** — For corporate purposes and construction. **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 & Smith and Equitable Securities Corp. (jointly); Lehman Brothers and Salomon Bros. & Hutzler (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Mar. 31.

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.

Prospective Offerings

American Can Co.
March 10 William C. Stolk, President, announced that the directors have approved a public offering of $30,000,000 long term debentures. **Proceeds**—To redeem $40,000,000 of outstanding debt and for working capital. **Underwriters**—Morgan Stanley & Co. and Clark Dodge & Co., both of New York. **Registration** — Expected in near future.

● **Appalachian Electric Power Co. (5/27)**
Dec. 2, 1957, it was reported 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 up to 11 a.m. (EST) on May 27.

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.

Baltimore & Ohio RR. (3/27)
Bids are expected to be received by the company on March 27 for the purchase from it of $3,435,000 equip-

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ment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc; Salomon Bros. & Hutzler.

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. (5/21)
Nov. 25, 1957, it was announced that company expects to issue and sell $22,000,000 of first mortgage bonds due 1983. **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 & Smith; Harriman Ripley & Co. Inc. and The First Boston Corp. (jointly); White, Weld & Co. **Bids**—Expected May 21.

California Electric Power Co.
March 10 it was reported company may issue and sell in 1958 about 450,000 additional shares of common stock. **Underwriter**—To be determined by competitive bidding. Probable bidders: White Weld & Co.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Carl M. Loeb, Rhoades & Co., and Bear Stearns & Co. (jointly).

Central Hudson Gas & Electric Corp.
Jan. 22 it was reported company plans to issue and sell $18,000,000 of first mortgage bonds (previous bond financing done privately). **Underwriter**—If sold at competitive bidding, probable bidders may include: Halsey, Stuart & Co. Inc.; Eastman Dillon, Union Securities & Co.; The First Boston Corp.; White, Weld & Co. and Stone & Webster Securities Corp. (jointly); Kidder, Peabody & Co. **Bids**—Tentatively scheduled to be received about the middle of May.

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 Burlington & Quincy Ry. (3/26)
Bids will be received by this company up to noon (CST) on March 26 for the purchase from it of $4,800,000 equipment trust certificates due semi-annually Oct. 1, 1958-April 1, 1973, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Chicago District Pipeline Co.
Nov. 12, 1957, 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.

Citizens & Southern National Bank of Savannah, Ga. (4/8)
March 11 it was announced stockholders of record April 8, 1958 are to be given the right to subscribe for 100,000 additional shares of capital stock at the rate of one new share for each 10 shares held. **Price** — $30 per share. **Proceeds**—To increase capital and surplus. **Underwriter**—None.

Columbus & Southern Ohio Electric Co.
Dec. 9 it was reported company plans to issue and sell about 250,000 additional shares of common stock. **Underwriters** — Dillon, Read & Co. Inc. and The Ohio Co. (jointly). Permanent financing not expected until late in 1958 or possibly early in 1959.

Commonwealth Edison Co. (4/15)
Feb. 17 it was announced company plans to issue and sell $50,000,000 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 Natural Gas Co.
Feb. 25 it was announced company plans to issue and sell $45,000,000 of sinking fund 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). **Offering**—Expected in second quarter of 1958.

★ Consumers Power Co.
Feb. 21 Dan E. Karn, President, announced that $100,-600,000 has been budgeted for expansion and improvement of service facilities during 1958. Indications are that $60,000,000 of senior securities may be involved. **Underwriter**—For any bonds, to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); The First Boston Corp. and Harriman Ripley & Co. Inc. (jointly). An offering of $35,156,700 of 4⅝% convertible debentures, offered to stockholders, was underwritten in October, 1957, by Morgan Stanley & Co.

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 & Smith and Kidder, Peabody & Co. (pointly). **Offering**—Expected in June.

Dixon Chemical Industries, Inc.
March 10 it was reported company plans to do some financing, the type of securities to be announced later. **Proceeds**—For expansion. **Underwriter**—Harriman Ripley & Co. Inc., New York

★ Douglas Aircraft Co., Inc.
On March 18 the company announced it plans to issue and sell to the public $60,000,000 of non-convertible sinking fund debentures. **Proceeds**—For working capital and other general corporate purposes. **Underwriters** — Merrill Lynch, Pierce, Fenner & Smith, and Kuhn, Loeb & Co., both of New York.

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.

★ Grace Lines Inc.
March 20 it was announced by Lewis A. Lapham, President, that the company plans to issue approximately $21,000,000 of government insured bonds secured by a first preferred ship mortgage on the new "Santa Rosa" and "Santa Paula." **Underwriters** — Merrill Lynch, Pierce, Fenner and Smith; Paine, Webber, Jackson & Curtis; Smith, Barney Co.; White, Weld & Co.; and F. Eberstadt & Co., all of New York.

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 & Smith.

Gulf States Utilities Co. (5/19)
Jan. 29 it was reported company plans to 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 & 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. **Bids** — Expected to be received on May 19.

Gulf States Utilities Co. (5/19)
Jan. 29 it was reported company plans to issue and sell 250,000 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 on May 19.

★ Hackensack Water Co.
March 12, George H. Buck, President, said that company plans to sell some $7,000,000 in new securities by the end of this year in the form of first mortgage bonds and preferred stock. Recent bond financing was made privately. In event of competitive bidding for bonds or debentures, bidders may include: Halsey, Stuart & Co. Inc.; The First Boston Corp. and White, Weld & Co. (jointly); Stone & Webster Securities Corp.; Blyth & Co., Inc.; Drexel & Co. and Dean Witter & Co. (jointly). The First Boston Corp. and White, Weld & Co. (jointly) underwrote last common stock financing. There is no preferred stock presently outstanding.

★ Hawaiian Telephone Co.
March 17 it was reported company plans to offer some additional stock (probably to stockholders). **Proceeds**—About $5,000,000, to be used for additions and improvements to property. **Underwriter**—None. **Offering**—Expected in June.

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 & Smith (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 & Smith (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.

Long Island Lighting Co.
Feb. 26 it was announced company plans to issue and sell $20,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for new construction. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); W. C. Langley & Co.; Smith, Barney & Co. **Bids**—Expected to be received early in May.

Long Island Lighting Co.
Feb. 26 it was also announced that company plans to offer to its stockholders early in May about 690,000 additional shares of common stock at the rate of one new share for each 10 shares held. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—Blyth & Co., Inc.; The First Boston Corp., and W. C. Langley & Co.

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.

★ Mercantile National Bank of Miami Beach
March 19 it was announced that the bank is offering 50,000 additional shares of capital stock (par $10) to shareholders of record March 17 on the basis of one new share for each three shares held; rights will expire at 2 p.m. on April 30. **Price**—$20 per share. **Proceeds**—To increase capital and surplus.

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.

Mountain Fuel Supply Co.
March 3 it was reported company expects to do some debt financing prior to July 1, 1958. **Proceeds**—Among other things, to repay $11,000,000 of bank loans. **Underwriter**—The First Boston Corp., New York.

National Distillers & Chemical Corp.
March 3 it was reported company is expected to issue and sell about $50,000,000 to $60,000,000 long-term securities. **Proceeds**—Will probably be used to repay bank loans and for new construction. **Underwriters**—Glore, Forgan & Co. and Harriman Ripley & Co. Inc., both of New York.

New England Power Co. (6/11)
March 3 it was announced this company, a subsidiary of New England Electric System, proposes to file $1?,000,000 principal amount of first mortgage bonds, series H, due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith; Kidder Peabody & Co. and White, Weld & Co. (jointly); Equitable Securities Corp. and Blair & Co., Inc. (jointly). **Bids**—Tentatively scheduled to be received on June 11 at 441 Stuart St., Boston 16, Mass. **Registration**—Expected early in May.

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 April 14.

New Jersey Power & Light Co.
Feb. 24 it was reported company plans to issue and sell $7,500,000 first mortgage bonds due 1988. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Lehman Brothers, and Salomon Bros. & Hutzler (jointly); Eastman Dillon, Union Securities & Co., and White Weld & Co. (jointly); The First Boston Corp.; Merrill Lynch, Pierce, Fenner & Smith; Equitable Securities Corp. **Bids**—Expected to be received between April 15 and May 15.

★ New York Telephone Co.
March 14 company sought approval of the New York Public Service Commission to issue and sell $60,000,000 of refunding mortgage bonds, together with 1,200,000 shares of common stock, par $100 (the latter to American Telephone & Telegraph Co.). **Proceeds**—To retire short-term bank borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

★ New York Telephone Co.
March 14 it was also announced company seeks approval of an issue of $70,000,000 additional refunding mortgage bonds, subject to favorable market conditions. **Proceeds**—To refund a like amount of series J 4½% bonds sold

last year. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Niagara Mohawk Power Co.
March 3 it was reported company may issue and sell $50,000,000 of mortgage bonds, probably this fall. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.

★ **Northern Indiana Public Service Co.**
March 12 it was announced company plans to spend an estimated $76,500,000 for construction in the years 1958-1959. Of this about $55,000,000 will be raised from sale of additional securities, the nature of which will be determined on conditions at time financing is undertaken.

Northern Pacific Ry. (4/15)
Bids are expected to be received by this company on April 15 for the purchase from it of about $7,600,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Northern States Power Co. (Minn.)
Jan. 13 it was reported that the company may be considering the issue and sale this Summer of about $25,000,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp. and Blyth & Co., Inc. (jointly); Merrill Lynch, Pierce, Fenner & Smith, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Lehman Brothers and Riter & Co. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly).

Oklahoma Gas & Electric Co.
Feb. 3 it was reported company plans to issue and sell $15,000,000 of bonds this year. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; The First Boston Corp.; Kuhn, Loeb & Co., Merrill Lynch, Pierce, Fenner & Smith and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. and Eastman Dillon, Union Securities & Co. (jointly).

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 $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 up to noon (EST) on April 29. **Registration**—Planned for April 3.

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. **Registration**—Expected on March 20.

Riddle Airlines, Inc.
Oct. 21 it was announced company plans to register with the SEC an issue of new common stock, the number of shares and the price at which they will be offered not yet determined. The authorized common stock has been increased from 7,500,000 to 15,000,000 shares. **Proceeds**—To finance route expansion and for working capital. **Underwriter**—James H. Price & Co., Inc., Coral Gables, Fla. and New York, N. Y., handled previous public offering of 500,000 shares of common stock at $3.25 per share in July, 1956.

Sierra Pacific Power Co. (4/16)
Jan. 27 it was also reported that the company plans to offer to its common stockholders the right to subscribe for 57,362 additional shares of common stock (probably with an oversubscription privilege). **Proceeds**—For construction program. **Underwriter**—Exemption from competitive bidding to be sought. Stone & Webster Securities Corp. and Dean Witter & Co. (jointly) were only bidders for last rights offer, which was on a competitive basis.

Sierra Pacific Power Co. (4/23)
Jan. 27 it was reported company plans to issue and sell $3,000,000 of first mortgage bonds due 1988. **Proceeds**—To repay bank loans and for construction program. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co.; Stone & Webster Securities Corp. and Dean Witter & Co. (jointly). **Bids**—Tentatively scheduled to be received on April 23. **Registration** — Planned for March 25.

● **Southern Counties Gas Co. of California (4/23)**
March 17 it was reported company plans to issue and sell $15,000,000 of first mortgage bonds due 1983. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith. **Bids** — Expected to be received on April 23.

Southern Nevada Power Co.
Dec. 3 it was announced company plans to raise in mid-1958 between $5,000,000 and $6,000,000 new capital, about two-thirds of which will be through bond financing and the balance through common stock financing. **Underwriter**—For stock, may be Hornblower & Weeks, William R. Staats & Co. and The First California Co. (jointly). For bonds, to be determined by competitive bidding. Only bidders in 1956 for $4,000,000 bonds were Halsey, Stuart & Co. Inc.; Hornblower & Weeks and William R. Staats & Co. (jointly).

Southern Pacific Co. (4/21)
Bids are expected to be received by the company on April 21 for the purchase from it of approximately $8,000,000 equipment trust certificates. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

Tel-A-Sign Inc., Chicago, Ill.
March 3, it was announced the company plans to file with the SEC a proposal to issue 180,000 shares of common stock (par 20 cents). **Price** — To be determined at time of offering. **Proceeds**—For working capital and other corporate purposes. **Underwriters**—Floyd D. Cerf Jr. Co. Inc., Chicago, Ill.; Charles Plohn & Co., New York, N. Y., and Clayton Securities Corp., Boston, Mass.

★ **Texas & Pacific Ry. (3/26)**
Bids will be received by this company up to noon (CST) on March 26 for the purchase from it of $1,900,000 equipment trust certificates due annually April 1, 1959-1968, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

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 & Smith 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. Inc.; 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.

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 Power & Light Co.**
March 17 it was announced that company plans to issue and sell $10,000,000 of first mortgage bonds. **Proceeds**—To retire bank loans and for construction program. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Smith, Barney & Co. and Robert W. Baird & Co., Inc. (jointly); Equitable Securities Corp. and Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co., Kidder, Peabody & Co. and Salomon Bros. & Hutzler (jointly); The First Boston Corp. **Offering**—Not expected until late in 1958 or early in 1959.

★ **Wisconsin Power & Light Co. (5/9-27)**
March 17 it was announced company plans to offer to its common stockholders the privilege of subscribing for 241,211 additional common shares at the rate of one new share for each 12 shares held and to preferred stockholders, subject to allotment, an issue of 30,000 shares of cumulative preferred stock (par $100). **Proceeds**—To retire bank loans and for construction program. **Underwriters**—Smith, Barney & Co. and Robert W. Baird & Co., Inc. **Offering**—Tentatively expected in May.

Wisconsin Public Service Corp.
March 4 it was announced company plans to sell about $12,500,000 of new securities in the last half of the current year. The type of securities has not yet been decided on. **Underwriter**—To be determined by competitive bidding. Probable bidders: (1) For any bonds—Halsey, Stuart & Co. Inc.; White Weld & Co.; The First Boston Corp.; Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Smith; Eastman Dillon, Union Securities & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co., and American Securities Corp. (jointly). (2) For any preferred stock—Merrill Lynch, Pierce, Fenner & Smith; Salomon Bros. & Hutzler and Eastman Dillon, Union Securities & Co., (jointly); Lehman Brothers; Kuhn, Loeb & Co. and A. C. Allyn & Co. Inc. (jointly); The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co.

Worcester Gas Light Co.
Feb. 24 it was reported company may issue and sell $5,000,000 of first mortgage bonds. **Underwriter** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Coffin & Burr, Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—Expected to be received sometime in April.

Our Reporter's Report

The new issue market developed a bit more confidence this week as buyers and sellers, not to mention underwriters bidding for competitive deals, came closer to a meeting of the minds with regard to price and yield.

All segments recognize that the basic trend of money rates is toward progressive ease. But it has been clearly demonstrated in recent weeks, that institutional investors are not likely to go whole-hog for yields offered a fortnight or so back.

Quite to the contrary they have shown that they can wait, if necessary, for what they consider a reasonable return on the capital entrusted to their care for investment. Meantime the Federal Reserve authorities have made it plain that if cheap credit will turn the economic tide, then it can be counted upon to make such credit available.

For the second time in less than a month the Board has lowered reserves which member banks are required to maintain against demand deposits. The combined effect of the two markdowns in the required reserve ratios has freed about a billion of basic credit, which, using the accepted yardstick, could provide for an additional $5.5 to $6 billion in lending power.

Now it remains to be seen whether industry, which has been inclined to take a hitch in its belt in the matter of new expansion, will be encouraged to raise its capital outlay ideas for the balance of the year. Most recent data, private and governmental, do not suggest any such action immediately.

Demand Picks Up

Market observers found evidence of decided improvement in demand although the pickup was not of a nature to suggest that prospective buyers were afraid they might miss the boat.

Rather, where the yield offered was right, new debt securities moved out quite readily. And sponsors for several of the more recent undertakings were able to report closing of the books.

This week's $20 million of Carolina Power & Light Co. 30-year first mortgage bonds, brought out to yield 4%, met ready reception. All bids for this issue specified a 4⅛% coupon and the tender of the runners up was only 10 cents per $100 bond under that of the successful bidder.

New Issue Calendar Mounts

Several industrial corporations joined the growing list of prospective borrowers during the week to assure a bit of diversification in the weeks ahead. Douglas Aircraft, for example, disclosed plans for borrowing up to $60 million for new corporate working capital and general needs.

Joseph E. Seagram & Sons was preparing to register with the Securities and Exchange Commission to cover a planned offering of $40 million of debentures early next month. The issue would be non-callable for the first five years but would have a sinking fund sufficient to retire the entire amount prior to maturity.

Meantime, Texas Eastern Transmission Corp.'s $25 million of 20-year first mortgage bonds carrying a 4⅞% rate, and priced at 99½ to yield 4.91%, appear to arouse lively interest. Naturally the maturity, along with the return offered, stood this issue in good stead.

One-a-Day Next Week

Underwriters should find next week a relatively favorable period from a standpoint of business prospects. Monday brings up for bids Florida Power & Light Co.'s $20 million of bonds.

The following day New Jersey Bell Telephone Co. opens bids for $30 million of new debentures.

Wednesday brings opening of subscriptions by Richfield Oil Corp., for its $50 million of convertible debentures. Stockholders may exercise their preemptive rights by taking down $100 of debentures for each eight shares held on March 25. Rights expire April 14.

Friday brings an offering of $10,643,000 of new preferred stock of Northwest Bancorporation.

Cruttenden, Podesta Adds

CHICAGO, Ill. — Christian H. Waidelich has been added to the staff of Cruttenden, Podesta & Co., 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was formerly with Central Republic Company.

Mutual Funds

By ROBERT R. RICH

Mutual Fund Assets Decline in February

Assets of the 144 open-end investment company members of the National Association of Investment Companies declined slightly during February, from $9,217,948,000 to $9,193,238,000, according to the Association.

Investor purchases of mutual fund shares for the month totaled $96,396,000. In January they totaled $131,605,000, the third highest monthly figure in the history of the industry. In February of 1957 investor purchases came to $105,773,000.

The value of shares turned in for redemption was lower, totaling $29,492,000 compared with $30,445,000 for January and $33,280,000 for the same month last year.

The popularity of accumulation plans for the periodic purchase of mutual fund shares continued strong. New plans opened for February, 1958, totaled 19,131 compared with 18,371 such plans opened during January and 17,109 plans started during February of last year.

Cash, U. S. Government securities and short-term corporate obligations held by the 144 open-end member companies totaled $613,355,000 at the end of February. This compared with $594,225,000 at the close of the previous month and $512,176,000 at the end of February, 1957.

Jersey Standard Most Popular Stock in College Funds

A study of prominent college endowment funds by Boston Fund reveals that Standard Oil Company of New Jersey was the most popular common stock holding based on market value as of June 30, 1957.

The survey reports that 51 out of 56 college portfolios, with total value in excess of $2.7 billion, held Standard Oil issues. Other stock holdings among the top 10 included: General Electric, Eastman Kodak, Christiana Securities, duPont (E. I.) deNemours, General Motors, Standard Oil Company of California, Gulf Oil, Aluminium Ltd. and Texas Company.

Five of these issues the Boston Fund analysis reveals, are among the common stocks held by more than 225 investment companies. Replacing General Electric, Eastman Kodak, Christiana Securities, duPont and General Motors in the investment company portfolios are: International Business Machines, Amerada Petroleum, U. S. Steel, Bethlehem Steel and Continental Oil.

These comparisons are among the facts shown in the comprehensive 31-page Boston Fund study of 63 college endowments with aggregate funds of more than $3 billion.

"We are happy to publish the results of our research in this interesting field," said Henry T. Vance, President of the $142 million investment company. "Since Boston Fund follows much the same concept of balanced investing as many college endowment, trust and other institutional funds, our management is constantly at work obtaining data on institutional investing developments."

The new Boston Fund survey includes college endowments ranging in size from $3.7 million for Bates College to Harvard's $500.9 million fund. Among the larger endowments are those of Yale, M. I. T., U. of Chicago, Northwestern, U. of Rochester, Mount Holyoke, Princeton, and Cornell.

The study shows that 54.8% of the total valuation of $3,028,210,963 is invested in common stocks. Bonds and cash make up 31.4% of the total, preferred stocks 4.1%, real estate and mortgages 6.8%, and other forms of investment 2.9%.

A breakdown of the common stock holdings of 13 of these institutions, with endowments totaling more than $1 billion, reveals that the bulk of their holdings were in industrials and utilities with Standard Oil Co. (N. J.) and Commonwealth Edison Co. heading the list. Other stocks appearing most frequently in these portfolios were: First National City Bank of New York, Insurance Company of North America and Union Pacific Railroad.

The Boston Fund study also includes a tabulation on the diversification of investments for each of the 63 endowment funds covered in the survey, with comparisons at the end of the previous year, where available. Other schedules include assets and income for 44 endowments, a summary of principal and income, and a summary of yield statistics.

Outlay for Missiles Show 200% Increase

According to Herbert R. Anderson, President of Group Securities, $100,000,000 mutual fund, Armed Forces procurement projections for 1957-1959 show a 200% jump for missiles to $3.8 billion. He stated that this projection demonstrates how scientific breakthroughs and technologial advances make the aircraft-missile industry a prime growth area.

Mr. Anderson points out that Aviation Shares of Group Securities is the only mutual fund concentrating its investments in the aircraft-missile industry. In addition, he continued, the development of missiles has been quietly proceeding for some years and nearly 70% of the assets of Aviation Shares are already invested in the common stocks of leading companies in this field.

The President remarked that the extreme risk of trying to select just one or two stocks that will remain in the forefront of the "space age" can be eliminated by investing in a mutual fund which specializes in the aircraft-missile industry. Thus, an investment receives continuous review by an investment research organization with broad management experience.

Commenting further, Mr. Anderson said, "Although billions have already gone to develop applications of aerodynamics to national defense, our continuing efforts will require billions more. Whether piloted by men or controlled by electronic devices the greatest portion of our defense dollars will be spent on 'things that fly.' "

Henry Vance Warns Men To Plan Early for Retirement

Are you between 40 and 55 years of age? If so, the time is here for you to do some hard thinking about your financial needs for your retirement years, says Henry T. Vance, President of Boston Fund, one of the largest mutual funds in the U. S.

That old age is considered to be a major social problem in the U. S. is underscored by these startling facts:

Thirteen out of 18 people who are now 40 years of age will live beyond age 65.

Only one out of 13 is financially independent after reaching age 65.

Americans are reaching retirement age at the rate of 3,300 a day.

Only 7% of all people more than 65 years of age have incomes of more than $5,000.

Today about three-fourths of the people in the U. S. who are more than 65 years old either have no income or receive less than $1,000 a year.

"Some 15 million Americans are now between the ages of 40 and 55," Mr. Vance reports. "Now is the time for them to be thinking of their retirement days. The American businessman deserves a far better break than he is giving himself in this respect."

"Certainly, progressive steps have been taken to meet the problem of old age in the lower income areas through Social Security," he asserted. "While these contributions are most noteworthy, they have not completely solved the problem."

Successful financial preparation for retirement, he points out, is achieved only through the same aggressive approach and keen foresight that executives, professional men, and merchants use in conducting their own business affairs.

"Preparing for one's retirement is an individual job," Mr. Vance explained, "as each of us has a different view and desire in regard to financial needs. The important thing is to develop a productive program and to stay with it."

The retirement program, he said, should take into account these basic economic factors: The purchasing power of the dollar has been declining during the past 50 years, steadily eating away the value of fixed-dollar savings. During the same period, American industry has shown a substantial rise, providing opportunities for productive investment in leading business corporations.

Money invested in U. S. industry is done so at the risk of loss of value in periods of recession, Mr. Vance explained. Business and stock prices fluctuate, but their long-range trend has been consistently upward, and, of course, retirement planning is achieved over a long pull, he added.

Mr. Vance offers these suggestions as a guide to help build the money you will need for retirement:

(1) Measure your needs. Only you can determine what your requirements will be when you reach retirement age.

(2) Outline a program of insurance and investments that is tailored to meet your retirement needs.

(3) Set aside as much of your net income as necessary to give reasonable assurance that your retirement objectives will be met. You also should set up an adequate cash reserve to take care of emergencies.

(4) Your plan should include a fair proportion of equities to protect your dollar against inflationary forces.

(5) Finally, and of most importance in any program of investing, an individual should seek professional advice.

"Based on many years of association with mutual funds, I am convinced that most people would be well advised to look into this type of investment as a practical and convenient means of setting up a plan to reach their retirement goals," Mr. Vance said. "Mutual funds offer broad diversification and professional management."

He noted that some 1.5 million persons hold more than three million shareholder accounts in investment companies valued at more than $9 billion. "Many of these persons use mutual fund shares as vital parts of their future financial plans," he said. "In fact, a study has revealed that the objectives of more than two-thirds of the shareholders of Boston Fund is to build up capital for future use."

The outlay for one's plan, he asserted, should be considered in the same manner that a businessman treats operating expenses. It is a necessary expenditure and not one to be put off.

Mr. Vance offers this advice to the man looking ahead to his retirement days: "Pay yourself first out of your weekly earnings for you alone will provide for your retirement income."

Boston Income Fund

The annual report of The Income Fund of Boston for the year ended Jan. 31, 1958 disclosed that total net assets rose from $12,536,622 to $16,929,784.

During the year, investors bought $8,224,069 in new shares while redemptions totaled $699,067. Gross income amounted to $1,139,345 while net income, after $119,772 of expenses and $74,747 in bank interest, totaled $944,826.

During the year the share value declined from $8.77 on Jan. 31, 1957 to $7.12 on Jan. 31, 1958 if a paid-out securities profit of 37 cents is included. Total income dividends amounted to 49.7 cents a share for the year.

Gas Fund Dividend

James H. Orr, President of Gas Industries Fund, Inc., announces that the directors of the fund will meet on March 31 to declare a security profits distribution. The exact amount of the distribution has not yet been determined, but it is expected to be approximately 29 cents per share. The distribution will be paid April 29 to shareholders of record March 31. The directors also declared a dividend from investment income of 9 cents per share, payable on March 31 to shareholders of record March 14. This brings the current year's income dividend total to 37 cents per share compared to 36 cents for the preceding fiscal year. The Gas Industries Fund's share net asset value on

March 13 was $11.72 as compared with $10.77 at the close of the previous quarter.

Selected American Reports Assets Gain

Edward P. Rubin, President, announced that Selected American Shares had total net assets at Mar. 15, 1958 of $64,494,382 equal to $7.72 a share (or $8.00 a share, adjusting for reinvestment of the January 1958 capital gain distribution). This compares with total net assets of $62,428,005 or $8.49 a share at March 15, 1957. Shares outstanding at March 15, 1958 were 8,351,397 compared with 7,346,318 on March 15, 1957.

Chemical Fund, Inc. Reports Sh. Value And Assets Gain

It was announced that total net assets of Chemical Fund, Inc. on March 11, 1958 were $144,439,258, equal to $15.70 per share, compared with $130,852,777, equal to $15.45 per share a year ago.

Chemical Fund, Inc., a mutual fund founded by F. Eberstadt & Co. in 1938, diversifies its investments over a wide range of companies in various industries whose growth is based on chemical research and development.

Texas Fund Report

The Texas Fund in its report to shareholders for the period ended Feb. 28, 1958 shows a decrease in net assets of $27,961,354 (including undistributed net income of $150,551) from the Aug. 31, 1957 total of $29,704,093 (including undistributed net income of $160,006). Net asset value per share on Feb. 28, 1958 was $7.43 as against $8.01 per share for Aug. 31, 1957.

Over-The-Counter

On Feb. 28, 1958, Over-the-Counter Securities Fund, Inc. reported a net asset value of $3.36 a share. This compares with an asset value of $3.37 a share on Feb. 28, 1957. Total assets of the fund, the only mutual fund devoted exclusively to investments in over-the-counter securities, stood at $140,703 on Feb. 28, 1958. This figure is 22% ahead of the net assets of $115,500 reported on Feb. 28, 1957.

Personal Progress

Vice Adm. E. Dorsey Foster (U.S.N., ret.), Vice-President and General Manager of RCA's Electronic Data Processing Division, was elected a director of Delaware Income Fund in annual meeting on Tuesday.

The new board member first joined RCA in 1951 as director of mobilization planning following his retirement from the Navy. A year later, he was appointed Vice-President and director of planning, a post which he held until 1957 when he assumed his present position.

Admiral Foster launched his Naval career with the Supply Corps during World War I. He was commissioned a Vice Admiral in 1949 and at the time of his retirement was Chief of Naval Material. Prior to that, he served as Chief of the Bureau of Supplies and Accounts.

The new Delaware Income Fund director is a graduate of Princeton University, Harvard School of Business Administration and the Army Industrial College. His election to the fund's directorate brings the total number of board members to eight.

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The Security I Like Best

Authority this system which we understand is the only completely matched and compatible radiating system is adaptable to all commercial and military aircraft. Acquisition of the Cado Division of Electromation, Inc. of Santa Monica, Calif., in October, 1957, will enable the company to supply integrated systems to handle more effectively tactical air navigation and airport traffic control.

The company's products, engineered to withstand excessive heat, shock and vibration required in sonic and supersonic aircraft and missiles, are also designed to be especially small in size and light in weight. Among the broadening line of proprietary products are some 50 items, such as emergency flashers, protective sensors, miniature relays, missile timers, armament controls, remote control switches, rocket and camera intervalometers, voltage regulators for bombing—navigation systems, jet engine fuel controls, missile power supplies and timers for other purposes. While the equipment is being designed primarily for application to the aviation industry ultimate utilization for automation and industrial controls is visualized. Moreover, in view of the company's specialization in such fields where substantial contributions can be made without excessive competition tremendous future growth appears likely. Sales are made to producers of air frames and guided missiles and no subcontracting work is performed. Many products, which have become standard equipment on airplanes and missiles, are engineered and developed before purchase orders have been awarded and are subsequently adapted to the buyers' performance requirements. It is interesting to note that some of the company's equipment is often needed as an emergency item by large prime contractors after big electronics systems have been designed and built. Because of the exceptionally high regard for the engineering staff of **Electronic Specialty** such outstanding organizations as General Electric, IBM, Douglas Aircraft, the Convair Division of General Dynamics, North American Aviation, Martin Company and Republic Aviation are consulting the company on their problems in development of new airborne electronics equipment.

Electronic Specialty's plant at Los Angeles, Calif., maintains modern research and product development laboratories where an experienced staff of 65 electronic engineers and scientists is constantly testing and improving products for application to practically every military and commercial aircraft and guided missiles. Most component parts are bought from outside sources and are assembled and tested on the company's premises. The large research and development budget called for an outlay of $550,000 or 12% of projected sales for the fiscal year ending March 31, 1958. In view of the intensive growth indicated over the next few years further increases of research expenditures are anticipated.

During the past nine years **Electronic Specialty** under the dynamic leadership of its highly regarded President, Mr. William H. Burgess, has built up its rapidly increasing business from a company which as a "war baby" with no market for its military products was on the verge of bankruptcy to one of the top 10% West Coast airborne electronics equipment manufacturers. When Mr. Burgess took over the presidency in 1949 the company's only important product was an electronic inverter known as Shavex, designed to increase the speed and efficiency of electric shavers. This attachment which converts ordinary household alternating current to direct current to improve operation of electric shavers was gradually improved and developed into a highly profitable product with world-wide distribution. In 1956 **Electronic Specialty** sold the Shavex Division and also its Electromec subsidiary, producer of industrial and commercial electronic instruments, for a total capital gain of $114,000 and an addition of about $400,000 to working capital. Furthermore, a public sale of 100,000 common shares at $3 per share in 1955 aided greatly in strengthening the financial position. The company's sales and earnings have increased from $173,000 and $11,000 or three cents per share respectively for the fiscal year, ended Aug. 31, 1950 to estimated sales of $4,700,000 for the fiscal year, ending March 31, 1958 and net income is expected around $335,000 or 90 cents per share. This compares with sales of $3,294,000 for fiscal 1957 and operating earnings of $242,000 or 67 cents per share after a non-recurring capital gain of $114,000 or 32 cents per share. The company's dynamic management is hopeful that sales will at least double by 1960. In order to properly finance this tremendous expansion an open credit of $500,000 is available. Unfilled orders on Dec. 31, 1957 were $2,700,000. Since the company's spectacular growth has been due to very large research expenditures and constant reinvestment of earnings in the development of new and improved products no cash dividends have ever been paid and none are anticipated for some time. However, payment of a small stock dividend in the future appears possible.

Electronic Specialty is in sound financial and working capital position with current assets of $1,663,000 on Dec. 31, 1957, including cash and equivalent of $484,000, compared with $698,000 current liabilities. The capitalization consists solely of 370,820 shares of which the excellent management owns 237,000 common shares or about 65%.

The outlook for the coming years appears very promising particularly since the management's policy of concentrating its highly specialized activties in such fields where substantial contribution can be made without severe competition foreshadows tremendous future growth. While present electronics equipment is primarily designed for adaptation by aircraft and guided missile producers ultimate utilization for automation and industrial controls is anticipated. In time possible acquisition of one or several suppliers of allied instruments, presently in the discussion stage, may well double sales volume and further increase net income greatly. The common shares, traded in the Over-the-Counter Market around 12½ and selling at a lower price-earnings ratio than those of most comparable growth electronics companies, are regarded as an interesting low priced speculation for good capital gain.

Coast Exch. Member

SAN FRANCISCO, Calif. — George W. Davis, Davis, Skaggs & Co., Vice-Chairman of the Pacific Coast Stock Exchange, announced the election of David S. Tucker to membership in the San Francisco Division of the Exchange effective March 15, 1958.

Mr. Tucker is the President of McAndrew & Co., Incorporated, Russ Building.

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Milksocialism Has Upset The Stock Market's Function

which is plentiful) as reflected in the high interest rates, caught up with the expanding business and forced the liquidation of marketable investments, thus starting the chain reaction that turned into a nosedive.

Once again: The market went **down** because business was **good.**

What next? Presumably, the same old story all over again. We have gotten ourselves unnecessarily into another recession, through a shortage of capital which, by now, has become chronic, and for which we can thank Milksocialism. Obviously business will slow down the pace of expansion and pump less money out of the capital market. Frozen inventories will thaw into cash and some capital will flow again into the stock market. Thus, while a few million people lose their jobs and get into debt, a few million others will have an opportunity to make some extra dollars to be graciously shared with the revenue collector at the end of the year.

Is this going to be the pattern from now on? A few years of prosperity with poor market performance, followed by a short-lived recession with a booming market?

The answer to this one is not easy. There seems to be little doubt however, that for the next few months, at least half of 1958 and probably somewhat further, events will follow the established pattern, viz., business recession hand in hand with rising markets. The bond market is already pacing the way. But whether the pattern will go on indefinitely, well, that is doubtful. At the bottom of the whole trouble is, as before said, the shortage of capital. This shortage of capital is cumulative, it grows more acute as the years go by and the economy expands. This tends to make the cycle of prosperity and recession of **shorter duration.** It took almost four years, from 1950 to the end of 1953 before the shortage of capital hamstrung the business prosperity and caused a recession, but it took only a little over two years for the same strangulation to occur from middle 1955 to middle 1957.

The national economy is growing larger, but the capital formation does not grow at the same rate. It is reasonable to assume, therefore, that the present forced lull in business expansion will not last two long, probably less than one year, but it is also reasonable to assume that the lull will not permit enough accumulation of fresh capital to sustain for long the following period of prosperity. The latter would be, therefore, also short lived because of malnutrition. It would probably be characterized by commercial loans at 7 or 8%, if we judge by the fact that every period of prosperity, in the recent past, has culminated with higher interest rates than the previous one.

Government Reaction

It is possible then that the pattern would end right there having finally reached the end of the rope. What turn the crisis of the Milksocialist system will force upon the economy from there on, may then depend mainly on government action. Should the government resort to the easy path of artificial easy money policy, inflation would be the result and a short period of false prosperity would be followed by acute depression. Should instead the present conservative money policy prevail, we may experience a new paradoxical condition, something we could call a "limited prosperity" or "prosperous depression" consisting of high prices, high wages, high standard of living and . . . sizable growing unemployment. That is, an economy which, while on a high plateau, still would have not enough capital to exploit the national resources in full. All this, of course, accompanied by an accelerated trend towards concentration of business, (**stampede** would probably be a better word) through mergers, acquisitions and consolidations, for it is proved already that the surest way to get some capital for business is from **within.**

If the term "prosperous depression" **sounds** nonsensical, that **is** only because **it is** nonsensical. But what else can you expect? We have created the economic nonsense of the Century, Milksocialism, and its consequences cannot be anything else but economic aberrations. After all, it must be clear to every sober brain that neither Capitalism nor Socialism can ignore Capital. Milksocialism does just that. The trouble with it is that it cannot do it with impunity.

Putting aside the crystal ball to go back to the immediate future and to the stock market we can summarize our analysis by concluding that the shortage of capital created by 15 years of Milksocialism has upset the function of the stock market and has turned it into a sort of reservior where capital flows in when not needed by business and is later pumped out when needed again. The current recession will most likely cause an influx of capital into the stock market, with a consequent upwards trend of prices, which will last, approximately, as long as the recession lasts.

In the meantime we will go on arming to the teeth to protect our socialist way of living against the Russian **socialist** way of living. Their way is brutal and ours does not make sense.

Something worth fighting for.

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. 23	§52.4	*54.2	50.9	93.5
Equivalent to— Steel ingots and castings (net tons)	Mar. 23	§1,415,000	*1,463,000	1,373,000	2,392,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Mar. 7	6,327,735	6,841,285	6,858,285	7,812,965
Crude runs to stills—daily average (bbls.)	Mar. 7	¶7,488,000	7,560,000	7,325,000	8,076,000
Gasoline output (bbls.)	Mar. 7	25,294,000	*26,429,000	26,047,000	26,667,000
Kerosene output (bbls.)	Mar. 7	2,896,000	2,775,000	2,587,000	2,431,000
Distillate fuel oil output (bbls.)	Mar. 7	12,136,000	12,155,000	12,045,000	13,328,000
Residual fuel oil output (bbls.)	Mar. 7	8,001,000	7,520,000	7,431,000	8,578,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Mar. 7	215,409,000	215,191,000	208,043,000	205,782,000
Kerosene (bbls.) at	Mar. 7	17,622,000	17,167,000	21,580,000	20,711,000
Distillate fuel oil (bbls.) at	Mar. 7	84,018,000	88,638,000	117,552,000	83,331,000
Residual fuel oil (bbls.) at	Mar. 7	54,803,000	54,208,000	57,627,000	36,383,000
ASSOCIATION OF AMERICAN RAILROADS					
Revenue freight loaded (number of cars)	Mar. 8	544,173	553,645	532,289	672,363
Revenue freight received from connections (no. of cars)	Mar. 8	550,095	538,353	526,857	642,475
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Mar. 13	$313,098,000	$365,141,000	$208,683,000	$412,284,000
Private construction	Mar. 13	120,897,000	168,294,000	97,918,000	174,847,000
Public construction	Mar. 13	192,201,000	196,847,000	110,765,000	237,437,000
State and municipal	Mar. 13	153,761,000	161,972,000	83,929,000	149,950,000
Federal	Mar. 13	38,440,000	34,875,000	26,836,000	87,487,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Mar. 8	8,100,000	*8,310,000	7,460,000	9,709,000
Pennsylvania anthracite (tons)	Mar. 8	417,000	571,000	513,000	444,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	Mar. 8	105	100	93	98
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Mar. 15	11,860,000	11,793,000	12,417,000	11,650,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Mar. 13	336	358	319	301
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Mar. 11	5.967c	5.967c	5.967c	5.670c
Pig iron (per gross ton)	Mar. 11	$66.49	$66.49	$66.42	$64.68
Scrap steel (per gross ton)	Mar. 11	$37.33	$37.67	$37.33	$49.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Mar. 12	23.825c	24.425c	24.500c	36.575c
Export refinery at	Mar. 12	20.475c	20.350c	19.575c	29.700c
Lead (New York) at	Mar. 12	13.000c	13.000c	13.000c	16.000c
Lead (St. Louis) at	Mar. 12	12.800c	12.800c	12.800c	15.800c
‡Zinc (delivered) at	Mar. 12	10.500c	10.500c	10.500c	14.000c
Zinc (East St. Louis) at	Mar. 12	10.000c	10.000c	10.000c	13.500c
Aluminum (primary pig, 99%) at	Mar. 12	26.000c	26.000c	26.000c	25.000c
Straits tin (New York) at	Mar. 12	95.125c	95.125c	92.750c	99.125c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Mar. 18	94.48	94.34	94.48	90.63
Average corporate	Mar. 18	95.62	95.62	96.07	96.54
Aaa	Mar. 18	102.13	102.13	102.80	101.31
Aa	Mar. 18	99.52	99.52	99.84	99.20
A	Mar. 18	95.16	95.16	96.23	96.69
Baa	Mar. 18	86.51	86.51	86.78	89.78
Railroad Group	Mar. 18	91.62	91.62	92.06	95.47
Public Utilities Group	Mar. 18	96.85	96.85	98.25	96.69
Industrials Group	Mar. 18	98.25	98.25	98.41	97.62
MOODY'S BOND YIELD DAILY AVERAGES:					
U S Government Bonds	Mar. 18	2.97	2.98	2.97	3.29
Average corporate	Mar. 18	4.03	4.03	4.00	3.97
Aaa	Mar. 18	3.62	3.62	3.58	3.67
Aa	Mar. 18	3.78	3.78	3.76	3.80
A	Mar. 18	4.06	4.06	3.99	3.96
Baa	Mar. 18	4.67	4.67	4.65	4.43
Railroad Group	Mar. 18	4.30	4.30	4.27	4.04
Public Utilities Group	Mar. 18	3.95	3.95	3.86	3.96
Industrials Group	Mar. 18	3.86	3.86	3.85	3.90
MOODY'S COMMODITY INDEX	Mar. 18	400.0	397.0	399.8	411.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Mar. 8	321,182	289,414	309,914	302,893
Production (tons)	Mar. 8	265,719	264,351	251,516	280,314
Percentage of activity	Mar. 8	87	86	83	95
Unfilled orders (tons) at end of period	Mar. 8	418,353	362,954	395,797	478,942
OIL, PAINT AND DRUG REPORTER PRICE INDEX— 1949 AVERAGE = 100	Mar. 14	109.79	109.47	108.67	110.77
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS:					
Transactions of specialists in stocks in which registered—					
Total purchases	Feb. 22	1,098,570	1,309,780	1,478,680	960,260
Short sales	Feb. 22	259,680	267,830	311,060	197,360
Other sales	Feb. 22	897,000	1,008,250	1,096,820	829,220
Total sales	Feb. 22	1,156,680	1,276,080	1,407,880	1,026,580
Other transactions initiated on the floor—					
Total purchases	Feb. 22	283,000	316,420	395,200	163,000
Short sales	Feb. 22	60,000	49,600	48,800	46,400
Other sales	Feb. 22	282,420	275,860	282,650	213,930
Total sales	Feb. 22	342,420	325,460	331,450	260,330
Other transactions initiated off the floor—					
Total purchases	Feb. 22	440,030	427,380	600,435	297,654
Short sales	Feb. 22	122,900	92,960	175,250	84,550
Other sales	Feb. 22	506,256	507,090	605,928	376,445
Total sales	Feb. 22	629,156	600,050	781,178	460,995
Total round-lot transactions for account of members—					
Total purchases	Feb. 22	1,821,600	2,053,580	2,474,315	1,420,914
Short sales	Feb. 22	442,580	410,390	535,110	328,310
Other sales	Feb. 22	1,685,676	1,791,200	1,985,398	1,419,595
Total sales	Feb. 22	2,128,256	2,201,590	2,520,508	1,747,905
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. 22	989,612	1,068,724	1,209,909	933,017
Dollar value	Feb. 22	$42,744,976	$47,003,911	$50,423,753	$42,531,243
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	Feb. 22	840,783	928,044	917,854	676,863
Customers' short sales	Feb. 22	24,098	24,192	21,818	6,769
Customers' other sales	Feb. 22	816,685	903,852	896,036	630,094
Dollar value	Feb. 22	$36,482,829	$41,292,892	$40,658,571	$31,762,434
Round-lot sales by dealers—	Feb. 22	248,180	276,190	249,570	153,910
Number of shares—Total sales	Feb. 22				
Short sales	Feb. 22	248,180	276,190	249,570	153,910
Other sales					
Round-lot purchases by dealers—					
Number of shares	Feb. 22	386,360	412,030	542,870	384,130
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. 22	784,570	740,730	956,310	436,750
Other sales	Feb. 22	8,935,380	9,771,580	11,296,480	7,057,470
Total sales	Feb. 22	9,719,950	10,512,310	12,252,790	7,494,220
WHOLESALE PRICES, NEW SERIES — U. S. DEPT OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Mar. 11	119.6	119.4	118.8	116.9
Farm products	Mar. 11	100.1	99.0	95.4	88.9
Processed foods	Mar. 11	109.8	*109.6	108.9	103.9
Meats	Mar. 11	104.6	*103.7	100.6	83.9
All commodities other than farm and foods	Mar. 11	125.9	125.8	125.8	125.3

*Revised figure. ¶Includes 946,000 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
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of February (in millions):			
Total new construction	$3,077	$3,270	$3,007
Private construction	2,262	2,364	2,226
Residential buildings (nonfarm)	1,065	1,131	1,043
New dwelling units	805	865	790
Additions and alterations	212	217	217
Nonhousekeeping	48	49	36
Nonresidential buildings	675	704	704
Industrial	231	240	270
Commercial	254	267	257
Office buildings and warehouses	155	161	135
Stores, restaurants, and garages	99	106	122
Other nonresidential buildings	190	197	177
Religious	64	66	65
Educational	40	42	41
Hospital and institutional	47	47	34
Social and recreational	25	25	23
Miscellaneous	14	15	14
Farm construction	105	101	102
Public utilities	407	416	365
Railroad	28	31	31
Telephone and telegraph	74	74	86
Other public utilities	305	311	248
All other private	10	12	12
Public construction	815	906	781
Residential buildings	58	58	31
Nonresidential buildings	306	338	302
Industrial	26	30	37
Educational	201	225	191
Hospital and institutional	22	22	23
Administrative and service	27	30	27
Other nonresidential buildings	30	31	24
Military facilities	70	80	80
Highways	205	235	195
Sewer and water systems	88	96	93
Sewer	52	58	53
Water	36	38	40
Public Service enterprises	23	26	21
Conservation and development	59	65	53
All other public	6	8	6
BUSINESS INVENTORIES — DEPT. OF COMMERCE NEW SERIES—Month of December (Millions of dollars):			
Manufacturing	$53,600	*$53,900	$52,300
Wholesale	12,700	12,800	13,000
Retail	24,500	24,300	23,900
Total	$90,800	*$91,000	$89,100
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD — Month of February (000's omitted):			
Total U. S. construction	$1,174,791	$1,258,813	$1,436,044
Private construction	613,080	521,201	795,249
Public construction	561,711	737,612	640,795
State and municipal	524,460	611,278	473,896
Federal	137,251	126,334	166,899
COTTON AND LINTERS — DEPT. OF COMMERCE — RUNNING BALES:			
Consumed month of January	799,800	571,287	842,452
In consuming establishment as of Feb. 1	1,722,125	1,591,360	1,634,774
In public storage as of Feb. 1	12,182,132	12,580,025	15,206,597
Linters—Consumed month of January	99,026	100,208	128,414
Stocks Feb. 1	918,728	876,200	991,771
Cotton spindles active as of Feb. 1	17,950,000	18,144,000	18,725,000
LIFE INSURANCE PURCHASES — INSTITUTE OF LIFE INSURANCE—Month of December (000,000's omitted):			
Ordinary	$4,164	$3,823	$3,846
Industrial	454	465	556
Group	2,109	1,181	2,736
Total	$6,727	$5,469	$7,138
METAL PRICES (E. & M. J. QUOTATIONS)— February:			
Copper—			
Domestic refinery (per pound)	24.397c	25.114c	32.576c
Export refinery (per pound)	20.079c	21.253c	30.553c
††London, prompt (per long ton)	£162,888	£171,369	£245,556
††Three months, London (per long ton)	£164,144	£174,023	£244,100
Lead—			
Common, New York (per pound)	13.000c	13.000c	16.000c
Common, East St. Louis (per pound)	12.800c	12.800c	15.800c
††Prompt, London (per long ton)	£74,178	£72,168	£113,150
††Three months, London (per long ton)	£74,025	£72,545	£112,344
Zinc (per pound)—East St. Louis	10.000c	10.000c	13.500c
§§Zinc, Prime Western, delivered (per pound)	10.500c	10.500c	14.000c
††Zinc, London, prompt (per long ton)	£63.856	£62.568	£99.444
††Zinc, London, three months, (per long ton)	£63.547	£62.179	£96.850
Silver and Sterling Exchange—			
Silver, New York (per ounce)	88.625c	89.449c	91.375c
Silver, London (per ounce)	76.375d	76.847d	79.888d
Sterling Exchange (check)	$2.81572	$2.81322	$2.79606
Tin, New York Straits	93.710c	92.692c	100.506c
Gold (per ounce, U. S. price)	$35.000	$35.000	$35.000
Quicksilver (per flask of 76 pounds)	$221.864	$220.692	$255.000
‖Antimony, New York boxed	34.408c	36.590c	36.590c
Antimony (per pound), bulk Laredo	30.818c	33.000c	33.000c
Antimony (per pound), boxed Laredo	31.318c	33.500c	33.500c
Platinum, refined (per ounce)	$74.818	$77.000	$98.000
†Cadmium, refined (per pound)	$1.55000	$1.55000	$1.70000
‡Cadmium (per pound)	$1.55000	$1.55000	$1.70000
§Cadmium (per pound)	$1.55000	$1.55000	$1.70000
Cobalt, 97% grade	$2.00000	$2.00000	$2.00000
Aluminum, 99% grade ingot weighted average (per pound)	28.100c	28.100c	27.100c
Aluminum, 99% grade primary pig	26.000c	26.000c	25.000c
Magnesium ingot (per pound)	35.250c	35.250c	35.250c
**Nickel	74.000c	74.000c	74.000c
Bismuth (per pound)	$2.25	$2.25	$2.25
REAL ESTATE FINANCING IN NON-FARM AREAS OF U. S.—HOME LOAN BANK BOARD—Month of Dec. (000's omitted):			
Savings and loan associations	$665,816	$686,033	$659,895
Insurance companies	124,674	117,362	137,622
Banks and trust companies	325,019	333,134	365,589
Mutual savings banks	112,507	117,387	146,461
Individuals	260,132	271,032	270,588
Miscellaneous lending institutions	362,853	352,228	368,716
Total	$1,851,001	$1,877,176	$1,950,871
UNITED STATES EXPORTS AND IMPORTS BUREAU OF CENSUS — Month of Dec. (000's omitted):			
Exports	$1,638,600	$1,681,000	$2,002,500
Imports	1,141,100	*1,043,200	1,069,200
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of Feb. 28	$274,781,548	$274,655,790	$276,377,955
General funds balances	4,393,554	3,505,103	3,849,243
Net debt	$270,387,994	$271,150,687	$272,528,712
Computed annual rate	2.778%	2.860%	2.719%

*Revised figure. †Based on the producers' quotation. ‡Based on the average of the producers' and platers' quotations. §Average of quotation on special shares to plater. ‖Domestic five tons or more but less than carload lot boxed. §§Delivered where freight from East St. Louis exceeds 0.5c. **F.o.b. Fort Colburne, U. S. duty included. ††Average of daily mean and bid and ask quotation at morning session of London Metal Exchange.

Business Man's Bookshelf

American Labor Movement: A Brief History — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.—35c.

British Government Publications January 1958—List of publications—British Information Services, 45 Rockefeller Plaza, New York 20, N. Y. (paper) 45 cents per year.

Current Economic Comment — With articles on "Wages, Prices, and Employment"; "Voluntary Credit Restraint Program"; "Benchmarks of Bank Mergers"; "Reconsideration of the Tableau Economique"; "Federal Agencies and the Creation of Gross National Product"; etc. — Bureau of Economic and Business Research, 205 David Kinley Hall, Urbana, Illinois (paper); published quarterly (available on request).

Detection of Auditory Malingering —J. E. Fornier—Beltone Institute for Hearing Research, 2900 West 36th Street, Chicago, Ill. (paper) on request.

Economic News Service March 1958 — Economic developments in Czechoslovakia—Chamber of Commerce of Czechoslovakia, 13, ul. 28, Rijna, Praha 1, Szechoslovakia.

Editing The Small Magazine — Rowena Ferguson — Columbia University Press, 2960 Broadway, New York 27, N. Y.—$4.50.

Eighty Puerto Rican Families in New York City: Health & Disease Studied in Context—Beatrice Bishop Berle—Columbia University Press, 2960 Broadway, New York 27, N. Y.—$4.50.

Executive Management of Personnel—Edward Schleh—Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y. (cloth) $5.65.

Federal Government's Interest in Health, Welfare and Pension Plans — U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y. (on request).

Financial Aspects of Pension Plans —New York University 10th Annual Conference on Labor—Matthew Bender & Co., Albany 1, N. Y.—$11.50.

Florida Business Handbook—Allen Morris—Florida Power & Light Co., Miami, Fla. (paper).

Freeman—Monthly magazine containing articles on "Lo, the Poor Taxpaper"; Imprisoned I deas"; "Candlemakers' Petition"; "Freedom Rests on Private Property"; "Death of a Colony"; "Psychology of Leadership"; etc. —The Freman, Irvington, N. Y. —50c.

Future Supply of Oil and Gas— Bruce C. Netschert—The Johns Hopkins Press, Homewood, Baltimore 18, Md. (cloth) $3.00.

How To Be Your Own Economist —First three of a series: "New Economics of Measured World"; "Our Depressions are Getting Smaller"; "What to do for the Recession of 1958":—Arthur R. Upgren — Macalester College, St. Paul 1, Minn. (on request).

How to Send Your Child to College—Group Five Savings Banks Association, 1 Hanson Place, Brooklyn 17, N. Y. (paper).

Industrial Relations — Bibliography of outstanding books in 1957 —Selected References, Industrial Relations Section, Princeton University, Princeton, N. J. (paper) 30 cents.

Japan's Finance and Taxation 1940-1956 — Saburo Shiomi— Columbia University Press, 2960 Broadway, New York 27, N. Y. —$6.00.

Journal of the Institute of Bankers, February 1958 (containing articles on Experiences and Achievements of the European Coal and Steel Community; Finance for Overseas Trade; Problems of Financing Medium-Term Credit for Exports of Capital Goods; etc.—Institute of Bankers, Lombard Street, London E. C. 3, England — 1£ 5s per year.

Labor Force Projections to 1975 —U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y. (on request).

Leadership: A Frame of Reference —Robert Tannenbaum and Fred Massarik — Institute of Industrial Relations, University of California, Los Angeles 24, Calif. (paper), 20c.

Magazine of Magnesium, February 1958, containing articles on "Is Radiation Safety a Consideration in Working Magnesium-Thorium Alloys"; "Notes on Boron Design and Fabrication"; "Facts About the Scientific Earth Satellite Program"; etc. —Brooks & Perkins, Incorporated, 1950 West Fort Street, Detroit 16, Mich.

Management and Policy Aspects of Welfare and Pension Plans— New York University 9th annual conference — Matthew Bender & Company, Albany 1, N. Y.—$11.50.

National Wholesale Druggists Association 1958 Membership & Executive Directory — National Wholesale Druggists' Association, 60 East 42nd Street, New York 17, N. Y. (paper), $2.00.

New India: Progress through Democracy—Planning Commission, Government of India—The Macmillan Company, 60 Fifth Avenue, New York 11, N. Y. (paper).

Older Worker Placement—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y. (on request).

Organization and Administration of the Program in Your Bank— Booklet for banks on what to do in case of possible enemy attack—Banking Committee on Emergency Operations, 200 Madison Avenue, New York 16, N. Y. (paper) 50 cents.

Our Foreign Aid Follies—Reprints of an address by Eugene W. Castle—Eugene W. Castle, 30 Rockefeller Plaza, New York 20, N. Y. (paper).

People of Coal Town—Herman R. Lantz — Columbia University Press, 2960 Broadway, New York 27, N. Y.—$5.75.

Plastic Steel Patterns—Brochure on specialized stainless steel and alloy casting facilities — Alloy Steel Casting Company, 103 County Line Road, Southampton, Pa.

Postwar Trends in Productivity —U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y. (on request).

Practical Financial Statement Analysis — Roy A. Foulke — McGraw-Hill Book Company, 330 West 42nd Street, New York 36, N. Y., $10.00.

Productivity — A Bibliography — Bulletin 1226—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y., $1.00.

Productivity: A Bibliography—U.S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Ave., Room 1025, New York 1, N. Y., $1.00.

Quiz on Railroads and Railroading —Association of American Railroads, Transportation Building, Washington 6, D. C. (paper).

Radio Chromatogram Scanning — Details of the Actigraph II System—Nuclear-Chicago Corporation, 223 West Erie Street, Chicago 10, Ill. (on request).

Railroad Situation . . . As The Editors See It — Sampling of editorial opinion throughout the country—Association of American Railroads, Transportation Building, Washington 6, D. C. (paper).

Regulations Relating to the Control of Foreign Assets and Foreign Funds in the United States —Bank for International Settlements, Basle, Switzerland (Supplement No. 15).

Samuel Montague's Review of Foreign Exchanges — Samuel Montague & Co., Ltd., 114 Old Broad Street, London, E.C.2, England (paper).

Savings and Loan Associations — Trends and developments since World War II—American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper) $1.00.

Stock Exchange Official Record— Stock Exchange of Melbourne, Melbourne, Australia.

What's Ahead for Homebuilding in 1958—U. S. Department of Labor, Bureau of Labor Statistics, 341 Ninth Avenue, New York 1, N. Y.

Who's Who in Commerce and Industry—Index to executives— A. N. Marquis Company, Marquis Publications Building, Chicago 11, Ill.—$21.25.

Strauss Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Leslie J. Howard, Jr. has been added to the staff of J. S. Strauss & Co., 155 Montgomery Street. He was formerly with Brush, Slocumb & Co.

With Cartwright, Valleau

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—John R. Smart, Jr. is now affiliated with Cartwright, Valleau & Co., Board of Trade Building, members of the Midwest Stock Exchange.

COMING EVENTS

In Investment Field

March 19-20, 1958 (Chicago, Ill.) Central States Group of Investment Bankers Association of America annual spring conference at the Drake.

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 Hilton 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.

May 12-13, 1958 (Cleveland, Ohio) Association of Stock Exchange Firms Board of Governors meeting at Statler Hotel.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Leaders in both political parties are deeply impressed by this singular aspect of the current recession: Soon after production and sales begin to sag, the cry arose for the government to "do something." In other recessions of history, a majority of the nation appeared willing to let the natural laws of supply and demand operate to equalize business ups-and-downs. Clamor for government action in the past has arisen chiefly from a handful of those advocating control of business and industry by the state.

Today, the story is different. People are no longer willing to allow natural economic laws to bring about business corrections. Almost at the first sign of falling prices or declining industrial production, there arises widespread demand for government action to reverse the trend.

Congressional leaders are soberly impressed by another angle of the recession: Most people don't want deflation, although they may talk loosely about the "need" for it. In other words, deflation has been at work now for some months, and almost nobody likes it.

Like "Controlled Inflation"

In the cloakrooms of the Congress, they're pointing out this moral: What people really want is a long-run, carefully-controlled inflation. True, owners of property are damaged by the continued erosion of the dollar's purchasing power. But the politicians are coming around to the idea that a majority of the voters like controlled inflation, with its regular wage rises. Many voters believe fondly that their higher incomes will somehow more than offset their increased costs. The fact that this is an economic impossibility doesn't seem to bother them. Politicos, shrugging off the illogic of the situation, say "if the voters have decided they prefer inflation to deflation, we'll see that they get it."

To the more sober-minded among both parties in Congress, this trend is toward greater reliance on "Mother Government" is disturbing. But it's privately conceded that the drift in this direction will probably worsen before it improves.

Individual Tax Cuts Favored

Tax reduction — if it comes this year—is likely to take the form of flat-sum reductions for individual taxpayers. A cut of $50 per person is the figure most discussed in Congressional taxwriting circles.

The Treasury Department is openly dismayed by this approach to tax reduction. T-men point out that the loss of revenue to the government would add up to nearly $3.5 billion. And a tax cut of $50, spread out over a year's pay periods, would seem like chicken-feed to the individual taxpayers, it is pointed out.

Thus, workers paid every two weeks would notice a gain of only about $2 in each pay check —hardly enough to generate much gratitude for the politicians who hollered the reduction through Congress. But these individual cuts all add up to several billions. After all, $3.5 billion will buy some badly-needed national defense-rockets, missiles, and the related hardware needed to sustain jet-age defense.

There's little talk in Congress of voting any reduction in the existing tax rate of 52% on corporation income. (The politicians say frankly that incorporated business just doesn't have the political sex appeal that individual voters have, and if there's to be any tax-cut bill at all, it's the individual who is to be favored.)

Spread Confidence, Ike Asks

Orders are out from the White House to all Administration officials: Stop bleating about the recession and start selling confidence and selfhelp to the public.

Ike is openly annoyed with his Cabinet officers and other top lieutenants over some of the "gloom-and-doom" talk that's going around in official circles.

Nothing is to be gained by wailing over the current lack of industrial orders, he declares. What all executives — both in government and in business—should be doing is generating some confidence so as to stimulate new orders, he says. Mournful talk only makes things worse.

Might as well recognize that today's markets are buyers' markets, the White House orders continue. This means both industrial commodities and consumer products. Instead of moaning about this fact of economic life, recognize it and learn to live profitably with it, the chief executive says.

You can expect to find this more optimistic tone running through more and more of the speeches made by top Administration officials in the weeks ahead. Sure, it's impossible to talk our way out of a depression. But Ike's reasoning is that some cheerful speeches will at least restore some buying confidence to consumers so as to stimulate sales of new homes, automobiles, and some other consumer hard goods.

All Projects "Defense" Projects

All kinds of wild spending projects are being misrepresented as "essential to national defense," a House leader warns. Rep. Clarence Cannon (D), Mo., the Chairman of the powerful House Appropriations Committee, says the "pork barrel boys" and others representing sectional interests, are roaming the halls of Congress this year, claiming "national security" or "national defense" is involved in every conceivable scheme to spend Federal dollars.

"There's no reason to get hysterical and spend vast sums of money for everything," Mr. Cannon says.

"There are a great many spenders who use every event to bolster their demands for appropriations. The sputniks are a God-send to these fellows," he declares.

More Renegotiation Asked

The Administration is urging the Congress to extend the Renegotiation Act again past its scheduled expiration next December 31.

The extension, President Eisenhower says, is needed "in the interest of holding procurement costs to a minimum" in the expanded national defense program.

The 1951 Act has resulted, according to the Renegotiation Board, in refunds and price reductions of almost $1.3 billion since it was adopted. The Board expects to settle 1,600 cases in the current year.

There is at present a backlog of some 2,000 cases pending before the Board. New filings this year will hit 22,900, the Board says.

Extra Defense Dollars Asked

Here's further evidence of the coming pick-up in defense spending: The Pentagon is asking the Congress for an extra $1.3 billion for the fiscal year starting July 1. This sum will be on top of the $39.1 billion asked in January. Congress has not yet completed action in this request.

The extra spending money, if granted by the Congress, thus will bring to nearly $40.5 billion the total amount available for all kinds of defense projects in the new fiscal year.

In addition, Congress has voted an extra $1.2 billion to be spent in this fiscal year—before July 1.

Nearly all of the extra money is being earmarked for procurement of rockets, missiles, some piloted aircraft, and the related required hardware. Defense Secretary McElroy says he'll use the extra funds for:

An advanced rocket engine with 1,000,000-lb. thrust.

Development of improved early-warning devices (against enemy missiles).

More earth satellites.

An undisclosed number of extra long-range B-52 jet bombers.

Awarding of these additional defense contracts is bound to have a further stimulating effect on the economy. Electronics manufacturers, particularly, will benefit by the juiced-up spending program. Payrolls will rise. Consumers will have more spending money available. All told, it spells out not only beefed-up defense, but a potent shot in the arm for the sluggish business activity now prevailing in many sections of the country.

More Waste in Foreign Aid Found

Sworn testimony on waste of U. S. overseas aid money is stirring up new resentment in Congress. The complaining testimony comes largely from the independent—and influential—General Accounting Office. The House Appropriations Committee as a result is telling the GAO to keep the investigation going, and is planning to regard all requests for extra foreign-aid money with a fishy eye.

The U. S. spends about $8 billion a year on foreign aid. About half of it goes for military assistance (planes, guns, small arms, ammunition, supplies for troops). Balance goes for so-called "economic aid," which includes all assistance projects not directly related to military aid. This other $4 billion covers schools, highways, water and sewer works, foodstuffs, civilian vehicles, and medicine.

The GAO is not concerned with judging if foreign aid is needed or not. As an accounting office, it is interested only in whether or not the U. S. taxpayers get what they pay for. Unfortunately, there is much waste in the foreign aid program. Equipment is often left unattended and unwarehoused, subject to pilferage, corrosion, and wholesale theft by Russian agents. U. S. supply officers often don't know what they have in inventory — and some give the impression that they don't care.

The House Appropriations Committee is telling the GAO to step up its investigation. Branch offices of the GAO are being set up in Japan and other Far Eastern centers.

What angers many Congressmen is that the Administration presents its foreign aid plans to the Congress each year with the assurance that "this is a tight, lean budget." (This isn't always the case, unfortunately, and the State Department will probably find its giveaway budget reduced somewhat this year as a result of its ineptness in running its handout programs.)

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

BUSINESS BUZZ

"I don't know whether to put him on a quiz show or take him to a psychologist!"

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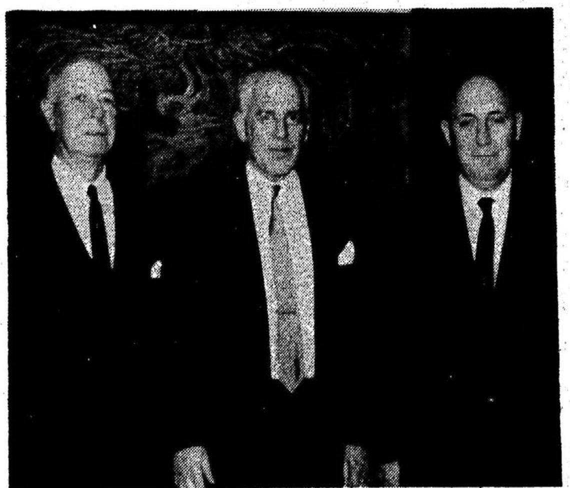

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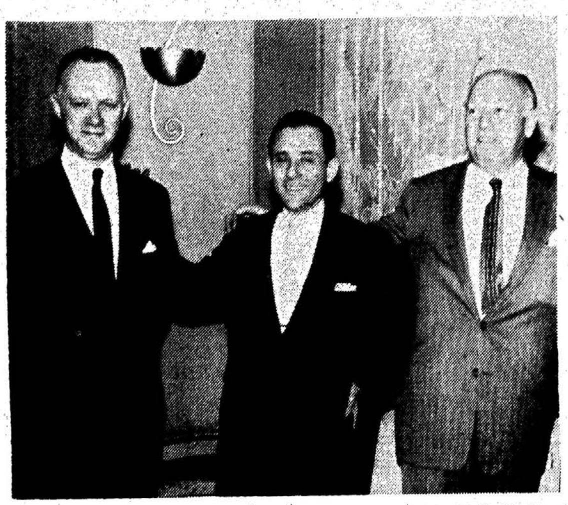

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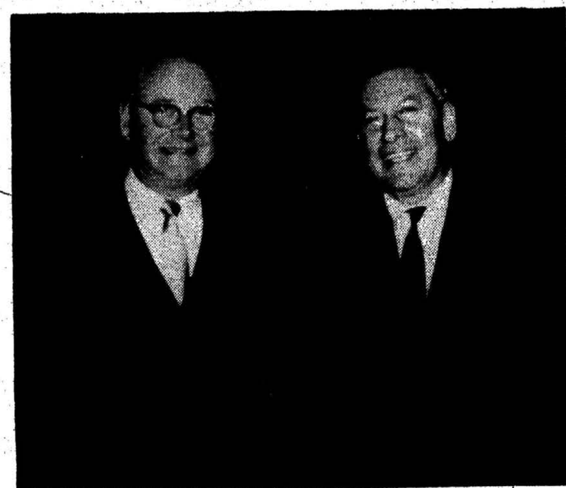

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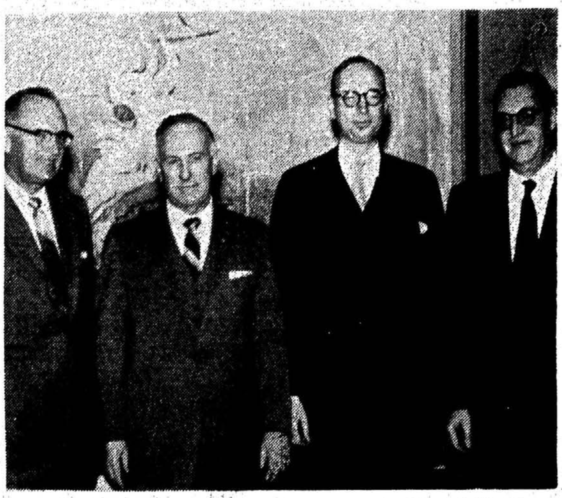

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